

SUPPLY CHAIN FINANCE & CASH CONVERSION SOLUTIONS

ANALYST REPORT SERIES



CRAIG JEFFERY

Founder & Managing Partner
Strategic Treasurer



WHAT

Analysis, discussion and takeaways from the 2020 SCF & CCC Solutions Analyst Report.



WHEN

Wednesday, March 17, 2021
11:00 AM – 12:00 PM EDT



WHERE

Live Online Presentation
Replays at StrategicTreasurer.com



This presentation is provided by Strategic Treasurer.

SPEAKER

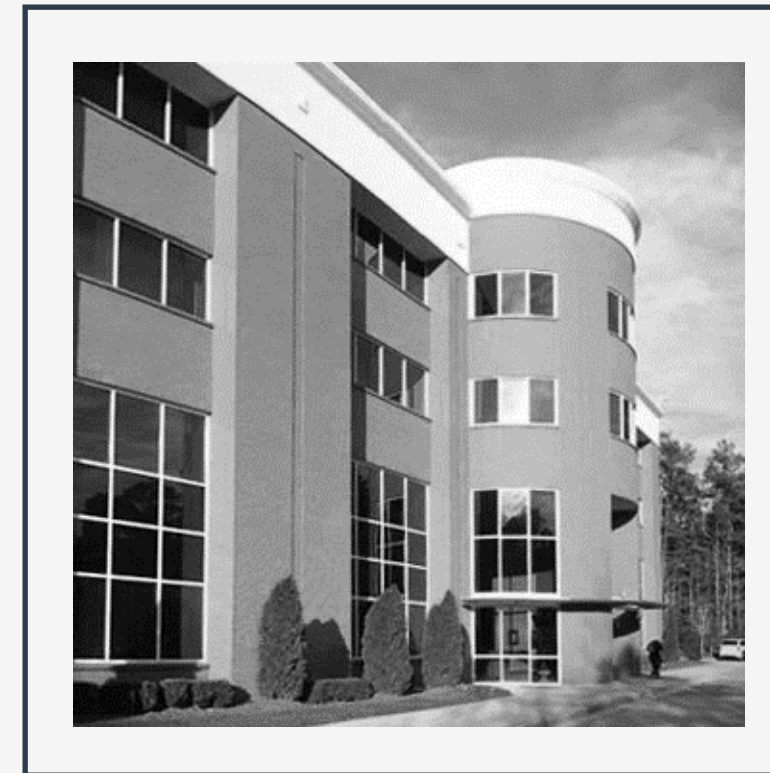
GET TO KNOW YOUR SUBJECT MATTER EXPERT



CRAIG JEFFERY, CCM, FLMI

Craig Jeffery formed Strategic Treasurer LLC in 2004 to provide corporate, educational and government entities direct access to comprehensive and current assistance with their treasury and financial process needs.

His 30+ years of financial and treasury experience as a practitioner and as a consultant have uniquely qualified him to help organizations craft realistic goals and achieve significant benefits quickly.



STRATEGIC TREASURER

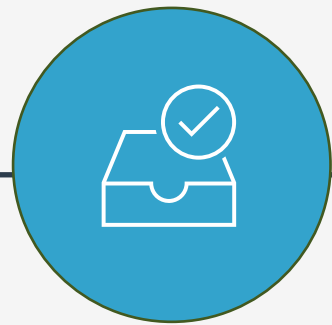
Strategic Treasurer provides consulting, research and professional services for treasury management, security, technology and compliance. Corporate clients, banks and fintech providers throughout the world rely on their deep awareness of current practices, plans and perceptions through their annual surveys and decades of treasury experience.

With a mission to advance the practice of treasury by advising clients, assisting teams and informing the industry, Strategic Treasurer guides practitioners through real-world, mission-critical issues that organizations face today.

THE CASH CONVERSION CYCLE

UNDERSTANDING THE CYCLE'S COMPONENTS

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



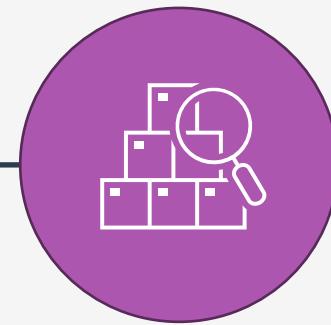
ORDER TO COLLECT

- Credit
- Sales
- Fulfillment
- Invoicing or Billing
- Collection and Credit Application



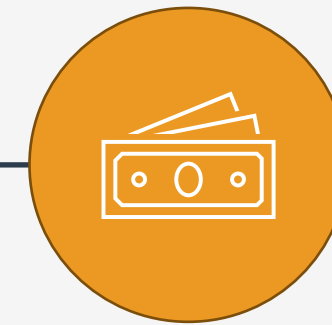
PROCURE TO PAY

- Procurement
- Accounts Payable



INVENTORY MANAGEMENT

- Focused on maintaining sufficient materials
- Works closely with procurement



FINANCING

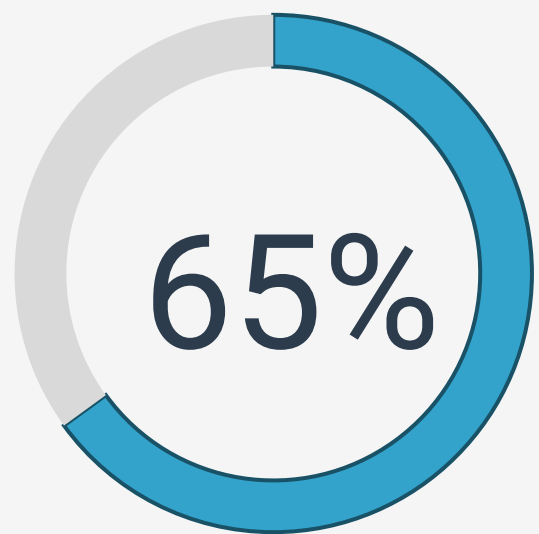
- Focused on the measure of external cost of capital and project hurdle rates

ACCOUNTS PAYABLE: END-TO-END²

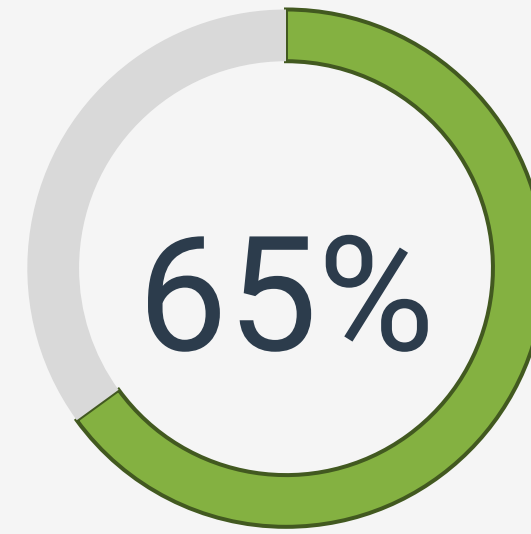
DOES AP'S END-TO-END VIEW INCLUDE EXTERNAL VENDORS?

Optimizing your own E2E while damaging your vendor's will not help you in the long run.

