

SCF Barometer 2017

November 2017



Foreword



Michiel Steeman
Chairman –
Supply Chain Finance
Community

An industry that is maturing is one that is going through a growth phase and a change phase, simultaneously. So it is with supply chain finance – and that is exactly the picture painted by this year's SCF Barometer.

The Supply Chain Finance Community is pleased to be again partnering with PwC on the second annual edition of this important project. It provides a useful 'sense check' that allows SCF professionals – especially those working across multiple sectors or territories – to test the experiences we pick up through our engagement with businesses against the backdrop of a statistical survey of international firms.

The Barometer reinforces our perception of growth as it provides yet more evidence that more and more businesses are coming to SCF and offering it to their suppliers for the first time. For those who have previously implemented SCF programmes, the driving force is change and improvement: these businesses are today looking to extend their programmes, or are taking SCF to the next level by switching to newer, more innovative offerings. They are demanding more of their SCF programmes – and SCF is rising to the challenge.



Contents

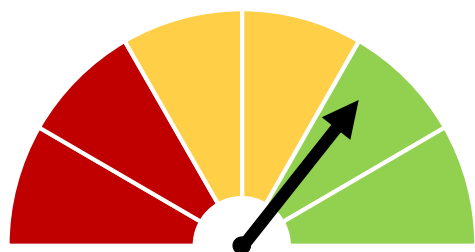
1	Introduction	4
2	Supply Chain Finance General Status	5
3	Supply Chain Finance Programme	9
4	Supply Chain Finance Supplier Base	14
5	Supply Chain Finance Implementation	17
6	Supply Chain Finance Success Factors and Bottlenecks	19
7	Supply Chain Finance Barometer	22
8	Contacts	24

The SCF Barometer - introduction



Goal of the survey

Understand the current position and awareness of SCF and implementation drivers & critical factors



SCF Barometer 2017



Profile of the respondents

- Diverse range of functions
- Variety of industries & size
- Global view
- Varying levels of SCF maturity



Key questions

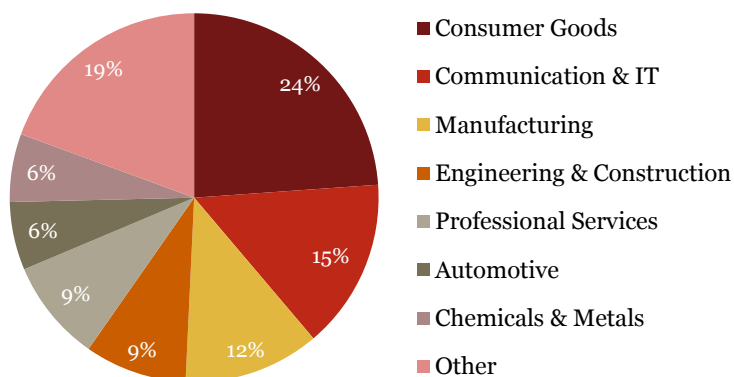
- What are the reasons to implement or investigate a SCF implementation?
- On what basis are suppliers eligible to join the SCF programme?
- What are the key success factors and bottlenecks?
- Which department is initiating the SCF programme?
- How will the SCF programme develop?

Supply Chain Finance General Status

Survey findings represent a diverse, global view

Participants are from a broad variety of sectors and functions and a range of geographical locations

Respondents' sectors



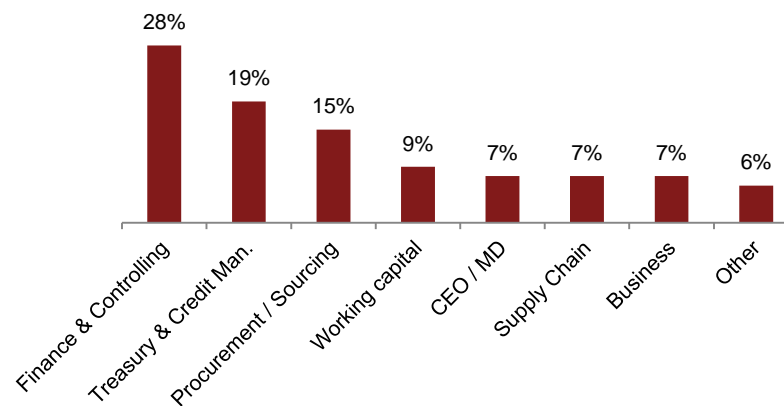
Sectors/industries

- Sectors which typically have relatively high levels of SCF adoption are well represented in the survey e.g. Consumer Goods, Communication & IT and Manufacturing
- This year's survey had less respondents in the automotive category, despite the relatively high volume of SCF programmes in this sector

