

Where do I start with Digital Trade Credit Solutions?

Investing in any new technology solution requires businesses to assess the potential return on investment. Below are the key questions that businesses need to consider, when making this assessment for Digital Trade Credit solutions.

Direct cost savings

Which of the following services does your business currently pay an external solution or service provider for? What are the costs involved, both for the solutions and services and the IT integration fees? A Digital Trade Credit solution can replace or reduce the need for each of these individual solutions and services.

Solutions and services	Annual cost
Credit databases	
Credit score data	
Credit data integrations	
Anti-fraud solution	
Anti-fraud solution transaction fees	
Anti-fraud solution integration	
Payments – acceptance fees	
Payments – chargebacks	
Payments – currency exchange	
Payment services – integration	
Payments – bank transfer charges	
Accounts receivable software	
Accounts receivable software integration	
Factoring / invoice finance interest	
Factoring / invoice finance other charges	
Collection agency fees – for late payments	
Credit insurance premiums	
Other solutions and services costs	

What are the labour and time costs associated with your trade credit management processes? A Digital Trade Credit solution can help reduce the hours lost to manual tasks and handling operational issues.

Labour costs	Annual time spend	FTEs
Procurement		
RFP processes for trade credit solutions/services – time		
Ongoing trade credit supplier management – time		
Pre-trade processes		
Credit management function – number of employees		
Reviewing credit applications – time		
Negotiating credit terms – time		
Payments		
Testing payment methods – time		
Integrating payment methods – time		
Ongoing monitoring of transaction patterns – time		
Post-trade processes		
Ongoing limits management – time		
Accounts reconciliation – FTE and time		
Chasing late invoices – time		
Working with collections agencies – time		
Insurance claims – time		

What are the financial costs associated with traditional trade credit management processes? These are often missed, but should be factored into the equation. Seek to understand the cost of unpaid invoices and fraud, as well as the buffer that finance sets aside to mitigate these risks. Digital Trade Credit solutions can help to protect against these issues, as well as improving the time to revenue by reducing the DSO.

Financial cost	
Proportion of invoices that are not paid	
Value of unpaid invoices	
Proportion of invoices with protracted debt	
Value of invoices with protracted debt	
Cost of fraudulent transactions	
Value of additional capital held to act as a buffer against credit / fraud risk	
Cost of rejected insurance claims	
Current Days Sales Outstanding (DSO)	

Revenue increases

Offering payment terms is an important competitive differentiator and has been shown to increase the number of new customers and increase the share of wallet of existing ones. Consider what proportion of your customer base you can reach with your current approach and what it would mean if credit terms were offered to a greater proportion of customers.

Revenue increases	Currently	With digital trade credit
What proportion of your customers currently receive credit?		80% normally possible
What proportion of customers do you want to offer credit to?		N/A
How long does it take to approve new customers for credit?		Instantly
What is your current customer conversion rate?		+10%
How regularly do you review payment terms for existing customers?		In-built
How frequently do your customers transact with you?		+20%
What is the average order value of customers?		+25%

Other questions

As well as the cost and revenue considerations, it is important to consider the wider benefits that Digital Trade Credit can bring. Ask if you are satisfied with the brand experience offered to customers, consider if your operations are as agile as you would like.

Other considerations	
Are you satisfied with the online brand experience that you offer to customers?	
Are you offering buyers a full range of settlement options?	
Are you able to dynamically review credit limits to support buyers at peak times?	
Are you able to expand your trade operations to other countries with ease?	

Speak to a payment consultant.