

### 3. 'We'll pay in 120 days. At the earliest...'

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Our company operates in a buyer's market: a market in which the customers can demand a favourable price and corresponding terms, often because supply exceeds demand. So margins are low in our sector. But that's not a problem, since that's our business and that's what we are set up for. But since this economic crisis, a situation has arisen which has made things trickier for companies like ours.

Nowadays purchase prices are increasingly obtained via an 'Internet auction', a kind of reverse auction on the Internet. Suppliers are invited to participate, whereby the starting bid must be below a target specified by the customer. Each bidder can then underbid that figure with a lower price.

All participants can see what the lowest bid price is, but are anonymous to one another. Only the buyer sees the prices for each bidder. Therefore, a supplier is not sure whether a rival bidder actually is able to supply in accordance with the specification. In order to attempt to get the lowest price, the buyer sometimes takes part in the bidding as well.

I question whether this is in keeping with the current desire to do business in a transparent way.

Companies have also become increasingly focused on cash flow since 2008. Therefore, they are trying to reduce their working capital as much as possible. By keeping stocks low, but also by delaying payments on purchase invoices.

Before the crisis, it was customary in the Netherlands for invoices to be paid between 30 and 45 days. In France, the payment period at the time was around 60 days, which we felt was exceptionally long. But nowadays there are more and more customers who demand a 90-day payment period. And who then sometimes also pay at the end of the month after 90 days, so the average sales invoice is only paid after 105 days.

There is also a trend for large companies to shift their accounts departments to countries such as India, because wages there are lower. If an invoice is not paid, it's not possible to contact them by telephone because we don't speak the same language. It's hard enough just getting the right email address. And when you do have it, the accounts clerk uses Google Translate for the translation into Hindi. A reply is translated back into English in the same way. This is a very laborious way of communicating, and meanwhile the invoice remains outstanding.

There are even Internet auctions where bidders first have to bid on the longest payment period. The suppliers need to compete with one another about who is prepared to offer the longest payment period, starting at 120 days (4 months!). It's only the second round that revolves around the lowest price.

Because this was a problem in France in 2008, the French government introduced a law at that time which requires companies to pay an invoice within 60 days. Apart from the fact that the unhealthy situation had arisen that companies were using their suppliers as a bank, the risk was too great that if a company were to go bankrupt the suppliers would also go bankrupt because of the level of the unrecoverable payments.

It would be good if the Dutch government were to follow the French example.

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