

## **A Credit Manager's Risk Strategy: the Covid 19 perspective**

The Covid 19 Pandemic is first and foremost a human tragedy with sufferings and fatalities on an enormous scale. The Government's lockdown action has also created a huge slowdown in economic activity - effectively putting the economy to sleep for an unknown period.

The severe and immediate effects of the lockdown, combined with an anticipated economic recession of speculative length and severity, calls for immediate business response. Understandably, strategic survival has shot up the agenda as organisations come to terms with little or no revenues for the foreseeable future.

The unthinkable is becoming mainstream as organisations are forced to radically re-shape practices and revisit their entire business model. Senior teams will want to understand how much risk we hold in our sales ledger, and how this risk can be best mitigated in such an uncertain time.

As managers of what is often an organisation's largest asset, credit professionals must act – and quickly.

Below are some actions to take, to re-strategise our risk portfolios:

- Revisit the framework used for assessment
- Review ALL customer exposures in the business portfolio
- Adjust risk category classifications and regroup customers as necessary
- Introduce more securitised options to support the credit sale
- Create a layer of enhanced due diligence to high risk orders
- Distinguish between customers who will see reduced revenues and those who will experience no revenues for the foreseeable future and treat each group differently
- Widen collection agent toolkits to include more flexible choices
- Cost out the impact of offering payment holidays, instalment plans and discount incentives
- Examine aged debtor analysis to help predict future default rates and cash flow
- Adjust bad and doubtful debt provision by coupling historical performance with financial effects of the Covid-19 crisis.

Want to know more? Look out for CICM's forthcoming **webinar by risk expert Jean Pousson**.

Coming soon – the new approach to risk assessment in the current climate.