

# SUPPLY CHAIN FINANCE & CASH CONVERSION SOLUTIONS

ANALYST REPORT SERIES



**CRAIG JEFFERY**

Founder & Managing Partner  
Strategic Treasurer



## WHAT

Analysis, discussion and takeaways from the 2021 Treasury Technology Analyst Report.



## WHEN

Tuesday, February 15, 2022  
2:00 – 3:00 PM EST



## WHERE

Live Online Presentation  
Replays at [StrategicTreasurer.com](https://StrategicTreasurer.com)

# ABOUT THE SPEAKER

GET TO KNOW TODAY'S SUBJECT MATTER EXPERT



## CRAIG JEFFERY

Craig Jeffery has 30+ years of financial and treasury experience as a practitioner and as a consultant. This has uniquely qualified him to found and lead Strategic Treasurer, a research-based consultancy serving the treasury industry by assisting clients and informing the industry.

As Managing Partner, Craig oversees Strategic Treasurer's operations in both arenas: advising and assisting clients on major projects and through outsourced services, and informing the industry through educational webinars, informational publications and survey data.



### ADVISE

- Global & Domestic Treasury
- Connectivity & Onboarding
- Working Capital Optimization



### RESEARCH

- Industry Surveys
- Benchmarking
- Data Subscription



### ASSIST

- Treasury & Risk Technology
- Bank Fee Management
- Temporary Treasury Staffing



### INFORM

- Webinars
- Podcasts
- Analyst Reports, eBooks & Executive Summaries

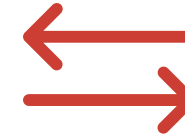
# TOPICS OF DISCUSSION

KEY AREAS OF FOCUS &  
ANALYSIS



## DEFINING THE TERMS

WORKING CAPITAL, CCC & SCF



## ORDER-TO-COLLECT & PROCURE-TO-PAY

SOLUTION LANDSCAPE



## SCF

OPTIONS AND BENEFITS



## WHO NEEDS SCF?

SIGNS OF NEED



## SELECTING & IMPLEMENTING

AN SCF SOLUTION



## LEADING PRACTICES

FOR WORKING CAPITAL  
INITIATIVES

# DEFINING THE TERMS

## WORKING CAPITAL, CCC & SCF

**Net Adjusted Working Capital (WC):** *Accounts receivable + inventory - accounts payable.*

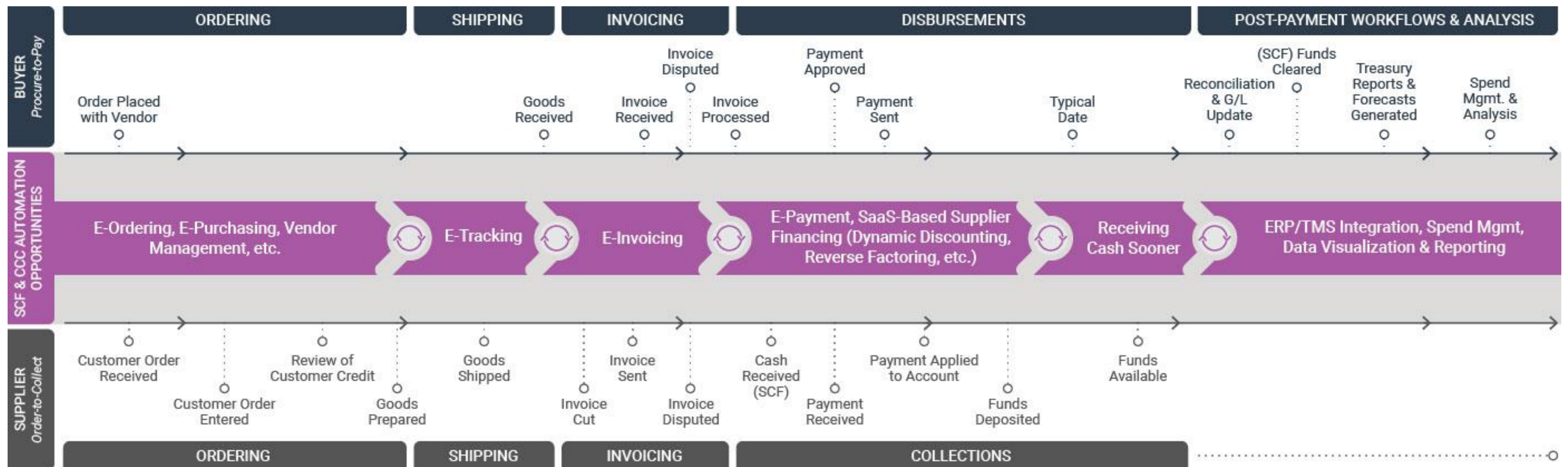
**Cash Conversion Cycle (CCC):** *The measurement of time it takes to convert resources (inventory, AR, AP) into cashflows.*

**Supply Chain Finance (SCF):**

*“The use of financial instruments, practices, and technologies to optimize the management of the working capital and liquidity tied up in supply chain processes for collaborating business partners.”*

