HOW TO MONITOR BUSINESS RISKS FOR INTERNATIONAL TRADE

Monitoring business risks in international trade is crucial for ensuring smooth operations and minimizing potential disruptions. Monitoring international business risks is essential to protect business end essential to plan a strong business development. By keeping a close watch on international business risks, companies can better prepare for and respond to challenges, ensuring long-term success and stability.

Monitoring international business risks is essential for several reasons. First of all, **Financial Health Protection** as unforeseen risks can lead to significant financial losses. By monitoring these risks, businesses can implement strategies to mitigate potential financial impacts. From **Compliance** point of view, as different countries have varying regulations, staying informed about these regulations helps businesses avoid legal issues and penalties. An aspect to focus is Maintain **Supply Chain Stability**: Risks such as logistical delays or political instability can disrupt supply chains. Monitoring these risks allows businesses to develop contingency plans and maintain operational continuity. **Safeguard Reputation** is possible thanks to an effective risk management as helps maintain a company's reputation by ensuring reliable and consistent service to customers and partners. **Decision Making** process is improved only understanding potential risks as enables better strategic planning and informed decision-making, helping businesses to navigate complex international markets. At the same time, **Building Resilience** means oroactively managing risks helps businesses become more resilient and adaptable to changes in the global environment.

The discussion about international trade risk is quite complex and involves different aspects. First of all, **Political Risk** as changes in government policies, trade barriers, or political instability can disrupt business operations. Interconnected with Political Risk, there is Economic Risk. Economic downturns in foreign markets can impact demand for products and services. Diversifying markets and maintaining financial flexibility can help businesses weather economic fluctuations. Also linked there is the **Foreign Exchange Risk**. Fluctuations in currency exchange rates can affect the value of transactions. Businesses can use hedging strategies and financial instruments like forward contracts to mitigate this risk. **Credit Risk** is crucial and it refers to the possibility that a buyer might default on their payment obligations, leading to financial losses for the seller. One of the most important risk to take into account is the **Compliance Risk** as different countries have varying regulations and compliance requirements. In addition, **Logistical Risk** with delays, damage, or loss during transportation can disrupt supply chains. Partnering with reliable logistics providers and having contingency plans in place can help manage these risks. Then, I**ntellectual Property Ris**k related to unauthorized use of a company's intellectual property can be more challenging to address internationally. Registering trademarks and patents in foreign markets and continuously innovating can help protect intellectual property. Finally, but not to be underestimated is the **Cultural Risk**. Misunderstandings due to cultural differences can affect business relationships. Conducting cultural training and employing local experts can bridge these gaps.

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Monitoring business risks in international trade is crucial for ensuring smooth operations and minimizing potential disruptions. Here are some effective strategies:

- **Conduct Comprehensive Market Research**: Understand the target market's cultural, legal, and economic environment. This helps in identifying potential risks and devising mitigation plans
- **Partner with Reliable Local Agents**: Local agents can provide valuable insights into regional business practices, regulations, and customs, helping to navigate foreign markets more effectively
- **Diversify Suppliers and Customers**: Avoid relying on a single supplier or customer. Diversifying across different regions can reduce the impact of disruptions in a particular market
- **Ensure Clear and Compliant Contracts**: Draft contracts that clearly outline terms, responsibilities, and obligations of all parties involved. Compliance with local laws and international trade regulations is essential
- **Implement Proper Documentation and Record-Keeping**: Maintain detailed records of transactions, agreements, and shipments to facilitate audits, resolve disputes, and demonstrate compliance .
- **Stay Updated on Trade Regulations**: Regularly consult legal experts and stay informed about the latest regulatory developments to avoid violations and penalties
- **Conduct Regular Risk Assessments**: Periodically evaluate potential threats and review the effectiveness of risk mitigation strategies
- **Invest in Technology and Automation**: Integrate advanced technologies to enhance efficiency and reduce human errors
- **Monitor Political and Economic Conditions**: Keep track of political changes and economic circumstances in the concerned countries, as these can significantly alter import and export regulations
- **Use Business Information solutions:** to have a clear picture related to international business partners and being regularly updated on changes affecting companies.

Focusing on the evaluation of a business partner, is now a crucial requirement in good business partner management and can be considered in a double perspective. It isn't only a matter to avoid unexpected negative impacts but also to take opportunities as soon as available and, in any case, new actions can be required, to protect or to expand business.

If a recurrent customer is showing a worsening in financial stability, it may require a credit policy revision or, on the opposite side, an extension of the appraisal. In both cases, it's clear that a revision of in relationship is required, in the first case to avoid critical impact, in the second case to better exploit the opportunity. Or, if management changes are too frequent or with too often redefinition of shareholding structure, there is a question mark in governance to take under control. Of course, if negative events are reported, it's clear the critical alert that may require a revision of the relationship. If a change impacts the rating, then is a matter of understanding if the risk level is improving or worsening and deciding how to proceed.

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Continuing to monitor business partners' performance isn't an easy task and it presents additional complexities if companies are located in different countries due to discrepancies in terms of local legislation and data friction. In a country with a central body managing all company information, barriers to data are very low. On the opposite, if there isn't such a local structure but data are managed at the local level without any link, access to data is hard to manage. The level of digitalization represents also a crucial point as the highest is, the lowest is the difficulties in dealing with information. For example, in some African countries, the combined situation of a lack of central bodies and a low digitalization level generates difficulties in accessing data first and trust in updating level.

To summarize, the most important barriers related to data availability are linked to legislation: it means that particular countries are not requiring companies to disclose information about the company itself. The second area is represented by nations in which processes related to data collection, processing, and updating are presenting some issues at different levels.

In such a complex scenario, in which every country can present a different approach to company data, it's necessary to sort out the lack of data availability to give the market the right tools to evaluate business partners. Particular processes and flow can be adapted to be in the position to perform an assessment process to be adapted if changes occur.

After having analyzed how each business partner is performing and, if appropriate, related changes, a step forward to consider is the overall cluster related to each of them, in particular, related to risk performances. For example, understanding how all customers are acting or how all suppliers are performing is very useful to define the right company policy and orientate resources at best. Having a snapshot related to how business partners are performing is the way to be in the right position to define strategies.

Then, identify the overall risk level to understand if there are potential issues that can affect the company's results. On the opposite side, also identifying if there are opportunities not very well exploited is a matter to support business development. A snapshot of how business partners are performing is more powerful if there is also the possibility to receive updated information, allows to apply adjustments if required.

Thanks to SkyMinder, CRIF platform giving access to in-depth credit and financial data on companies all over the world, is possible to follow the complete path at a worldwide level: from the possibility of being updated about changes affecting a company, then having a dashboard showing the overall picture related to all business partners.

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Starting from Full Report and Slim Report, It's possible to choose the best solutions allowing to be updated about changes affecting companies. Products are available are connected to how data are available, and updated, and the level of digitalization in different countries.

Full Monitoring: detailed notification generated when any change affects a company with the possibility to receive the updated report.

Alert: short notification generated when any change affects a company.

Full Monitoring and Alert, are more suitable in countries where data availability is very high and public sources are proactively updated and centralized.

Planned Revision: worldwide available, allows to schedule in advance when receiving an updated Report. This solution is suggested for countries where access to data is presenting some issues in terms of digitalization or data flow organization. Planned Revision is available not only starting with Full Report and Slim Report but also with Verification Report and Extended Check Report.