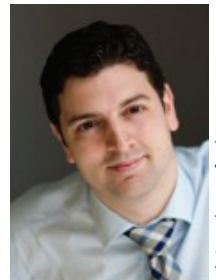


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## The relationships with a supplier in a recession



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In the present challenging economic environment, a business needs to consider its own financial and trading circumstances in the context of its relationship with the supply base.

In recent years supply chains have become longer and more complex, increasingly developing interdependent organizations in which the success or failure of one link impacts on all the others.

Supply chains need a flow of information, which is best facilitated by a partnership approach to 'supply chain relationships' openly discussing opportunities and issues.

Yet even where the relationship has a degree of partnership around it, there has often been a stronger emphasis on the supplier providing information to the buyer rather than the other way around.

Not anymore, because in today's economic climate the supplier is going to be as concerned about the buyer's trading position as the buyer is about that of the supplier. Examples of this information are

- Knowledge of the buyers long term financial forecasts will provide the supplier with some assurance that the buyer's business will survive
- The supplier may have the confidence to secure finance to fund the supply of further goods

In any event the sharing of information between supplier and buyer can have the benefit of each party being able to support each other in dealing with issues that may arise. The type of information to be shared could include:

- Financial statements
- Specific risks and vulnerabilities
- The suppliers concerns
- Advance notification of the need to reschedule or reduce deliveries
- Measures to address the current economic climate
- Future business plans

However sharing of information is not without risks, since the first sign of difficulty could cause a supplier to shut down supply. To alleviate such action, it is essential to build a relationship of trust between the supplier and buyer so that the discussion of trading concerns can lead to a positive outcome.