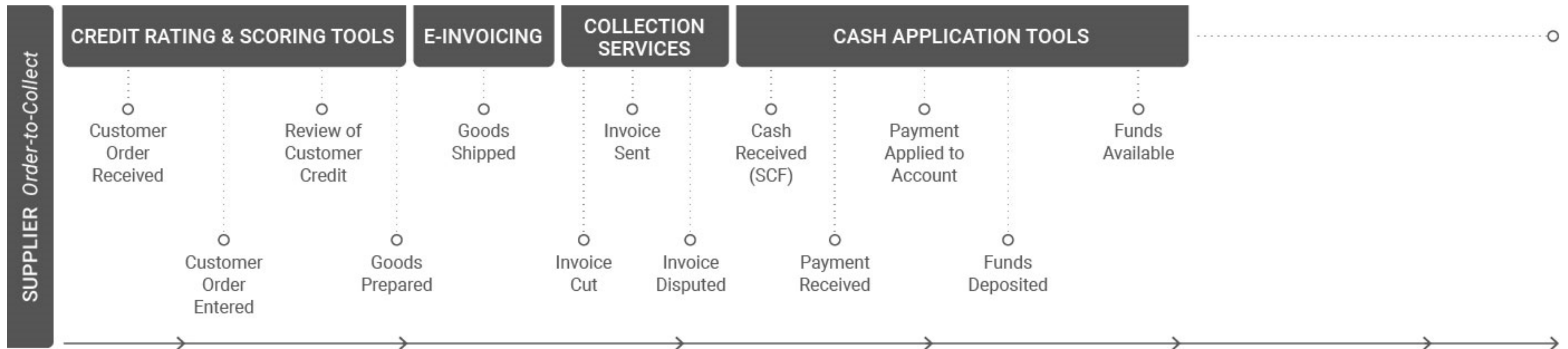
**- Euro Banking Association.**

### SCF & CCC Automation Opportunities



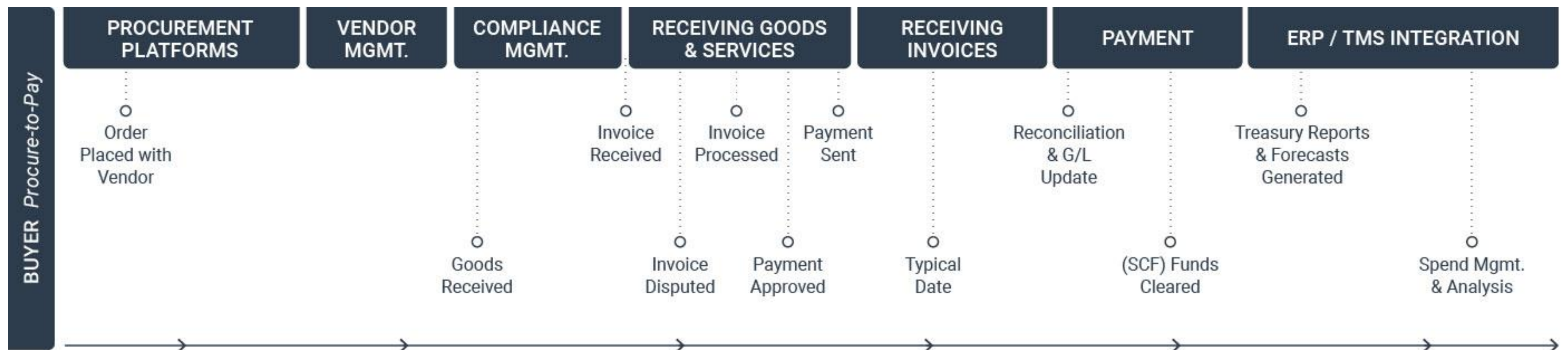
# ORDER-TO-COLLECT SOLUTIONS

## THE LANDSCAPE



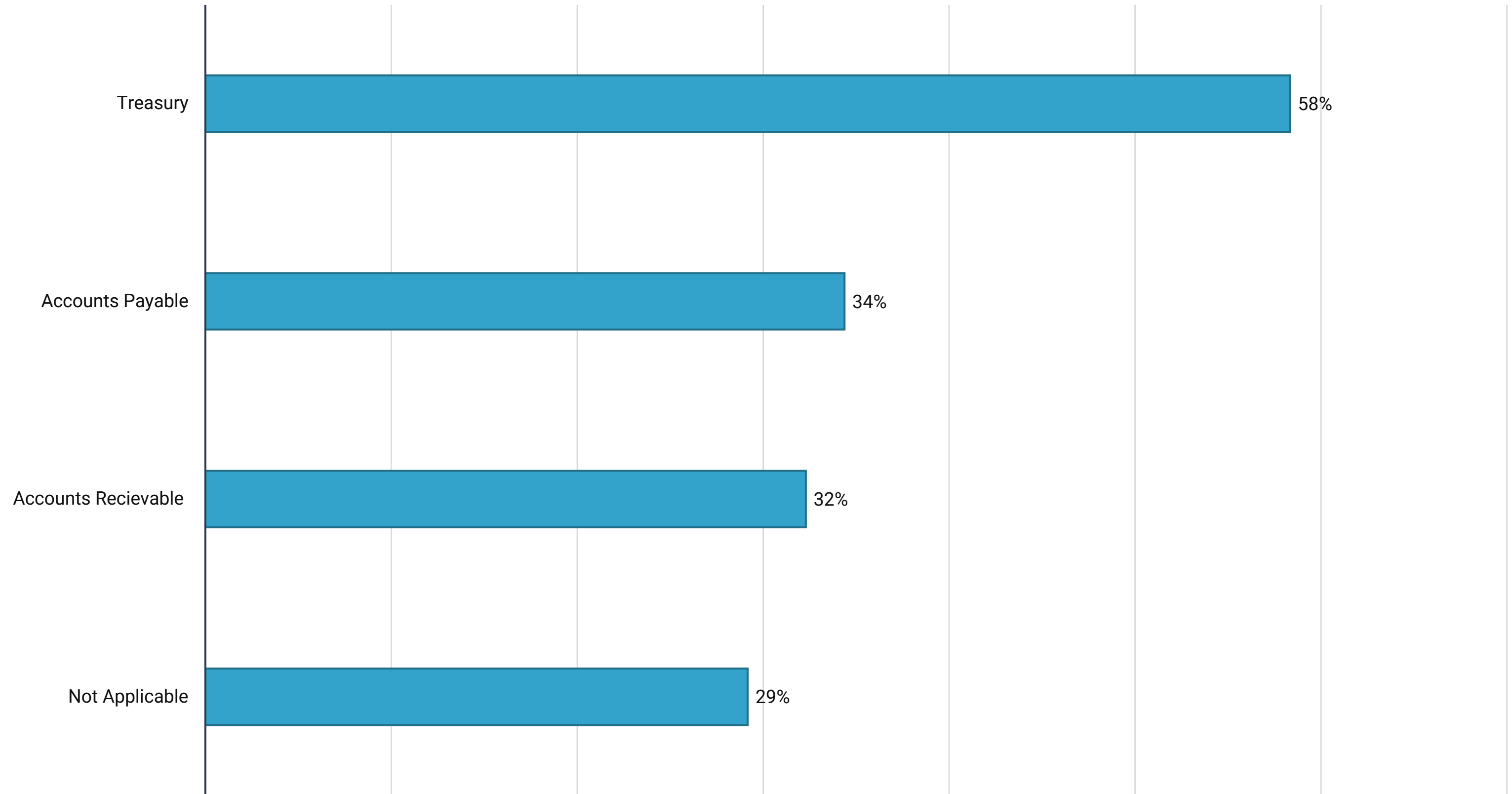