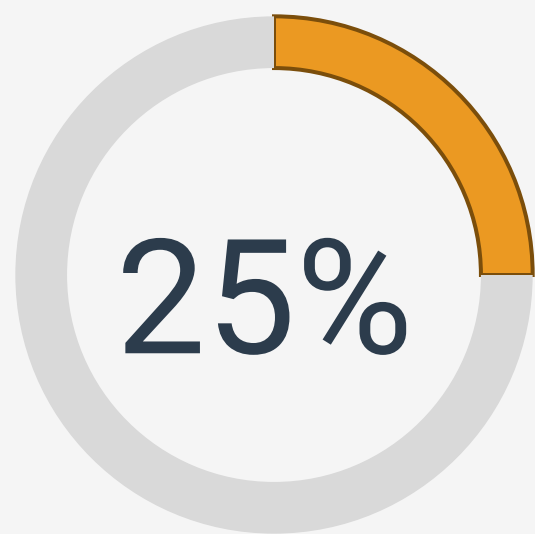
Do you have an end-to-end view of your AP processes? (Select all that apply)



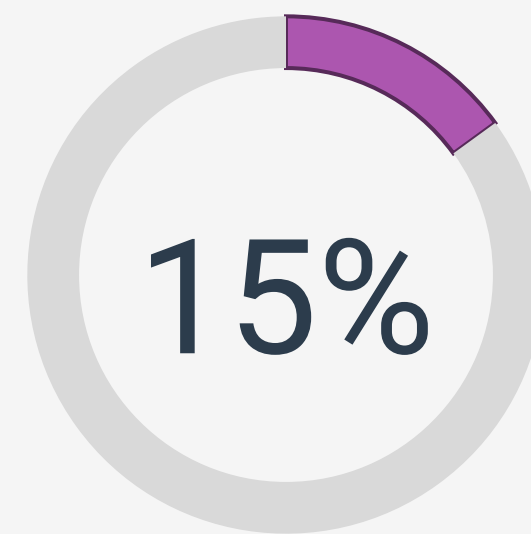
Yes – Internal steps for purchasing/ordering



Yes – Internal steps for receipt/payment

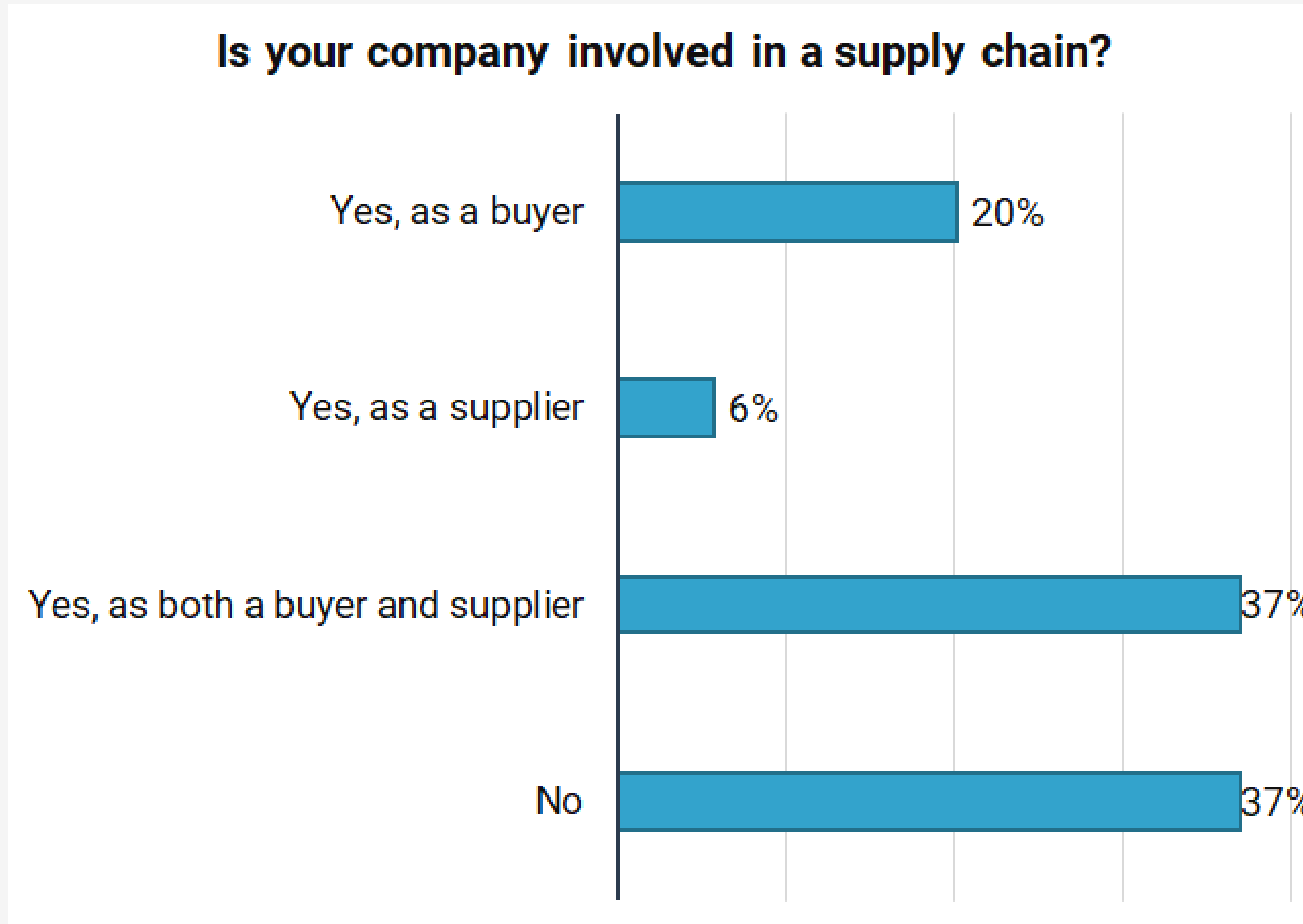


Yes – External steps (with vendors)