Respondents' profiles

- Survey respondents have diverse roles ranging from CEO to Supply Chain Manager
- Headquarters are based in Europe (76%), Australia (9%), Asia (8%) and Americas (8%)
- Companies vary in size with annual revenues ranging from less than €250m (24%) to more than €5,000m (30%)

Respondents' functions or divisions

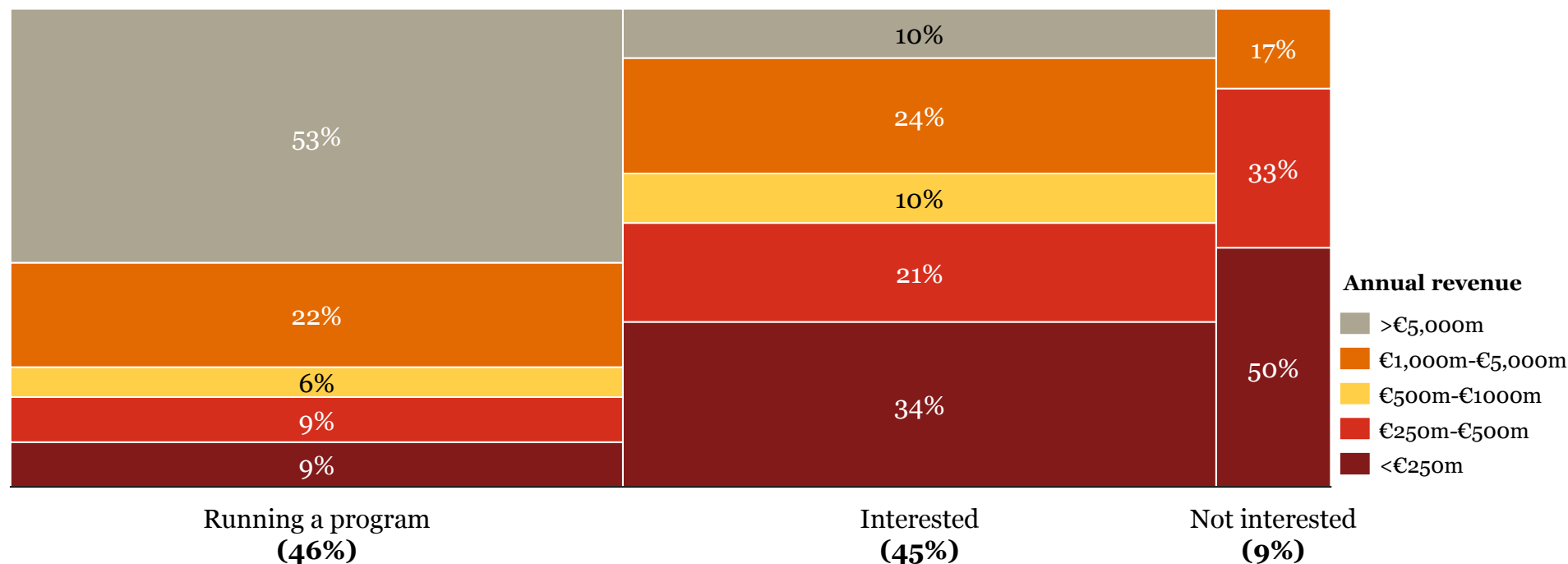


Respondents have varying levels of SCF maturity

Larger companies are more likely to be running a SCF programme

