ASSESSING RISK AND GETTING PAID

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The ultimate step in any export transaction is getting paid. Many small and medium-sized enterprises (SMEs) never take the first step in exporting because they are unsure of the last step. For any SME that has ever wondered how to manage a non-U.S. receivable, help is on the way.

PARTNERSHIP FOR CREDIT MANAGEMENT

The help comes from Maryland-based Finance, Credit and International Business (FCIB), a subsidiary of the National Association of Credit Management. FCIB has recently partnered with the International Trade Administration (ITA) to pilot an on-line course in international credit management.

FCIB, a leading international credit and trade finance association with 800 members in 30 countries, became an ITA partner through the Market Development Cooperator Program (MDCP). In October 2001, FCIB and six other non-profit export multiplier groups received MDCP awards. In addition to financial assistance, ITA provides professional support to award winners like FCIB. Professionals from the Office of Finance of ITA's Trade Development and from ITA's Commercial Service are helping FCIB to achieve its goals.

INTERNATIONAL CREDIT MANAGEMENT

As numerous U.S. firms will attest, having a superior product and an effective sales pitch often are not enough to compete in the global marketplace. Once a foreign buyer is offered certain attractive credit terms from one supplier, all competing suppliers are expected to offer the same or simular terms.

In its on-line course, FCIB will show U.S. firms what kind of terms are being offered, how to finance them, and how to determine whether or not a sale is worth the risk in the first place.

ASSESSING RISKS

For sales to domestic customers, U.S. firms can minimize the risk of non-payment in part because of the well-established commercial infrastructure that features everything from credit reporting agencies to the Uniform Commercial Code. Through FCIB's on-line course, U.S. firms can discover what kind of commercial infrastructure exists beyond the borders of the United States.

U.S. firms will learn how to apply to international sales some of the same skills they use for domestic sales, such as performing credit checks on new customers. However, many of the topics covered will be specific to international trade and may be new to many U.S. companies. For example, much of the risk inherent with international sales has nothing to do with the creditworthiness of potential customers.

Even when a customer pays on time, fluctuations in foreign currency exchange rates can reduce a profitable sale to a loss in a matter of days. FCIB will show U.S. firms various ways to mitigate potential losses from exchange rate fluctuations.

Other variables that go beyond the realm of creditworthiness include country risk and the cost of credit. In some countries, the cost of credit can increase dramatically between the date of sale and the date of payment. Capricious swings in a foreign economy may pressure even a creditworthy customer to delay payment. The same is true for political events that effect the economy and are beyond the control of customers. FCIB will help credit managers to consider macroeconomic and political vagaries in their sales and credit decisions.

GETTING PAID

It's difficult to underestimate the effect that the terms of sale have on a firm's credit management and success in a market. A U.S. firm offering credit terms of "30 days net, ex-factory" cannot compete in a market where buyers expect "90 days net, delivered, with a 2 percent discount for early payment." Knowing such business basics in new markets allows credit managers and marketing managers to price product, screen customers, and arrange logistics that allow companies to compete without hurting their bottom line.

Sometimes, U.S. sellers must be prepared to offer a variety of payment methods ranging from letters of credit to open account. Once the sale is made, U.S. sellers must choose how to manage the receivable. Options range from accounts receivable financing to forfaiting. FCIB will help credit managers consider a number of different alternatives.

THREE HOURS PER WEEK

FCIB's course is designed with the busy credit manager in mind. Most participants should be able to complete the course by investing only about three hours per week over twelve weeks. At their own convenience, participants review the course material, work on assignments, and complete the assessment reviews.

Although the course is based on on-line convenience, FCIB does not plan to leave credit managers alone in front of their monitors. One instructor will be assigned to each group of 25 students. In addition to their education ability, these instructors draw upon years of trade finance experience.

Because most SMEs have only one or two credit managers, the companies could never afford to be without them for the time a traditional course would take. However, the amount of time away from work is not the only thing that is lower with FCIB's on-line course. It costs less. Companies will pay a fraction of what traditional course work would cost.

A NETWORK OF PEERS

Participants who complete the program will receive the professional designation of International Credit Professional. This designation denotes more than educational competency. Throughout their credit management careers, course graduates can continue to call upon their "classmates" to compare notes.

FCIB's on-line course will create a cadre of competent credit managers in SMEs across the country. Years after becoming International Credit Professionals, alumni can continue to share credit management ideas with their colleagues.

HELP NOW

The on-line course will be available in 2003. Until then, companies can submit their credit management questions to fcib_info@fcibglobal.com. FCIB's network of international credit experts will provide timely responses.

FOR MORE INFORMATION

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EXPORT FINANCE MATCHMAKER PROGRAM

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Another trade finance service designed to assist exporters is ITA's own Export Finance Matchmaker (EFM). This Internet tool helps exporters find financial firms that best meet their needs.

At www.export.gov/efm, exporters enter company information and their financing needs. Drawing on a data bank of export finance providers, the EFM matches exporters to the best potential resource. There is no charge to exporters for using the EFM.

The EFM also works for importers abroad who need to finance their purchases of U.S. goods and services. Using the EFM, companies can learn about various trade finance instruments, and links to other finance websites

Export.gov