No

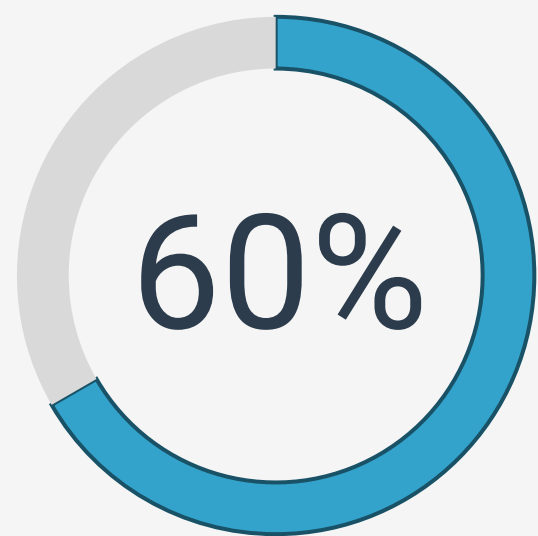
POLL QUESTION



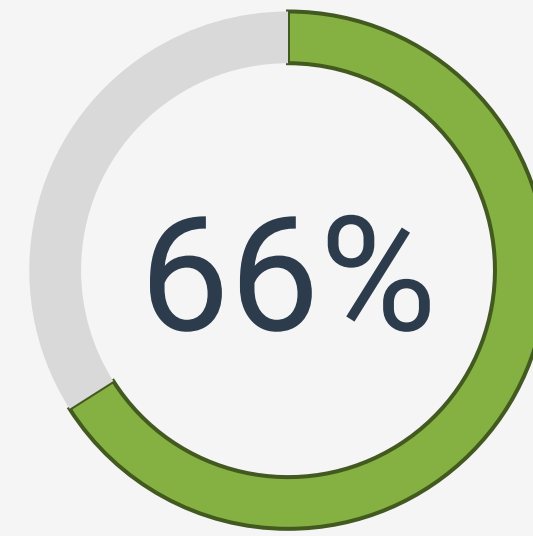
ACCOUNTS RECEIVABLE: END-TO-END²

DOES AR'S END-TO-END VIEW INCLUDE EXTERNAL CUSTOMERS?

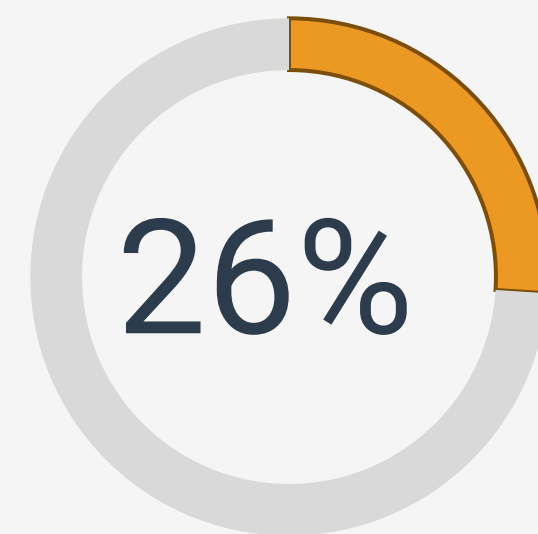
Do you have an end-to-end view of your AR processes? (Select all that apply)



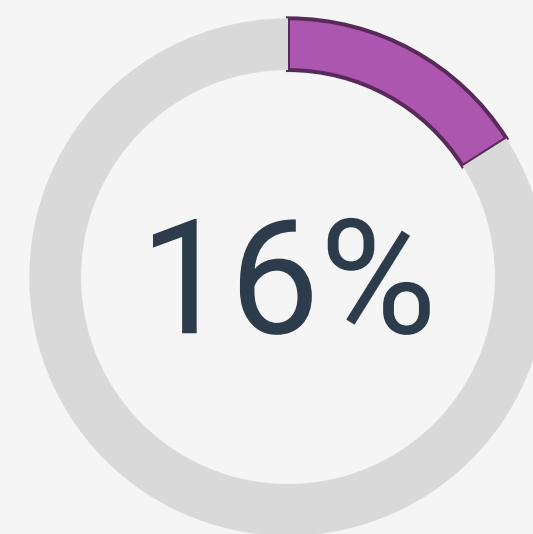
Yes – Internal steps for credit



Yes – Internal steps for AR



Yes – External steps (with customers)

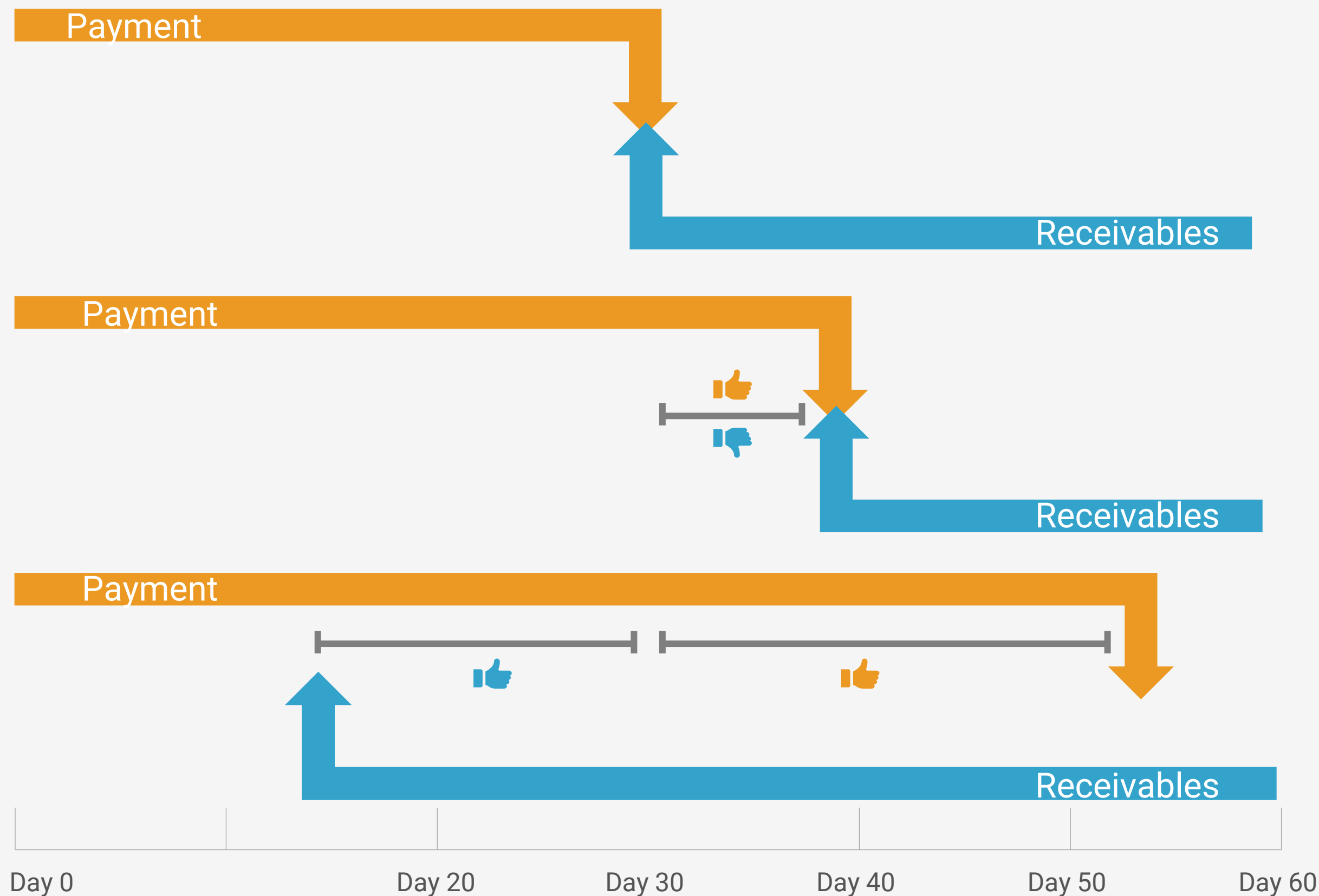


No

PAYMENT TERMS

THE DIFFICULTY OF FINDING WIN-WIN WITH TRADITIONAL PAYMENT TERMS

Since traditional payment terms move in lockstep, where extending your DPO also extends your vendor's DSO, using traditional payment terms to free up your own liquidity is a win-lose situation. Win-lose can easily become lose-lose.

