



# Emergent Risk in the Pandemic Era

How Credit and Supply Chain Are Forever Connected



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# What We'll Cover

- Today's supply chain challenges
- The early warnings of supply chain risk
- The differences between supply chain risk and credit risk
- End-to-end technology integration
- Actionable supply chain risk strategies



# How do you work with your supply chain team?

- Zero connection
  - Supply Chain/Procurement does no real financial analysis, or
  - Supply Chain/Procurement builds their own financial analysis
- Occasional “ad-hoc” requests
  - Credit is happy to help, or
  - not...
    - Creates a drain on credit resources
    - And/or it’s just box checking and advice gets ignored
- Credit is responsible
  - And has a seat at the table in supplier decision
  - Or has formal responsibility, but no input in supplier decision



# Defining Supply Chain Risks

- What is supply chain and why is it so important to a business and the economy?
- What are the risks that a business needs to look out for?
- How do I evaluate my supply chain risk?
- How are supply chain & credit risk intertwined in the pandemic era?



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# Tools for Risk Management

- Why is it important to have financial health transparency into your supply chain?
- What are the tools and technology used to manage supply chain, vendors, and risk? (i.e., GRC, supplier risk and procurement platforms)
- Along the same line, are there securitization or risk mitigating tools that can be put into place to manage supplier/portfolio risk?
- What is the difference between data and actionable information?



# Key Takeaways & Next Steps

- How do I create a Plan B / BCP in case a critical supplier defaults?
- What are some predictive and collaborative strategies I can use in my organization today?



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# Recap

- What is supply chain and supplier risk?
- What are the important aspects when evaluating supply chain risk?
- What tools can be used to mitigate risk?
- What is the one most critical and actional point to walk away with?





Thanks for joining us today!

**Contact us for more information.**

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# Appendix



# Risk Control Areas are **Intertwined**

- Studies reveal companies with poor financial health experience issues in supplier performance
- Financially weak companies will deal with compounding performance issues

## Why Financial Health?

Health Matters: Good financial health means less disruption and default. Suppliers with **poor financial health** are:

**2.0x**

More likely to provide  
**“Very Poor Quality”**  
performance

**2.6x**

More likely to provide  
**“Very Poor Delivery”**  
performance

# Unique Private Company Dynamics

## Companies are staying private

- More funding sources are available
- More funding for weaker companies over the past 5-8yrs

## Operate differently than publics

- Less scrutiny from shareholders and analysts
- No forecasting to the market necessary
- Fewer disclosure requirements
- More centralized control

## Historically reluctant to disclose information

- Yet they make up **70-80%** of the typical company's counterparties



# Where We're Headed

- There is some connection between credit and supply chain, but there will be more (and less!)
- Complexity is increasing
  - Supply Chains – more types, sizes and stages of suppliers, from more global locations
  - Supply chain and procurement risk management – more risk control areas like financial, cyber, sustainability, governance, compliance, quality control, delivery, etc
- Supply chain means short and long-term decision making
- It's going to get much more complicated



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# Credit & Supply Chain Working Together

- Credit needs to lean on Supply Chain for Qualitative Insights
  - Supply chains are heavily intertwined and complex
  - Understand criticality and engage in dialogue
- Credit can be involved in supplier reviews
  - Understand dialogue with the high-risk supplier
- Credit can be instrumental in the “Financial Assist,” can include
  - Pay for the raw materials the high-risk supplier requires directly from Tier II
  - Change payment terms
  - Require several departments coming together – legal, finance, etc.
- Credit must understand that long and short term dynamics are different
- Supply Chain must communicate criticality and be well organized
- If Credit can’t be involved, Supply Chain must be able to assess financial health
  - It’s essential, intertwined, always changing and warrants a common language both Supply Chain and Credit speak



# In 2020, companies saw their supply chains **disrupted** more than ever before.

The number of companies experiencing **10+ disruptions** increased dramatically in 2020

**27.8%**

Of companies **in 2020**

**4.8%**

Of companies **in 2019**

Percentage of companies who experienced different transportation disruptions:

**Cross-border land**

**84%**

**Domestic land**

**70%**

**Sea**

**65%**

**Air**

**63%**

Has top management commitment to supply chain resiliency changed as a result of the COVID-19 pandemic?

**Yes**

**48.8%**

**Somewhat**

**27.4%**

**Unchanged**

**22.6%**

**No**

**1.2%**