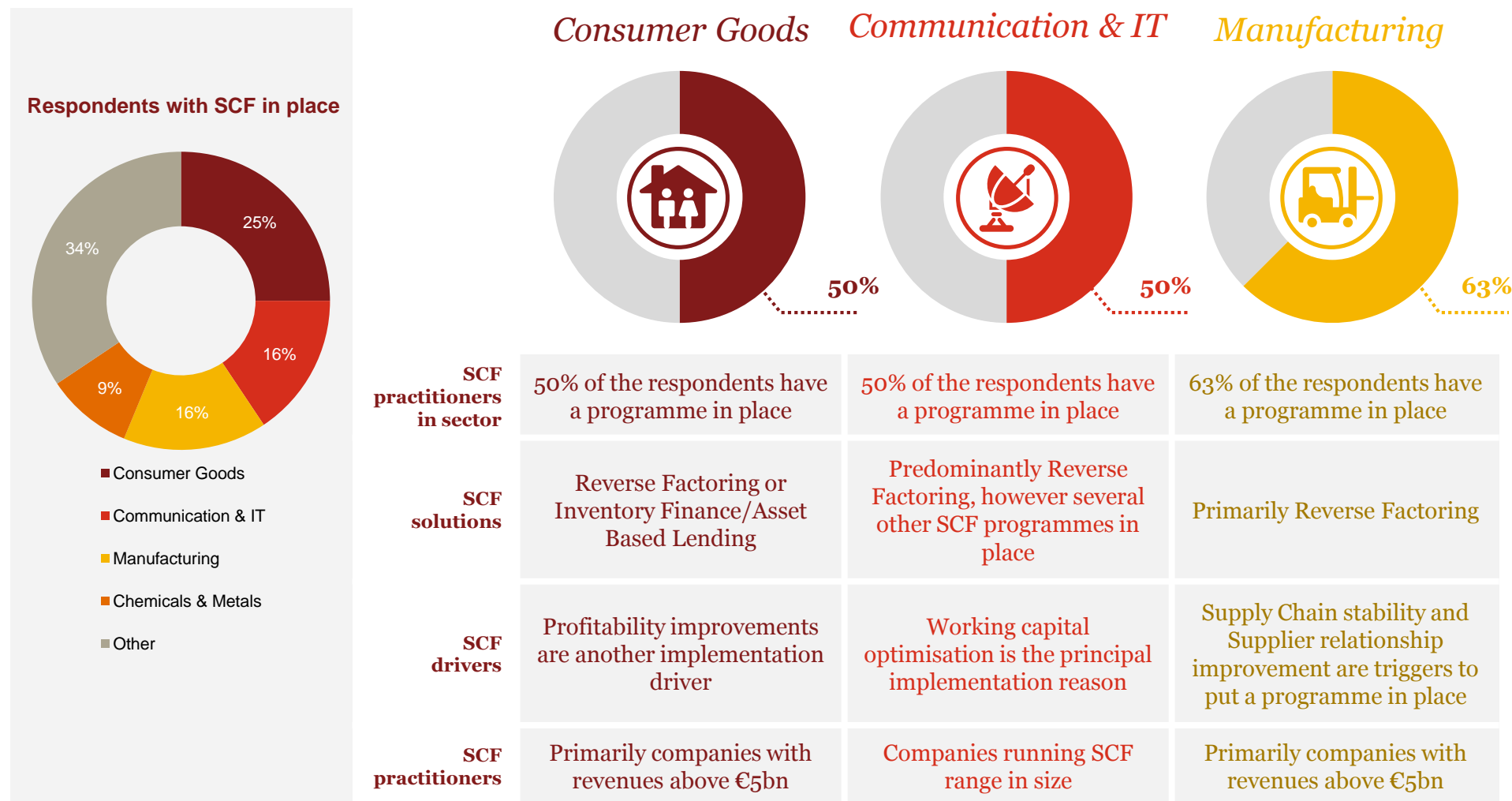
46% of respondents are running a SCF programme
45% of respondents are interested in implementing a SCF program

More smaller (<€1bn) companies seem to be interested in SCF



40% of the companies running SCF have two or more SCF programs in place (all having revenues above €1bn)

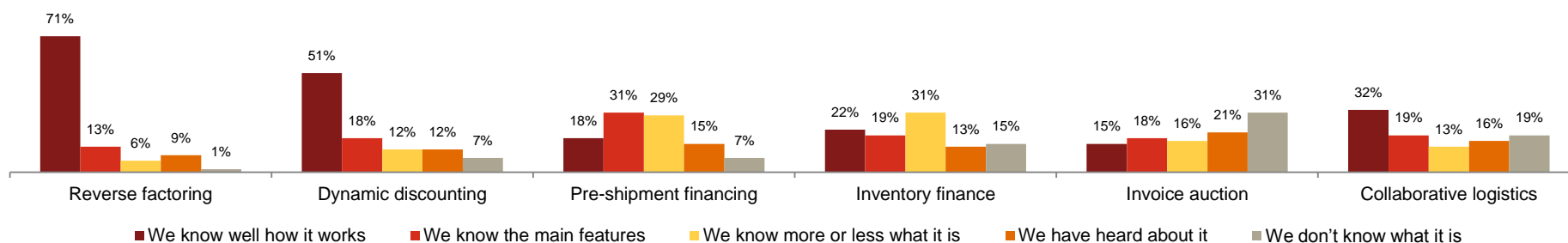
Working capital optimisation is the key common implementation driver across the three largest sectors