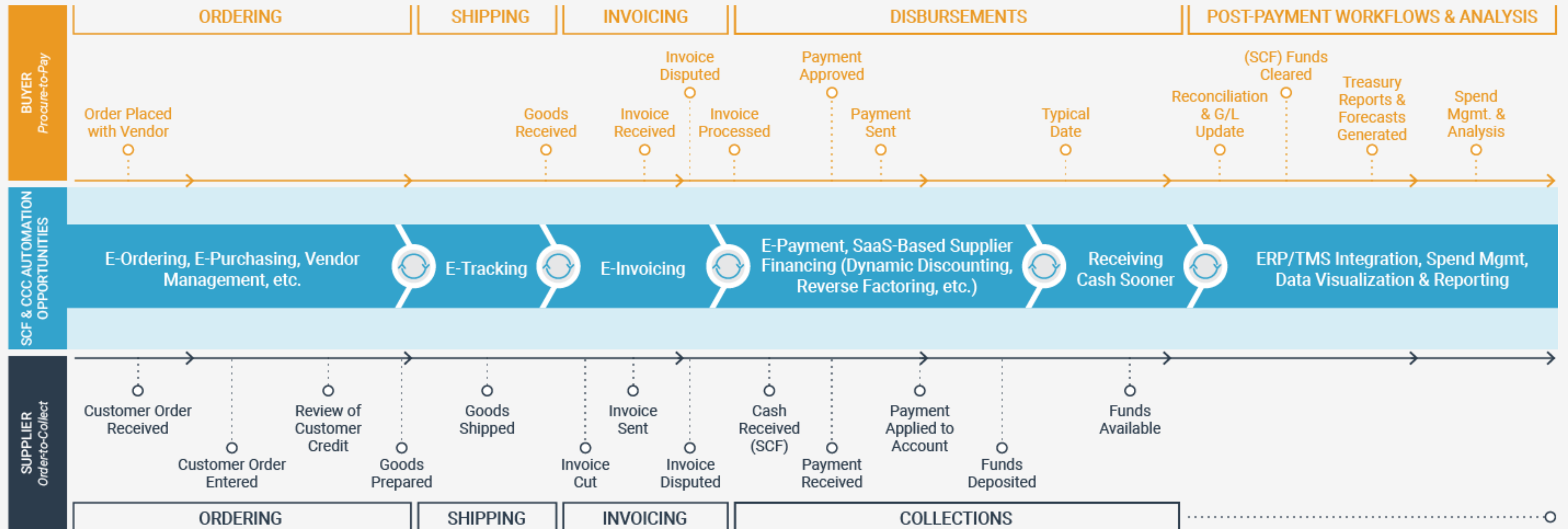


CCC automation and SCF solutions add flexibility, often breaking the lockstep, and allow your company to perform processes efficiently and protect their own liquidity without straining external partners.

