

SECTION 10

PROMOTING AND MARKETING TRADE INSURANCE

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CHAPTER I

ENHANCING INTERNATIONAL TRADE THROUGH TRADE INSURANCE

Introduction

1. While Irrevocable Letter of Credit (ILC) is the most wanted term of payment in international trade, the offering, of credit is becoming more common as international trade is getting more competitive.
2. If an exporter does not know the buyer well, it is not prepared to extend credit for fear of not getting the money back. It will not accept the orders which will then go elsewhere or, worse still, to an exporter in another country.
3. Export credit insurance assesses the buyer's creditworthiness, monitors the credit risks involved, assists in chasing overdue and compensates the exporter. It also helps obtain export finances. It places top exporters in a very good position to offer flexible payment terms and capture more orders. It, therefore, enhances the exporters' competitiveness in international trade.

Expansion of overseas business

4. Information is vital in assessing credit risks. Exporters, particularly the small ones, usually do not have the resources. A credit insurer has:
 - (a) an international network of credit information agencies;

- (b) an independent team of risk analysts;
- (c) an international network of debt collectors.

It, therefore, possesses the resources and skills to do an impartial and professional risk assessment job.

5. With this assistance and protection, exporters can prudently extend Credit and capture more orders.

Credit Management role

6. A credit insurer is acting more like a professional credit manager than an insurer. On behalf of the exporters, it assesses and monitors risks and assists in chasing overdues. This saves exporters' resources, takes away most of their worries and enables them to concentrate on trading.

Additional Working Capital

7. Working capital is much needed by exporters, particularly the small ones. In Hong Kong, export credit insurance is taken by banks as a valuable collateral for export financing. Over 60 % of the insured use it to obtain financing.

8. There are three kinds of assignments

- (a) whole policy;
- (b) specific countries; and
- (c) specific buyers.

Loss Minimization

9. Through its years of debt collection experience and with its global network of debt collectors, the credit insurer can help exporters chase overdue debts. This will help minimize monetary loss and recoup working capital.

Supplier credit

If export credit insurance can be arranged by an overseas supplier, an importer in China is no longer required to open ILC. More supplier credit can be obtained through this means. Exporters, acting as intermediaries, can win more orders.

CHAPTER II

MARKETING PLAN, IMPLEMENTATION AND EVALUATION

1. Introduction

Alice: "Would you tell me, please, which way I ought to go from here?"

Cat: "That depends a good deal on where you want to get to."

Alice: "I don't much care where."

Cat: "Then it doesn't matter which way you go."

Alice: " So long as I get somewhere."

Cat: " Oh, you're sure to do that if you only walk long enough."

Lewis Carroll - Alice's Adventures in Wonderland.

Unlike Alice, marketing planners must know where they want to get to in order to deploy limited resources and employ the best efforts for the most profitable results. The road that a business chooses to travel in the future cannot materialize from wishful thinking, but will result from objective, knowledgeable, and well-organized judgements about the futurity of its current decisions.

2. Peter Drucker sums up:

"The future will not just happen if one wishes hard enough. It requires decisions - now. It imposes risk - now. It requires action - now. It demands allocation of resources, and above all, of human resources - now. It requires work - now."

Marketing

3. Marketing is about which way to go and how to get there. It has become an important part of business and yet it is extremely difficult to define exactly what it is. There are many ways to define marketing.

4. Marketing, as defined by the American Marketing Association's Board of Directors, is:

"The process of planning and executing the conception, pricing, promotion, and distribution of ideas, goods and services to create exchanges that satisfy individual and organizational objectives."

5. Philip Kotler, in his book entitled "Marketing Management: Analysis, Planning and Control", defines marketing, as the social process by which individuals and groups obtain what they need and want through creating and exchanging, products and value with others."
6. Hugh Davidson, in his book "Offensive Marketing or How to make your Competitors Follow", says: "Marketing, is the process of balancing the company needs for profit against the benefits required by consumers, so as to maximize long-term earnings per share" and "Marketing, is a philosophy and a method of achieving corporate financial objectives."