# PROCURE-TO-PAY SOLUTIONS

## THE LANDSCAPE



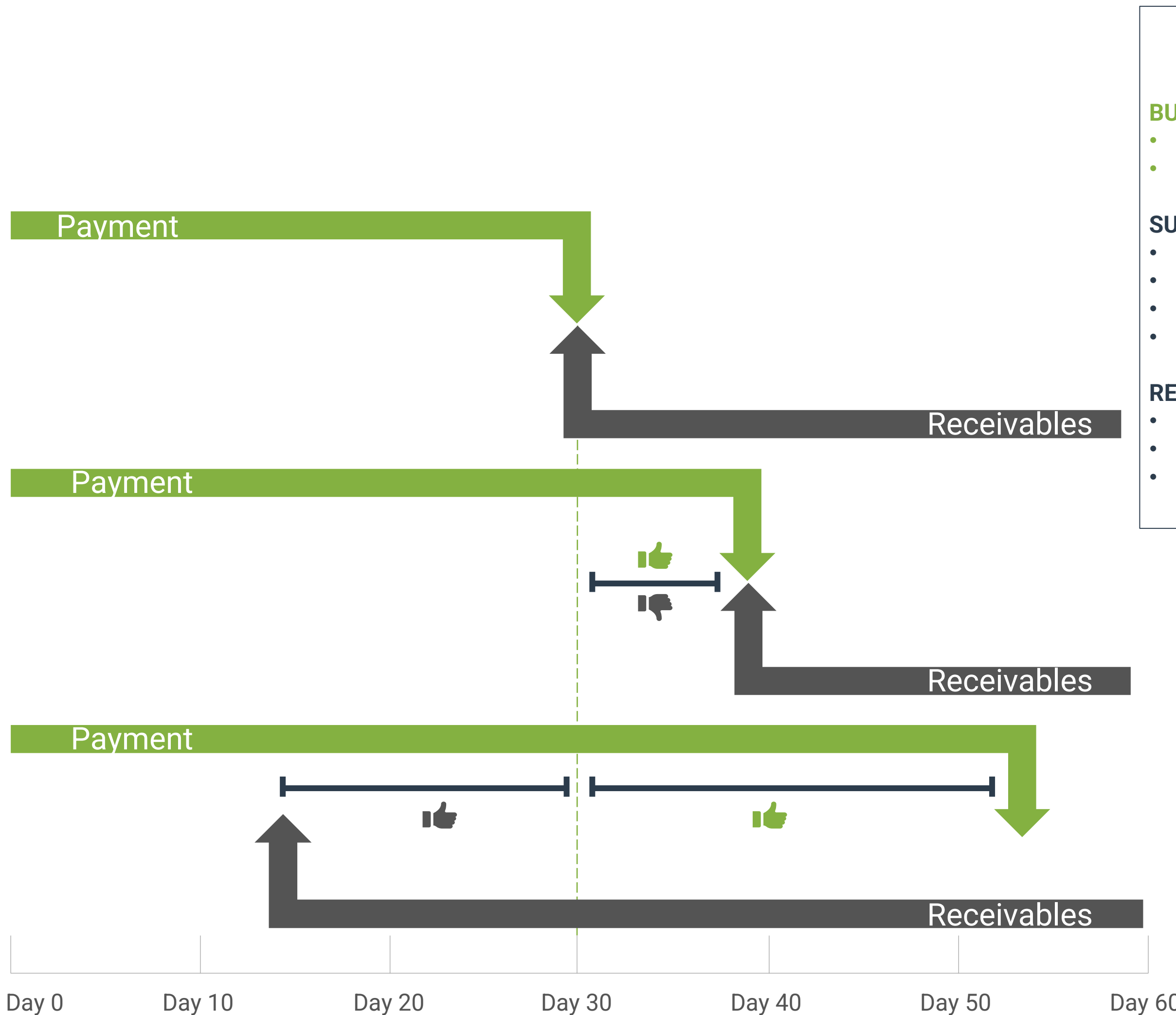
# POLL QUESTION

Which of the following areas of the CCC does your group have some responsibility over?