AUTOMATION OPPORTUNITIES

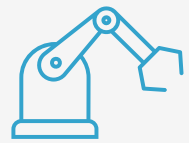
WHERE TECH CAN HELP IN THE CCC

The overall goal of the CCC: *efficiency.*



ORDER-TO-COLLECT SOLUTIONS

THE ORDER-TO-COLLECT LANDSCAPE CONTINUUM



AR AUTOMATION



E-INVOICING, SHIPPING & FULFILLMENT TOOLS



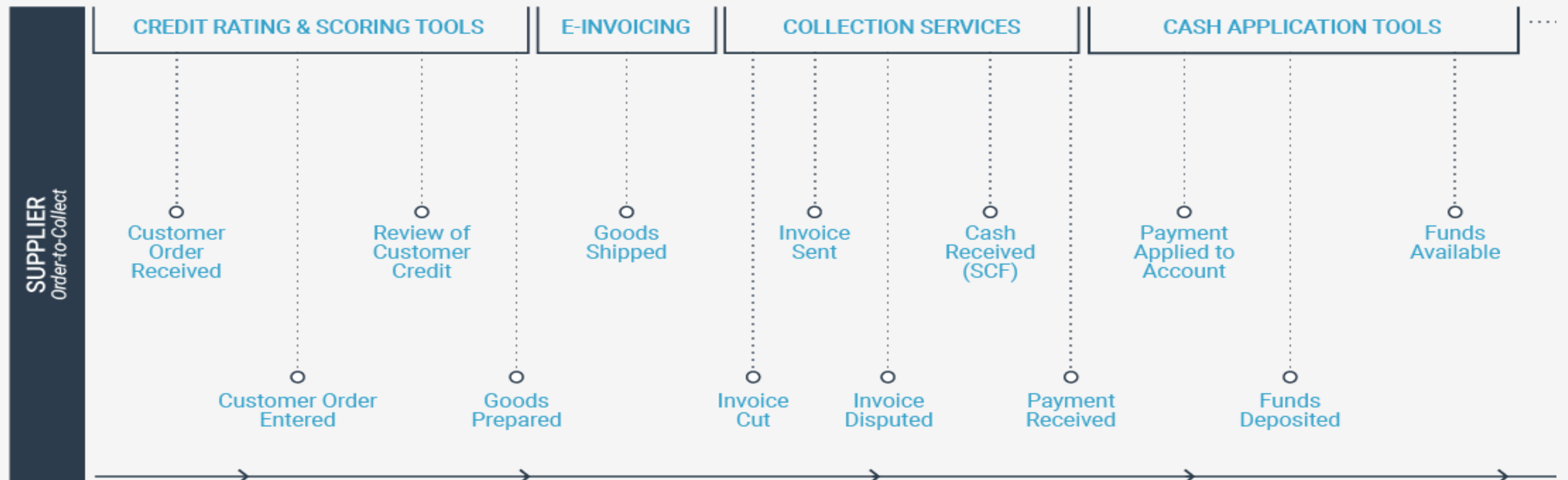
COLLECTION SERVICES



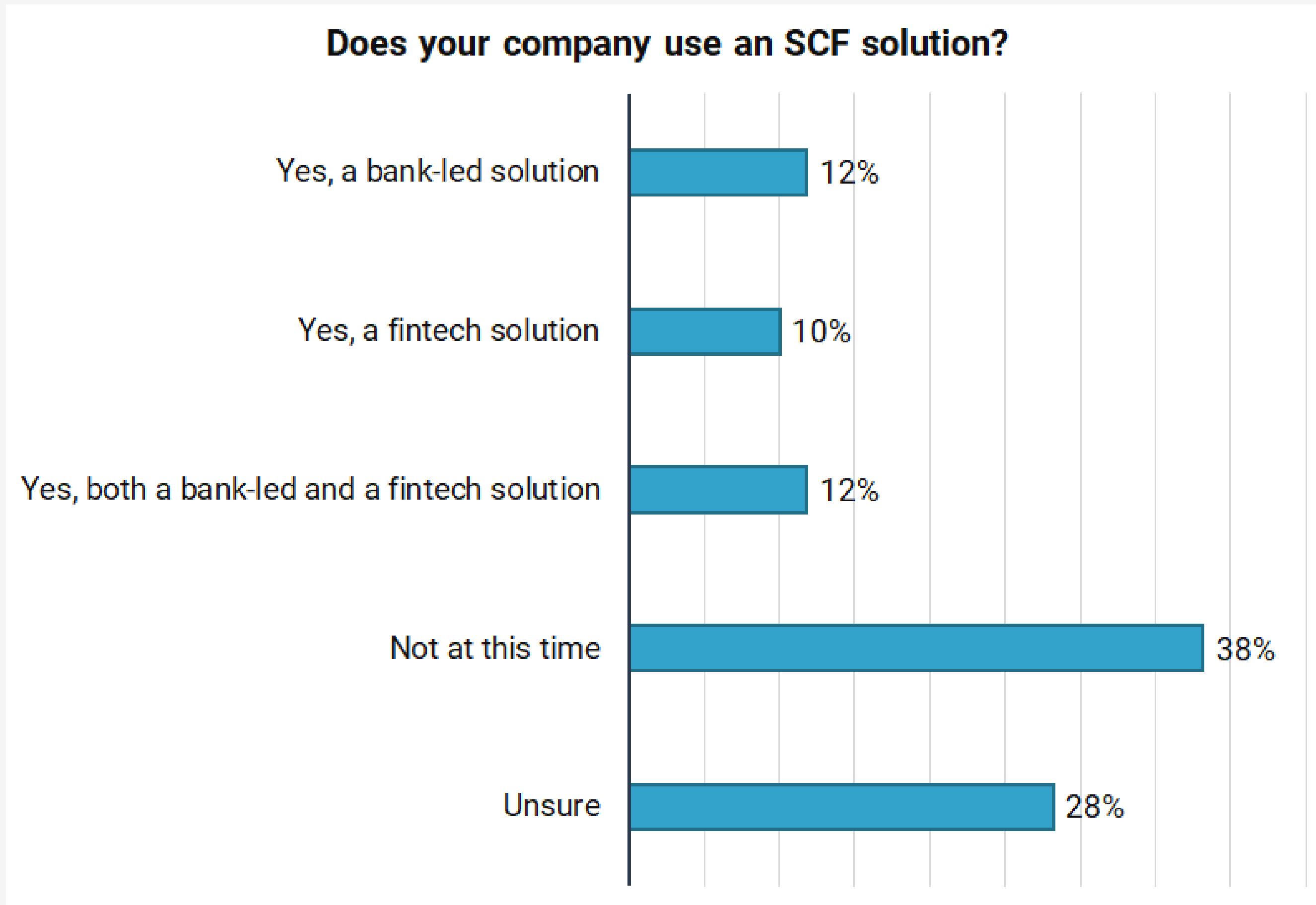
CASH APPLICATION TOOLS & SERVICES



CREDIT RATING & SCORING TOOLS

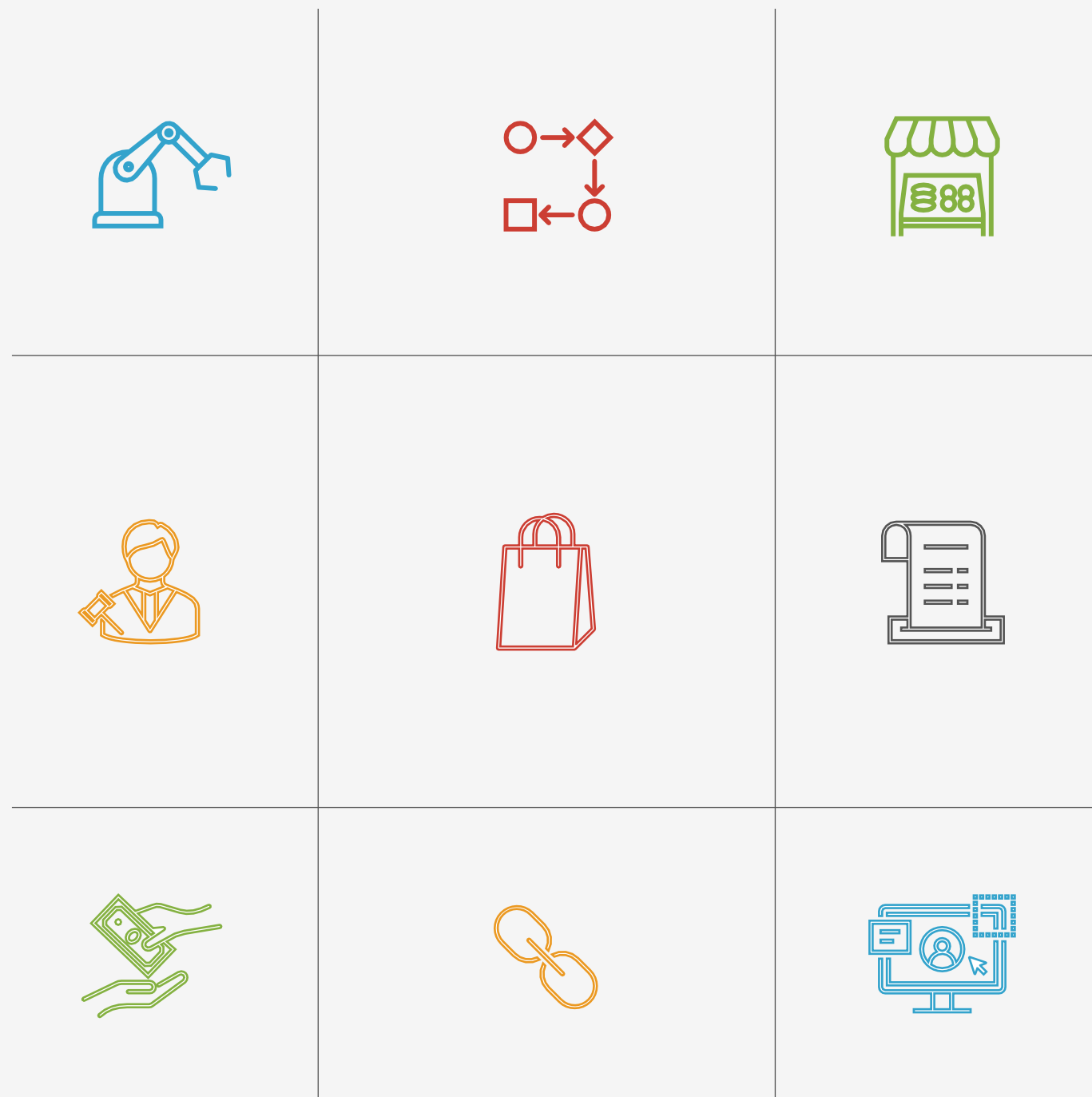


POLL QUESTION



PROCURE-TO-PAY SOLUTIONS

THE PROCURE-TO-PAY LANDSCAPE CONTINUUM



SOLUTIONS AUTOMATING THE PROCURE-TO-PAY PROCESS MAY INCLUDE VARIOUS COMBINATIONS OF THESE AREAS OF FUNCTIONALITY:

- AP automation
- Procurement platforms
- Vendor management
- Compliance management
- Receiving goods and services
- Receiving invoices
- Payments
- ERP/TMS integration

WHAT IS SUPPLY CHAIN FINANCE?