Strategic planning

7. Planning does not ensure successful performance, but it provides disciplined appraisal, goal setting, and action steps to maximize success. It is a predetermined application of resources for their most profitable use. A marketing plan is an organized thought process and communication system.
8. Strategic planning is vital to steer a company on course. It enables a company to gain a competitive edge by strategically positioning the company in the right markets at the right time, securing rapid and profitable growth during good times or survival in bad times until you can catch the next upswing in the business cycle. Strategic planning is the best vehicle you have to get where you want to go. It gives you a clear vision and direction.
9. Some managers wonder what the difference is between a strategic plan and a business plan. The easiest way to distinguish one from the other is to think of one as general (the strategic plan) and the other specific (the business plan). The strategic plan deals with the whole company

while the business plan deals with detailed implementation of one specific aspect of the strategic plan.

10. A strategic plan is concerned with the entire company: what it produces, where it competes and how it allocates resources. It deals with fundamental choices that will affect the entire organization - choices about the future.
11. Business plans are concerned with the details of implementation after the big strategic choices are made: you first need to decide where you want to go and how you are going to get there. Business plans, therefore, are involved in the last stage of strategic planning: the implementation process.

Implementation

12. A plan is nothing, unless it translates into work. Implementation is the most important part of the whole planning process. There is no point in going through all the effort to create a vision, establish objectives, set goals and devise strategies if you fail to implement the corporate plan inside your company. If the plan is not successfully implemented most of the preparatory work will have been wasted.
13. PA Consultants estimated that over 95 per cent of all strategies designed in the late 1970s and early 1980s were never fully or effectively implemented.
14. Corporate culture is "the way people do things around here". It is a source of motivation and demotivation, of satisfaction and dissatisfaction. It can be a positive tool for competitive advantage or a barrier to change. It is important to develop a clear, positive corporate culture.
15. There are five competing concepts in conducting marketing activities:
 - (a) Production concept

The production concept holds that consumers will favour those products that are widely available and low in cost. Management in production-oriented organizations concentrates on achieving high production efficiency and wide distribution coverage.

(b) Product concept

The product concept holds that consumers will favour those products that offer the most quality, performance and features. Management in these product-oriented organizations focus their energy on making good products and improving them over time.

(c) Selling concept

The selling concept holds that consumers, if left alone, will ordinarily not buy enough of the organization's products. The organization must therefore undertake an aggressive selling and promotion effort.

(d) Marketing concept

The marketing concept holds that the key to achieving organizational goals consists in determining the needs and wants of target markets and delivering the desired satisfaction more effectively and efficiently than competitors.

(e) Social marketing concept

The social marketing concept holds that the organization's task is to determine the needs, wants, and interests of target markets and to deliver the desired satisfactions more effectively and efficiently than competitors in a way that preserves or enhances the consumer's and the society's well-being.

16. Export credit insurance is not simply a tool for protection. It provides a comprehensive range of credit management services. Good customer service is of paramount importance.

17. Implementation is the process to convert strategies into realities. It is said to be the sternest test of management's ability to lead and manage. It involves the following important elements:

1. Leadership
2. Communications
3. Action plans
4. Budget
5. Timetables
6. Reviews

Feedback loop

18. Information is important in ensuring the implementation process is on track and, where necessary, appropriate corrective actions are taken. The feedback loop of channelling external reactions and responses to the company is necessary in the implementation and evaluation procedures. Marketing staff should look out for and even ask for feedback on the company's performance. Critical comments provide opportunities to improve performance.
19. Ten most frequently encountered problems in implementation are:
- (a) Implementation took more time than originally allocated
 - (b) Major problems surfaced which were not identified beforehand
 - (c) Coordination of activities were not effective enough
 - (d) Competing, activities and crises distracted attention
 - (e) Employee capabilities were insufficient
 - (f) Inadequate training and instruction for employees
 - (g) Uncontrollable external factors
 - (h) Inadequate leadership and direction by department managers
 - (i) Key tasks and activities were not defined in enough detail
 - G) Inadequate information systems for monitoring
20. Three main reasons for failures in implementation of marketing plan:
- (a) the company failed to set objectives correctly
 - (b) the company failed to modify objectives in the light of changing experience; and
 - (c) the company failed to execute the necessary actions

