

SUPPLY CHAIN FINANCE

2019 SURVEY RESULTS ANALYSIS



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WHAT.

2019 Supply Chain Finance Survey
Results Analysis & Discussion



WHEN.

Thursday, March 28, 2019
11:00 AM – 12:00 PM EST



WHERE.

Live Online Presentation
Replays at StrategicTreasurer.com



FP&A

Certified Corporate
**Financial Planning &
Analysis** Professional



This presentation is provided by Strategic Treasurer & Kyriba

ABOUT THE SPEAKERS

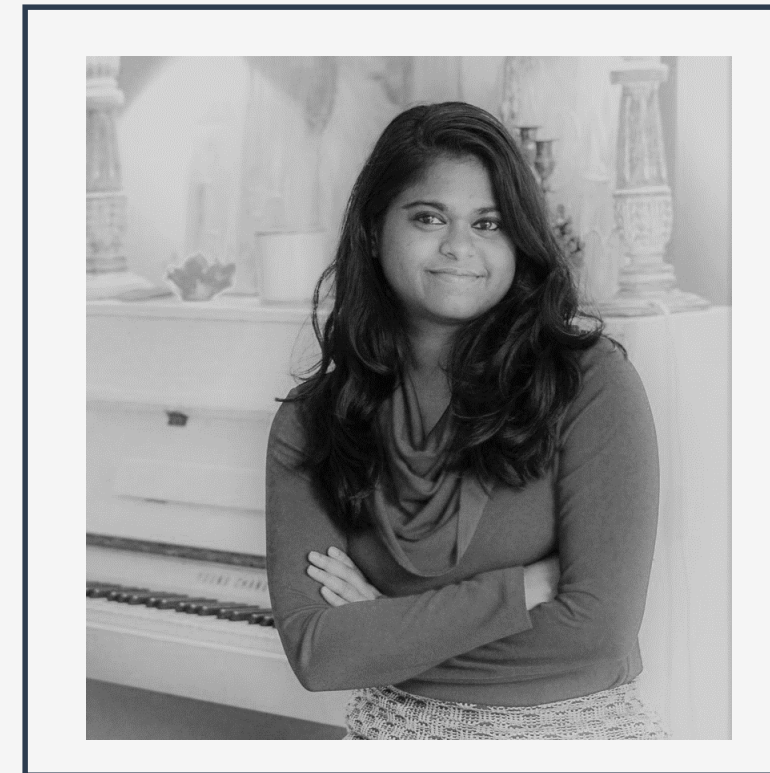
GET TO KNOW TODAY'S
SUBJECT MATTER EXPERTS



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.



SHRUTI GUPTA

Shruti leads the SCF program design services offered by Kyriba. She is responsible for building the business case for SCF prospects and help clients to design and implement the program to achieve maximum potential from a business perspective.

Prior to Kyriba, she has worked on multiple facets of digital products ranging from development to management in the Fintech Industry and holds an M.B.A. (Strategy) from HEC Paris.

ABOUT THE SURVEY

RESPONDENT DEMOGRAPHICS, FACTS, & FIGURES



SURVEY FACTS & FIGURES



~150
respondents



2nd year
of research

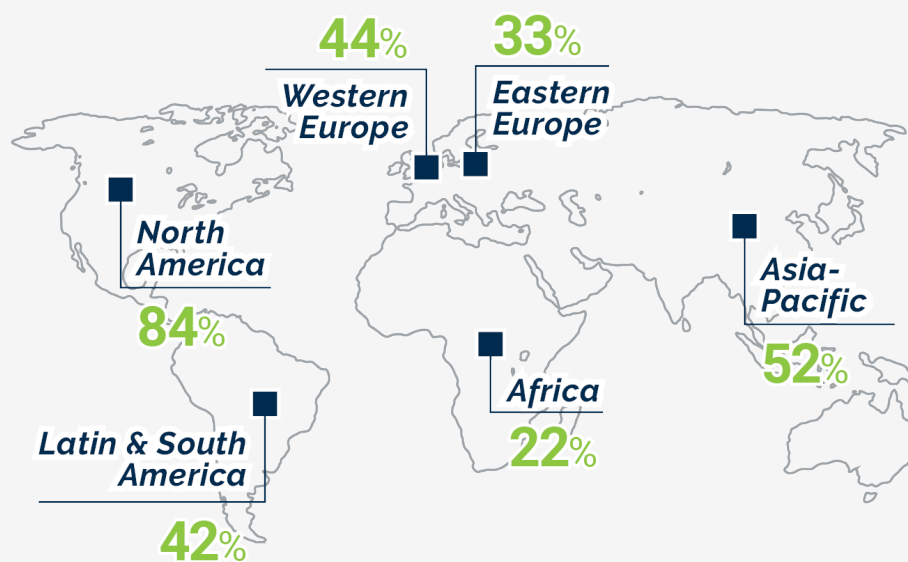


50+
questions



~8 week
survey runtime

RESPONDENT REGIONS OF OPERATION



TOP CORPORATE RESPONDENT ROLES



QUICK STATS

- 35%** of organizations have found themselves in greater need of liquidity over the past year.
- 52%** of organizations indicate they are often or always in an excess cash position.
- 33%** of buying firms have been short of critical supplies due to a supplier incapacity in the past 2 years.
- 51%** of organizations list supplier participation as the most important element impacting the success of a SCF program.

KEY AREAS OF FOCUS



SCF Solution Landscape



Corporate SCF Drivers



Buyer SCF Perspectives



Supplier SCF Perspectives

TOPICS OF DISCUSSION

WHAT AREAS OF SCF DATA WILL WE BE FOCUSING ON?



SCF SOLUTION LANDSCAPE

- What is the spread or market share of **bank** and **fintech** solutions in SCF?
- What are the primary factors causing change across the SCF technology landscape?



CORPORATE SCF DRIVERS

- How do corporates view the benefits and challenges of SCF as it relates to their treasury / finance operations?
- What are the major drivers that push organizations to adopt SCF in today's environment?



BUYER SCF PERSPECTIVES

- How can buyers use SCF to mitigate supplier risk?
- What are the primary considerations for buying firms as they look to adopt or implement a SCF program?



SUPPLIER SCF PERSPECTIVES

- How does participation in SCF impact suppliers?
- What is most important to suppliers as they look to adopt or be onboarded to a SCF program?



RESULTS IN AGGREGATE

BASED ON THIS DATA, WHAT ARE THE PRIMARY ACTION ITEMS & IMPLICATIONS FOR TREASURY IN 2019 & BEYOND?

SCF SOLUTION LANDSCAPE

FINTECHS GAINING GROUND ON BANKS



BANKS LEAD SCF MARKET SHARE BY NARROW MARGIN

44% of corporate respondents indicated use of a SCF solution; 34% were using a bank-led solution and 29% were using a fintech solution (some respondents used both).



FINTECHS HAVE GAINED GROUND RAPIDLY

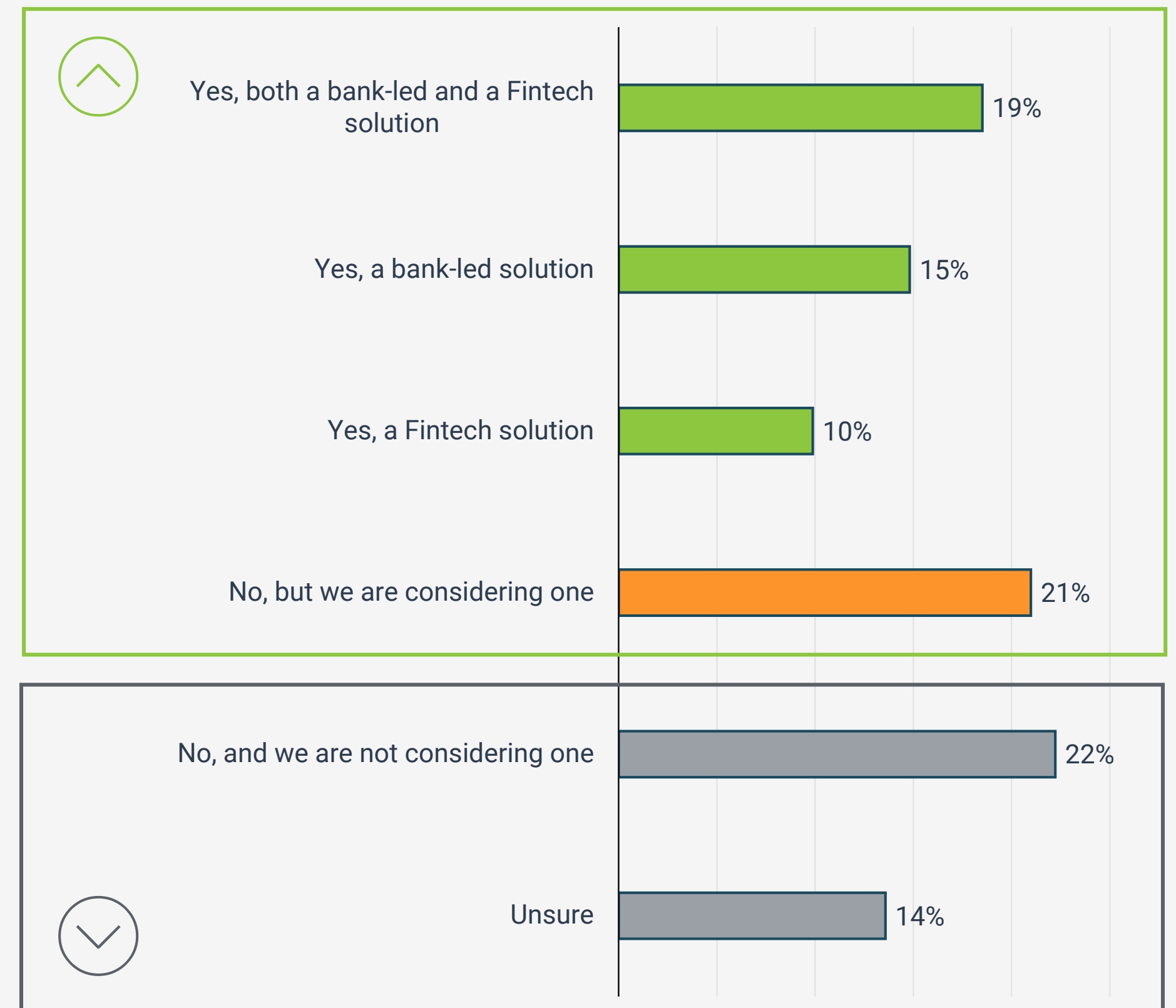
Banks have historically enjoyed a sizeable portion of SCF market share, but fintechs continue to cause massive disruption in the space.



1 IN 5 CORPORATES ARE CONSIDERING A SOLUTION

As of 2019, 1 in 5 corporate respondents were actively considering the use of a SCF solution. Data shows that many new implementations center around SaaS-based solutions offered by fintechs. However, banks continue to invest heavily in SCF and remain highly relevant players.

Corporates: Do you use a SCF Solution?