Supply Chain Finance Programme

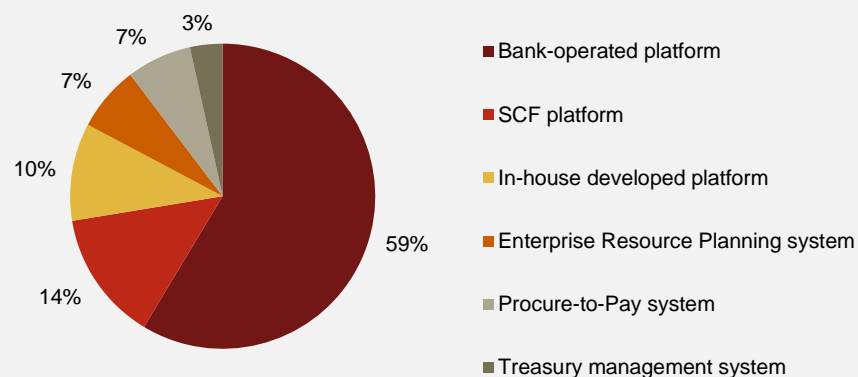
Despite a changing landscape, reverse factoring on a bank platform remains the most widely used SCF option

Awareness of SCF solutions

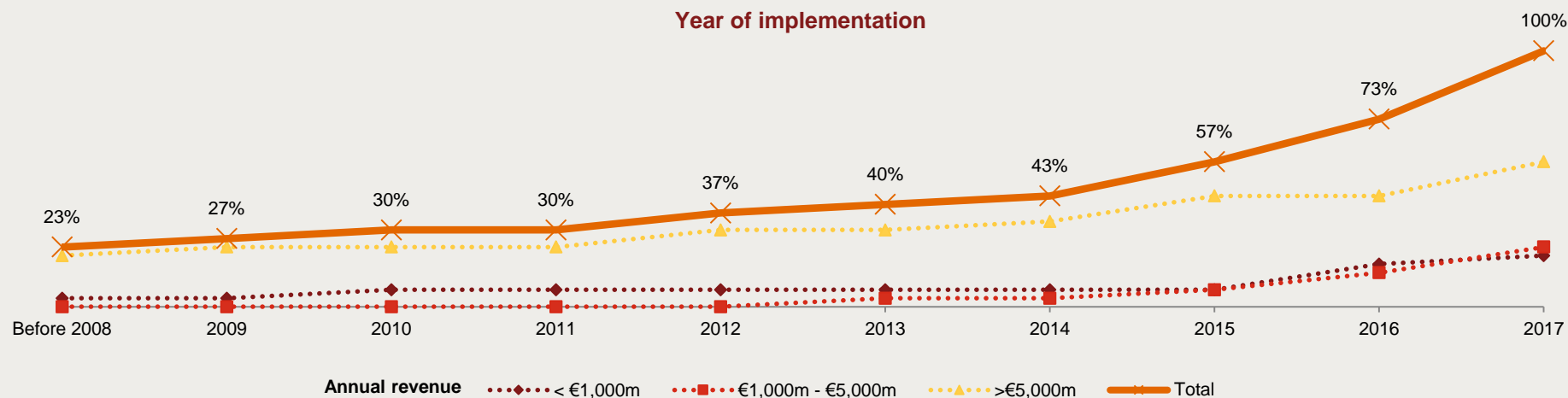


75% of companies use reverse factoring most frequently

SCF technology/platform used amongst Reverse Factoring users



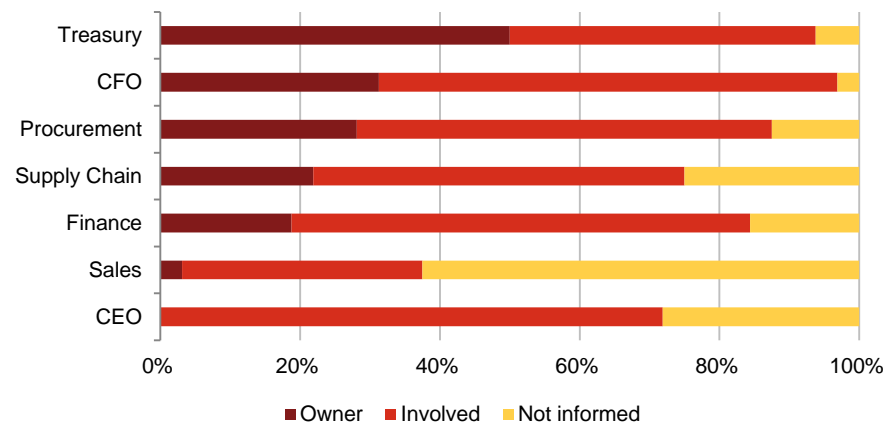
As seen last year, the trend for SCF roll outs continues to grow and are often driven by Treasury or the CFO



Smaller companies are beginning to introduce supply chain finance

Prior to 2012, SCF programmes were predominantly implemented in companies with revenues >€5bn