Control

21. Three types of marketing control:

- (a) Annual-plan control
- (b) Profitability control
- (c) Strategic control

22. Annual plan control is the task of making sure that the company is achieving the sales, profits and other goals that it has established in the annual marketing plan:

- (a) setting, well-defined goals for each month, quarter or other accounting period;
- (b) measuring its on-going performance;
- (c) determining the underlying causes of any serious gaps in performance;
- (d) deciding on the best corrective action to take to close the gaps between goals and performance.

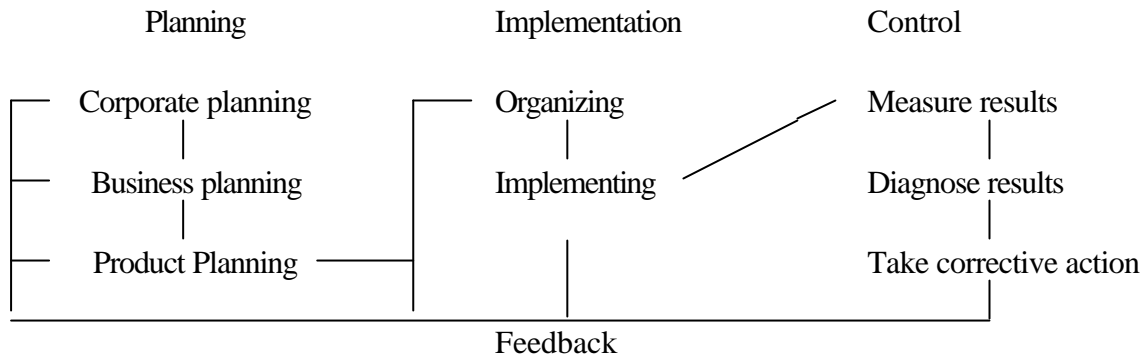
23. Companies also need to analyze periodically the actual profitability of their different insurance facilities. Marketing profitability analysis can be used to measure the profitability of different marketing activities. Marketing efficiency studies might also be undertaken to show how various marketing activities could be carried on more efficiently.

24. From time to time, the company must stand back and critically examine its overall marketing plan and decide whether it continues to make good strategic sense. Marketing, is one of the major areas where repaid obsolescence of objectives, policies, strategies and programs is a common possibility.

25. Through these systems, the company monitors and adapts to the marketing environment. The company takes the factors and forces in the marketing environment into account in developing strategy and positioning itself strategically in the target market.

Strategic planning process

27. The whole planning implementation and control process is:



CHAPTER III

MARKETING TECHNIQUES AND HKEC'S EXPERIENCE IN MARKETING

Market experience in Hong Kong

For an export credit insurer, the total size of the market is the volume of exports that is conducted on credit terms. But there is non-insurable business (e.g. in-house transactions). No official statistics are available to provide an accurate estimate. Survey methods may be used to segment markets and estimate likely demand. The potential markets are those not yet insured and appropriate marketing techniques should be used to tap individual market segments.

2. A commercial credit insurer's goal is to transact profitably in target markets. Official credit insurers may have a different goal, e.g., to support export trade. The company's mission and corporate goal will affect the way it operates in the market.
3. Credit insurance is not monopolistic. Competition may come from:
 - (a) Self insurance;
 - (b) Banks who do not insist on protection;
 - (c) Factoring companies;
 - (d) Foreign insurers through insurance brokers;
 - (e) Local providers - local insurers and local branches of foreign credit insurers.

However, competition in Hong Kong is not particularly fierce from (c), (d) and

(e). Focus is on convincing exporters and/or banks to insure.

4. There are over 180 banks in Hong Kong. They are active in trade and project financing. The banking industry in Hong Kong is indeed very competitive. Many banks no longer insist on full security, and are prepared to accept financing on less secured terms. They increasingly are

accepting HKEC's policy as a valuable collateral security in trade financing. Over 60% of HKEC's insured business adopts this form of security to obtain financing. More business can be tapped through banks.

