Our focus in this Toolkit is on the retail sector and to gain an overview of credit management in this vital industry, we spoke to Florence de Noray, Executive Director, Finance and Strategy Group at Eugene Perma, the leading hair products brand, and to Atul Vadher, International Credit Manager for one of the UK’s foremost fashion brands.

In conversation with Florence de Noray, Executive Director, Finance and Strategy Group at Eugene Perma

Can you describe your main responsibilities at Eugene Perma?
I manage the media division, which includes accounting, management control, customer service, IT, logistics, supply chain and HR with particular focus on transforming the Group to accelerate growth and performance. Part of this means keeping our shareholders informed about strategy and the opportunities afforded by our R&D laboratory, business partnerships, industrial or acquisitions backing.

Having worked in different sectors (construction, communication and eCommerce), would you say risk management differs? Does retail require a different approach?
The culture of risk exists whatever sector you operate in. The only elements that differ are the markers and the levers you choose to follow depending on the business model of the company. Risk is a matter of balancing compliance rigor with monitoring procedures.

In general terms, how do you approach risk management in Eugene Perma?
Credit risk is a major issue in the entire decision-making chain, and we approach it very early. We have a team whose job it is to assess the risk and arbitrate the ratio of risk and development opportunities. This culture of risk is strongly linked to the family shareholder structure of the company, and helps us to focus on cash flow.

How do you assess customer risk?
Each year we target 1000 new customers, and look for visibility into their current financial performance and long-term buying potential, which helps us evaluate and determine reasonable credit limits. We generate daily reports on the financial lifecycle of our clients, which gives us a detailed overview of their behaviour and the risks to our business.

Credit risk concerns all stakeholders in the company. How do you disseminate a ‘risk culture’ throughout?
We did not have to ‘evangelise’ risk culture, because, as a family owned business, a culture of pragmatism is strongly anchored. Risk assessment is part of our DNA, so we can seize opportunities generated by our sales force, and because we have no silos, the departments can work together in a relationship of trust.

We have ultra user-friendly tools including balance sheet financial information, reviews of collective procedures, etc, on a daily basis to inform our decisions.

You work with the biggest names in retail, but also with many independents, what are the differences?
Our customer risk is very fragmented between professional and consumer sectors, and between France and overseas. We use our proven methodologies to assess the risk of each client and their environment.

Eugene Perma is present in over 50 countries, how do you balance risk management and development opportunities abroad? What do you see as the countries where the risk is greatest right now? Export is vital to us and we pay special attention to our international development. We are present on all continents but two areas of growth stand out: ASEAN1 and NAFTA2. Our strategy is based on short-term gains linked to meetings, events or exhibitions, and the opportunities afforded by broader issues such as population, country risk and the long-term outlook.

As always with credit risk, we act on a case by case basis. In economically or politically unstable countries, we are very cautious and we always ask for payment upfront before shipping the goods.

How do you see the evolution of risk management in the coming years?
The major development in recent years has been access to real-time information that has allowed us to make decisions more quickly. It has become for us an essential part of our daily lives. Our businesses are also changing due to the economic climate. Business models evolve and this can lead to change in risk assessments but the fundamentals remain the same, “cash is king”.

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1Association of Southeast Asian Nations
2North American Free Trade Agreement
In conversation with Atul Vadher, International Credit Manager for one of the UK’s foremost fashion brands

Tell us a little more about your key responsibilities?
I see myself as a credit manager, an account manager and a brand protector. Working for a well-known, highly respected fashion company brings a responsibility for protecting and nurturing the brand. This extends into our credit management strategy which is based on getting the best possible overview of each and every customer and making credit decisions on a case by case basis. There's a big difference between a credit risk and a credit gamble, so I arm myself with information and trust my instinct to make the right decisions.

I don't rely solely on traditional methods of assessing credit risk, but instead investigate thoroughly and use many other techniques to build a complete picture.

How has your role changed over the last eighteen months given sustained growth in retail during that period?
We had strong foundations in place before and during the economic crisis so my role then, and now, covers international credit, debtor analysis, setting Group KPI’s, promoting good practice, and of course being an agony aunt – all in equal measure. Our risk approach is at a customer, rather than at a business level, so regardless of the economy we look at each credit risk individually, arm ourselves with information keep our focus on the margin.

How do you get this information about customers?
Probably not in the most traditional ways! Whilst I use credit reference agencies, the information can be dated which is not very helpful to me. I rely on sourcing third-party reports, customer feedback, trade references and what credit insurers say – this gives an overview of the customer's intention and ability to pay rather than their credit-worthiness. I also use social media - you can learn a lot from Twitter and Facebook!

Do you apply the same approach in the Far East and US for which you are also responsible?
Each territory is very different. In the US we have a satellite office so we can do our own risk assessments locally. In a way, the US is similar, although larger, to Europe. Each state has its own way of doing things, so we have to be sensitive to this without compromising our core principles or losing margin. But importantly we do share best practice so we can apply ideas in different territories to see if they will be effective.

In Hong Kong where we have a growing operation through which we also trade in China and India, we have to manage a huge amount of bureaucracy, but by working hard to understand the specific requirements and processes we have got to the point where it functions well.

How closely does your credit management function work with other departments?
We communicate and work closely with sales, logistics, distribution, accounts payable, in fact every aspect of the business. We aim to have total control from the beginning to the end, but what enables this is good communication, if the sales team understand why a credit decision has been made, they can use this as leverage with a customer. We also do reverse credit assessments on our suppliers so if we are asked to pay up-front for something, we ensure they are able to deliver it before we agree.

What do you think the future has in store?
Our strategy is working, but the overall health of the retail industry is dependent on good management. Keeping a close eye on change is helpful and being flexible enough to make changes also stands you in good stead in retail. Above all though in credit terms nurturing good relationships and keeping the lines of communication open will help to protect your business and your brand moving forward.