

### **Atradius: Transparency is key to protecting retail supply chain**

Retailers are being encouraged to work with insurers to enable informed and accurate trade credit decisions, reports leading credit insurer Atradius.

In its latest Market Monitor report focusing on the retail sector, Atradius highlights the importance of real-time information and close-working relationships with retailers as imperative to credit risk analysis. The advice comes as Atradius economists report an increase in insolvencies and non-payments within the retail sector.

A total of 2,600 shops and stores fell victim to insolvency in 2018, following 1,400 closures in 2017. The number of business failures of large retailers also rose, especially in the textiles and footwear segment. A growing share of businesses, including multi-store retailers, entered Company Voluntary Arrangements, aiming to reduce their debt or lessen rent burden through this insolvency procedure.

Looking ahead, Atradius forecasts a further increase in retail insolvencies of 5% this year alongside a deeper deterioration in profits. The current gloomy climate for retail has led experts at Atradius to downgrade its performance outlook of the sector from ‘fair’ to ‘poor’.

Analysing retail subsectors, the Atradius Market Monitor concludes that while sales of household appliances have so far shown some resilience, furniture retail has been impacted by lower demand and higher input prices due to a weaker sterling, as furniture heavily relies on raw material imports. In the consumer electronics segment, low levels of innovation and longer product life cycles have led to difficult market conditions whilst changes in consumer buying patterns mean that retailers are under pressure to adapt their offering. Meanwhile, the textile and footwear segment has been impacted by unseasonal weather conditions, poor buying patterns and increased import costs, with clothing heavily reliant on overseas manufacturers in Asia and Europe.

Simon Rockett, Head of Underwriting for Atradius UK, said: “The retail sector has several factors working against it; high economic uncertainty, lower-than-expected GDP growth, a fall in consumer confidence and low sentiment. Uncertainty linked mainly to Brexit has hampered consumer spending as well as slowing business investment, creating tougher trading conditions. The subsequent slump in sales and postponement of investment decisions has ramifications for large and small retail businesses alike; the industry is undergoing a period of correction and those who fail to adapt will face serious trouble.

“With this backdrop, information is critical. In today’s unpredictable and fast-moving climate, businesses cannot rely on recorded financial reports or dated information; real-time data and insights are pivotal to making the most informed trade credit decisions. Atradius monitors developments in the sector continuously, allowing us to make the most accurate risk assessment and underwrite appropriately on a case-by-case basis. We seek out information from our customers’ customers and build up close-working relationships with them to understand their financial position and, importantly, to be alert to any changes in payment behaviours and the potential risk of non-payment. Should this risk be too great, we will protect our customers by warning them accordingly. By return, we urge retailers to be transparent with trade credit insurers at all times and that’s why we offer an open door policy to them.

“Traditionally, trade credit insurance was seen as a buffer to non-payment – paying out claims should a customer not be paid. However, we are increasingly being relied upon as a true trade partner to business by identifying opportunities for growth and navigating risk which makes trade credit insurance essential in today’s trading environment.”

For more information on Atradius and to access a suite of free economic, country and payment practices reports, visit [www.atradius.co.uk](http://www.atradius.co.uk) or follow [@AtradiusUK](https://twitter.com/AtradiusUK) on Twitter and [AtradiusUK](https://www.linkedin.com/company/atradius) on LinkedIn



**ENDS**

**About Atradius**

Atradius is a global provider of credit insurance, bond and surety, collections and information services, with a strategic presence in over 50 countries. The products offered by Atradius protect companies around the world against the default risks associated with selling goods and services on credit. Atradius is a member of Grupo Catalana Occidente (GCO.MC), one of the largest insurers in Spain and one of the largest credit insurers in the world. You can find more information online at <https://www.atradius.co.uk>