



### **“The Inherent Value of Vendor and Customer Relationships”**

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In some cases when a business is failing, it may make the most sense to just let the company go into bankruptcy and start another company entirely. Sometimes the barriers to recovering your company are just too great and you decide to stop the bleeding. You decide to “stop throwing good money after bad,” as the old saying goes.

Well, if you get to a point that you believe that you will eventually do this, you are likely going to need vendor relationships in your new business, and if you can take those with you, then you will have a much better start in the new operation, even if you are working for someone else (in which case you may be able to negotiate a higher salary due to the fact you are bringing these relationships with you).

As with vendor relationships, the same is true for customer relationships, and maybe even more so since customer relationships translate more directly to revenue and not to the cost of goods, which translates to revenue indirectly.

Suppose that you currently—and you plan to in your next business as well—sell safety supply equipment, and you will sell your products via retail outlets where you will have walk-in customers. You will also likely have a large number of big customers that buy a lot of equipment. Each of those companies will have purchasing managers in charge of optimizing the purchasing function.

If you have personal relationships with these purchasing managers, you likely make a lot of agreements (verbal or written) to sell products and give or receive discounts. If these agreements are in writing, they can be taken by a bankruptcy court and possibly sold to other safety supply companies (if the contract conditions allow for transferring the obliga-



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tions).

If on the other hand, everything is verbal, you sort of own these relationships personally, and you can take them with you when you leave.