Involvement per function in SCF initiation

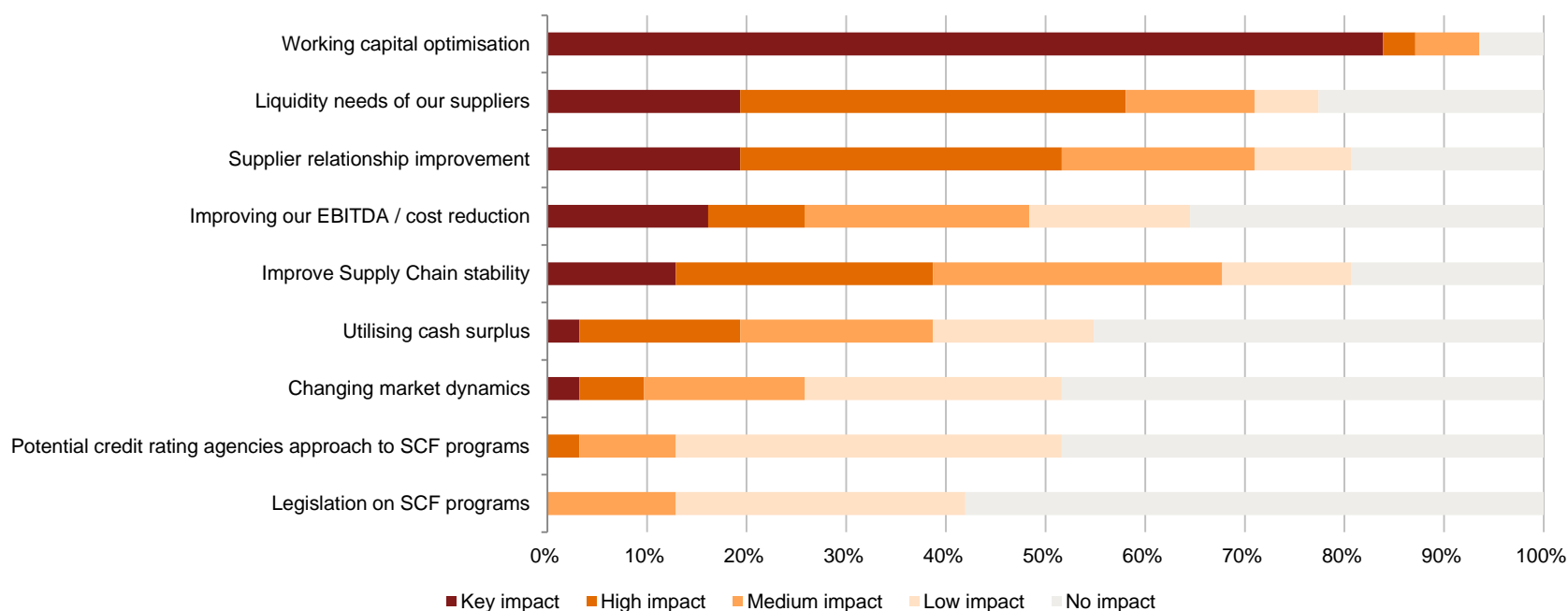


Working capital optimisation is the most important reason for implementing a SCF programme

The supplier umbrella, which includes supplier liquidity, supplier relationships and supply chain stability, for implementing a SCF programme is the second most important factor

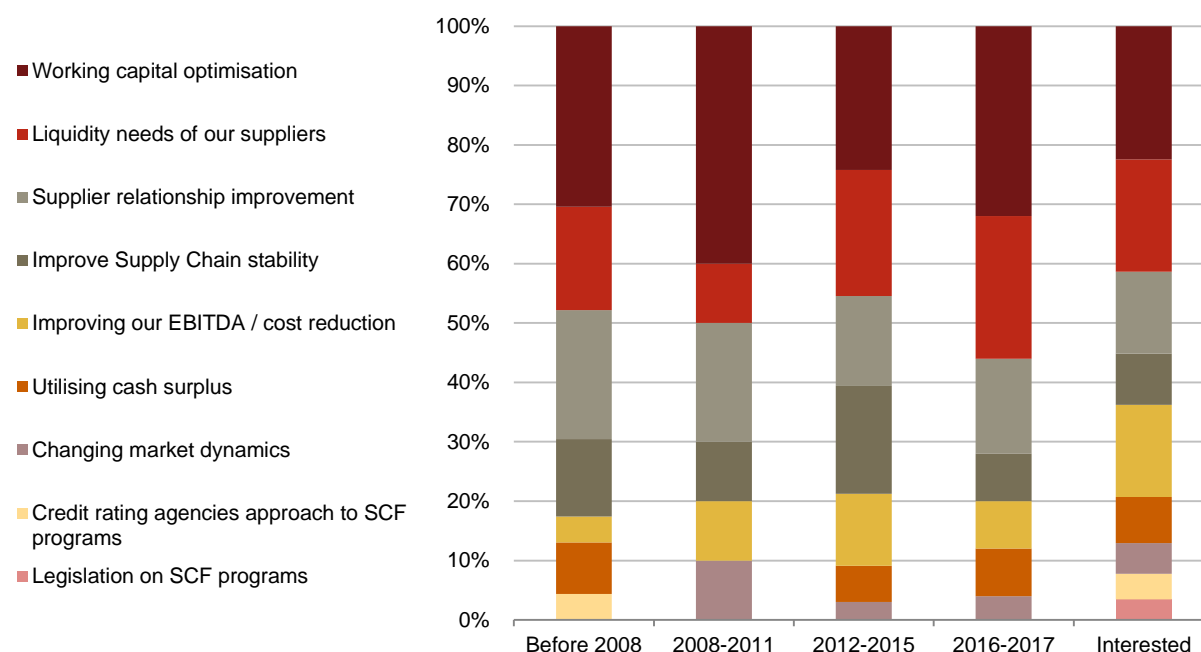
Implementation drivers appear mostly the same for different SCF solutions

