

JULY 2022

# FORECASTING THE FUTURE

HOW BUSINESS INFORMATION CAN  
PREVENT COUNTERPARTY RISKS

[www.coface-usa.com](http://www.coface-usa.com)



# OUR COMPANY

SINCE OUR FOUNDING IN 1946, WE HAVE CONTRIBUTED TO THE PERFORMANCE AND GROWTH OF BUSINESSES OF ALL SIZES WORLDWIDE, AND TO BUILDING AND CONVEYING A CLIMATE OF TRUST AMONG TRADING PARTNERS.

## OUR MISSION

We have been supporting international trade for over 70 years across the globe including North America. Currently, we offer Export Trade Credit Insurance in approximately 200 countries.

This international network, combined with business information on 80 million companies, means that you can be confident that we will know the opportunities and challenges you face, wherever in the world you are trading.

We advise, guide and protect companies to enable their development in a safer environment. In fulfilling this mission, we make use of key financial data for identifying and understanding particular risks and suggesting suitable insurance cover.





## THE CIRCUMSTANCES

Global events of the last few years have illustrated the volatility and interconnected nature of business operations, economies, supply chains, and other external factors. Many businesses are still reeling from the fast and dramatic changes to their operation while also trying to forge ahead on developing more forward-looking, risk-aware strategies to vet vendors and improve decision-making.

When it comes to vendor and counterparty risks, the stakes could not be higher. A recent study<sup>1</sup> shows **bad debt increased 26%** in 2020 alone and calls on corporate finance and risk management teams to better assess and understand counterparty risk.

Vendor and counterparty risk assessments are a normal part of any company's risk management but are often a manual and resource-intensive process. Amplify this work by the increasing number of decisions needed to support today's business operation and your resources may feel spread too thin.

## WHAT'S NEXT?

Many companies are exploring products like business information services as an added resource to help expedite and improve decision-making. Business information products can supplement traditional assessments and internal protocols to provide more robust third-party monitoring and market insights.

While each product varies, business information products typically incorporate financial, market, and socio-economic considerations. These factors combined together can help provide a more holistic view of a potential business scenario to help minimize disruptions and protect your bottom-line.

1. Gartner, Inc. (2021) *Determining Receivables Risk in an Uncertain Environment*.

## KEY DRIVERS FOR BUSINESS INFORMATION

### 1 Delivering objectivity over subjectivity

Few companies can say that data is in short supply. In fact, for many, overabundance is the issue. Too much data without clear, actionable insights often leads to data paralysis or indecision. On the flip side, converting raw data into a decision-making tool requires significant investment and expertise. Outputs may also be compromised if the process is based on or influenced by human factors such as personal relationships, tastes, or opinions.

Business information services can serve as the mechanism to take in real-time data and, using sophisticated algorithms and assessment tools, quickly produce unbiased, actionable decisions. These outputs can be used as an objective baseline, or aid to the integrity of traditional, manual vetting processes. When used in combination with other risk management assessments, businesses can add a new layer of confidence and consistency to their decision-making standards.



Business information services can be a tremendous asset for companies facing high-volume risk decisions on their vendors.



Business information products can quickly account for numerous internal and external factors and deliver a clear, objective, and expert-backed answer to vendor risk and other counterparty risk questions.

“Data is only as powerful as your ability to extract decisions from it.”

— Ajay Handa  
Senior Vice President  
and General Manager  
of Business Information  
Services at Coface



