# New tariffs and rising delinquencies will put pressure on your cash flow – three ways to prepare

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For building material suppliers, the tariff problem isn't going away. In July, higher tariffs lifted the prices of lumber, aluminum, steel and other products. More recently, a 10% tariff on more than $200 billion worth of Chinese goods has begun to affect the market for materials such as plywood, roofing slate and air conditioning parts. Suppliers that want to avoid increased expenses face a tough dilemma: source cheaper product substitutes, pass higher costs on to customers or absorb the costs and lower their margins.

The challenges introduced by rising tariffs are compounded by another disturbing trend: elevated customer delinquencies. BlueTarp tracks delinquencies of thousands of business customers and is seeing a 16% year-over-year increase in AR dollars that are 60 days past due, approaching levels not seen since the Great Recession. Dun and Bradstreet's Small Business Index also has concerning data - payment delinquencies are up 5.7% and credit card delinquency is up 5.3%. Many customers are slowing down payments. Others are halting them altogether.

Rising delinquencies, combined with the uncertain impacts of tariffs, are causing more pressure on companies' cash flow positions. Here are three strategies you can take to shore up your cash flow and prepare for increasing headwinds:

### #1: Tighten credit policies

- **Tighten credit screens and requirements.** Raising your minimum credit criteria will mitigate the risk of delinquencies. In addition, be sure to enforce your accounts receivable terms to discourage payment delays.
- **Implement consequences for delinquent customers.** Before issuing new credit to customers, require them to pay down any existing balances. Wean very slow-paying customers off credit and move them to COD.
- **Raise prices and assess fees.** Analyze each account to determine its profitability. You will probably be surprised by how many customers you are paying, rather than the other way around. Then raise the prices you charge unprofitable accounts, start collecting late fees and stop allowing customers to pay their in-house accounts with credit cards.
- **Set ceilings.** Set credit ceilings for even the best-behaved customers, and don't allow anyone to exceed them. As tariffs continue to take their toll on the building supply industry, consider lowering your maximum credit line.

### #2: Don't set it and forget it

Your customers' credit may be changing faster than you think. BlueTarp's data shows that, among more than 2,000 customers, the risk level of 83% had changed just a year after credit was extended. The lesson is clear: just because a customer's credit is good when they apply doesn't mean it will stay that way. In the high-cost environment created by tariffs, customers may be especially prone to sliding from good credit to bad.

Be proactive by re-screening customer credit at least three times a year. Consider creating, or seeking outside expertise to create, a behavior scoring model that incorporates both credit bureau data and your customers' payment patterns with your company. An effective model will alert you to changes that are predictive of a greater chance of severe delinquency. With this warning, you can monitor customer behavior more closely, then reduce credit lines and collect more aggressively as needed.

Another benefit of having an automated model is that its objectivity insulates your decisions from errors caused by human perception. While a credit manager might not flag a previously pristine customer that recently delayed payment, the behavioral model will.

**#3: Use technology that improves visibility and control**

The right technology can make a big impact on shoring up cash and reducing risk. Consider adopting shared dashboards that allow your sales and credit teams to monitor all customer purchase and payment activity. Allow your teams to quickly pull aging reports to prioritize collection efforts, and examine customer purchasing behavior to identify cross-selling opportunities. With a single location for all late payment intelligence, plus invoices and statements, your internal teams can easily manage customer relationships and keep an eye on any exposure to risk.

**Conclusion**:

Rising tariffs are already hurting suppliers, and the pressure is only likely to increase. Rather than waiting for delinquency rates to climb even higher, the smartest companies are preparing now. By partnering with a credit management company like BlueTarp, you can protect yourself from risk and shore up your cash with upfront payments on all B2B sales, credit monitoring, risk recourse, and online account management tools that give you full transparency into spending and payment behavior. As tariffs exacerbate the impact of delinquencies, suppliers that are taking steps to combat losses can face the future with confidence.