# SUPPLY CHAIN FINANCE

## MODELS AND TECHNIQUES



### The Umbrella

#### **BUYER-LED APPROACHES – Accounts Payable-Centric**

- Reverse Factoring
- Dynamic Discounting

#### **SUPPLIER-LED APPROACHES – Accounts Receivable-Centric**

- Factoring
- Forfaiting
- Invoice Discounting
- Inventory Financing

#### **RELATED APPROACHES – Trade Finance/Bank-Led**

- Documentary Trade Finance
- Bank Payment Obligation
- Asset-Based Lending

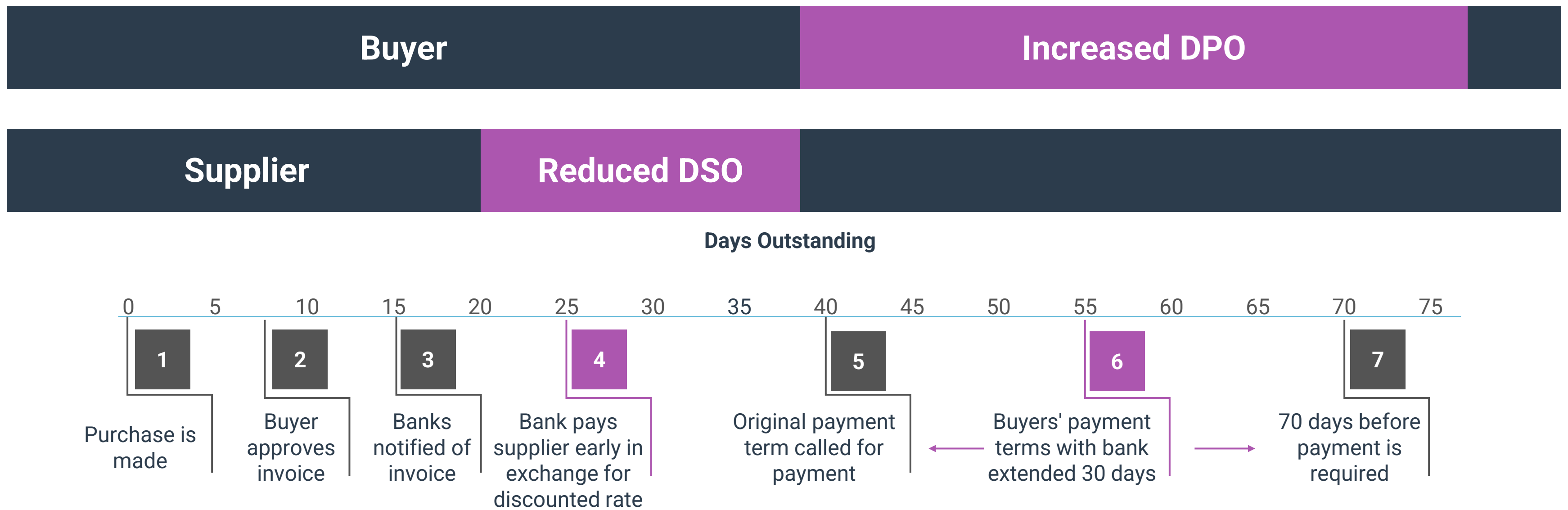


# SFC: REVERSE FACTORING

## SEQUENCE OF EVENTS

> Reverse factoring leverages third-party funding to break the lockstep of traditional payment terms.

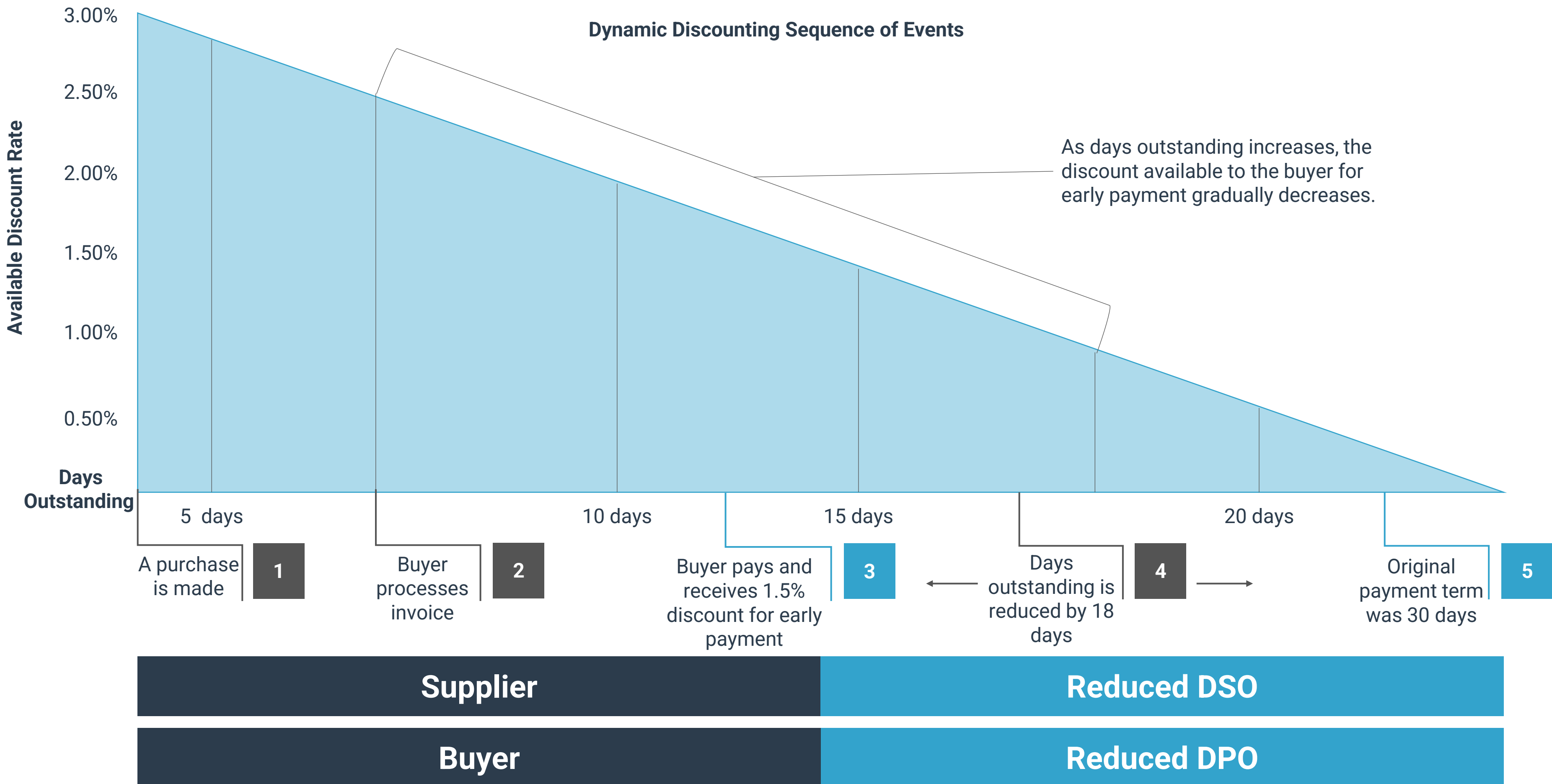
### Reverse Factoring Sequence of Events