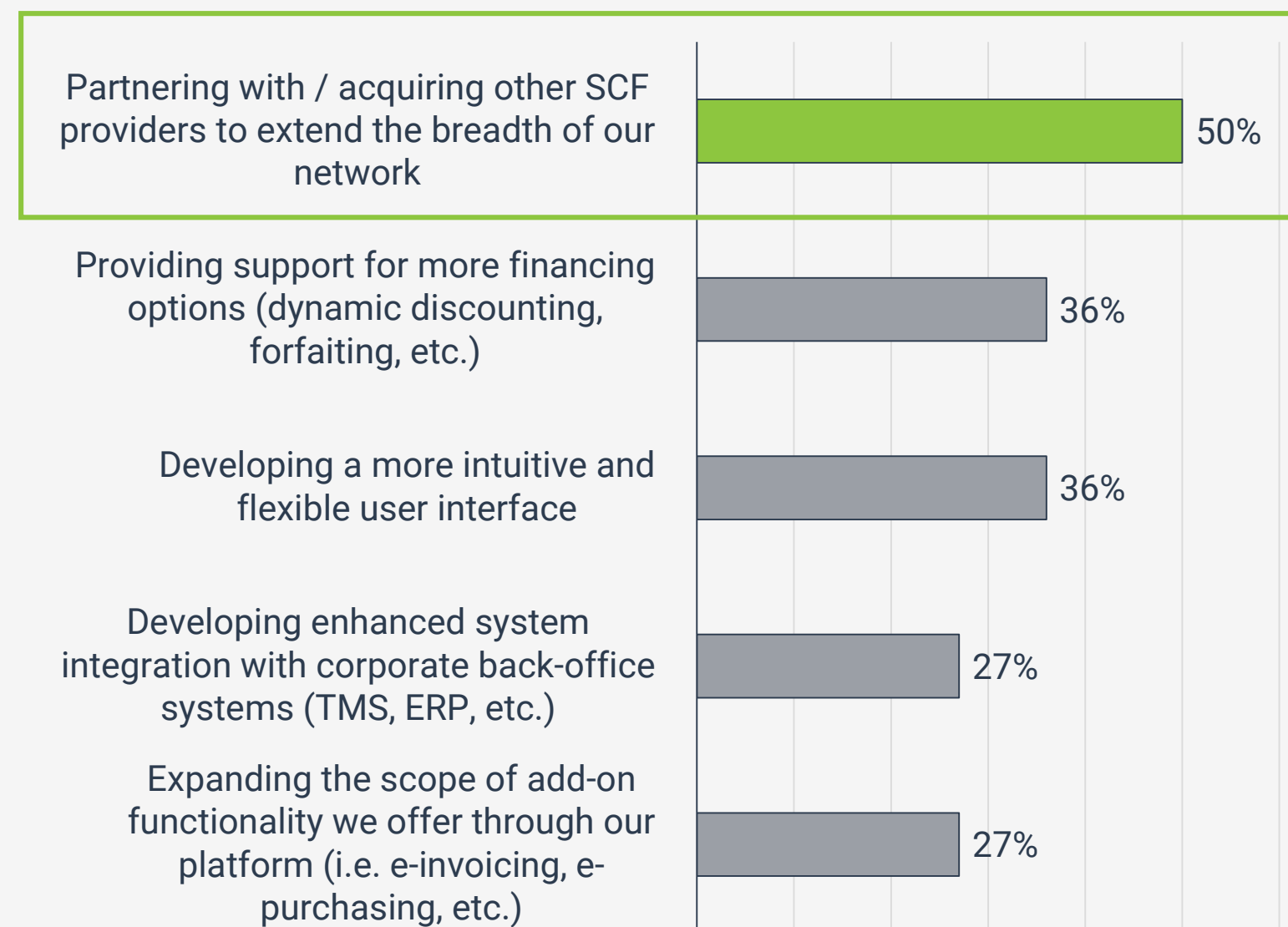


SCF SOLUTION LANDSCAPE

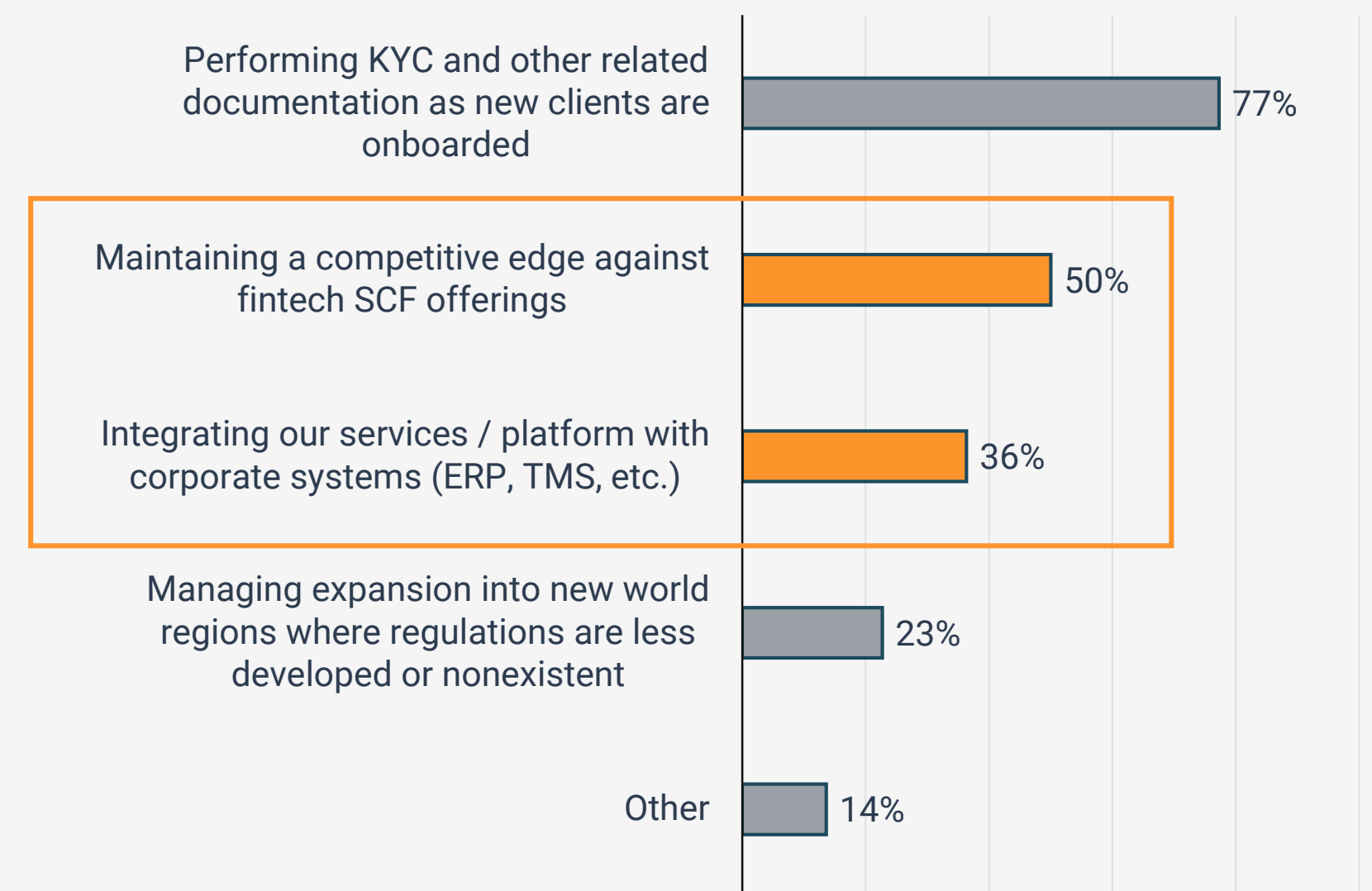
COOPETITION: BANKS LOOK TO COMPETE & COLLABORATE WITH FINTECHS

Banks: With regards to your annual spend / R&D in supply chain finance, what are the TOP TWO areas of focus?

***Only Top 5 Answer Choices Shown**



Banks: What are the TOP TWO challenges you face regarding your supply chain finance line of business?

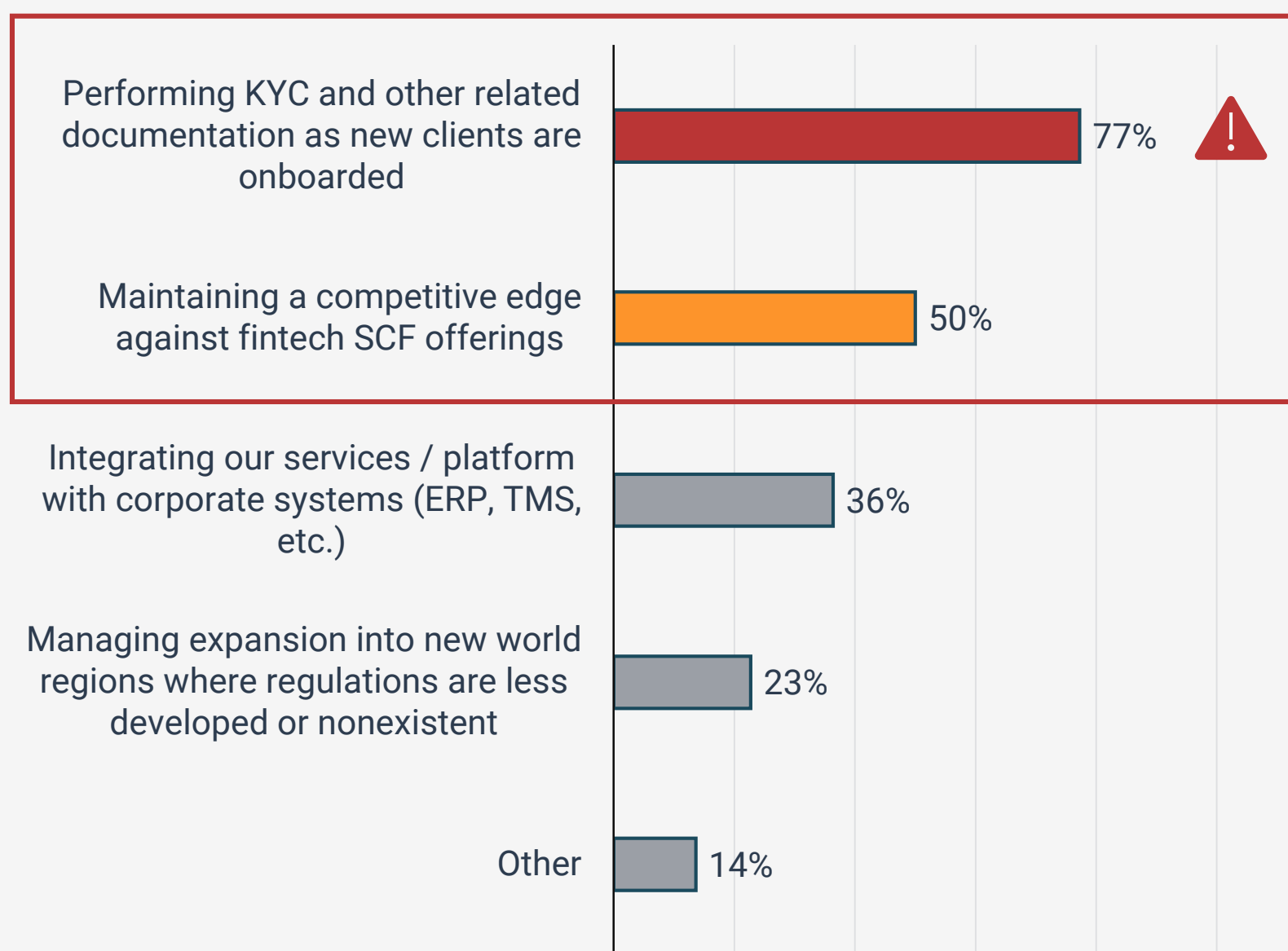


PARTNERS & COMPETITORS: As fintechs increasingly disrupt the SCF space, banks are both working to collaborate with these companies while simultaneously evaluating how to maintain their competitive advantages as the industry evolves. Half of banks labeled partnering with other SCF providers as a top focus, while also indicating that maintaining a competitive edge against fintech offerings was a top challenge.

