



CASE STUDY: RED RIVER LOGISTICS

# Credit Management Transformed

The key to credit department efficiency, asset protection, and growth:  
An investment in trade credit insurance

Founded in 2013, Red River Logistics is a quick-growing powerhouse in transportation logistics, earning regional and local recognition on the Inc. 5,000 list of fast-growing companies.

Founder Aaron Sanders, a veteran of the logistics industry, wanted to start a company that handled things differently—more personal, less transactional. The strategy has proven successful as he now has more than 22 employees, an agent office, and a franchise office in Houston, Texas.

A couple of years ago, Red River Logistics purchased its first trade credit insurance policy with Allianz Trade and saw the value in the partnership almost immediately. From fueling growth to protecting assets to providing a structure and discipline for credit decision-making, trade credit insurance helped Red River Logistics transform its credit management processes.

Red River Logistics has hundreds of clients, adding in around ten new ones a month. In the fast-paced logistics industry, new clients often need Red River Logistics' help within a couple of hours and

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Founded: 2013

Started partnership with  
Allianz Trade: 2019

Region:

North America



Sector:



Logistics &  
Transportation

Policy Benefits:



Credit and trade risk  
management



Fast data-driven credit  
decisions on customers  
and future customers



Debt collection



Coverage for high-  
risk buyers



Immediate coverage  
decisions



Reliable customer  
service



Enhanced in-house  
credit department

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typically contract tens of thousands of dollars' worth of services from the start. With that, the logistics company must shoulder the risk of new business in the short term: Red River Logistics pays its vendors before clients pay Red River Logistics.

In the beginning, Sanders and Nicki Sanders, Controller for Red River Logistics, took on all the risk and burden of credit monitoring themselves. But as business boomed, they realized it did not

make financial sense to keep growing without investing in a credit management solution. Their internal credit process was limited to the standard financial data available, which often doesn't show the whole of a client's financial health. Plus their staff's bandwidth was pushed with every new client added to the rapidly expanding list. That's where Allianz Trade offers tremendous support.



If the customer looks financially viable, we allow them up to our deductible, and after that, we know it's time to engage Allianz Trade. We do that a few times a week. It's been a tremendous value.

**Aaron Sanders**  
Red River Logistics Founder

### **Benefit:** An enhanced credit process and actionable financial insight

When Red River Logistics partnered with Allianz Trade, it already had an efficient in-house credit process but saw the opportunities that came with adding a second layer to the process and leveraging Allianz Trade's financial insights and the protection that comes with the insurance policy.

"If the customer looks financially viable, we allow them up to our deductible, and after that, we know it's time to engage Allianz Trade," says Sanders. "We do that a few times a week. It's been a tremendous value."

Sometimes, Allianz Trade provides information about a potential client and advises that Red River Logistics pass on the opportunity. Sanders suspects this is what would have happened had Red River Logistics had a policy in place before they took on the client who filed for bankruptcy. Since Allianz Trade has access to a robust set of financial data and market insights, it would have likely flagged the company as high risk.

"Allianz Trade would've saved the day had we already engaged them," says Sanders. "Now we live by whatever the risk stance is. If they say no, then it's a no."

In addition to Allianz Trade's financial insight, Red River Logistics also uses the CAP program to evaluate and insure high-risk clients on top of the company's primary policy. CAP coverage allows Red River Logistics to purchase additional coverage on many limits that have been fully or partially declined—something that may happen with riskier clients.

Allianz Trade helps Red River Logistics assess whether the new client is strategically worth the sale, in which case Red River Logistics can mitigate the risk with CAP coverage, or pass if it's not the right fit for Red River Logistics at the time.

"When we find out a client needs that type of coverage, it's great guidance for us," says Sanders. "With Allianz Trade, we can ask ourselves if the sale is something we want to pursue or not."

Since transforming its credit process with Allianz Trade, Red River Logistics has had no more surprises. It knows both when to pursue clients and when clients are not a good fit. Red River Logistics' trade credit insurance policy provides the support and knowledge it needs to avoid losses from the start.