5. The basis of insurance affects business acquisition. Whole insurable turnover requirement has met with growing resistance. Some exporters will walk away if this concept is rigidly held. More business is possible if:
 - (a) Whole insurable concept is not insisted upon
 - (b) Flexible terms of cover are offered
 - (c) Tailor-made cover is made for large exporters

6. Public awareness of the values of export credit insurance is important to business acquisition. Continuous publicity and promotion are necessary to enhance corporate image and obtain business from potential customers. Though public relations activities are costly, sufficient resources must be allocated.

7. Exporters may have different needs for insurance:
 - (a) Protection
 - (b) Credit advisory service
 - (c) Expansion of export trade
 - (d) Debt collection advisory service

An analysis of the needs will enable a company to formulate its market segmentation and targeting strategy-

HKEC's marketing mix

- (a) **Insurance facilities**

8. While the basic insurance facility is offered to the general public, tailor-made cover or flexible cover should readily be extended to certain target groups which:

- (i) insure substantial volume of business.
- (ii) insure a portfolio of good spread of risks; and
- (iii) have a good track record;

Tailor-made cover includes single risk cover and flexible cover includes cover with rebate, no claim bonus, long term contract etc.

(b) Pricing

9. If an exporter seeks cover, it accepts a reasonable level of premium cost. Pricing, however, becomes a crucial element when the exporter loses interest in the cover (through dissatisfaction in the quality of service or the scope of cover or when there are competitors; flexible pricing policy should then be implemented.

(c) Public relations

10. Public relations expenditure is the third largest expenditure item in HKEC, after salaries and credit information. It takes up slightly over 5% of the total operating expenses. The following media are used:

- (a) Leading, newspapers and magazines;
- (b) Roadshows;
- (c) Radio;
- (d) MTR train and stations;
- (e) Direct mailing; and Telephone marketing.

In addition, over 60 seminars are conducted every year.

(d) Distribution channel

11. HKEC relies on its direct sales force to get new business and retain customers.

12. HKEC is now employing a professional broker to market its products. The result is not good. Brokers may be more actively used if competitors are using them.

CHAPTER IV

A NORTH AMERICAN APPROACH

1. MARKETING RESEARCH

Customer Research

- Customer Satisfaction
- Lead Generation
- Lost Account Research

Communications Research

- Advertising Testing and Tracking
- Let's Talk Risk Workshops

Internal Research

- Product Research
- Employee Satisfaction
- Corporate Imaging / Familiarity

Product Development Research

- SME Financing Products
- SME Working Capital

2. ADVERTISING AND DIRECT MARKETING

Advertising & Promotion Objectives

- Set measurable performance objectives:
 - Response rates based on inquiries from 800 lines, reader reply cards, Internet web site
 - Sales conversion rates
 - EDC awareness levels among prospect audiences
 - Recall levels of EDC ads.

Trade Shows

- "Participation" takes many forms:
 - Limited attendance
 - Staffed booth
 - Looping computer presentations
 - Speaking engagements
 - Pre-show delegate letters
 - Post-show delegate follow-up
 - Event sponsorship
- EDC is participating in 17 trade shows this year

Associations

Among EDC's target sectors, 35 industry associations have been identified and are being contacted for a variety of marketing activities:

- Membership lists for direct marketing and lead generation
- Association publications and newsletters for advertising and editorial opportunities
- Events, conferences, trade shows that may warrant some form of involvement
- Key industry contacts

Challenges and Opportunities

- Every year, one in four SMEs go out of business, making awareness building difficult
- The 'decision-maker' who buys the EDC product is either an owner or a financial specialist, rendering vertical advertising ineffective
- Many companies still don't know EDC
- No brand equity in "EDC", corporate signature is confusing