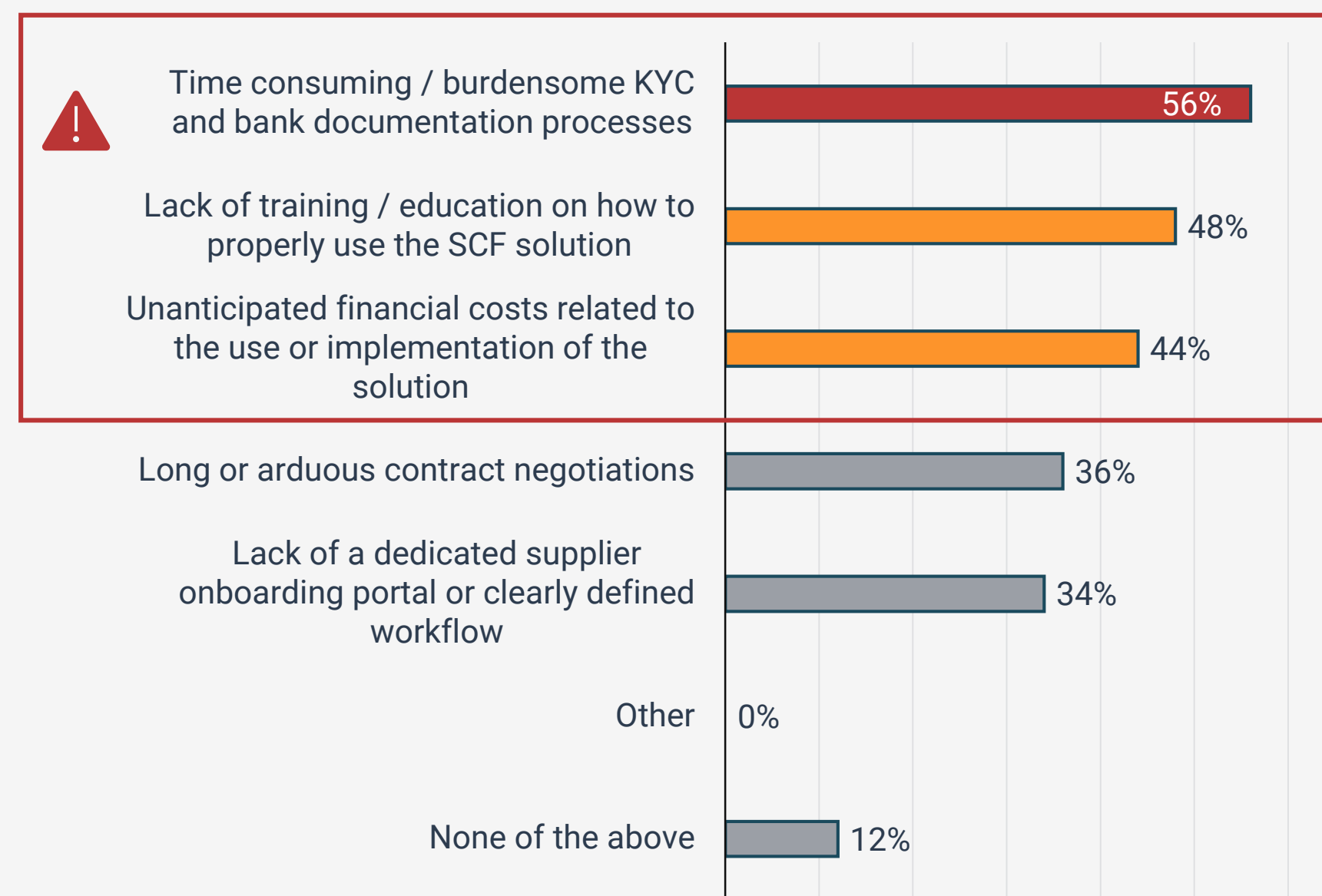
SCF SOLUTION LANDSCAPE

KYC HINDERS BANKS' ABILITY TO SERVICE THE MARKET

Banks: What are the TOP TWO challenges you face regarding your supply chain finance line of business? (Select two options)



Corporate Suppliers: What inefficiencies have you encountered, or would you expect to encounter, when being onboarded to an SCF program? (Select all that apply)

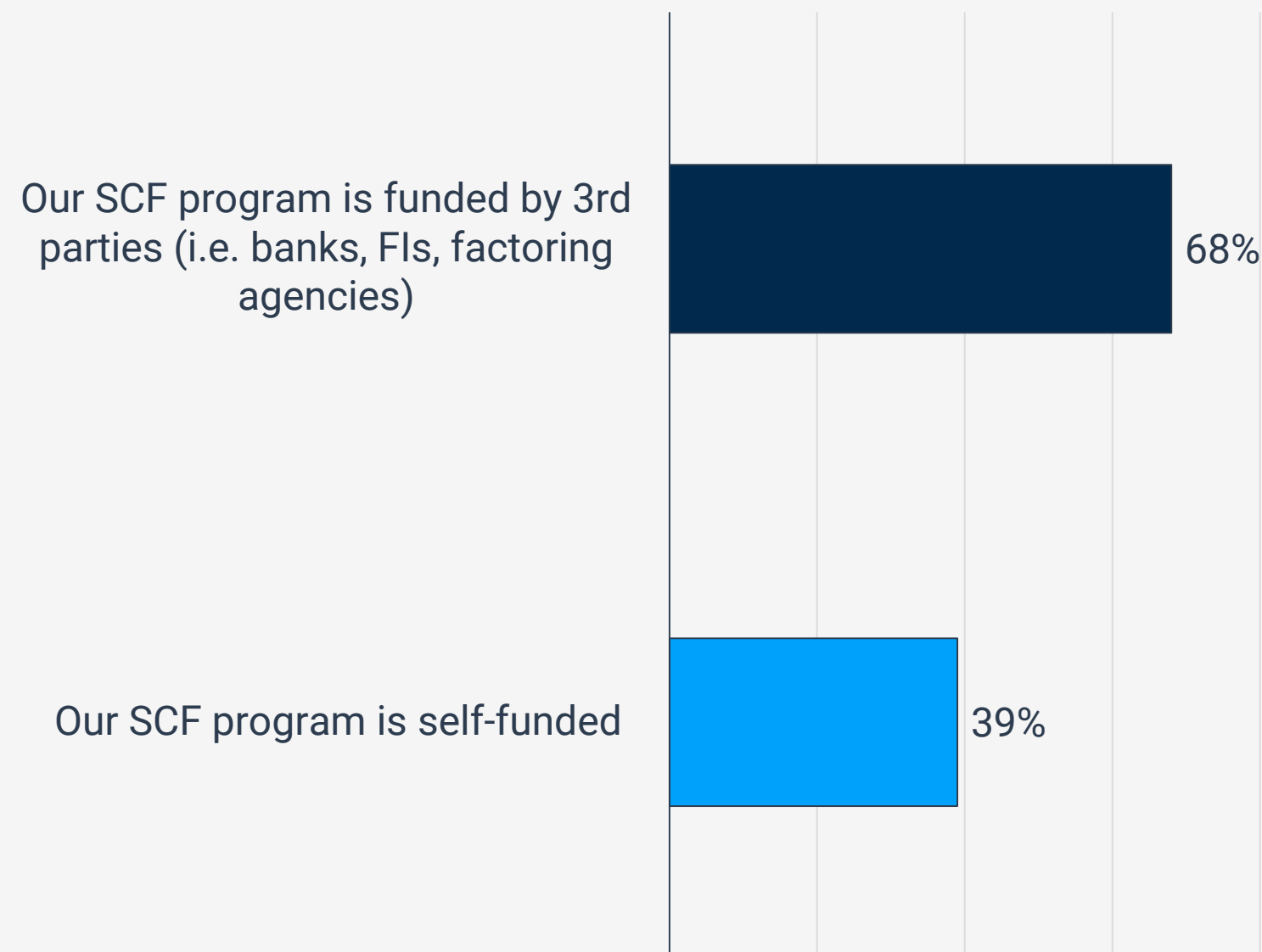


BANK KYC REQUIREMENTS REPRESENT A MAJOR OBSTACLE: Numerous studies over the past several years have highlighted the extent to which KYC requirements impact both banks and corporates. Regarding SCF, KYC represented the top challenge for banks and was also the top inefficiency expected by suppliers while being onboarded. Compared to fintech providers, KYC is a major obstacle to bank-led programs.

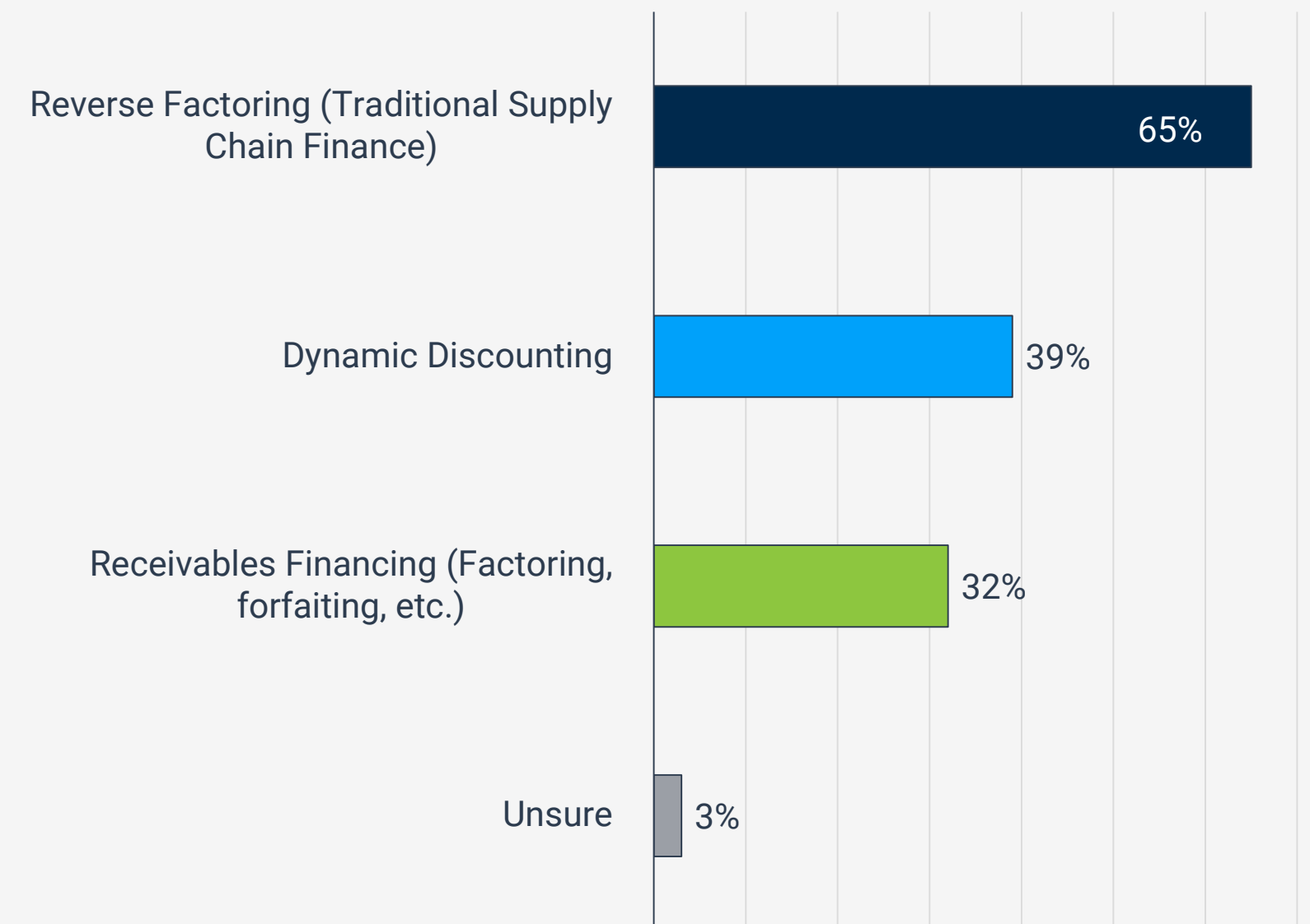
SCF SOLUTION LANDSCAPE

FLEXIBLE FINANCING OPTIONS GROW IN POPULARITY

Corporates Using SCF: How is your SCF program funded?
(Select all that apply)



Corporates Using SCF: What types of supplier financing programs does your company use? (Select all that apply)



2 IN 5 FIRMS SELF-FUND THEIR SCF PROGRAM. Self-funded SCF options like dynamic discounting have seen rising use over the past several years, to the extent that almost 40% of firms self-fund at least a portion of their program. As interest in self-funded programs increases, solutions that offer dynamic discounting and other flexible financing options are better positioned in the market compared to traditional offerings.

