



CASE STUDY: NEW ELEVATION

# Trusted Partner to Weather Retail's Cyclical Nature

New Elevation, a subsidiary of Turnberry Solutions (an IT service management company), provides consulting and staffing solutions to retailers, with e-commerce as a particular focus. During the 2020 Covid-19 crisis the already expanding e-commerce space surged, and President Joe Garcia and his team were busier than ever. Luckily, through the challenging rush of new business opportunities, Garcia had critical peace of mind onboarding new—and potentially financially risky—customers because of his trusted partnership with Allianz Trade.

## Benefit: Help navigating the financial troubles and bankruptcy of a key client

Chapter 11 bankruptcy is not uncommon in retail. The industry is cyclical: when one sector is up, another is down. Success is not assured, not even for 100-year-old legacy brands. New Elevation experienced this firsthand when one of these legacy brands—a key client at the time, Barneys New York Inc.—filed for bankruptcy.

In retail, troubled clients such as Barneys often still rely on vendors like New Elevations for critical services, such as consulting. In New Elevation's case, it did not make financial

sense to immediately cease business with Barneys. A competitor would have stepped in to make the sale.

With past bankruptcies, which happened with some of its smaller clients, New Elevation had to rely on its clients' word that outstanding invoices would be prioritized and paid. "But that is severely stressful," says Garcia, "because the clients don't have ultimate control over the situation."

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Founded: 2001

Started partnership with Allianz Trade: 2018

Region:

North America



Sector:



Retail

Policy Benefits:



Credit and trade risk management



Data-driven, unparalleled financial insights on existing and future customers



Protection against non-payment and catastrophic loss



Support and peace of mind during customer bankruptcies



Enhanced customer relationships



Sales expansion

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When Barneys started showing financial trouble, the stakes were even higher: the client represented a significant amount of New Elevation's business. But according to Garcia, the whole process ended up being less stressful than previous bankruptcies. Why? Because New Elevation had invested in a trade credit insurance partnership with Allianz Trade. Here are the ways Allianz Trade helped New Elevation navigate the Barneys bankruptcy.

### Phase 1: Critical peace of mind

Before trouble struck, New Elevation was able to work with Allianz Trade to cover a significant amount—about half—of Barneys' business.

Then payments started coming in late, often one of the first signs of **financial trouble**. Late payments are risky for those in the retail industry, as companies often operate on low margins and can't afford to not be paid for services.

Allianz Trade helped mitigate the risks associated with slow payment, providing "as much peace of mind as you can

### Phase 2: Crucial financial data insight

When payments started coming in later and later, New Elevation asked Allianz Trade for more information. Allianz Trade's unique access to financial data confirmed that the Barneys was facing severe financial difficulty—and that New Elevation wasn't the only company receiving late payments.

Allianz Trade is very familiar with the signs of bankruptcy, including those of large retail businesses, even before the official filing happens. Having established a trusted partnership, Allianz Trade and New Elevation checked in with each other about twice a month to keep an eye on the situation. Thanks to Allianz Trade's crucial insight, New Elevation was able to throttle down services with the client at the right time and lessen risk that way.

have," according to Garcia, and protecting his bottom line. New Elevation's trade credit insurance coverage reduced the company's risk enough for it to continue doing business with the troubled client, despite the late payments.

"Trade credit insurance allows you to capture that revenue without having any fear," says Garcia. "Having this policy allowed us to continue providing services instead of backing away and letting competition have the opportunity."

"Going through a bankruptcy with one of your clients means you must make decisions essentially blindfolded," says Garcia. "Having Allianz Trade shine some light onto what's going on is invaluable. It's extremely helpful to know that, for example, everybody's getting paid slowly. That gives us one data point to know that the company is not having a particular issue with us."

Additionally, when something like this happens, retail vendors can use Allianz Trade's insight to negotiate payment terms with clients whose credit is deteriorating.

"We're providing mission-critical services to these clients," says Garcia. "Allianz Trade's financial insight gives us leverage in negotiating better payment terms. In some cases, we might be able to adjust the prices to compensate for the additional risk."



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New Elevation President

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### Phase 3: Support with navigating the bankruptcy and providing payment

Barneys eventually filed for bankruptcy, and Allianz Trade helped New Elevation navigate the process.

“Above and beyond all expectations, Allianz Trade helped us understand the different stages of the bankruptcy and what they would look like for us,” says Garcia. “Allianz Trade provided us with critical information to navigate the entire bankruptcy process through until the end—when we finally had to stop providing services and terminate our agreements with the company.”

Unfortunately, New Elevation was not paid in full for the services it provided the bankrupt client, so its policy kicked in to provide

payment. This part of New Elevation’s risk mitigation strategy proved critical.

“We received a check from Allianz Trade for about 40 percent of the total balance that was due to us,” says Garcia. “Having those funds helped us make sure that we could survive an event like this.”

In the end, New Elevation was able to provide over a years’ worth of services to its troubled client before it went bankrupt—which it would not have been able to do without Allianz Trade’s insight and the financial protection of the trade credit insurance policy. With a partner like Allianz Trade, a difficult situation became less stressful.



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New Elevation President

## Growth Beyond Bankruptcy

Even when things are going well for clients, retail is cyclical and late payments are not uncommon. Having trade credit insurance allows New Elevation to focus on its clients and provide services instead of chasing payments, which can damage relationships.

“A client may fall 10 or 15 days behind on payment,” says Garcia. “Before we had trade credit insurance, our relationship with the client could be harmed because we had to send warnings about suspending services. Now, we don’t do that. We simply sit back and trust that the Allianz Trade is going to be there for us. It allows us to continue doing our business, maintain better relationships with our clients, and at the end of the day, grow the top line.”

New Elevation insures all of its clients and encourages other companies to do the same.

“I have recommended Allianz Trade to several friends who run similar companies,” says Garcia. “Someone might complain to me that a customer is not paying them on time, and I will say, ‘You know, if you had trade credit insurance, you wouldn’t be thinking about that. It wouldn’t be an issue.’”

Businesses carry insurance to protect other assets—such as property—and Garcia views trade credit insurance the same way.

“In my mind, accounts receivable is the biggest asset you have in a services business like ours, and that is the one thing that a business is often not insuring. It doesn’t make any sense,” says Garcia. “I think trade credit insurance is worth every penny.”

