IT'S NOT YOU – IT'S THE ECONOMY: Renegotiating with Suppliers & Managing risk

Prices keep rising, but that does not mean you have to surrender to cost increases from your suppliers. Significant business risks, supply chain disruptions, and inflation are forcing companies to reevaluate their supplier relationships. We've all heard about how supply chain issues have impacted businesses' ability to offer goods and services, but when you add inflation to the equation, this can further exacerbate supply chain risk.

In these uncertain times, regain control of your organization's future by implementing strategies to manage supplier costs, negotiate with suppliers to get the best terms possible, **and manage the added risks that come with an uncertain economy.**

DIVERSIFY SUPPLIERS

Depending on your type of business, keeping your suppliers domestic is a solid strategy for reducing shipping delays and mitigating the possibility of materials getting held up in customs during transit. If your business requires items that are only offered from international suppliers, **underwriters may be more likely to write favorable terms if they see that you diversify your distributors.** This shows that even if a shipment is delayed from one supplier, you still have other materials coming from additional suppliers, reducing the likelihood of a complete supply chain disruption.

REVIEW CONTRACTUAL OBLIGATIONS

When negotiating terms with suppliers, align your legal team and your insurance broker to help identify areas of contractual risk as they relate to the supply chain so that you can find ways to minimize it. For example, a cost escalation clause may help protect against inflation risks.

CYBER SIDE NOTE:

Globally, supply chains are under immense and unprecedented amounts of pressure from many different directions, which is why they are a prime target for cyberattacks. Organizations should vet the cybersecurity posture of their supply chain partners and consider adding cyber security requirements to your contracts.

AHT INSURANCE
A BALDWIN RISK PARTNER

PURCHASE A SUPPLY BOND

Supply bonds guarantee the terms of a purchase agreement. Purchasing a supply bond is most beneficial when your business has a very large project or one that is under a strict schedule. For example, if you're building a hospital and you require lab equipment to be at the facility by a certain date, a supply bond ensures that the supplier will produce and deliver the equipment by the date agreed upon in the contract.

COMMUNICATE

Communication is key to a quality buyer/seller relationship. Frequently checking in with your supplier about delays or evolving needs makes it easier for both parties to adjust terms or strategies. Keep comprehensive records of your supplier communications that document actual costs and note any time delays.

NEGOTIATE BETTER TERMS

In this tumultuous economy, everyone wants to make sure they get paid. Suppliers may often be willing to provide discounts if you pay the full amount upfront or early. Monthly payments or financing means additional paperwork and transactions to keep track of for the buyer and the seller, so complete and early payment can be a win/win for both parties.

By remaining strategic in your supplier relations and in regular communication with your insurance broker partner, you can help keep your organization's performance on track even if inflation isn't a problem that's going to be resolved any time soon.

Partnering with a team experienced in distribution and supply chain risk can help you mitigate losses and reduce your total cost of risk.

Contact us today to discuss how we can help with your risk management strategy.

Contact Us

AHT INSURANCE
A BALDWIN RISK PARTNER