# SFC: DYNAMIC DISCOUNTING

## SEQUENCE OF EVENTS

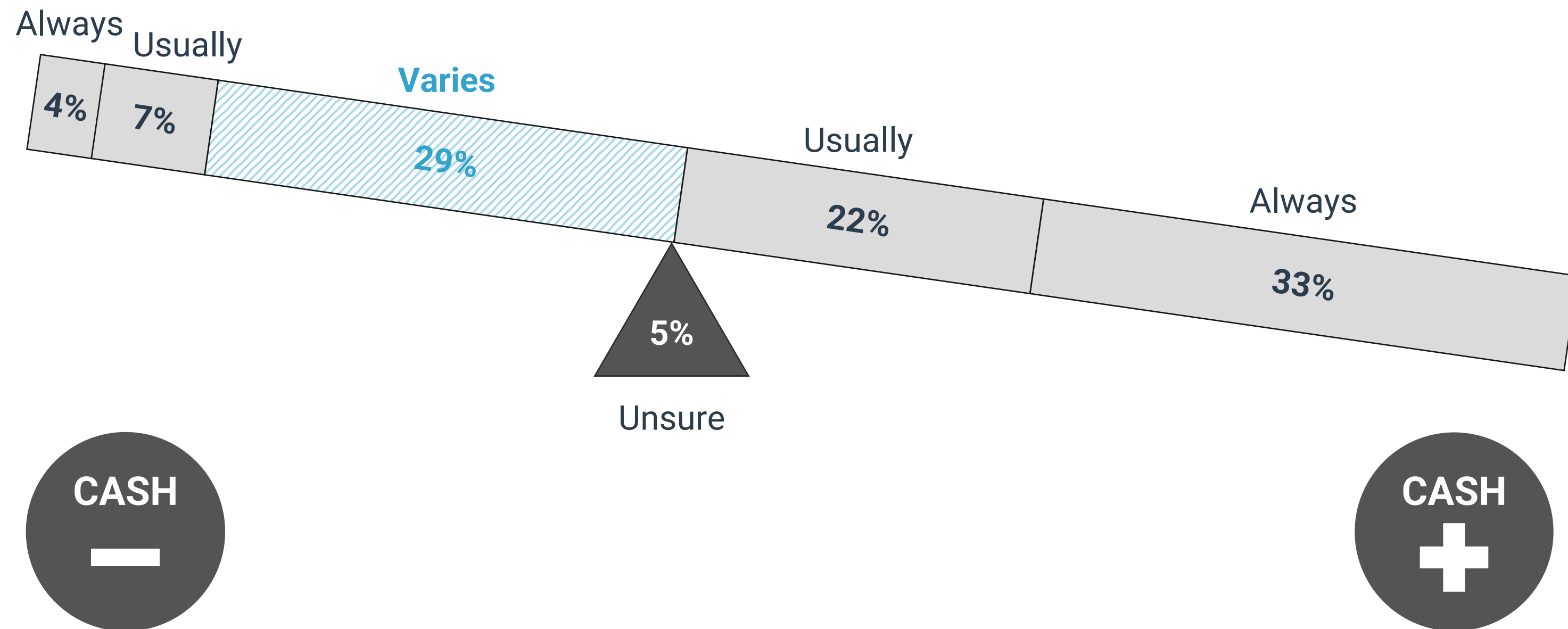
> Dynamic discounting leverages excess capital through a sliding scale of discounts.