DEFINING 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.” - The Euro Banking Association

The Umbrella of Supply Chain Finance

BUYER-LED APPROACHES



Accounts Payable-Centric

- Reverse Factoring
- Dynamic Discounting

RELATED APPROACHES



Trade Finance / Bank-Led

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

SUPPLIER-LED APPROACHES



Accounts Receivable-Centric

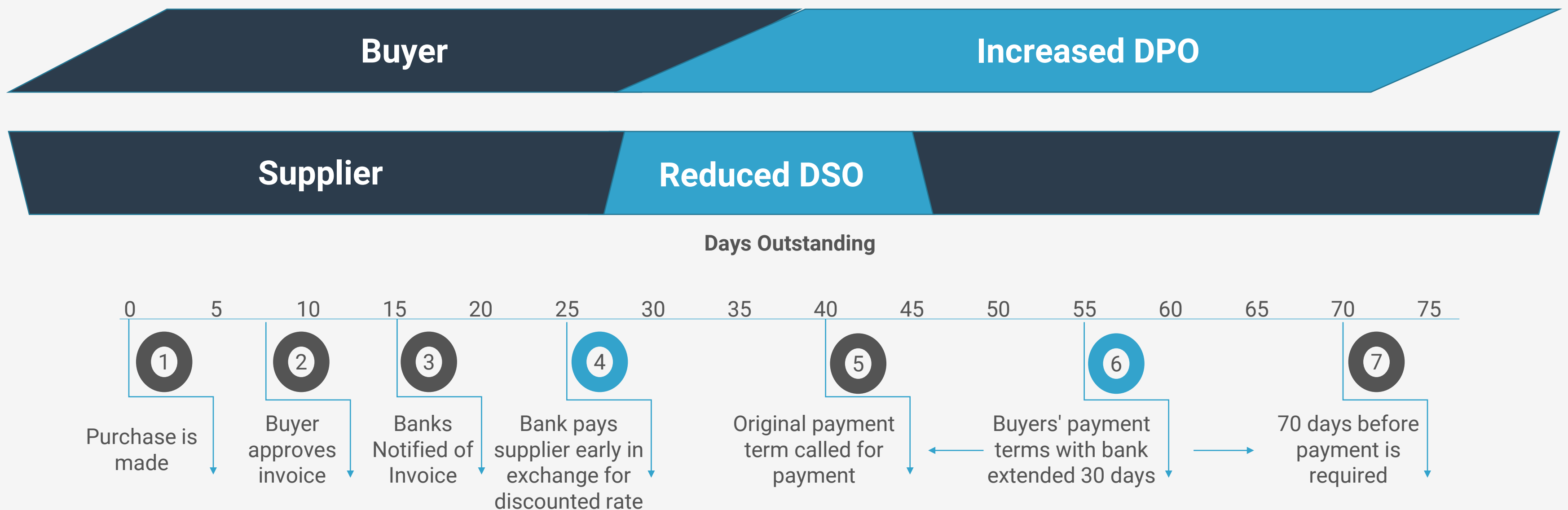
- Factoring
- Forfaiting
- Invoice Discounting
- Inventory Financing

SCF: REVERSE FACTORING

BREAKING THE LOCKSTEP

Reverse Factoring: Often considered the most common and “traditional” form of SCF, reverse factoring introduces a third-party financial institution into the buyer-supplier payment terms. The third party pays the supplier early at a discount, and the buyer pays the third party at a later date. This breaks the “lockstep” of payment terms, allowing the vendor to reduce DSO while the buyer increases DPO.