Principal reasons for implementing a SCF programme



There is little historic fluctuation in key implementation reasons for both SCF practitioners and interested parties

Development of key and high impact reasons for SCF implementation



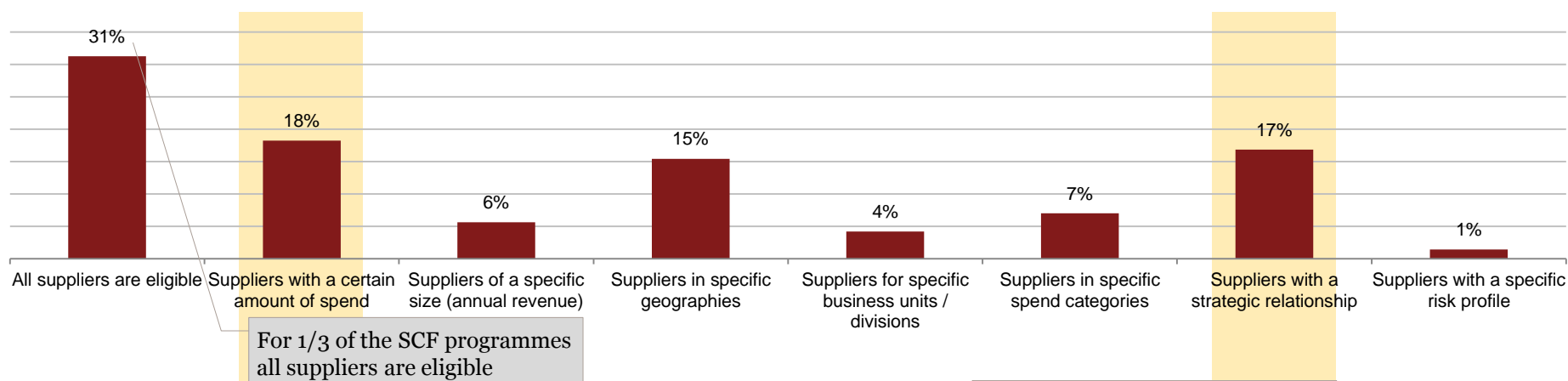
Legislation on payment terms is expected to play a bigger role in the near future, potentially impacting the (further) roll-out of SCF programmes

Liquidity needs of suppliers seems to be a rather stable driver for SCF implementation in the last 3 years, whereas working capital optimisation as a key reason for SCF implementation seems to become less important than in the early days of SCF

