



## TRUCKING INDUSTRY CHALLENGES & TIPS FOR PLANNING FOR MARKET UPTURN

As the trucking industry navigates through a turbulent economic landscape, fleets face several significant challenges, including high interest rates, rising equipment costs, and increasing bankruptcies. Lenders are becoming more selective, adding to the complexity of securing financing.

These 4 current challenges facing the trucking industry:

- 1. High interest rates, increasing the cost of borrowing.**
- 2. Rising equipment prices, making fleet expansion and maintenance more expensive.**
- 3. Increased fleet bankruptcies, reducing lender confidence in the industry's stability.**
- 4. Selective lending practices where lenders are more cautious, demanding robust financial health and direct shipper relationships.**

The trucking business has a cyclical nature and it is expected there will be an upturn at a certain point. We strongly believe there are things you can be doing now to position your business well when that upturn comes.

Here are our top 5 tips:

- 1. Maintain Strong Financial Records:** Lenders are more selective, so having robust financial documentation is crucial.
- 2. Build Direct Relationships with Shippers:**

Lenders prefer fleets with direct shipper relationships over third-party carriers.

**3. Communicate Proactively with Lenders:** Address financial difficulties early with lenders to maintain trust and support.

**4. Plan for Market Recovery:** Position your fleet to take advantage of future market upturns.

**5. Choose Conservative Financing Terms:** Opt for manageable financing terms to ensure long-term financial health.

By implementing these strategies, the industry can withstand current pressures while positioning itself for growth in the years ahead.

*Source: Truck World, Money Matters: Protecting your financing options in a down market, May 2024*



## HOW TO GET CUSTOMERS WHO PAY ON TIME

*“Money is only a tool. It will take you wherever you wish, but it will not replace you as the driver.”-- Ayn Rand*

Before banks extend credit, they undergo a due diligence process to ensure the applicant can repay the debt. When you sell on credit and extend 30/60/90-day terms, you practically lend money as part of the trade finance industry. Assessing creditworthiness should also be applied in this sector, but that is unfortunately not the norm. As a result, it is too familiar for companies to find themselves with bad debts and losses on their invoice receivables.

In this month's InfoPays, we are listing a few suggestions that you can implement in your business to ensure that you minimize any losses when selling on credit:

### 1. Check trade references.

When extending credit to customers, it is important to check the customer's trade references. This helps assess the customer's ability and willingness to pay and can help you make an informed decision. Checking references is a simple process that takes only a few minutes, but it can save you time and money in the long run.

When checking references, contact both current and past trade references to get a better understanding of their payment history. Ask questions about how long they have been doing business with the customer and their payment record. In addition, you should ask if there are any past due payments. This can give you an indication of how reliable the customer is when it comes to timely payment.

### 2. Research the company.

When offering credit to customers, a business must take the time to research each customer's credit history. This will help them determine whether the customer is a reliable borrower and if they can repay the loan. By taking this step, businesses can decide how much credit to extend and the repayment terms.

### 3. Access credit agencies' data.

Finally, you should also consider running a credit report through companies like DnB, Equifax and TransUnion. This allows you to verify the customer's credit history and get an overall picture of their financial standing. A credit report can provide you with more robust information, such as payment history and any public records that may be associated with the customer.

*Our current clients can access the IPS Payment Index (PI) free of charge. Through dealing with thousands of companies across North America, the IPS PI provides the average Days Sales Outstanding (DSO), or the average number of days a company takes to pay its receivables. We encourage anyone seeking to extend credit to a new customer to check with us for information from our growing database as this can offer some information about a company's credit standing. A PI of 120 days will at the very least give you an alert, whereas a PI of 36 days will provide you with the much-needed reassurance to go ahead with the opportunity.*

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