



From Business Strategy to Accounting and Marketing Practice

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Many accountants and marketers are used to paying suppliers only on the last day of the payment term, because this is the practice in many companies. However, if supplier relationship is of strategic importance for a certain industry, we may want to pay suppliers right after raw materials from suppliers can pass incoming quality inspection. Suppliers also have many customers. They will also look at their customer relationship from their perspective. For a supplier, the preferred customers are those who have paid them before the payment deadline. When supply is limited, we definitely want to be the preferred customer of our supplier. Some company founders know the

importance of good supplier relationship, and so they treat suppliers well by paying them early. Furthermore, they want to have long-term supplier relationship for several years, rather than getting three suppliers to submit competitive cost quotation once a year. Company founders want to grow profitability together with their suppliers. Sometimes, they may even only have one single supplier and treat the supplier as partner. In summary, the lower interest as a result of paying suppliers early may help company to obtain intangible benefits from suppliers.

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