

# 3 steps to effectively assess portfolio stress

## Commercial Portfolio Management Solutions

The shock Covid-19 has had on the UK's small business market is highlighting the importance of having the controls and measures in place to manage your portfolios using more dynamic tools, data and insights.

Having the right tools, data and insight to assess immediate and longer-term stress is now more important than ever before.

### Concentration risk

Portfolios with many at-risk businesses will clearly be vulnerable. Comparing your portfolio to the UK business population will help you spot signs of overconcentration in any high-risk sectors and see how your customer base is segmented. [Experian's Covid-19 segmentation dashboard](#) allows you to assess the:

- ✓ cash reserve depletion rate of your portfolio customers through the crisis
- ✓ ability of the businesses within your portfolio to adapt to the changing Covid-19 impact
- ✓ position of your portfolio relative to the overall UK business population

### Monitor current risks

Monitoring key indicators at a high frequency to provide early signs of stress is critical to enable prompt interventions to be made. Experian's newly created [Commercial Volatility Index](#) is built specifically to identify signs of stress from Covid-19 enabling you to:

- ✓ assess the commercial viability of both existing and new customers calculated against the macro economic outlook for individual sector recovery
- ✓ measure changes in month-on-month cashflow as a critical indication of the levels of stress individual companies are facing using our Covid-19 CCDS block of attributes
- ✓ Identify which businesses to help and when

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#### Anticipate longer-term risks

Longer term predictability will become increasingly critical. Whilst some sectors will require shorter-term monitoring, anticipating default or failure over 6 to 12 months will become necessary once more. Experian's suite of Risk Scores and Portfolio Notifications can be applied to help to:

- ✓ assess the likelihood and ability of individual businesses to meet credit obligations in the future
- ✓ predict a business' stability through a combination of company accounts, payment performance, director information and consumer scores
- ✓ proactively manage your portfolio with triggered notifications sensitive to changes in credit risk such as: a drop-in score, increases in days beyond terms or approval of new credit agreements

**44%**

of small business have experienced significant revenue pressures, as a result of Covid-19

To date

**£100bn**

in direct and indirect government support has been provided.<sup>1</sup> Banks and other financial providers remain responsible for managing the risk

<sup>1</sup>According to figures published by HMT on June 7th 2020

Find out how Experian can help you to manage your  
Commercial Portfolio [businessuk@experian.com](mailto:businessuk@experian.com)