

Relationship-Oriented Trade Working Capital Management

So much has changed in the last few months as organizations have had to make painful choices to free up cash. From pulling levers across suppliers and customers to selectively shuttering operations; difficult decisions were required from leadership. Now organizations are thinking about what the future holds with these same suppliers and customers.

This next normal includes phasing how operations ramp back up, reversing deep cuts, and ensuring working capital availability. While closely monitoring revenue against expenses, companies will need to monitor important relationships with suppliers and customers. Supplier and customer dynamics that were once binary, simply good or bad, can become relative strengths for your business as you convert to a relationship approach. Relationships should be at the center of the next normal:

Which relationships are key to your successful ramp up in the next normal?

Where can you build deeper partnerships and have better data?

How do you support supplier and customer life cycles during this transition?

THE RELATIONSHIP-ORIENTED TRADE WORKING CAPITAL MODEL

Use the scale below to self-assess how your trade working capital strategy aligns to a relationship-oriented model. Did your cash preservation actions go too far or not far enough?



CHANGING YOUR MODEL

To enable the move away from a binary-oriented model requires an external market perspective with targeted segmentation and the right timely actions.

RELATIONSHIP-ORIENTATED
COMPETITIVE VALUE



EXTERNAL MARKET
PERSPECTIVE



TARGETED
SEGMENTATION



TIMELY
ACTIONS

BINARY MODEL

GOAL: PRESERVE CASH AT THE COST OF RELATIONSHIPS



- + Preserve cash for the organization
- + Negotiate for longer terms and matched low price
- + Take discounts when appropriate
- + Take rebates for early payment



- Eroded supplier goodwill
- Slower delivery times
- Slower response times
- Lower willingness to address problems and defects
- Viewed as short-term relationship

RELATIONSHIP MODEL

GOAL: RELATIONSHIPS AND CASH CONSIDERED TOGETHER DELIVER MORE VALUE



Cash savings are identified alongside cost savings

Your team considers cash implications and is able to effectively negotiate terms based on supplier performance

Your suppliers are transparent with cost structures and pricing



Focus on the right relationships

Your team limits vendors to fewer key partnerships that enable enterprise strategy and manage cash more effectively

Your suppliers provide their best prices, people, and ideas



Defects are effectively communicated & addressed

Your team rapidly responds to challenges and has prebuilt risk mitigation plans to address common problems

Your suppliers communicate at the earliest signs of challenges



Supplier value maximized across the organization

Your team invests time in understanding suppliers and considers opportunities for multi-supplier benefits

Your suppliers seek to innovate with you and work on shared improvement plans

Leading practice for your COVID-19 Response Team is a cash stabilization approach, amongst approaches for risk management, workforce planning, customer experience, and others. If you are interested in learning more about how Jabian can help you build a powerful and durable cash stabilization approach and identify specific short- and long-term cash management opportunities, simply contact us at planahead@jabian.com.