



DENMAUR INDEPENDENT PAPERS LTD

Denmaur Group values working partnership with Coface

Established in 1983, Denmaur is now one of the UK's biggest paper suppliers and the Group is focused on growth, both organically and through acquisition. In a high-risk industry sector, much of Denmaur's continued success is down to its highly effective credit management strategy, supported by Coface's underwriting expertise and insurance.

BACKGROUND – DENMAUR ON A ROLL

The story of Denmaur Independent Papers (Denmaur) shows what it takes to thrive in one of the UK's riskiest sectors. The Kent-based group has been a leading paper supplier for forty years, while countless competitors have fallen by the wayside as the market has shrunk. Today, Denmaur is one of just a few paper merchants with turnover above £100million in the UK.

Not only has Denmaur successfully overcome tough trading conditions, it's also planning for the future. It currently supplies and manages paper and board stocks for printers and publishers. Equally, it's been agile and confident enough to make strategic acquisitions and exploit new opportunities such as the shift to sustainable sources of food packaging: sales of its biodegradable Delipac range have increased fourfold in the last twelve months.

As Denmaur's Credit Manager, Mark Harsent is responsible for overseeing a clear-sighted and pragmatic approach to credit risk management that sets the business up for success and protects its balance sheet from financial shocks.



A Carbon Balanced Company

Company profile

Denmaur is one of the UK's leading paper suppliers with a current turnover of approximately £150million. As well as selling paper and managing stocks for printers and publishers, the Group increasingly supplies the food packaging sector.

Challenge

In a high-risk industry, Denmaur wanted to protect its balance sheet from exceptional losses, as part of its credit management strategy

Solution

Coface TradeLiner, a flexible whole turnover policy which provides real time credit risk information, insurance against payment defaults and collections. It includes tools to support credit management and multiple options to customise and adjust cover.

Result

Denmaur has been working with Coface since 2017 and recently signed a long term extension. UK Risk Manager, Mark Harsent, has been highly impressed with Coface's "exceptionally good" response times, underwriting expertise and collaborative approach.

CREDIT MANAGEMENT CHALLENGES

With a long career in the industry, Mark is more than equal to the challenge of navigating credit risk. While his experience and vigilance put him a step ahead in spotting potentially risky business, the situation can change quickly and Mark is realistic about the need for a clear and consistent credit policy, effective communication and having the right credit insurance partner.

“Identifying the risk of corporate failure is complicated because you’ve got to look 12 months into the future when you only have historic information,” Mark reveals. “If someone has only just filed their March 2022 accounts, you don’t know what has happened since. Many businesses in our sector borrow money through invoice discounting so if they have a trough in their sales for three months, their cashflow disappears. Other firms were carrying significant debts during the Pandemic and are now likely to struggle to repay or refinance their loans.

“We use all the available tools to manage risk and pick the right trading partners for the business. Every new customer has to complete a new account form and then we do full credit checks on them and monitor their payment behaviour on an ongoing basis. I’ve got 4,500 businesses on my radar and every time they file information, I see that and use it to update limits. When our credit control team chases someone and doesn’t get a response, that is logged on the system and we react to that. We have monthly credit committee meetings where we discuss all those accounts that I feel are a risk and trends we need to monitor.”

Denmaur’s sales team are encouraged to have prospective customers credit vetted before trading. “Our salespeople all have trading accounts to look after and a list of potential accounts but they don’t go into these unless we give them the green light,” Mark explains. “We don’t want them to go out and get an order, only for us to turn around and say that this has to be cleared funds only. It also saves them time because they can focus their effort on viable accounts and put others on the back burner until something changes. I’d like the sales team to see credit management as part of their armour. We are there to help them find the right business levels and achieve end results which means we all have a job!”

Steering Denmaur away from high-risk business has become more important as

as the paper sector has shrunk, Mark explains. “When there were more paper merchants out there and you wanted to pull away from a customer, there was always somewhere else for that business to go. Today, if we suddenly picked up £20,000 new business, we’d probably look around and ask why and that’s true of the other big suppliers. That means we have to reduce our exposure gradually over six months: if we suddenly stopped supplying a company it could cause a bad debt anyway. I think we’ve been very successful at doing this when I look at how our loss ratios compare with our competitors.”



WHY CREDIT INSURANCE

Credit insurance has always been part of Denmaur’s credit risk mitigation strategy. After using four or five different providers over the years, the company bought a Coface TradeLiner policy in 2017, renewing last year with a long term extension.

“We take out credit insurance to protect our balance sheet in the worst-case scenario, such as a massive recession where five of our top ten customers fail,” Mark explains. “We’re not taking credit insurance out to make claims and nor are we interested in getting significant levels of cover and trading up to that limit. On the contrary, on the vast majority of our buyers, we have credit limits which more than cover our exposure. However, if I’m not comfortable with the risk, I would reduce the insurance cover over a period of time

While he wanted the security of whole turnover cover, Mark appreciates the discretion he has with his current policy structure. “Provided we have a sensible payment history and a status report that highlights how we’ve set the limit, Coface will back our judgment. It makes sense for Coface and works within our budget.”

IN PARTNERSHIP WITH COFACE

Thanks to the online CofaNet facility, Mark is able to manage Denmaur’s policy day-to-day and speak to the underwriter when necessary.

"I log into CofaNet in the morning so I can see any changes to our customer base and alerts that come through about credit decisions," he says. "I also feed information through the system so it can be analysed and we get sensible limits, usually within 24 hours. Because we deal with all our customers directly, I've built strong relationships with a lot of Finance Directors over the years which means I can pick up the phone and ask for the latest information so we can apply for more cover. I order all the risk products online and we can make claims online too – one of my colleagues submits overdue account notifications – and the process is very smooth and easy to use.

"The relationship with Coface works well and is very much a team effort. The underwriters and analysts know they can call me and I will try and get the information they need. When I receive an email about an adjustment to a credit limit, I can have a conversation with the underwriting team and explain our position and equally they can tell me exactly why they can't cover someone. We don't have arguments – a lot of the time I agree with what they are saying because it's sensible. It's about doing your best to make the right decisions and during COVID we had no claims which is exceptional for such a high-risk industry.

"If we suddenly had a major claim because a customer with half a million pounds of cover had failed it would be unfortunate but it's why we have the policy and I'd expect Coface to resolve it in the right way."

RENEWAL

While Denmaur's contract with Coface had another year to run, Mark was happy to agree a new long-term policy which can be adjusted every 12 months. "For the previous two years we'd religiously paid our premiums on time and not claimed so we took the opportunity to renegotiate and ask for improvements," he explains. "Obviously, if we suddenly hit Coface with £3million in claims we would expect them to want to adjust our policy next time but that is the nature of insurance – if you smash your car up four times, you wouldn't expect to keep your no claims bonus!

"In the end, a credit insurance policy is reassurance for our business that we don't stand to lose the full amount if something goes wrong and our balance sheet is protected. It also stands us in good stead when it comes to funding because our funders are aware we have a policy. In fact, it's reassurance for them too because they know we are not going to become insolvent in the worst-case scenario."

"Having used credit insurance for many years, I'd recommend Coface because their response times on limits are exceptionally good compared with other providers, their underwriters know what they are doing and they are always happy to discuss any issues."

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