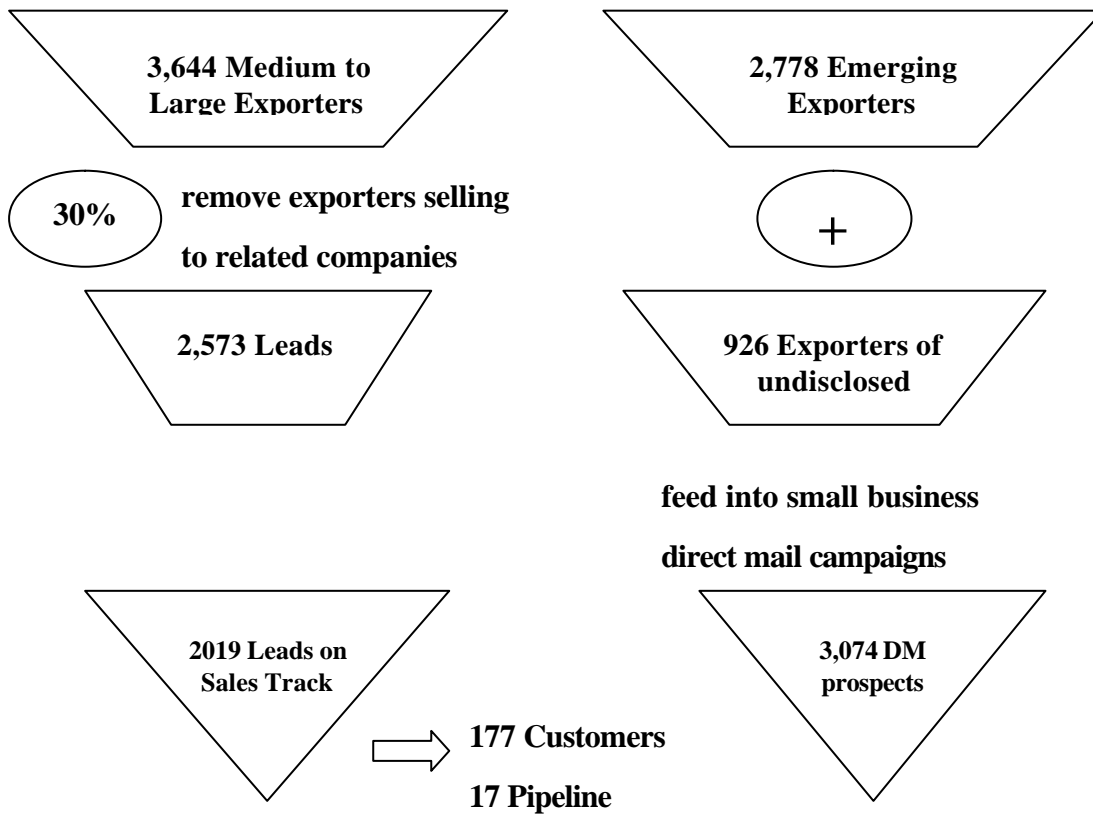
3. EDC MARKETING PROGRAM

Lead Generation Survey - Key Questions:

- Export and total sales
- % of exports to unrelated buyers
- familiarity with EDC
- primary product or service
- likelihood to use credit insurance
- likelihood to invest in developing countries
- export markets of interest

Results - Leads Generated 1996 & 1997 to date

7,348 interviews with Canadian Exporters



Converting Leads into Sales

- Not all follow-ups will result in new business - expect a conversion rate of 10-20%
- Conversion times (after follow-up) range from one day to two years - plan to reschedule many calls

Cost / Benefits of Generating Leads

	<u>1996</u>	<u>1997</u>
Cost per Lead	\$30	\$18
Cost per Sale	\$1,108	\$1,310

- Increased awareness of EDC among exporters, improved EDC knowledge of awareness levels
- Enrichment of Sales Trak with complete contact, product and sales information
- Development of a comprehensive exporter database, generation of mailing lists for Teams

Lead Generation - Quality Control

- Re-interviewing leads not followed-up within the last year
- Set team and BDM targets for lead follow-up rates, conversions
- Acquire more targeted lists of exporters
- Focus business development effort on top tier of prospects

4. Selling Through Brokers

What is a Specialist Broker?