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### Benefit: Debt collection services

When Aaron and Nicki first invested in a trade credit insurance policy, they were made aware that Allianz Trade could help collect on outstanding receivables that happened even before the policy started. As long as the debts were up to one year old, Allianz Trade will provide collection support even if they are not on the current policy.

“Allianz Trade recovered 75 percent of what we had outstanding, and that we didn’t have any chance collecting ourselves,” says Sanders. At the time, Red River Logistics was not planning on

hiring a collections agency to pursue the debt. In the past, the company tried that without positive results.

Allianz Trade debt collection services turned out to be a happy bonus to the trade credit insurance policy. “We utilized the debt collection benefit of the policy, and I don’t know what Allianz Trade’s secret is, but it’s like magic: the checks were coming in on items that weren’t on the policy at all,” says Sanders. “We weren’t going to get anything, so we were happy to recover what we could.”



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### A client bankruptcy scare while uninsured

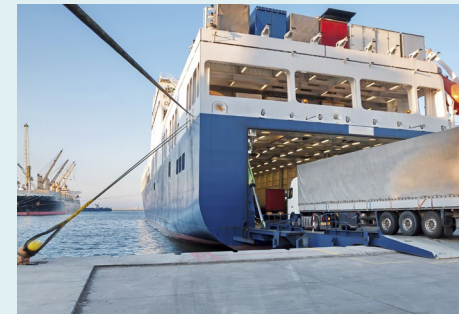
One day, Red River Logistics suddenly got word that its client had filed for bankruptcy. At the time, the client owed Red River Logistics \$1.5 million. In hindsight, the informal red flags were there—late payments, drawing unnecessary attention to the payments that it did make—but Red River Logistics was busy growing and didn’t have the means to investigate further.

“Everything was great—until it wasn’t,” says Founder Aaron Sanders. “The bankruptcy set off an alarm that we needed a contingency plan, and our credit process needed a transformation. You can check a client’s credit, know their financials, speak to their bank, and do all the right things, but that doesn’t help you when something happens within 24 hours. There’s no notice.”

Red River Logistics ended up losing \$800,000 to the bankruptcy client.

After the loss, Red River Logistics started shopping for trade credit insurance and decided to partner with Allianz Trade to leverage its credit management services. “The Allianz Trade name stood out as the top provider,” says Sanders, but the education-first approach of his agent sealed the deal. “Our agent helped us understand how we would approve our customers and what the trade credit insurance process was like, everything from EZ Cover to adding a named insured. Allianz Trade made sure the policy made sense to us.”

From day one, the Allianz Trade team has worked with Red River Logistics to transform credit monitoring processes by increasing efficiency and mitigating trade credit risk. “Renewing is a no-brainer,” says Sanders.



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### Benefit: Growth and protection with EZ Cover and named insured coverage

Red River Logistics' trade credit insurance policy comes with EZ Cover, which allows Red River Logistics to make immediate decisions about potential U.S. and Canadian clients using Allianz Trade' extensive business database. This flexibility is necessary for the logistics industry, where clients come in fast and the sales numbers stack up quickly.

"We can go to the online database, quickly take a look, and make sure that we're extending the right amount of credit—if any credit at all," says Sanders. "It is tremendous. Logistics is so fast. Customers don't wait, and they don't preplan weeks in advance—we're all reactionary. We have to have something that can give us insight quickly. Allianz Trade provides that."

In addition to EZ Cover, standard named coverage provides in-depth analysis and credit monitoring on international clients as well—information that is notoriously difficult to come by using

standard methods. In fact, Red River Logistics put Allianz Trade to the test early on in the partnership, asking for insight into three international companies. Red River Logistics had previously been unable to take on all of the available business due to limited financial visibility.

"Our agent replied with several things that we could see and make decisions based on," says Sanders. "We had one client that we wouldn't give more than \$50,000 in credit to, but now Allianz Trade approved them for named coverage, and we have about half a million dollars that they turn over every couple of months. They went from a bottom two-hundred client to a top ten. That was all Allianz Trade. We wouldn't have done it without that assurance."



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**Aaron Sanders**

Red River Logistics Founder

