



Solving the Exporter Mystery of the Month

February 2018 Mystery – Tips for Getting Paid

The February mystery was how regular exporters in this region prefer to get paid by international buyers. We gathered insights from numerous District Export Council (DEC) members and share their insights in this report. There are many payment methods but it is important to remember that no one method is always the best; the method can vary by circumstance, industry, market, and competition. All methods have pros and cons so a thorough understanding of all options is important before making a decision.

References

Asking around, including to others in your industry or your local U.S. Commercial Service office, can help you gain insight to whether the company is a legitimate business. Requiring first time customers to list the contact information from their other suppliers can allow you to check on their payment timeliness with other suppliers. Also, you can ask a first-time customer to provide a signed release that allows their bank to share credit information.

Credit Report

Third party reports on the financial history of any companies are often available to learn their payment history and key financials. These reports can give a clear picture of the customer's past that will give a better sense of their credibility. These are available in the private sector via various means, such as Euler Hermes, Atradius and Coface. The US Commercial Service offers International Company Profiles (ICPs), which is an in-depth background check. ICPs cost \$700 for small businesses. ICPs are a worthwhile investment for those skeptical of a new partner's financial history.

Cash in Advance

It is common in some industries to require foreign customers to pay in full upfront before delivering a good or service. One DEC member said that most of their business' competition holds the same prepayment policy, so they have not lost business due to the prepayment policy. They also allow customers to come to their facility and inspect their products before purchase. As the product is paid upfront, specialized, and expensive, the customer is willing to make the trip. In other industries, cash in advance is still a viable option, even with a higher threat of losing the sale. One DEC member said that a first time customer not being willing to pay upfront the first time can serve as a red flag, especially since most overseas customers are comfortable with prepayment. Once a relationship has been established, and trust has developed between the partners, then the extension of credit may be an option: "credit is earned, not guaranteed to any customer, no matter who they are or what size".

Export-Import Bank

To protect against nonpayment risk, the U.S. Export-Import Bank offers credit insurance to protect businesses against the risk of non-payment. Companies can offer competitive terms without risking their financial situation. For more information, go to www.exim.gov or contact Minneapolis based Ex-Im Bank representative Denis Griffin, 612-348-1213 and email denis.griffin@exim.gov.