

COVID-19: Third party disruption support

Given the scale of disruption caused by COVID-19, the reality is that some of your customers, suppliers or competitors could fail. Where businesses are critically dependent on a third party, such as a key supplier or customer, this could present a threat.

Businesses of all sizes, and in all industries, should act urgently to identify the risks and implications of third-party failure. They must then take short and long-term steps to reduce its potential impact, and lay the foundations for a stronger business.

Immediate impact and actions

	Critical supplier failure	Key customer failure	Competitor failure
Impact	<ul style="list-style-type: none"> — Inability to fulfil contracts, with potential penalties, compensation and/or reputational damage. — Inability to trade until alternative suppliers are secured. 	<ul style="list-style-type: none"> — Potential revenue loss. — Significant and unexpected cash-flow shortfall, especially if your business is an unsecured creditor of the customer (which is likely). 	<ul style="list-style-type: none"> — Unanticipated spike in demand (in sectors with a limited range of competitors). — Risk of overtrading and reduced service levels.
Actions	<ul style="list-style-type: none"> — Identify options for replacing suppliers, and the cost and logistical impacts. — Manage customer expectations. — Review contracts. — Identify WIP or unfulfilled stock in supplier sites. — Manage recovery actions with an insolvency practitioner. — Managed and optimise liquidity. 	<ul style="list-style-type: none"> — Look to minimise losses as an unsecured creditor (e.g. via Retention of Title claims). — Review credit insurance options. — Review short-term liquidity and funding impact. — Engage with key stakeholders (e.g. lenders). 	<ul style="list-style-type: none"> — Proactively respond to, identify and contact competitor's customers. — Identify potential demand profile changes, and how to manage them effectively. — Manage and optimise liquidity. — Identify suppliers' capacity to increase sales.

Longer-term actions

Businesses should also consider steps to reduce the long-term impact of third-party disruption, which may ultimately lay the foundations for a stronger business.

Employee support

Identify how the business can support employees of failed suppliers or rivals – e.g. via new employment.

Debtor book or customer list acquisition

Support businesses in acquiring a debtor book or customer list from an Insolvency Practitioner appointed to a failed competitor.

Supplier review

Understand and assess risk across the entire supply chain, including 'Tier 2+' suppliers.

Asset or trade acquisitions

Identify M&A opportunities which can deliver long-term benefits to stakeholders.

Stakeholder management

Be proactive during and after disruption events, to build trust and understanding among stakeholders, and avoid resorting to contractual terms.

How KPMG is helping

Our approach is designed to provide end-to-end support to organizations, aimed at ensuring optimum outcomes and maximising value.

Insolvency expertise

- As an established insolvency practice, our dedicated team is familiar with insolvency law and the appropriate commercial tactics during insolvency proceedings.
- We help clients take a fair but robust approach with stakeholders to minimise losses and maximise opportunities.

Flexible approach

- We adapt our proven approach to the unique circumstances of each situation.
- We work closely with management to understand company-specific factors such as risk appetite, funding availability and strategic vision; and to provide options that support your broader objectives.

Implementation support

- We provide practical support to clients at every stage in their response to COVID-19 disruption.
- For example, our quick Short-Term Cash Forecasting (STCF) tool provides invaluable insight, raising early visibility of issues so that action can be taken.

Key contacts



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