- Experience with export credit insurance covering exposure both within and beyond the North American arena
- Knowledge of technical and legal requirements for trading goods in foreign countries
- Exposures to and understanding of Policy documentation such that assistance and guidance can be provided to a prospective insured with respect to product comparisons
- Knowledge across a broad range of industries such that a potential insured's business requirements are understood and can be fully explained to EDC

Direct Selling vs Selling Through Brokers

- Cost effectiveness
- Product understanding
- Relationship with customers
- Access to certain (larger) potential customers

5. Selling Export Insurance to and via Banks

Role of the Bank

- Provide exporter with access to working capital
- Confirm / negotiate / accept / pay documentary credits

Recent New "Products"

- Master Accounts Receivable Guarantee (MARG) - for small exporters, provides Banks with a guarantee on loans against receivables
- Grow Export Program - joint working capital guarantee program with Canadian Imperial Bank of Commerce for small high-tech companies
- Norhtstar Trade Finance - short-term policy tailored to cover medium-term credits (up to 5 years)

- Medium-Term Documentary Credits Policy - broadened short-term DC policy to cover medium-term LC's (up to 5 years)
- Bank Aval Policy - policy in development to cover Canadian banks on foreign bank avals rather than Letters of Credit

CHAPTER V

SYNOPSIS

PROMOTING AND MARKETING TRADE INSURANCE **- THE MALAYSIAN APPROACH**

Difference Between Selling and Marketing Concept

Selling Concept

- Emphasis is on the product
- Company first makes the product and then figures out how to sell it
- Management is sales-volume oriented
- Planning is short run oriented in terms of today's products and markets
- Stresses needs of seller

Marketing Concept

- Emphasis is on the customers' wants
- Company first determines customers' wants and then figures out how to make and deliver a product to satisfy those wants
- Management is profit-oriented
- Planning is long-run in focus in terms of new products, tomorrow's markets and future growth
- Stresses wants of buyers

Difference between Selling and Marketing Functions

- Both are independent functions
- Selling is focused around the point at which the potential customer becomes convinced of the value being offered by the product and commits to buy.
- Marketing function prepares the ground for the sales function
- Marketing precedes sales
- Marketing is upstream activity

- Selling is made up of a series of individual transactions

Marketing - Preparing the Ground for the Sales Function

- Defining the product / service offer in terms of market wants and how these may change in the future
- Identifying who the market is and what it consists of in terms of different groupings
- Determining how far to go in re-specifying existing offers for different groupings or generating new specialised offers (including prices)
- Determining how the end consumer will be made aware of the offer and its relative merits compared to the alternatives available
- Determining how the product is most effectively carried to the market

Segmentation

- Traditional view - best salesman is the one who "hard sells" to persuade the other person to buy
- Marketing attempts to reverse this traditional order
- The concept of segmentation (or classification) is at the heart of marketing
- The point is to match a customer want with a product or service which is profitable to deliver

Steps in Segmentation

- Find a form of classification which acts to differentiate a group within a mass
- Determine whether it is feasible and profitable for the supplier to segment the offer
- Involves the way the offer is made, communicated and brought to the market
- R & D input will test certain possible differentiating variables among the customers (eg. size, industry, sector, and geographical location)

Public Relations

- Two key components leading to a sale transaction
 - Awareness

- Confidence
- The brand attaches the "values" of the provider, eg., "living up to market expectations"
- Values behind trade insurance are:
 - Government backed
 - Long established
 - Well informed
 - Reliable
 - Fair
 - Caring
 - Courteous
 - Quick turn around for approval

Print Media

- Newspaper
- Specialised trade magazines, journals

Other forms

- Sponsorship
- Promotional activities

Public Relations Strategy

- Define specific public relations obligations
- Set budget
- Plan, coordinate public relations activities

Listening to the customer - customer care

- Selling credit insurance is not merely selling an insurance policy - it is selling a service
- Listening to the customer is a way of obtaining the feedback necessary to provide continuous product and after-sales service
- Customer care should build customer loyalty and enhance repeat business