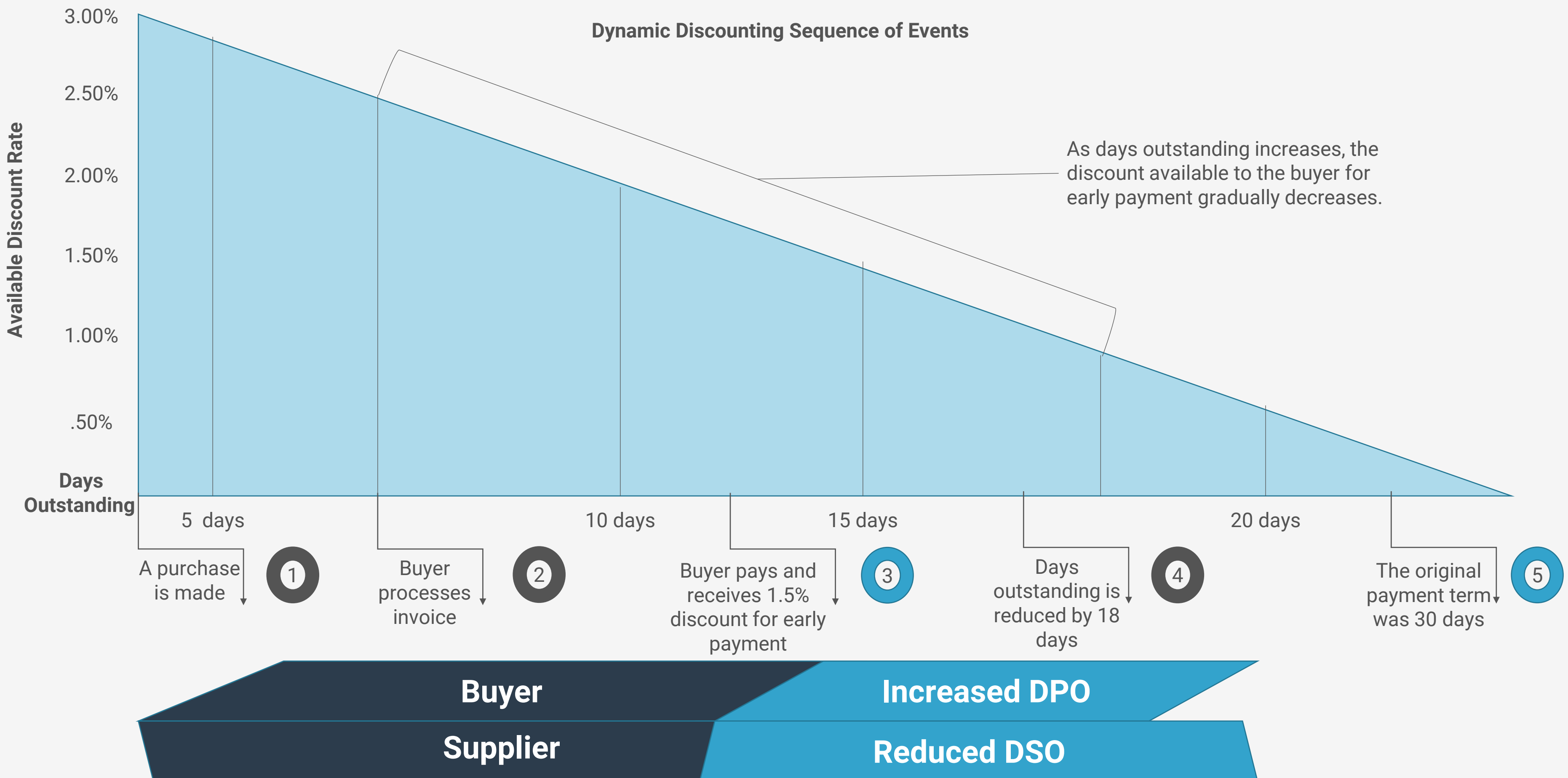
Reverse Factoring Sequence of Events



SCF: DYNAMIC DISCOUNTING

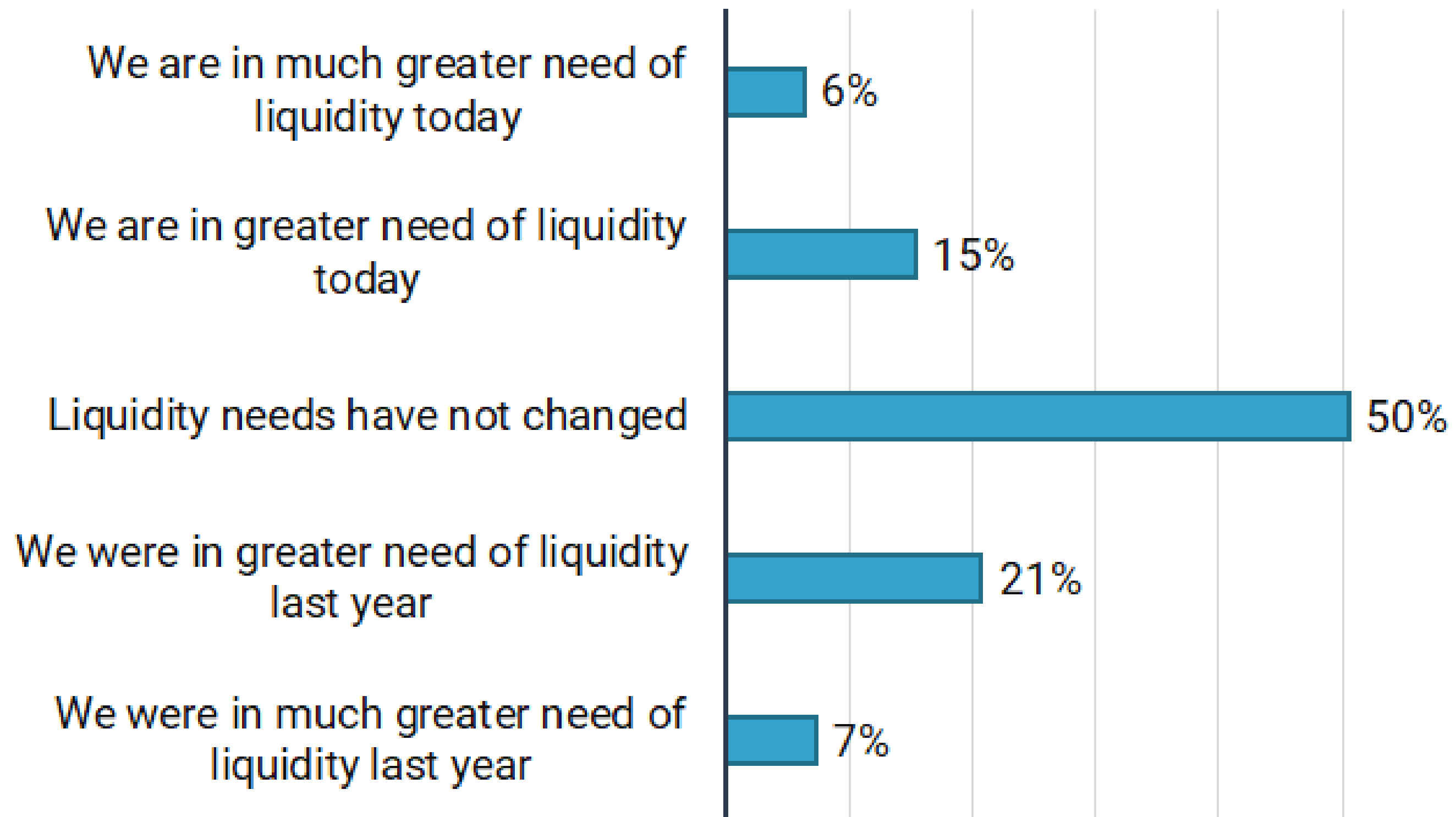
LEVERAGING CAPITAL

Dynamic discounting uses technology to increase the flexibility of the discount system. It introduces a sliding scale and offers a platform on which vendors can adjust what discounts they are willing to receive for early payments and where buyers can log in and decide exactly what ratio of DPO to discount they want to opt for. Rather than leveraging a third party, this method relies on the buyer's excess capital.