SCF SOLUTION LANDSCAPE

NOTABLE POINTS



FINTECHS WILL CONTINUE TO GAIN GROUND

- Fintech SCF providers continue to push major disruption in the SCF space.
- Many fintech providers offer nimble solutions with easy onboarding and flexible financing options, and are expected to continue garnering a greater market share.



KYC IS A SERIOUS IMPEDIMENT TO BANK-LED SCF

- On the bank side, KYC represents a massive barrier compared to fintech offerings.
- Issues related to KYC can result in large challenges for both the banks themselves, as well as for the companies being onboarded to their solution.



SCF IS STILL IN A HIGH GROWTH STAGE

- Over 1 in 5 corporates currently part of a supply chain indicate they are interesting in using a SCF solution.
- There is room for much further growth in the SCF space, especially as the solutions market matures.



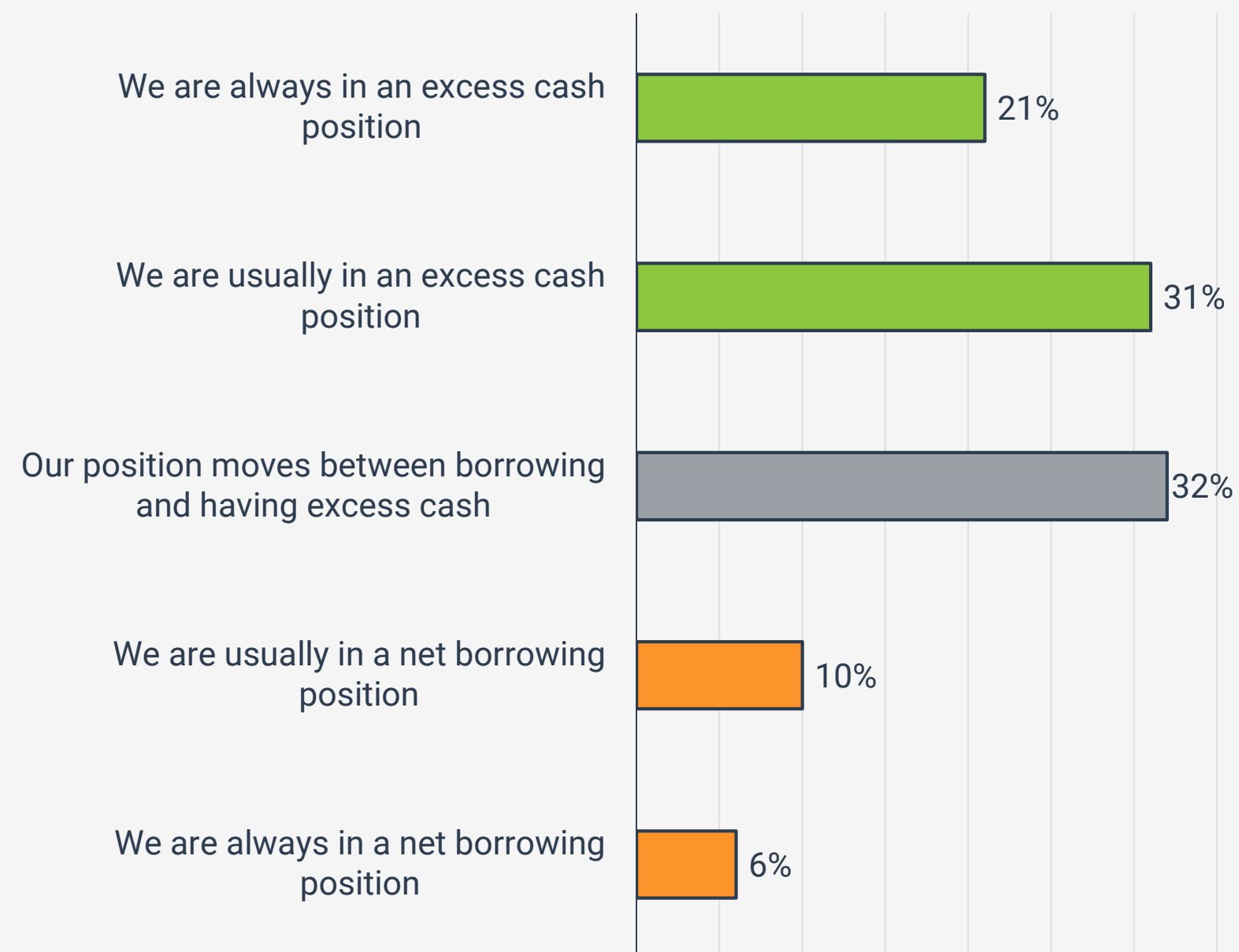
SELF-FUNDED SCF IS INCREASINGLY ATTRACTIVE

- Nearly 2 in 5 organizations indicate that their SCF program is self-funded.
- Companies with available capital are clearly willing to invest in their supply chains and prefer the flexibility to alter their funding sources as needed.

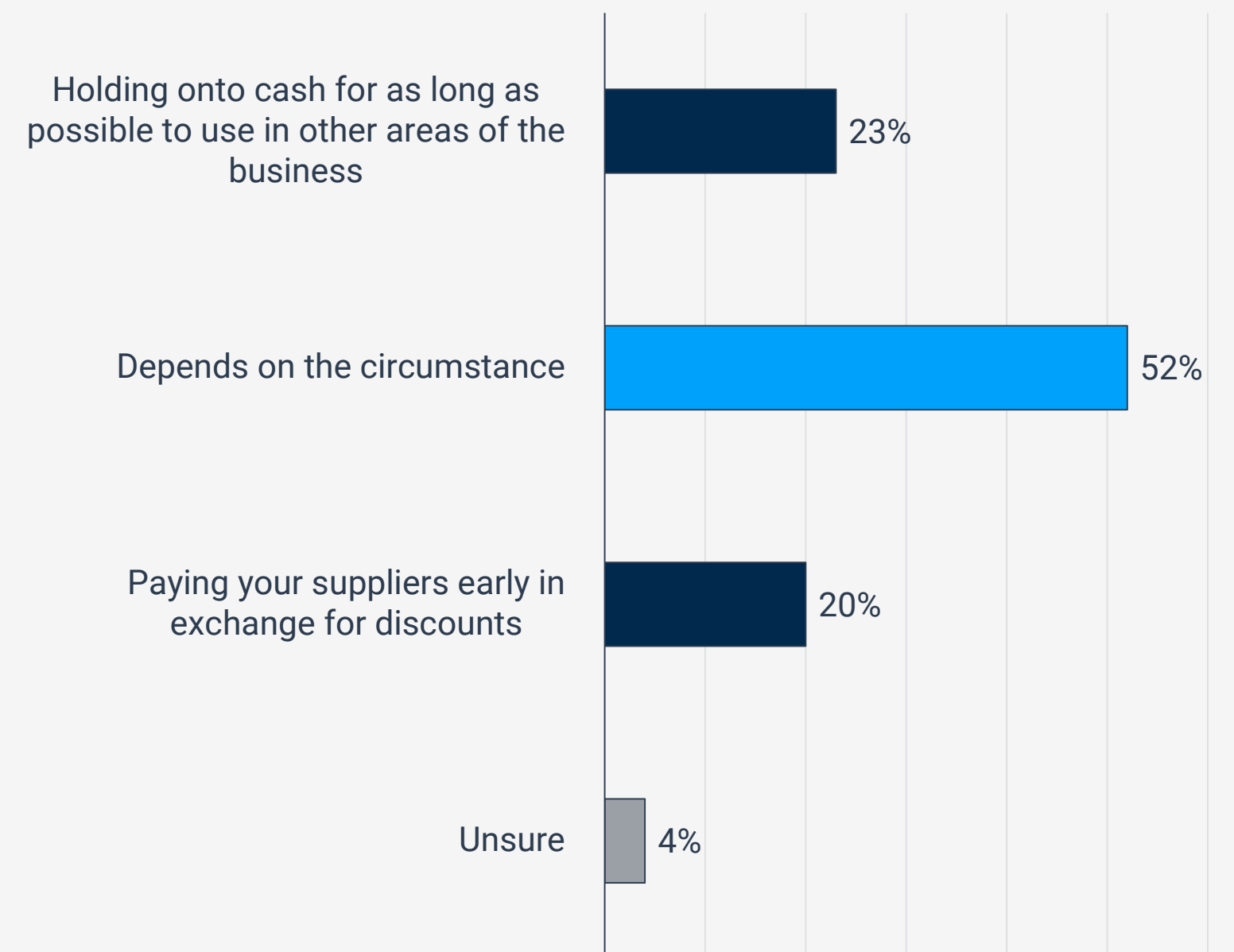
CORPORATE SCF DRIVERS

WORKING CAPITAL POSITIONS HEAVILY IMPACT SCF PREFERENCES

Corporates: Which of the following best describes your balance sheet for working capital requirements?



Corporate Buyers: Regarding your payables, which is preferable?



WORKING CAPITAL POSITIONS INFLUENCE SCF FUNDING STRATEGIES. Over half of organizations indicate they are usually or always in an excess cash position. Given this availability of capital, there is a growing preference for flexibility regarding SCF financing. Many corporates continue to borrow funds for their SCF program, but also want to invest their own capital as they are able.

