



# Supply chains worldwide are more vulnerable than ever, especially with the recent outbreak of COVID-19.

Vigilant monitoring and early risk identification are crucial to mitigating the impact of financial credit risk in corporate value chains.

**Business failures increased by 10.7%, year on year, in 2019. However, interestingly, the increase was 14.5% in the final quarter of 2019. This could be indicative of increased distress in the market, according to the Department of Statistics South Africa, Statistical Release P0043 – Statistics of liquidations and insolvencies (December 2019).**

59%

of OEM disruptions are caused by Tier 2 suppliers

30X

the number of disruptions are caused by Tier 2 vs Tier 1 suppliers

60%

of surveyed executives have little or no confidence in managing third-party suppliers

The failure of a single supplier even deep within the supply chain can trigger a production crisis. Yet in a recent Deloitte extended enterprise survey, over 1 000 senior executives from 19 countries acknowledged that they lack the skills and the resources to manage this risk effectively.

## Failure of a critical supplier can have huge financial, operational and reputational impacts on its customers

Symptoms of stress are often financial, but can also be evidenced by operational issues



DECLINE IN OPERATIONAL PERFORMANCE



CHANGES TO REGULATORY ENVIRONMENT



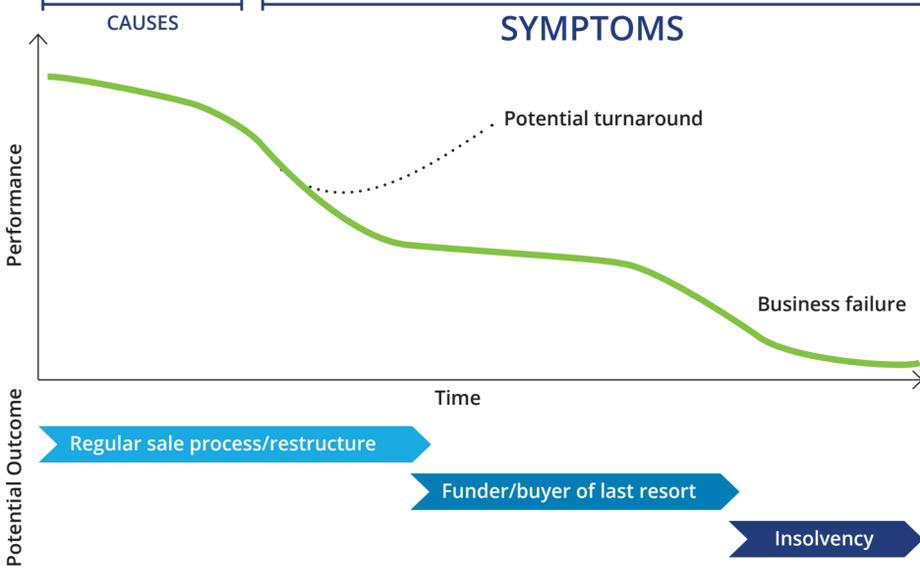
CHALLENGING MARKETS



BUSINESS SPECIFIC

## Early engagement with suppliers facing financial challenges increases the chances of a successful outcome

- Early detection of credit risk can significantly reduce the impact of supply chain failure
- Proactive intervention can provide suppliers with the support and clarity that they need to self-rescue



Supporting a supplier through a turnaround phase is typically significantly less costly than having to fund continuity of supply once the business is insolvent.

## Deloitte advantage

When it comes to supporting our clients, our work can be broken down into three main areas:



RISK IDENTIFICATION AND CONTINGENCY PLANNING



CREDIT RISK ASSESSMENTS AND MONITORING



CRISIS RESPONSE

## Deloitte has the global reach, credentials and market-tested solutions to be your partner for Third Party Credit Risk

Deloitte's market-leading Third Party Credit Risk team combines expert financial and operational restructuring skills with deep sector knowledge to deliver critical insights into the financial health of your key third parties. We draw on our experience of being the key advisor to companies in financial distress around the globe. We spot early signs of underperformance quickly and take action to protect your value chain.

## Contacts:

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