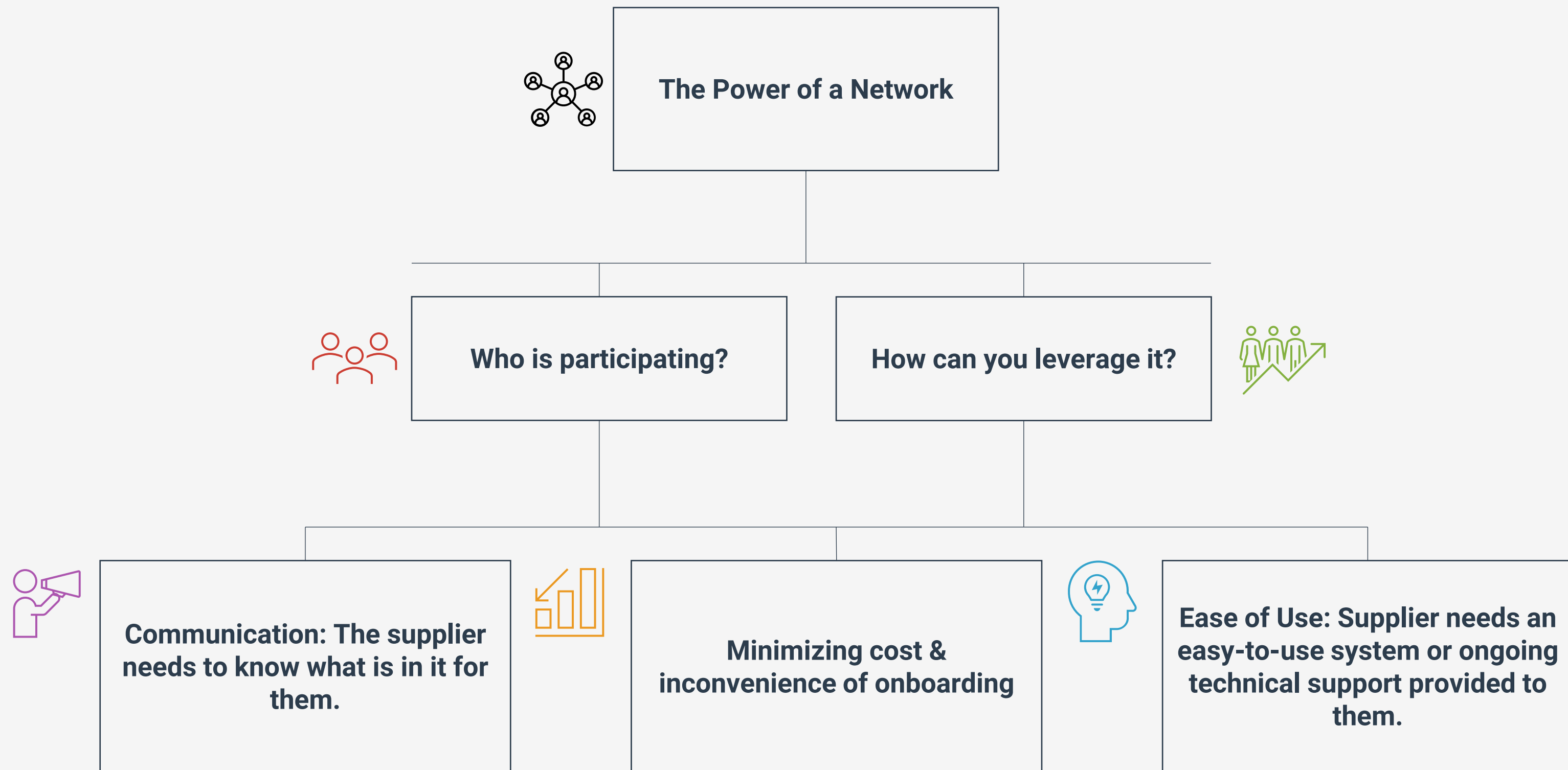
POLL QUESTION

How have your liquidity needs changed in the past year?



MAXIMIZING SUPPLIER PARTICIPATION

THE POWER OF A NETWORK



LEADING PRACTICES FOR IMPLEMENTATION

A WORKING CAPITAL CHECKLIST



Working Capital Council

Participants: Treasury (usually heads the council), accounting, AP/AR, procurement, and often legal/tax.

Goal: To promote mutually beneficial WC initiatives and eliminate competing KPIs across different departments.



KPIs and Objectives for Initiatives

Establish a single set of KPIs and objectives for your various initiatives. This helps eliminate competing KPIs and unifies the departments around the overarching goals.



Understanding Perspectives

Optimizing WC has many moving parts, with repercussions for multiple parties both internal and external. It's vital for treasury to make sure each group is understood by the rest of the council and their concerns addressed.



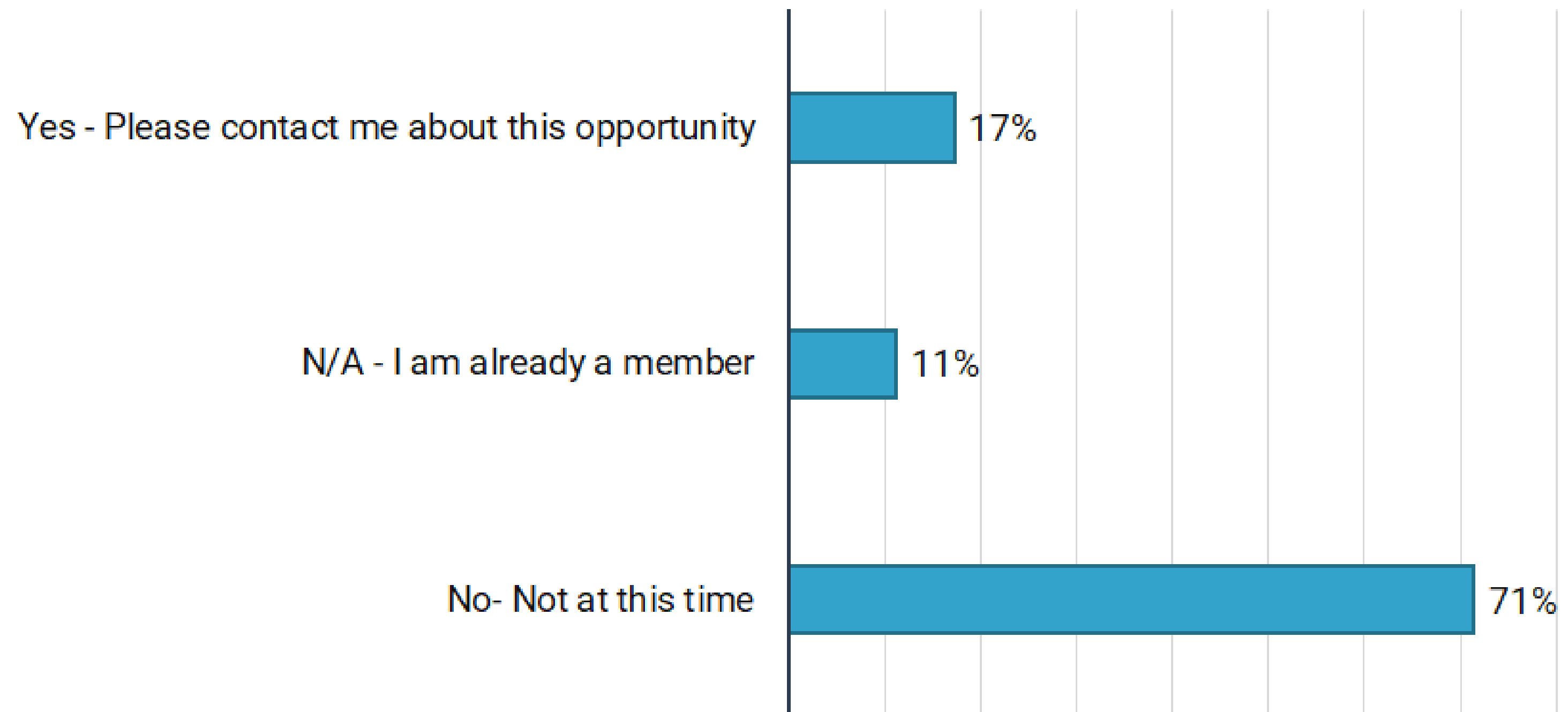
Monitor & Refine Approach

Identify and implement whatever steps will prove most helpful for your organization's WC. Then, track your results, monitor adoption, continue listening to feedback from other stakeholders, and use this information to adjust.

POLL QUESTION

Would you consider joining our Treasury Ambassador program?

Members annually complete a number of our surveys in return for exclusive data access, private webinars, and enhanced prizes for participating.



ANALYST REPORT SERIES

TREASURY'S GO-TO SOURCE FOR INSIGHTS INTO THE LATEST
DEVELOPMENTS, TRENDS & SOLUTIONS



VENDOR ANALYSIS

Each vendor section includes a company overview and snapshot for at-a-glance comparison, along with a detailed summary of their relevant solution(s). Additional coverage related to customer experience, servicing, event attendance, product release notes, and more can be found via vendor pages (updated quarterly) on strategictreasurer.com/reports.



THE DEFINITIVE GUIDE TO SCF & CCC TECHNOLOGY SOLUTIONS

The SCF & CCC Analyst Report includes a vendor section detailing individual treasury technology providers.



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