CUSTOMERS AND SUPPLIERS – BUSINESS AS USUAL?

Although we will all be relieved when the current pandemic ends and things return to "normal", it will not be business as usual. So now is the time to prepare for new ways of working with your customers and suppliers.

When the quarantine ends, we are not just going to flip a switch so that everything will be exactly as it was before the crisis.

- Companies with existing inventory will need to sell existing stock before they start to buy again.
- Service companies will need to rehire staff before they can return to their pre-crisis level of service.
- Some companies will not survive this crisis, forcing you to find new customers and suppliers.
- Many companies will have low cash reserves, so the credit terms you offer and receive will likely be different than what you have now.

With all these factors to consider, how do you methodically prepare your company to be in the best position possible when the economy restarts?

COMMUNICATION

Remember that business is about relationships, so continue to maintain frequent communication with all of your customers and suppliers. Do not neglect those that you have not talked to in a while - they are also struggling and will probably appreciate your call.

Do not let the conversation be only about business. Your customers are experiencing the same pain as you. Take a genuine interest in their well-being. Ask how they are personally handling the stress, the health of their loved ones, and how they are managing with the changes in lifestyle imposed on all of us.

SUPPLIERS

Review your list of suppliers. Which are critical and cannot be replaced? These are your highest priority. Be sure lines of communication with them are always open.

Although we will all be relieved when the current pandemic ends and things return to "normal", it will not be business as usual. So now is the time to prepare for new ways of working with your customers and suppliers.

Prioritize your other vendor relationships based on size, frequency of orders, and flexibility with shipping and credit terms.

Contact each vendor to see how they are positioned regarding inventory.

- What do they think their stock levels will be when things improve?
- Will there be any changes to the delivery schedule?
- Will they extend the same credit terms, or will they restrict credit or require cash payments?
- Will you get preference or a discount if you do pay early or in cash?
- Are their facilities fully or partially staffed and what is their operating schedule?

Need additional information? Have questions?

Visit our online resources library at: www.emergent-partners.com/resources

Emergent Partners is a management consulting firm specializing in helping companies define and execute operational and financial excellence, devise effective strategies, and align those strategies with actions enabling them to take advantages of opportunities in their markets.

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CUSTOMERS AND SUPPLIERS – BUSINESS AS USUAL?

CUSTOMERS

Review your list of customers. Rebuilding your cash reserves is your goal, so when you prioritize your customers, consider profitability, payment history, and ease of doing business, not just sales volume. Be sure you maintain open and constant communication with all customers, but especially those you have designated as your highest priority.

What incentives can you offer your customers? Your options include discounts, extended credit terms, and expedited delivery, to name a few. Make sure you understand fully the impact of these incentives on cash flow and operations before you offer them.

Remember that you do not have to offer all incentives to every customer. When you give customers an incentive to buy from you, you should receive something in return. Your customers and your team must understand the policies on what the benefits are, how long they will occur, and if there are any exceptions.

Have conversations with your customers about how they view the market and what they expect for the timing and nature of the recovery. Ask your customers if there is anything you can do to help them now, and what they will need from you when their business improves.

FINANCIAL

Suppliers

Start the review of your supplier credit lines by creating a report that lists each supplier, credit terms, and your outstanding balances. This will make it easier for you to compare suppliers and see where you might have an opportunity to renegotiate your debt and credit terms.

Review your Accounts Payable aging to calculate the average time you take to pay your suppliers. Include this payment period on your supplier report as additional information for your discussions. For example, if your credit balance is high but you have a good payment record, your vendor should be more willing to negotiate credit terms and a payment plan.

Create an Accounts Payable cash projection using your best estimate of future sales and purchases. This will help you develop a repayment plan before you talk with your suppliers.

Customers

Create a report that lists each customer, historical sales, profit margin, credit terms, payment history, and outstanding balance. This will give you the insight you need to proactively manage customer credit accounts or respond to customer payment requests.

Create an Accounts Receivable cash projection, based on your best estimate of future sales and cash collections. Having this information will enable you to have a better understanding of how flexible you can be with each customer regarding their credit terms with you.

If we have learned one thing from this crisis, it is we cannot know when things will happen. We have seen that unexpected events can escalate more rapidly than we anticipate. Do your best to make sure your critical customer and supplier relationships are ready for when we begin returning to "business as usual."

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