# HYBRID SCF SOLUTIONS

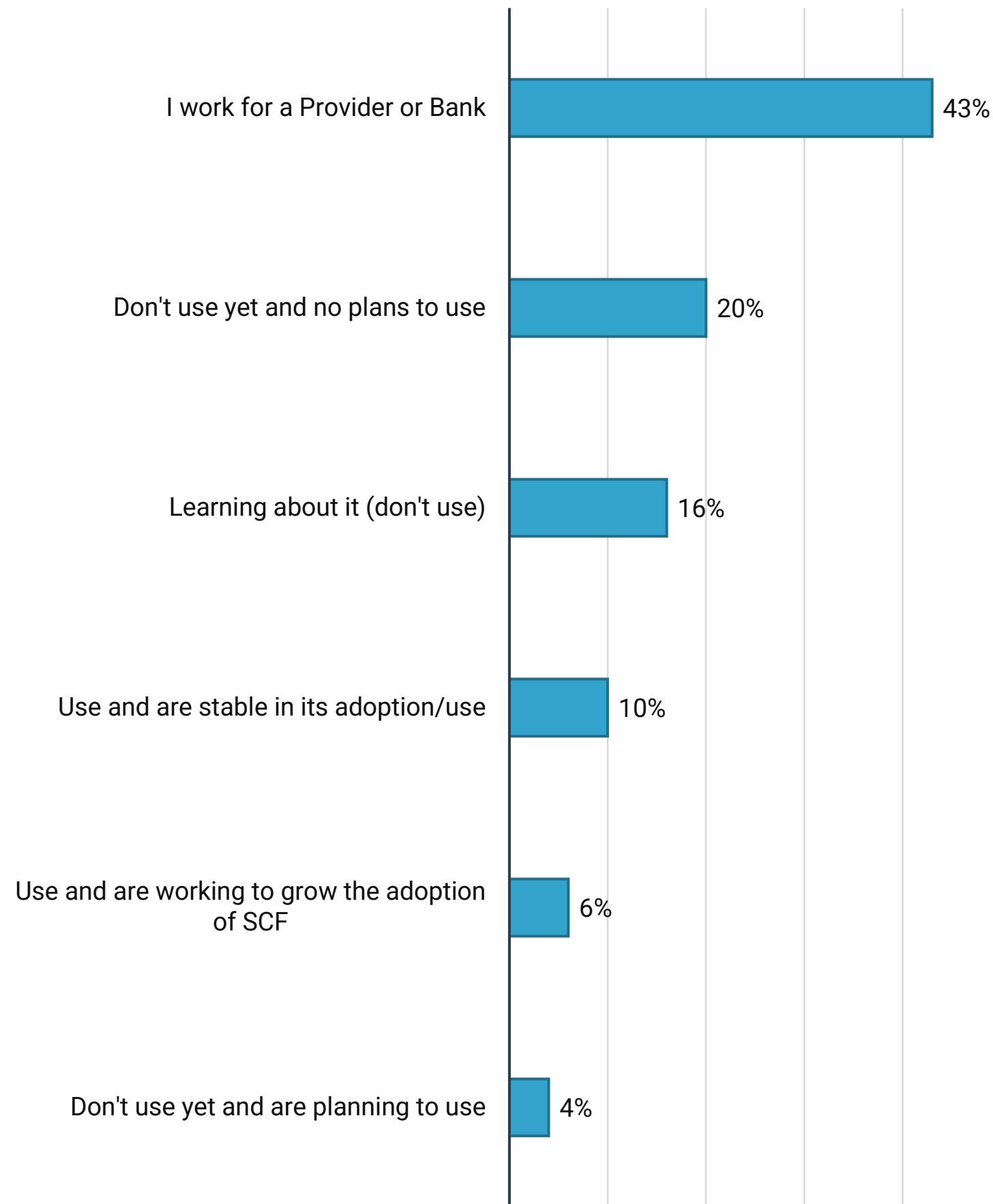
## BOTH REVERSE FACTORING AND DYNAMIC DISCOUNTING

Please indicate your most common working capital position.

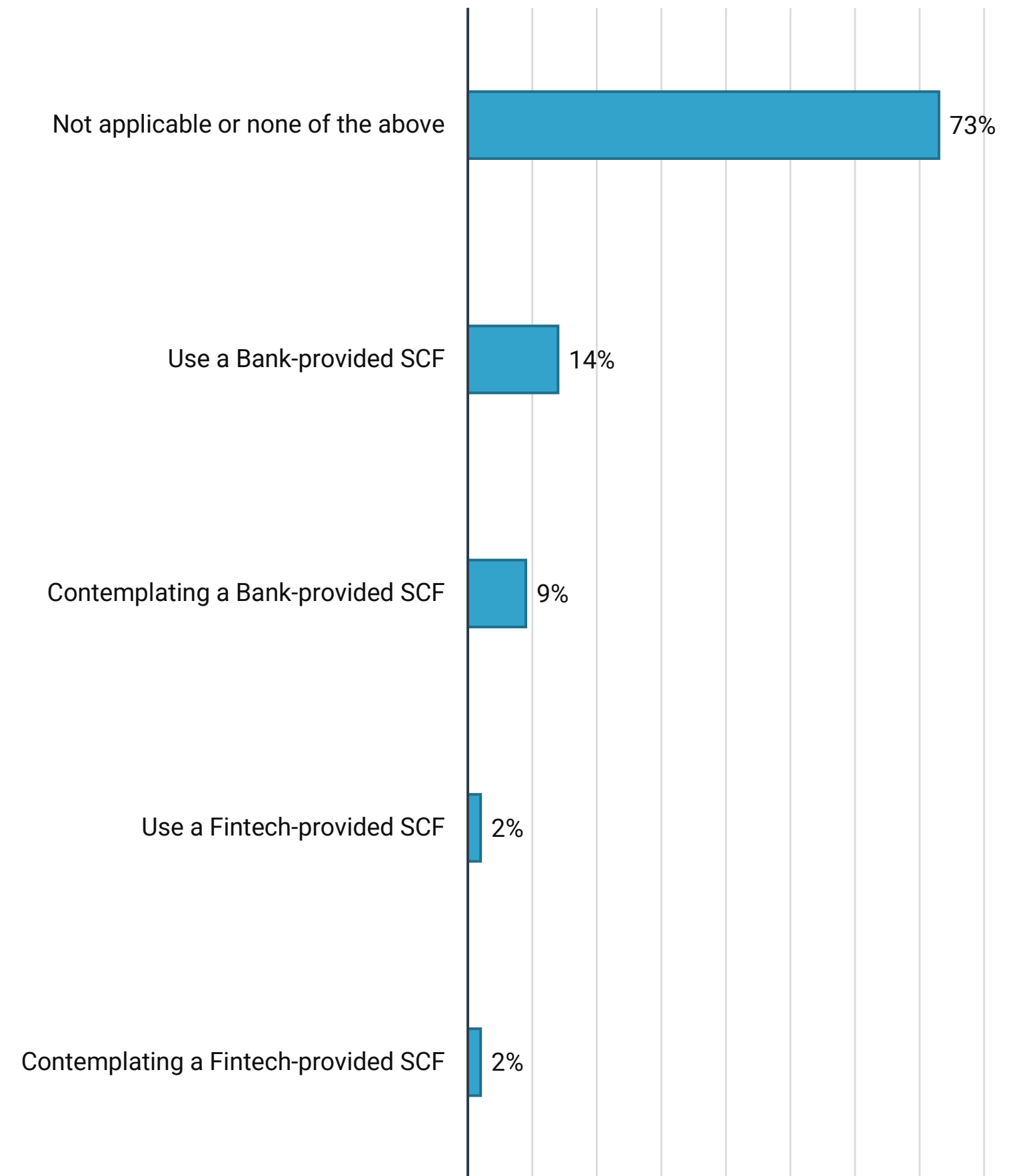


# POLL QUESTION

**My organization's use or view of Supply Chain Financing:**



**Describe your SCF situation.**



# WHO NEEDS SCF?

## COMPELLING CIRCUMSTANCES



### LOW SUPPLIER CREDIT

If suppliers need more capital, SCF can leverage your company's credit rating or excess capital.