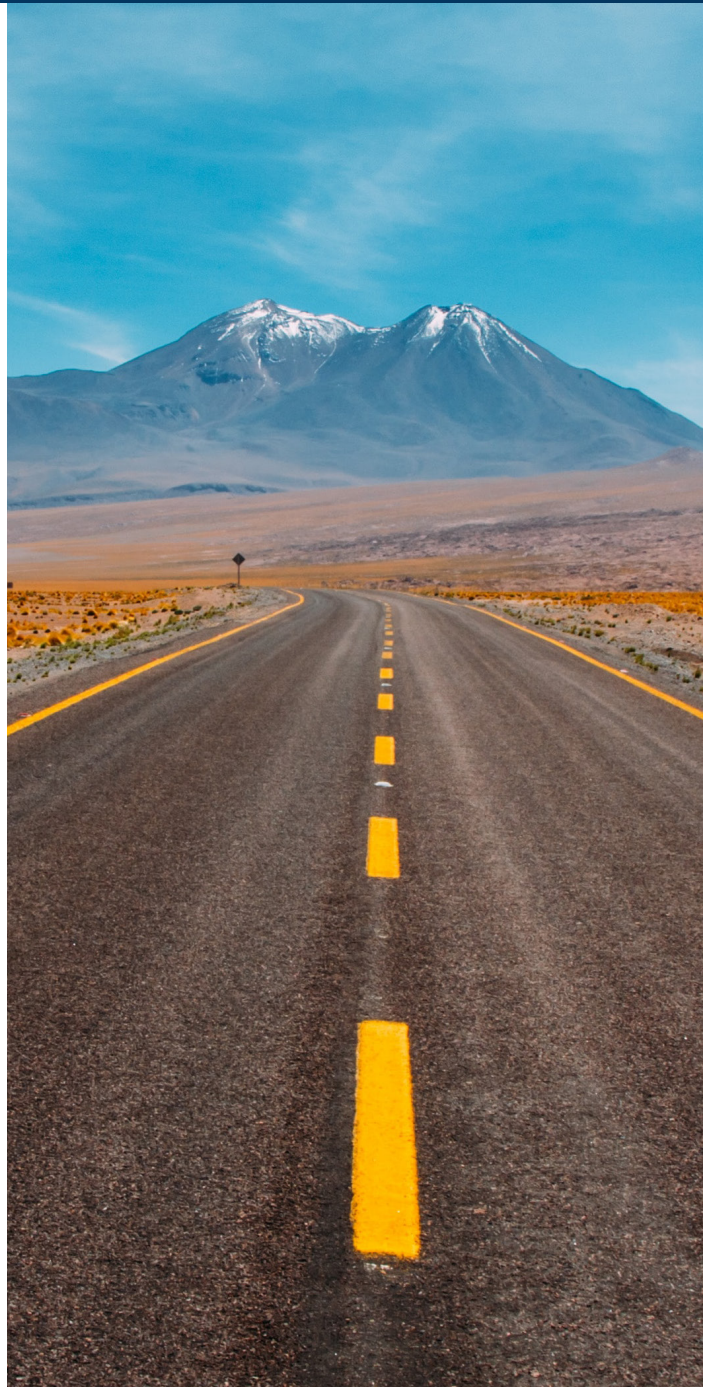
A 2022 study of supply chain executives<sup>2</sup> shows 68% report that they have been constantly responding to high-impact disruptions over the last three years — and most did not have time to recover before the next disruptive event hit.

Another study<sup>3</sup> finds more than two thirds of CEOs aim to ensure their supply chain is resilient in the event of a major global disruption at some point in the future.

## 2 Forecasting disruptions

High-impact disruptions, such as default of payment or failure of delivery, may be the new norm. Fortunately, planning and forecasting tools have evolved to help better identify potentially high-risk scenarios and vendor partnerships.

Business Information services incorporate a variety of payment, financial, and socio-economic factors into their offerings. Each provider has their own “secret sauce” of assessments and insights. Some offerings include the capability to forecast into the future to predict how conditions may evolve over the next six to twelve months. These predictions provide a wider lens to evaluate and mitigate risks or develop operational contingency plans to protect mission-critical materials.



2. Gartner, Inc. (2021) *Supply Chain Executive Report: Fostering a Digital Supply Chain Ecosystem*

3. KPMG, Inc. (2022) *Global Manufacturing Prospects 2022*

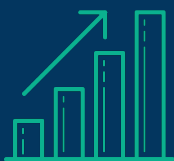
# 3

## Avoiding adverse selection

Information gaps can unknowingly lead to high-risk partnerships that may result in payment default, delay, or other unfavorable outcomes. Bad actors may use distorts in the market, information gaps, urgency, or other factors to knowingly lead companies to adverse selection scenarios.

Business information can provide companies with broader insight into the history and financial performance of counterparties before a deal is signed. These timely, direct assessments may help avoid adverse selection.

### Risk on the rise



Research shows supply chain risk is seen as the greatest threat to an organization's growth, with respondents believing that conducting monitoring deeper into the supply chain is the top solution.<sup>3</sup>



# ANATOMY OF A SECURE DECISION

Business Information decisions are made up of numerous data points, including:





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