CORPORATE SCF DRIVERS

VISIBILITY TO CASH FLOWS IS RANKED AS THE TOP SCF BENEFIT



SCF ENHANCES CASH VISIBILITY

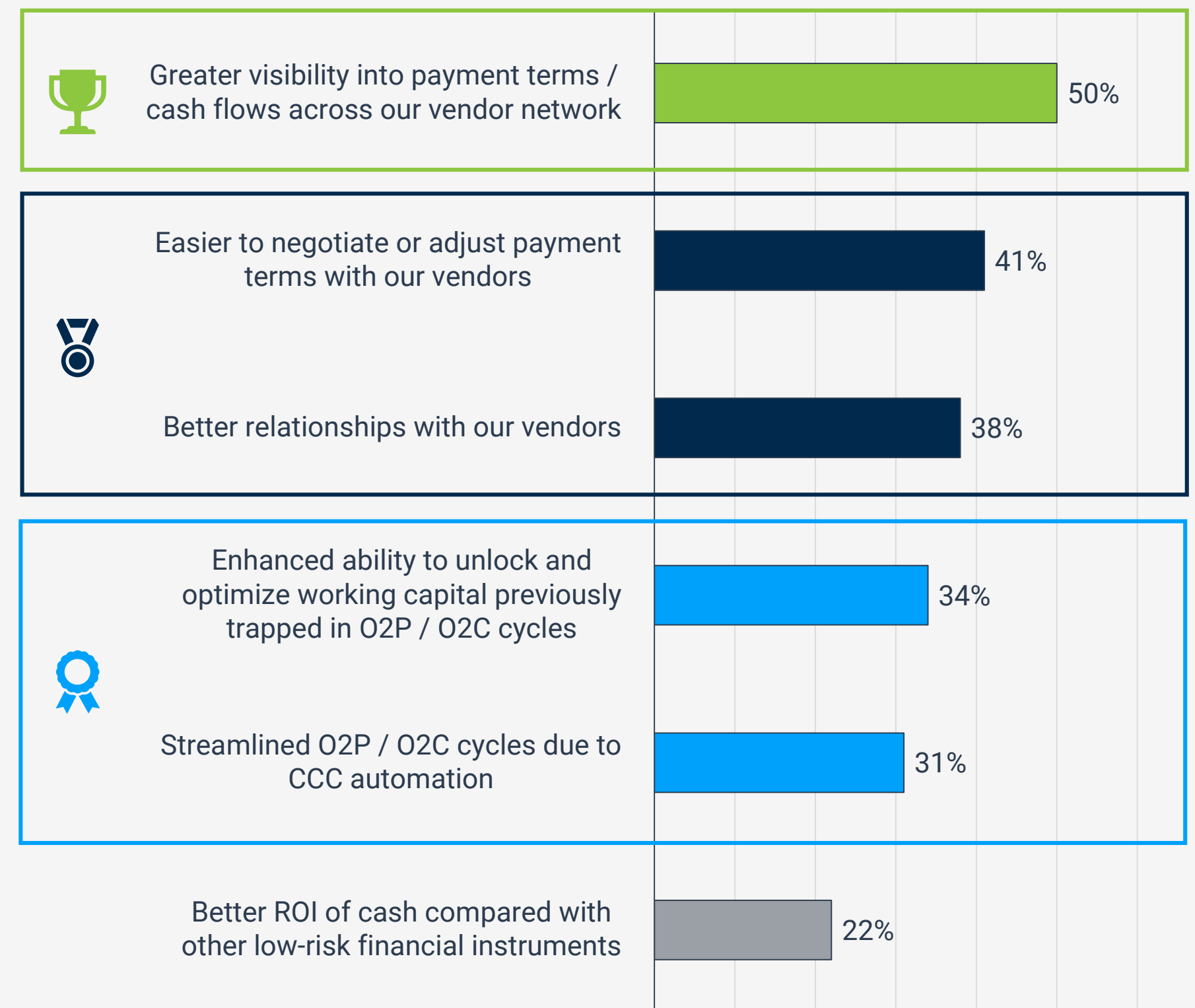
When it comes to achieving ROI on a SCF program, the gains realized through cash visibility and predictability of payment flows top the list of benefits.



SCF CAN IMPROVE CASH FORECASTING

The effective implementation of SCF can greatly improve cash forecasting and overall liquidity management as enhanced information regarding vendor payments can be quickly obtained and processed.

Corporates Using SCF: What are the primary benefits you feel you've gained through the adoption of your SCF program(s)? (Select all that apply) ***Only Top 6 Choices Shown**

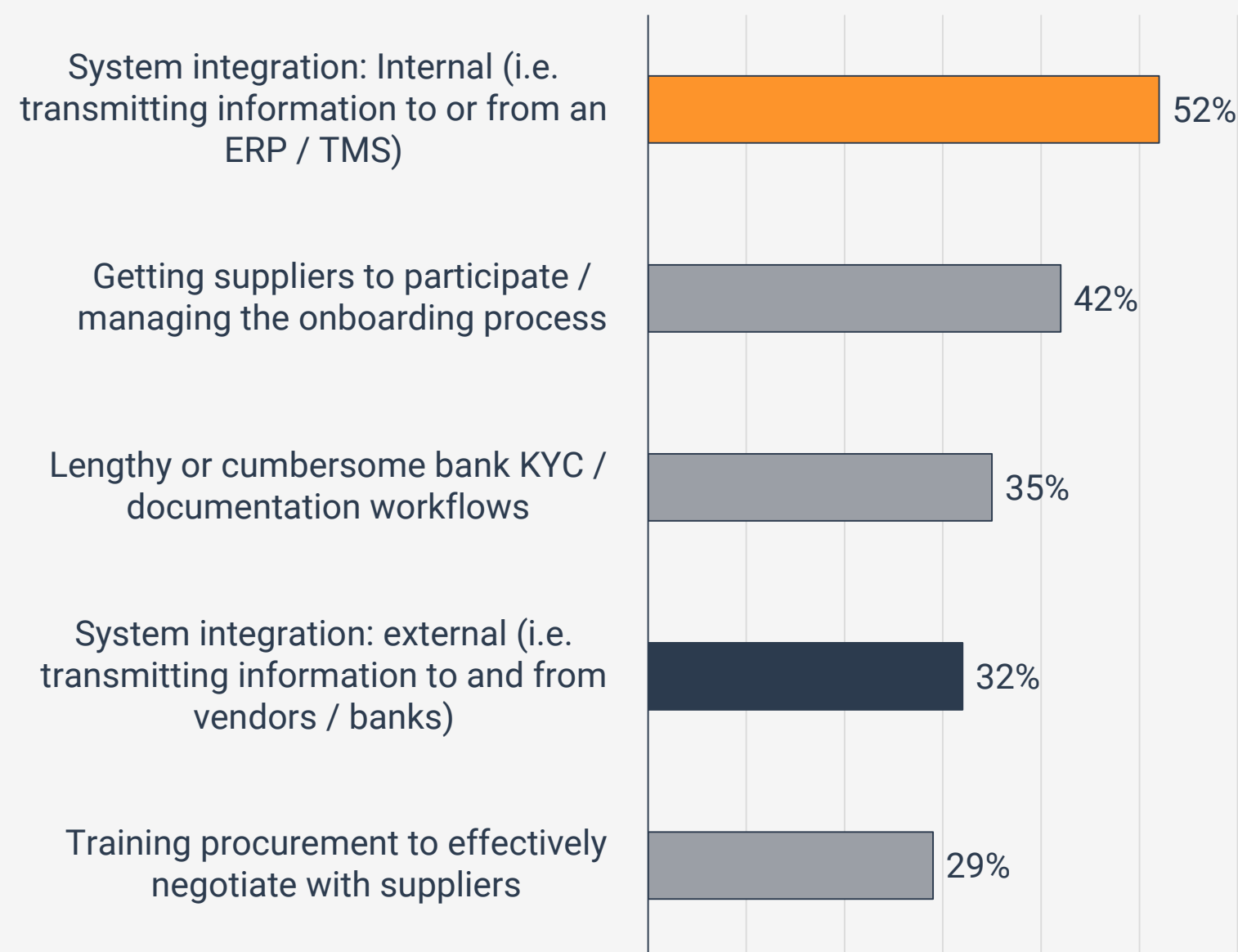


CORPORATE SCF DRIVERS

INTERNAL SYSTEM INTEGRATION REPRESENTS A TOP CHALLENGE

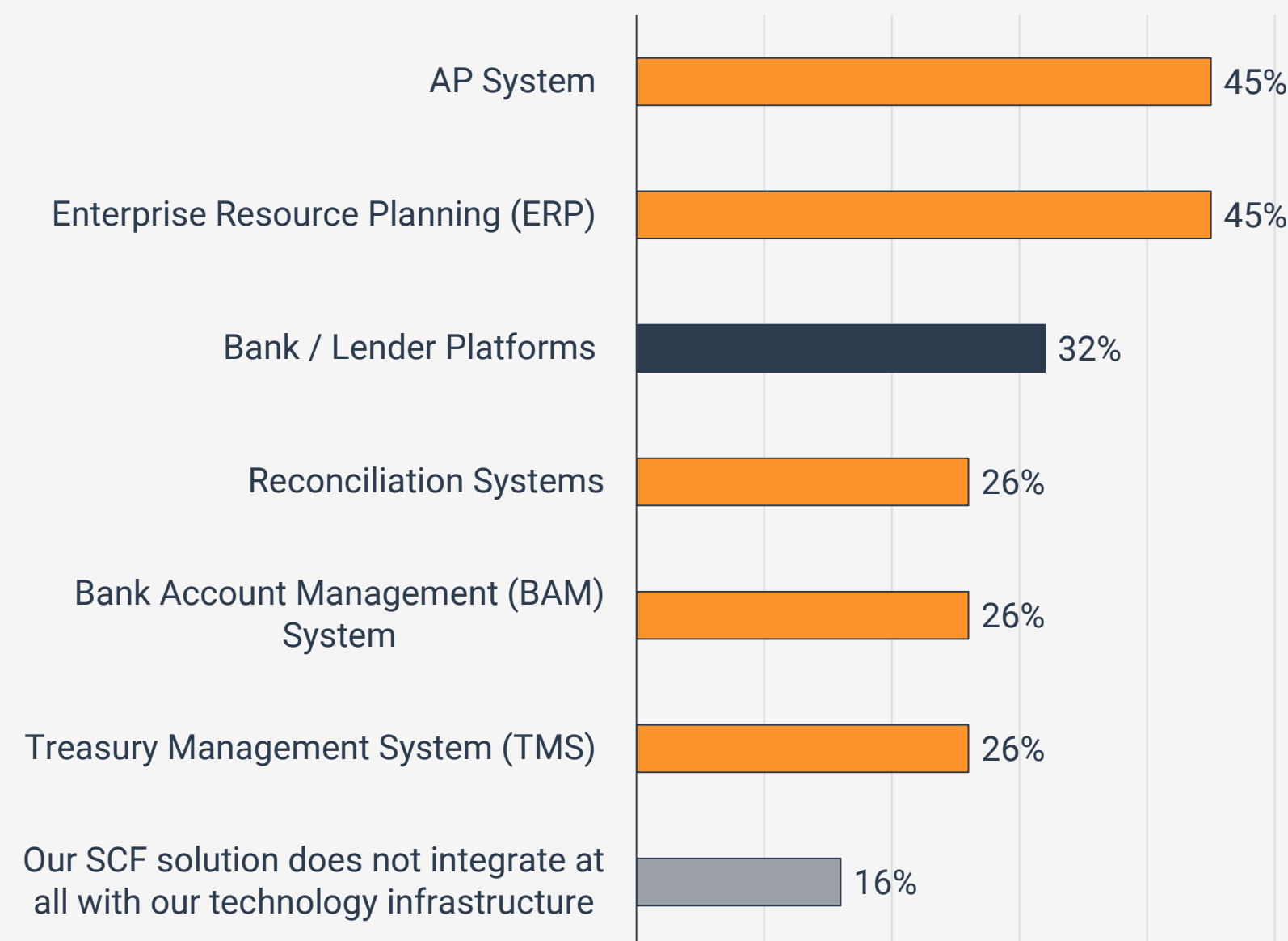
Corporates Using SCF: What are the primary difficulties associated with the use of your SCF program(s)? (Select all that apply)

***Only Top 5 Options Shown**



Corporates Using SCF: What components of your technology infrastructure does your SCF solution integrate with? (Select all that apply)