### WORKING CAPITAL OPTIMIZATION

SCF can further optimize working capital.



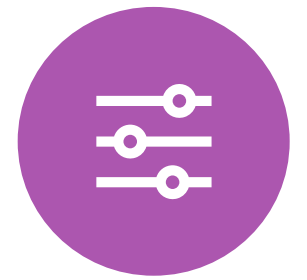
### NET LIQUIDITY FLUCTUATION

Hybrid SCF solutions help those whose net liquidity position varies.



### SUPPLIERS ARE PARTNERS

For companies where threat to supplier can mean threat to buyer as well, SCF can mitigate risk.



### DIVERSIFYING CAPITAL ACCESS

Adding SCF can open up options for access to capital while allowing you more control and flexibility.

# EMERGING TECH

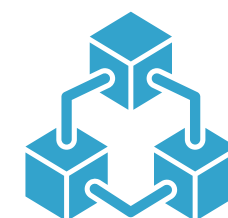
AI & BLOCKCHAIN/DLT



## AI

**Industry Adoption:** Strong

**Uses:** Analyzing data and predicting supplier willingness to accept terms. Helping users optimize payment strategies and discount terms.



## Blockchain/Distributed Ledger Technology

**Industry Adoption:** Moderate

**Uses:** Increasing transparency to resolve disputed or complicated cross-border transactions.

# SELECTION & IMPLEMENTATION

## SCF SOLUTIONS



### Due Diligence

As with any partner you rely on for capital, be vigilant in your processes and investigations of potential SCF providers. Do not assume there are no risks.

## MAXIMIZING SUPPLIER PARTICIPATION



### Communication

- Help suppliers see how participation benefits them



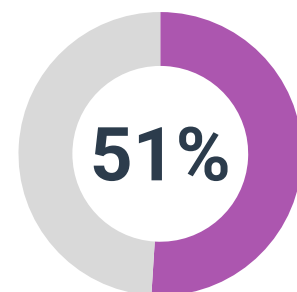
### Minimal Onboarding Cost & Inconvenience

- Help minimize suppliers' barriers to entry by asking about the onboarding process and considering covering certain costs



### Ongoing Ease of Use

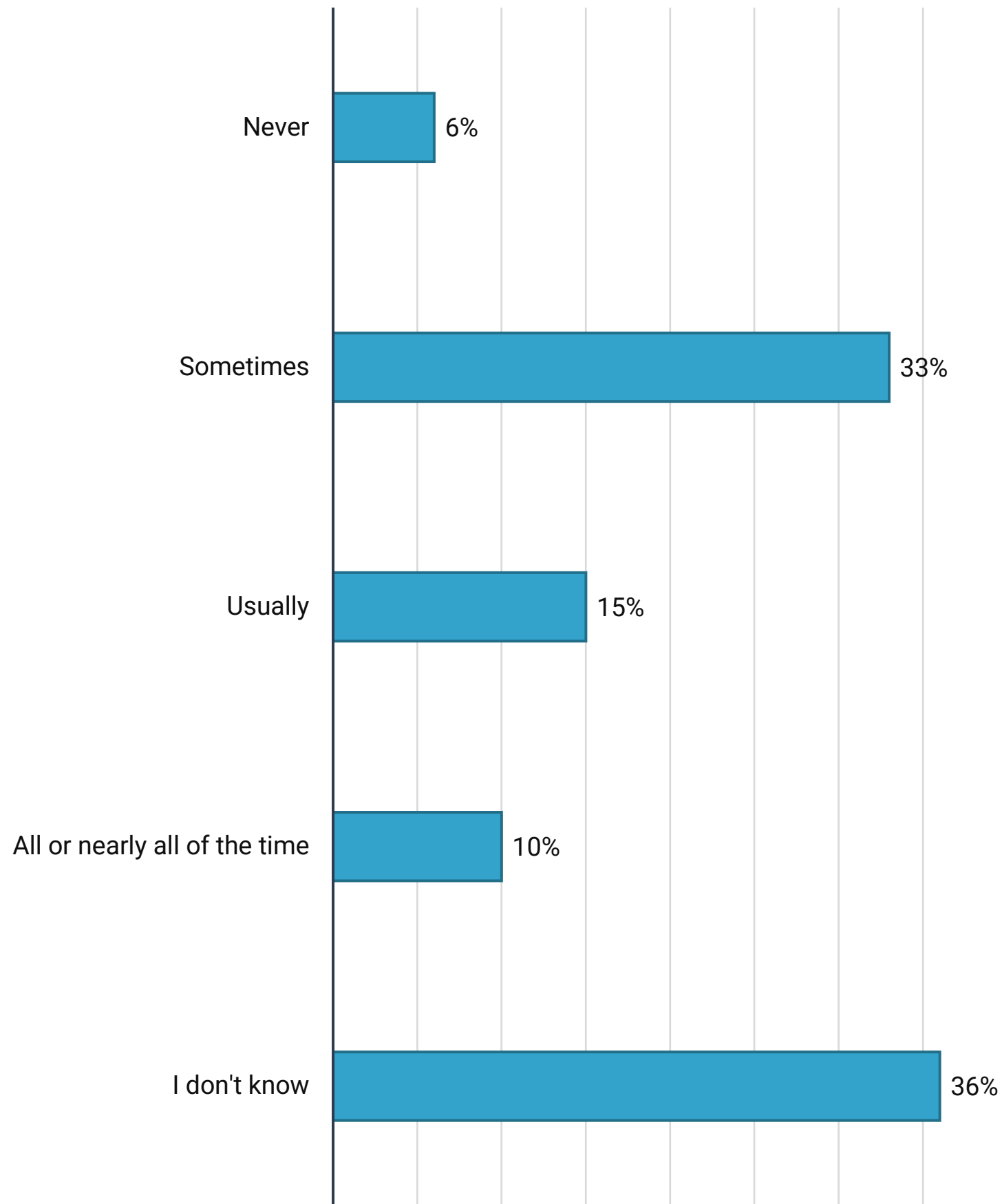
- Consider ease of use and ongoing support for suppliers