Environmental Change

- Marketing strategies must respond to the world environment
 - Shifts in directions of trade
 - Currency turmoil
 - Different economies prosper and slip back
 - New industries emerge and old ones fade away
 - Patterns in claims
 - Directions of government trade promotion policies ie. to non-traditional markets

Adapting to Changes

- Identify and track key external measures or trends, eg. volume, composition and destination of exports
- Develop ways of servicing information through policyholder or buyer contact or own claims experience or Berne Union members' experience
- Develop ways of synthesising such information and decide about future direction of business

Special Problem in Marketing Trade Insurance

- Trade insurance sells pieces of paper
- Perceived as expensive and complicated to administer
- Insurance salesmen are often not perceived as well-meaning professionals
- Credit insurance should position itself as selling a range of services which include:
 - Advice on credit risks
 - Collection services
 - Or a whole range of risk management services

Three Key "Pillars" for a Trade Insurer

- Awareness
- Security
- Reputation

Awareness

- Awareness of the risks associated with non-payment
- Easier done during recession than boom time
- Easier in some industries and markets than others
- Trade insurance as an appropriate reference to those risks
- Unwise to insist on insuring LC transactions all the time
- Challenge against self-insurance

Security

- Will the trade insurance pay if the insured business goes bad?
- Ex-gratia claims

Reputation

- Fairness
- Customer care

Added Value in Trade Insurance

- Provide trade insurance more efficiently or effectively - through information technology
- Speed of decision on credit limits
- Consistency
- Ease of access - on line computer
- Reduced cost
- Sell services
- Buyer information
- Country information
- Join an international networking organisation eg. Credit Alliance

SELLING TO THE EXPORTER

Introduction

- How sales are performed and organised - "marketing"
- Selling is only a small part of marketing
- Successful selling process depends on good marketing plan

Organising a Sales Department

Sales Strategy

- Prospecting
- Communicating
- Selling
- Servicing
- Information gathering
- Allocating

Two types of sales organisations:

Full Task Approach

- Prospecting
- Communicating
- Selling
- Servicing
- Information gathering
- Allocating

Narrow Approach

- Prospecting
- Selling
- Information gathering

Advantages and Disadvantages

Which sales organisation to adopt depends on:

- Market situation
- Customer segmentation
- Flexibility in the product
- Competition

Therefore, it is difficult to choose an organisational structure in advance

Controlling the Sales Representatives

- Define clearly general negotiating authority of the sales representative
- To what extent the sales representative may deviate from these general policies
- Sensible control of sales efforts:
 - Clear understanding of general policies
 - Personal authority
 - Flexibility
 - Control by management
 - Quotas
 - Activity plan vs. activity result
 - Regular formal evaluation
 - Customer feedback
 - Coordination between underwriters and sales personnel

Remuneration of Sales Force

Normally consists of:

- A fixed amount
- A variable amount
- Expenses
- Fringe benefits

Organisation and Structure of Sales Activity

Sales Approach

Two basic approaches:

- Order - taker approach
- Order - getter approach
- Sale-orientated approach
- Customer-orientated approach

Sales Parameters

- Advertising
- Direct mail
- Telesales
- Personal sales work in the form of meeting activities (cold / warm canvassing)
- Own information database
- Combination of the above

The Personal Sales Phases

- Marketing plan
- Sales objectives of the company
- Prospecting and qualifying
- Pre-approach
- Approach
- Presentation and demonstration

- Handling objections / negotiation
- Closing
- Follow-up

Prospecting and Qualifying

- Identify and prioritise potential customers
- Basis of identification:
 - Newspaper articles
 - Publicly available registers on companies
 - Present customers' recommendation
 - Industrial organizations
 - Yellow pages
 - Database on CD ROM

Pre-Approach

- Know the customer before approaching such as:
 - Type of business
 - Size of the business
 - Market
- Sales representative then has to decide:
 - When to contact customer
 - The convenient way to contact the customer
 - Which call objectives should be determined for a prospect