***Only Top 7 Options Shown**

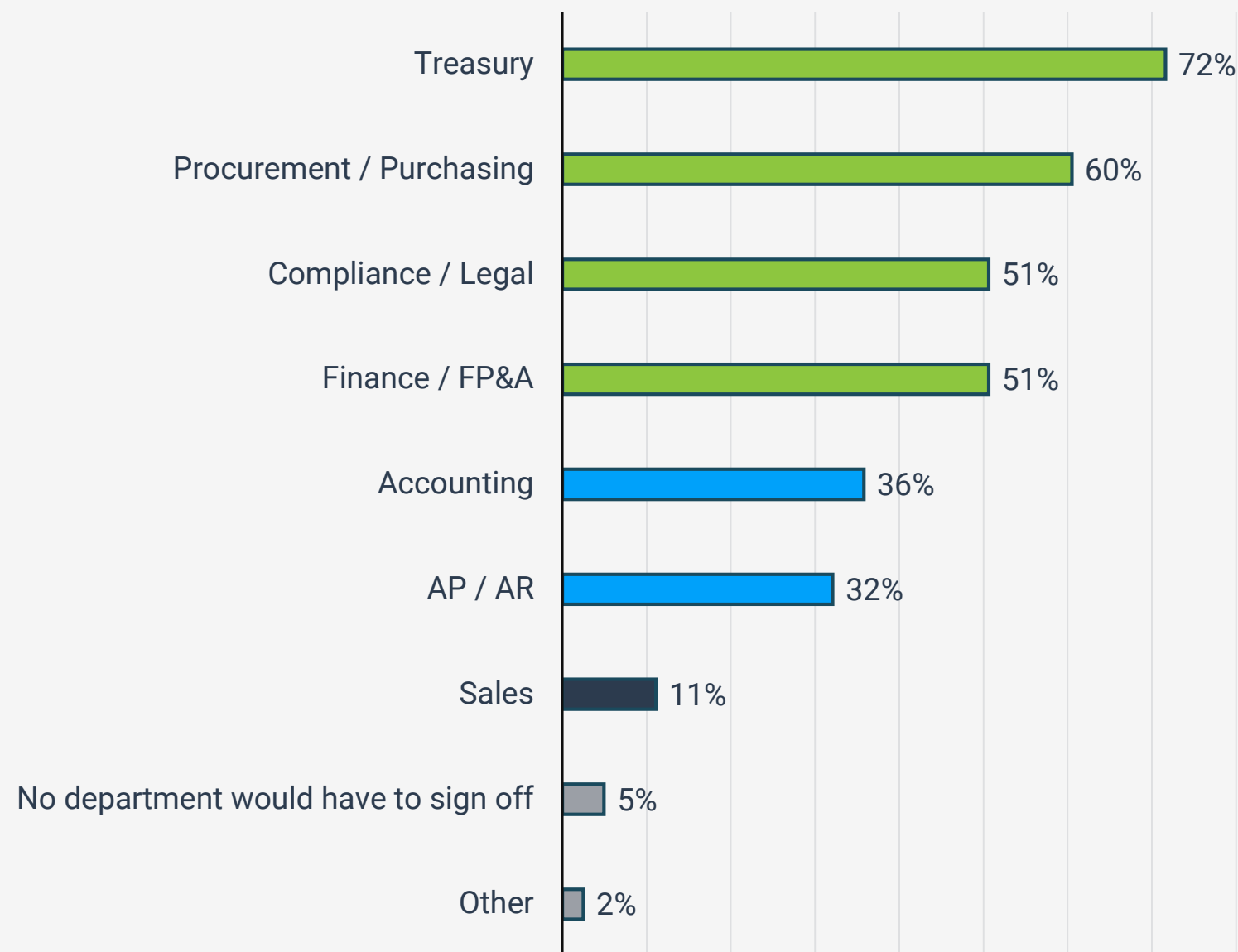


TRANSMITTING DATA IS EASIER SAID THAN DONE. Because so many departments have a stake in SCF, information gathered through an SCF portal must be transmitted to multiple parties, often via a separate back-office solution. This could include an AP system, ERP, TMS, or other. Given the complexity of many internal tech stacks, configuring these back-office workflows to integrate properly represents a top challenge for corporates.

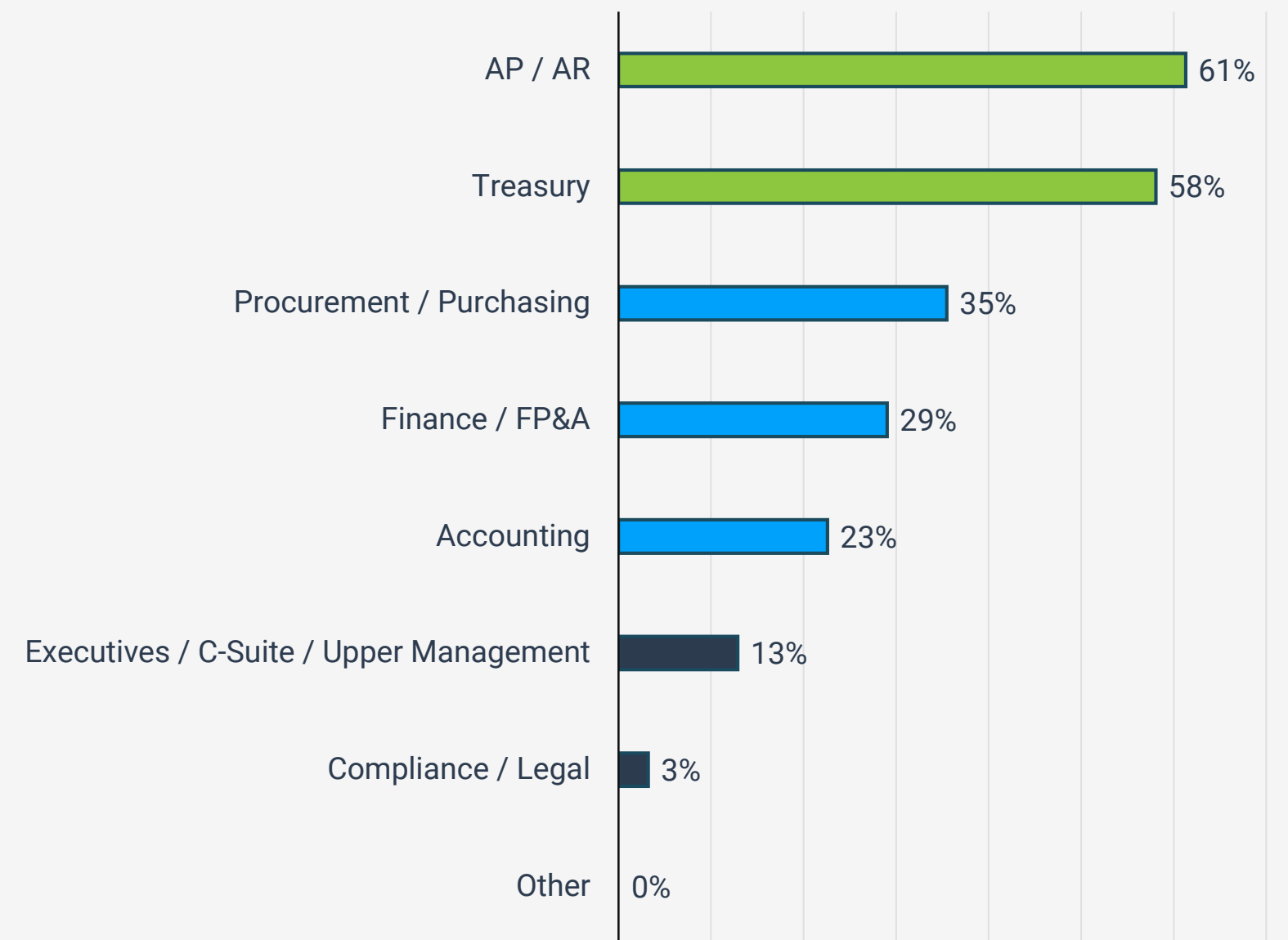
CORPORATE SCF DRIVERS

SCF REQUIRES EXCELLENT INTERDEPARTMENTAL COORDINATION

Corporates: Which departments would need to sign off on or approve the use of a SCF program before it was adopted? (Select all that apply)



Corporates Using SCF: Which internal departments use the SCF solution or portal regularly? (Select all that apply)



NUMEROUS STAKEHOLDERS CAN CAUSE CONFUSION. SCF broadly impacts internal operations, including those of AP / AR, treasury, and procurement. While there will be certain stakeholders that must approve use of such a solution internally, it is often a different set of parties that use the SCF solution on a regular basis. For this reason, the importance of aligning KPIs and expectations across all departments internally cannot be underestimated.

CORPORATE SCF DRIVERS

NOTABLE POINTS



WORKING CAPITAL POSITIONS IMPACT SCF PREFERENCES

- The SCF strategies employed by firms are impacted heavily by their working capital positions.
- With over half of corporates often or always having excess cash, SCF preferences today are shifting towards programs that offer self-funded options.



ENHANCED CASH VISIBILITY IS THE TOP SCF BENEFIT

- Corporates labeled enhanced cash visibility as the top benefit associated with their SCF program.
- These enhanced insights help treasury optimize working capital and can improve the accuracy of their cash forecasts.



INTERNAL STAKEHOLDERS MUST BE ALIGNED

- Given the extent to which SCF impacts numerous internal groups and areas, alignment across the organization is pivotal.
- Failure to align internal objectives / KPIs will limit the ROI achieved through the program.



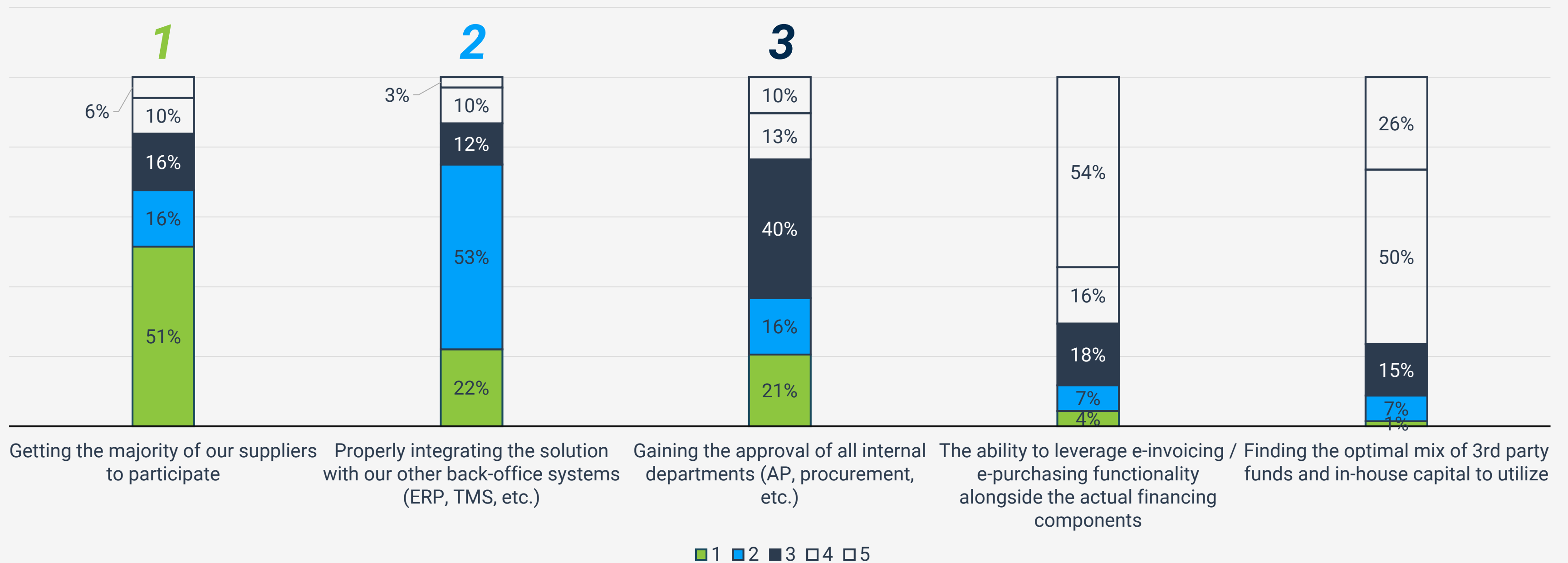
DO NOT OVERLOOK SYSTEM INTEGRATION

- Each group with a stake in SCF must have quick and easy access to the information they need for daily operations.
- SCF integration with back-office systems like an ERP / TMS is highly necessary, but can be challenging to develop.