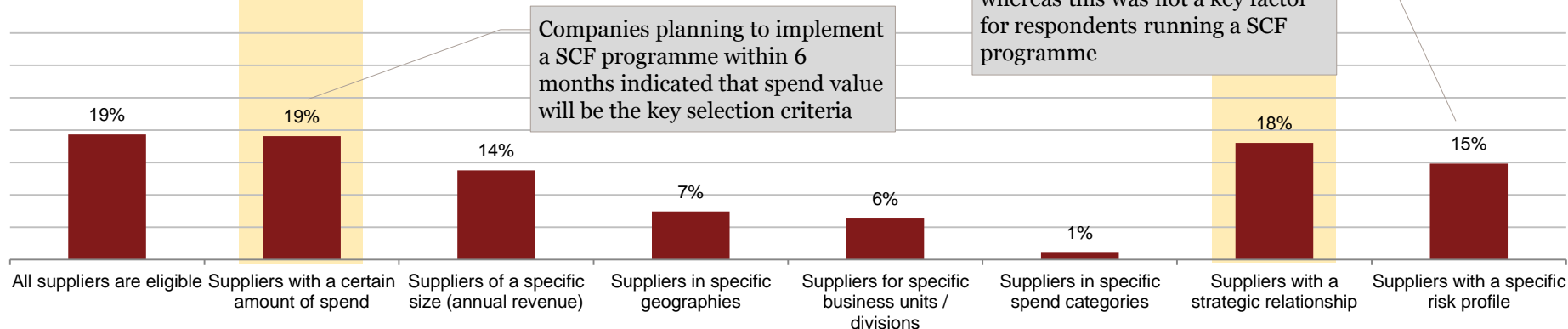
Supply Chain Finance Supplier Base

Spend value and strategic relationships are key drivers for supplier selection

Supplier selection criteria - Respondents running a SCF programme



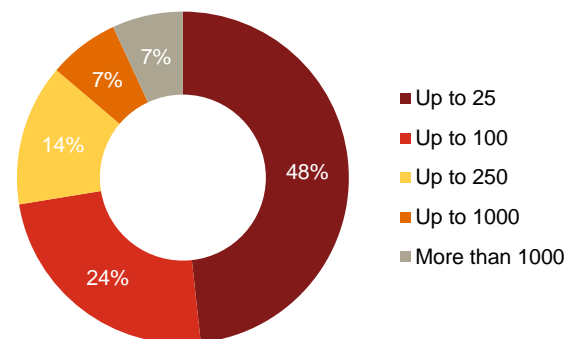
Supplier selection criteria - Respondents interested in a SCF programme



A typical SCF programme for respondents covers 20% of spend value and less than 100 suppliers

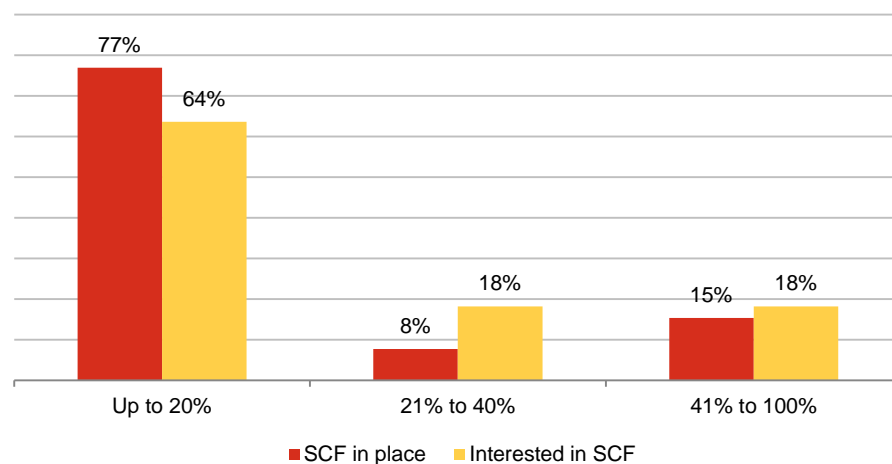
Expectations of spend coverage by those interested are currently higher than spend covered by practitioners in survey. This could be driven by both evolving and new SCF solutions which cover greater spend and larger supplier base

Number of suppliers who joined the programme



72% of the SCF participants have less than 100 suppliers enrolled which appears in line with expectations of survey practitioners

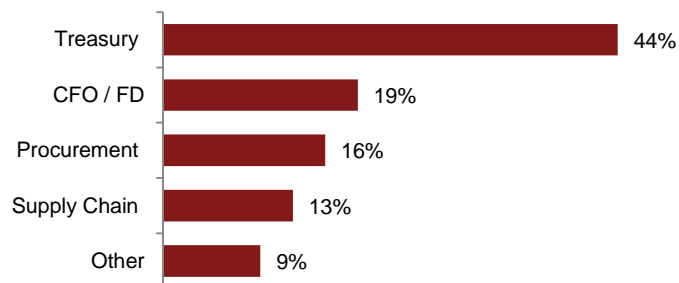
Spend covered by SCF: actual vs expectations



Supply Chain Finance Implementation

Moving from contract stage to initial invoice processing takes less than 6 months for a third of programmes

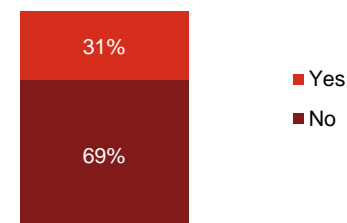
Roll-out manager



Respondents used external support for all phases of a SCF implementation, including:

- **business case assessment**
- **legal/contract review**
- **IT implementation**
- **supplier on boarding**
- **project management**