Approach

- Initial contact
 - Personal appearance
 - Opening lines
 - Follow-up remarks

Presentation and Demonstration

- AIDA Formula:
 - Attention
 - Interest
 - Desire
 - Action
- Presentation by support tools such as AV, OHP, Laptops etc.
- Distinguish between:
 - Customer benefits, and
 - Product features
- Need - Satisfaction Approach
- Influence strategies:
 - Legitimacy
 - Expertise
 - References
 - Ingratiation
 - Impression management

Handling Objections / Negotiations

- Psychological objections / resistance
- Logical objections / resistance
- Interviewing technique

Closing

- Understand signals from buyers before closing the sale
- Techniques for encouraging closure:
 - Special benefits with prompt decision
 - Offering special product characteristics

Follow-Up

- Ensure customer satisfaction
- Maintenance of lasting business relations
- Always contact customer

APPENDIX 1

SELLING TO EXPORTERS

CASE STUDY

Sales representative A of Malaysia Export Credit Insurance Berhad, has identified XYZ Bhd. as an interesting prospect. By way of credit information, a newspaper article about the company's successful expansion and the annual accounts received from the local register of companies he has obtained the following data on the company:

Total turnover	USD 20,000,000
Export turnover	USD 12,000,000
Net worth	USD 4,000,000
Terms of Payment	Normally net 60 days from date of invoice
Major export markets	United Kingdom 28% of exports
	Japan 20%
	USA 27%
	Taiwan 10%
	Singapore 10%
	Canada 5%
	France 5%
Line of business	Furniture
History	Established in 1948
Experience with credit insurance	None

Furthermore he learned from calling the company's Financial Manager that the company has had two bad debts during the past three years totalling approx. USD 30,000 (one in Germany and one in Mexico). During the conversation the Financial Manager also expressed his interest in hearing more about the possibilities of insuring the company's export debtors as the company has a current outstanding balance of approx. USD 50-60,000 on each of its 25 debtors. The solution must include

cover for both commercial and political risks. In comparison, the current balance for each of the company's other 175 debtors does not exceed USD 15,000.

He stressed however, that since the company has sustained very few losses on its debtors, they were only interested in paying a very small premium for the insurance as they had so far been quite satisfied with not having any insurance, which had proved profitable when calculated over a number of years.

The expansion they have experienced in the past few years has, however, resulted in a considerable influx of new buyers and to a certain extent, new markets (Mexico, France, Pakistan) and specifically in this area they might be interested in taking out insurance until they know these buyers better, said the financial manager. On the other hand, business conditions are improving on most of the markets for which reason the risk of sustaining a loss is assumed to be reduced considerably.

APPENDIX II

SELLING TO / VIA BANKS

FACTORING

Banks as Brokers

- Marketing - individuals and companies can go to one address for all their financial needs
- Company has good access to the clients who have only bought bank product, to sell insurance to and vice versa.
- Bank-related brokers are called "dependent" or "bank-related"

Questions

- Do you use banks as a distribution channel?
- Do you experience any difference between independent specialised brokers and bank-related brokers?
- Do you have a special incentive program for bank-related brokers?

Banks as "Influencers"

- Banks can use credit insurance as a tool
 - To provide attractive financing
 - With extra security for themselves

Questions

- Do banks in your country give a higher credit-facility if a customer has an insurance policy?
- How do banks in your country view the value of a credit insurance policy as a pledge of the accounts receivables?
- Do you use this benefit of credit insurance as an important selling argument?

Banks as Competitors

- Both banks and credit insurers offer financial services
- Different types of credit, but some overlap:
 - Bank credit
 - Sellers credit

Questions

- Do you consider L/C's as an important competitive product?
- Can you compete on price with L/C's?

Factoring

- Factoring - a credit management service
- The factor offers a range of services:
 - Cash advance
 - Administration
 - Debt collection
 - Credit insurance
 - The client is not obliged to buy the whole service, but can select parts.
- A factoring company is a rival for a credit insurer
- Factoring is more expensive than credit insurance

Questions

- What are the advantages and disadvantages of factoring?
- For which companies could factoring be attractive?
- Do you encounter competition from factoring companies?
- Do you have any experience with factoring companies as clients?