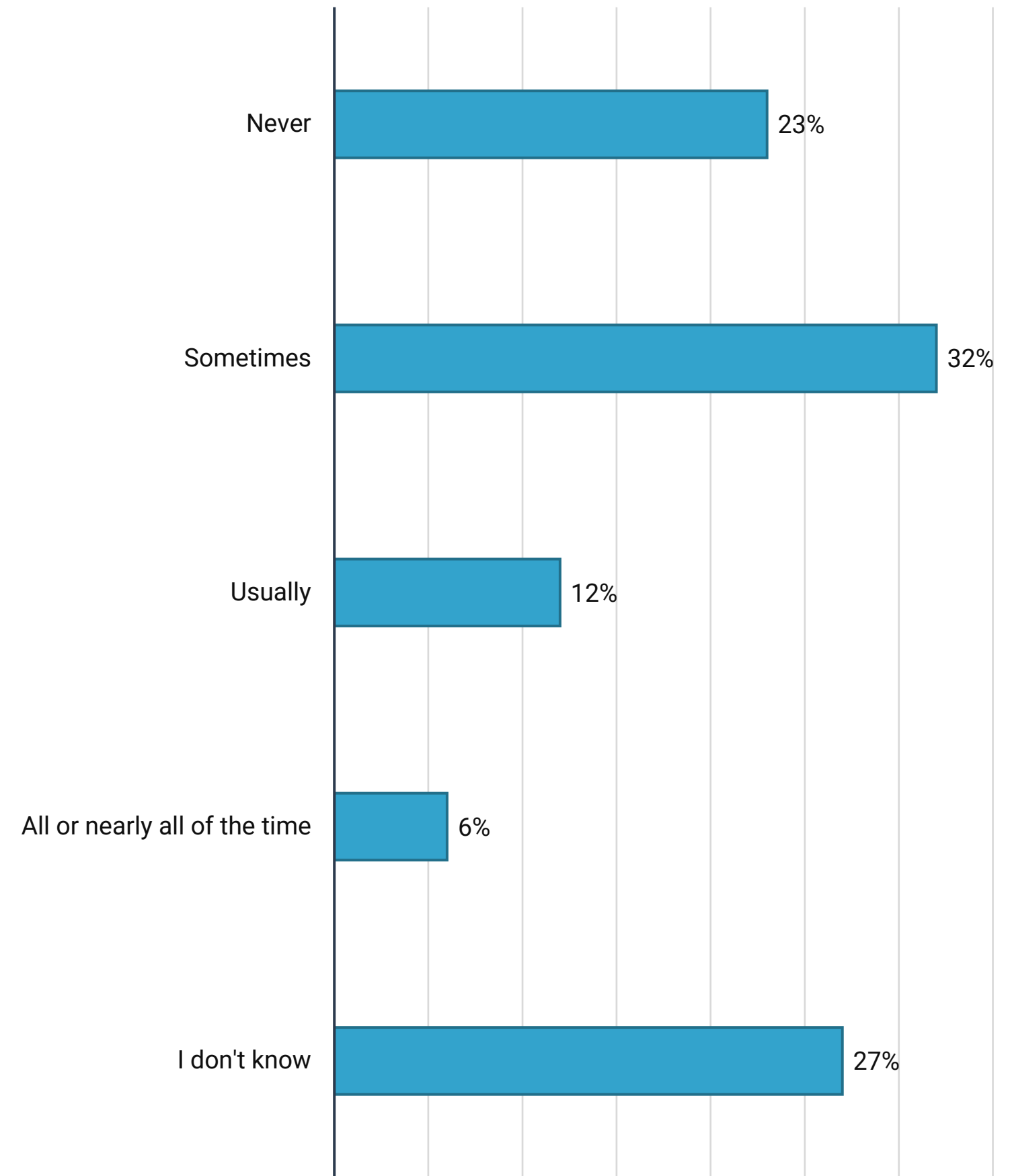
Corporate buyers ranked *Getting the majority of suppliers to participate* as the number one factor in what impacts the success of SCF.

# POLL QUESTION

**My organization TAKES discounts:**



**My organization OFFERS discounts:**





# LEADING PRACTICES

## FOR WORKING CAPITAL INITIATIVES



### Build or Consult a Working Capital Council

Participants: Treasury (usually leads the council), accounting, AP, AR, procurement, legal, tax.

Aim: To promote mutually beneficial working capital initiatives and eliminate competing KPIs across different departments.



### KPIs and Objectives for Initiatives

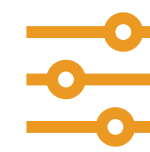
Identify overarching goals, then cooperatively establish a single set of KPIs that support those goals.



### Understanding Others' Perspectives

As leader, treasury must communicate and reinforce:

1. Competing KPIs hurt everyone.
2. What are the goals/concerns of each department?
3. What are the thoughts and concerns of external partners?



### Monitor & Refine Approach

1. Revisit and refine working capital initiatives.
2. Monitor adoption.
3. Assess effectiveness.
4. Continue seeking feedback from all involved.
5. Recalibrate as needed.

# ANALYST REPORT

TREASURY'S GO-TO SOURCE FOR TECHNOLOGY DEVELOPMENTS, TRENDS & SOLUTIONS

VENDOR ANALYSIS SECTION: SCF & CCC PROVIDERS



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