BUYER SCF PERSPECTIVES

SCF SUCCESS IS DRIVEN BY SUPPLIER PARTICIPATION

Corporates: Please arrange the following factors in the order of their importance from 1 (highest) to 5 (lowest) as you feel they relate to the success of a SCF program: ***Only Rankings 1 – 3 Shown Here**

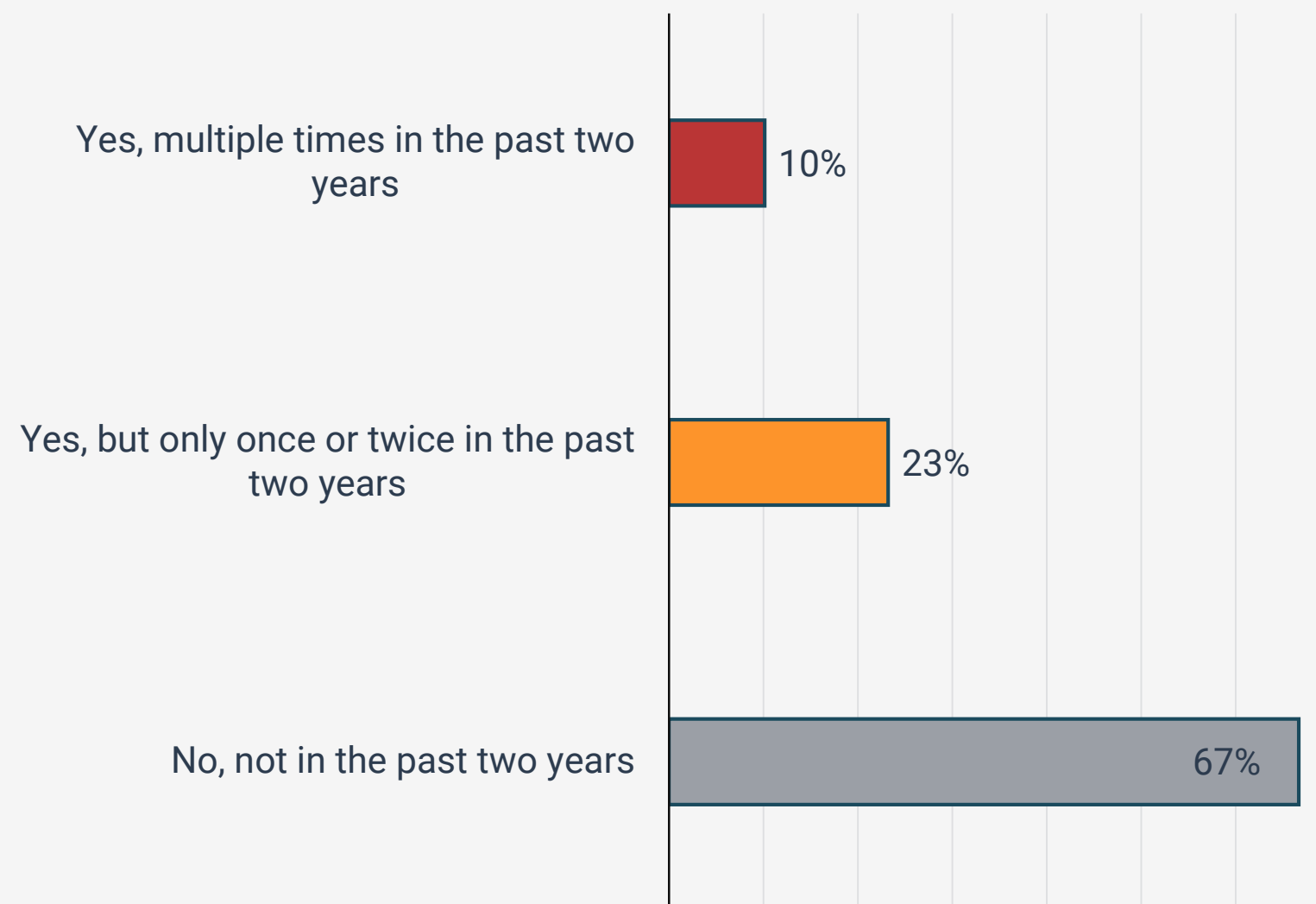


SUPPLIER PARTICIPATION IS ESSENTIAL. Supplier participation is regularly ranked as the most important factor contributing to the success of a SCF program. Without the proper base of suppliers joining, buyers will struggle to achieve the ROI they require and may even have to discontinue use of the program. For this reason, it is increasingly common to find supplier engagement services as a component of vendors' SCF offerings.

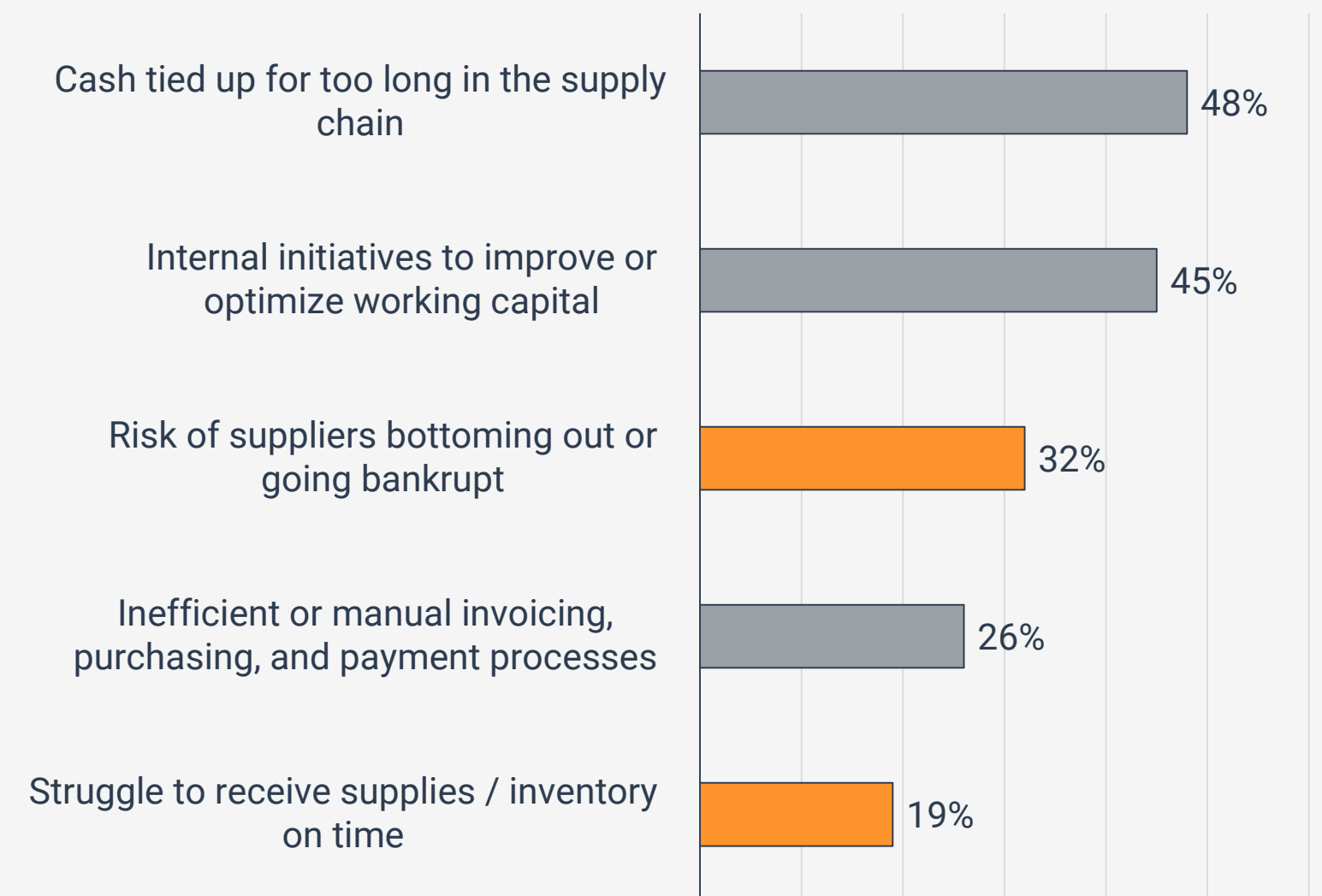
BUYER SCF PERSPECTIVES

SCF CAN BE LEVERAGED TO REDUCE SUPPLIER RISK

Corporate Buyers: Have you ever been short of critical supplies due to a supplier's bankruptcy or inability to meet production demands?



Corporates Using SCF: What initially prompted you to implement an SCF program? (Select all that apply) **Only Top 5 Choices Shown*

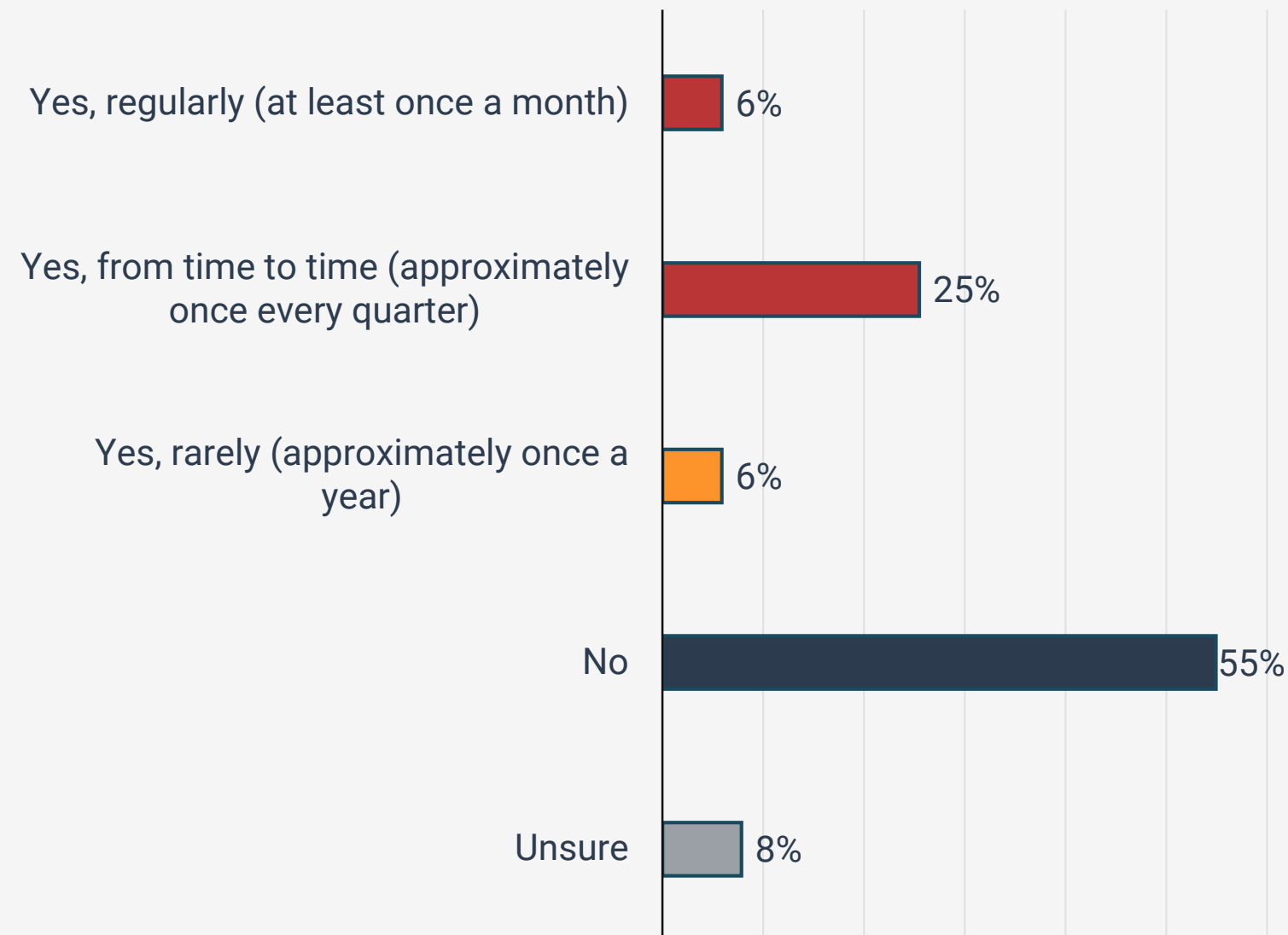


USING SCF TO MITIGATE SUPPLIER RISK. Approximately 1/3rd of buyers have been short of critical supplies due to a supplier's inadequacy or bankruptcy. This can result in huge losses for firms if supplies are cut off. To mitigate this risk, SCF can be used to provide easy access to capital for suppliers while also gaining greater visibility into their cash flows so that potential supply shortages can be identified and managed before issues arise.

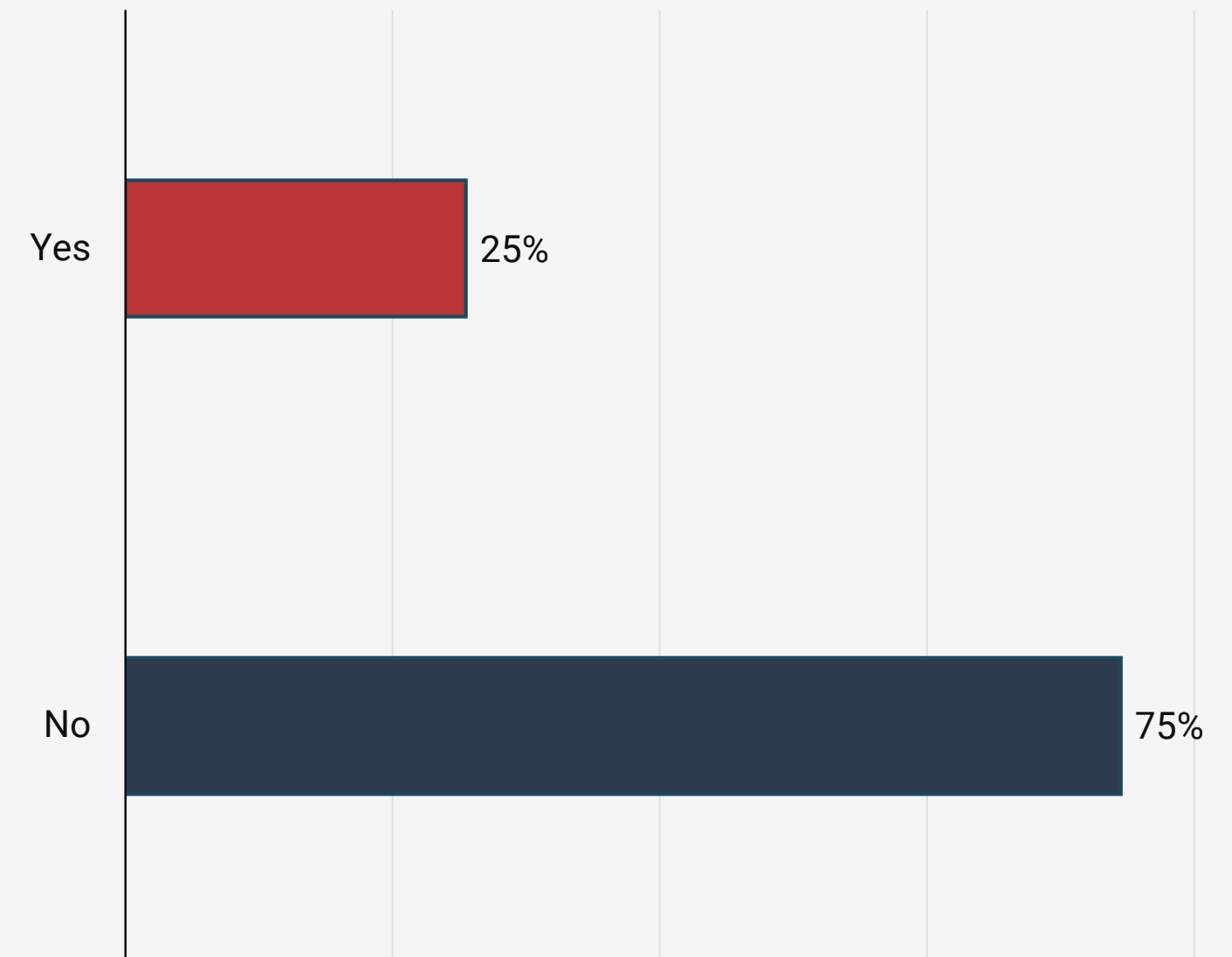
SUPPLIER SCF PERSPECTIVES

A SIGNIFICANT PORTION OF SUPPLIERS STRUGGLE TO GET PAID

Corporate Suppliers: Do you have challenges with obtaining capital due to late payments from buyers?



Corporate Suppliers: Have late payments ever significantly impacted your business operations?

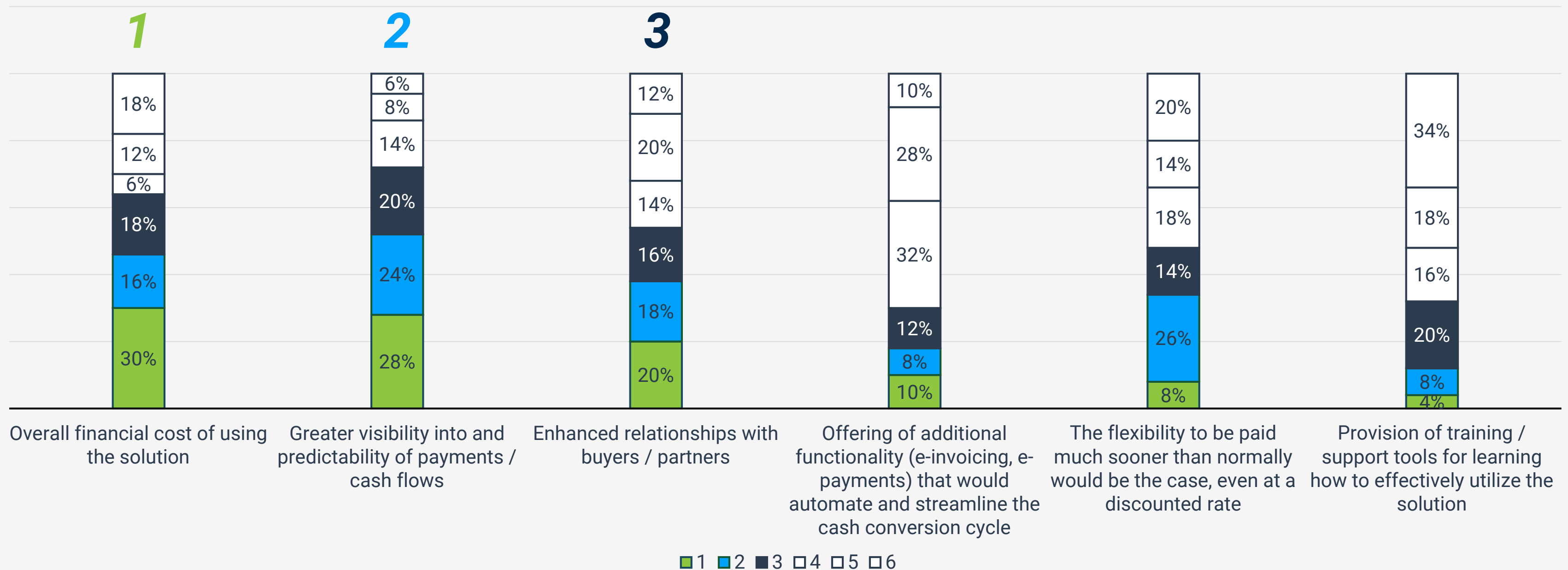


DELAYED PAYMENTS ARE A BURDEN. Often, suppliers are smaller than their buyers and may not have any significant leverage when setting payment terms. However, if payment terms are lengthy or delayed beyond what was agreed upon, suppliers may struggle to obtain the capital they need for ongoing operations. Today, data indicates 1 in 4 suppliers have had late payments significantly impact their business operations.

SUPPLIER SCF PERSPECTIVES

WHAT DO SUPPLIERS PRIORITIZE WHEN EVALUATING SCF?

Corporate Suppliers: Please arrange the following components in order from 1 (MOST IMPORTANT) to 6 (LEAST IMPORTANT) according to how they would impact your decision to be onboarded to a SCF program. ***Only Rankings 1-3 Shown.**



COST & VISIBILITY ARE KEY: As highlighted previously, many small suppliers are already pressed for cash. This being the case, suppliers' primary SCF focuses center around the cost of participating, and the extent to which participation will enhance their cash flows and forecasts. These two areas were significantly more important than others when it came to influencing a supplier's decision to be onboarded to an SCF program.

BUYER & SUPPLIER SCF PERSPECTIVES

NOTABLE POINTS



SUPPLIER PARTICIPATION IS CRITICAL TO ROI

- Supplier participation is consistently ranked as the factor most important to the success of a SCF program.
- Firms should be cognizant of this reality as they begin evaluating a SCF implementation.



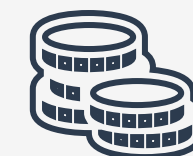
SCF CAN IMPROVE RISK MANAGEMENT FOR TREASURY

- While optimizing working capital is a primary driver, mitigating the risk of supply shortages is also important.
- Providing small suppliers access to capital while also achieving greater visibility across their operations helps identify potential exposures.



MANY SUPPLIERS STRUGGLE TO OBTAIN CAPITAL

- Over 1/3rd of suppliers struggle to obtain capital due to late payments from buyers. 1 in 4 have been significantly impacted by delayed payments.
- SCF can facilitate easier access to capital for these firms and improve vendor relationships in the process.



BUYERS MUST WORK TO ENGAGE SUPPLIERS

- With supplier participation so essential, buyers should look to reduce costs of participation at every juncture possible.
- Offering free onboarding, training, and other resources to suppliers can help get and keep them engaged, thus maximizing ROI.

PUTTING IT ALL TOGETHER

WHAT ARE THE KEY TAKEAWAYS FROM THIS SURVEY FOR TREASURY?



SCF IS BECOMING A LEADING PRACTICE FOR OPTIMIZING WC

- Using SCF as a vehicle for bolstering liquidity and optimizing working capital is a leading practice currently enjoying mainstream adoption.
- Companies without programs in place are putting themselves at a disadvantage; streamlining the CCC can provide massive liquidity gains.



FLEXIBLE FINANCING OPTIONS ARE BEING PRIORITIZED

- 52% of companies are usually in an excess cash position. Many companies prefer the option to invest in their own supply chains when possible.
- The ability to choose between borrowing and self-funding a SCF program is a differentiating factor for firms with shifting cash positions or with capital to invest.



SCF SIGNIFICANTLY ENHANCES CASH VISIBILITY

- While there are a range of benefits associated with SCF, data shows that gaining predictability and visibility into cash flows is labeled by corporates as the top advantage.
- SCF can optimize working capital and improve cash forecasts as enhanced insights regarding vendor cash flows are captured.



BEWARE SYSTEM INTEGRATION & SUPPLIER ENGAGEMENT

- Companies using SCF must learn to communicate across departments and work to streamline integration between the SCF solution and other back-office systems.
- At the same time, buyers instituting a program need to prioritize supplier engagement so that adequate participation across their network is achieved.

LET'S CONNECT.

DON'T LET THE LEARNING END HERE...
CONTACT US WITH ANY FUTURE QUESTIONS.

Thank you for your interest in this presentation and for allowing us to support you in your professional development. Strategic Treasurer and our partners believe in the value of continued education and are committed to providing quality resources that keep you well informed.



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2019 SCF Survey Results Report



THANKS TO THOSE WHO COMPLETED THE SURVEY!

Treasury Ambassadors and **Respondents** to the 2019 Supply Chain Finance Survey will be emailed a comprehensive results report following the conclusion of this live event.

Other interested parties may download a summarized version of the report by [clicking here](#).