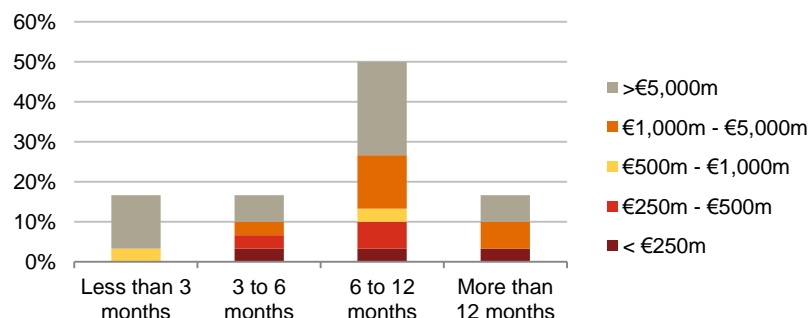
Did you use external implementation support?



External support

SCF implementation takes less than 12 months when external support is used

Implementation time per revenue size



Expectations

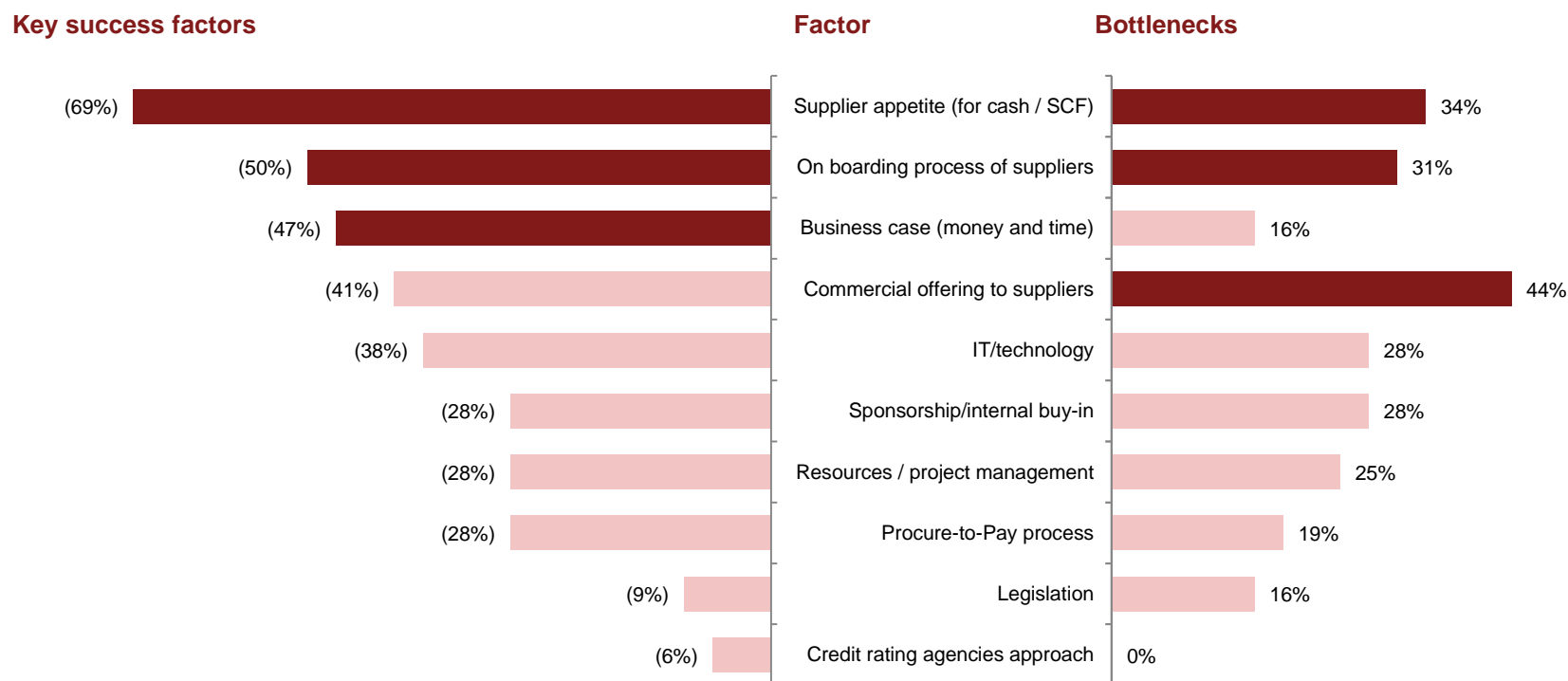
Respondents planning a SCF programme anticipate implementation to take between 3 and 6 months

*implementation time refers to the period between signing the contract with the SCF provider till processing the first invoice on the platform

Supply Chain Finance Success Factors and Bottlenecks

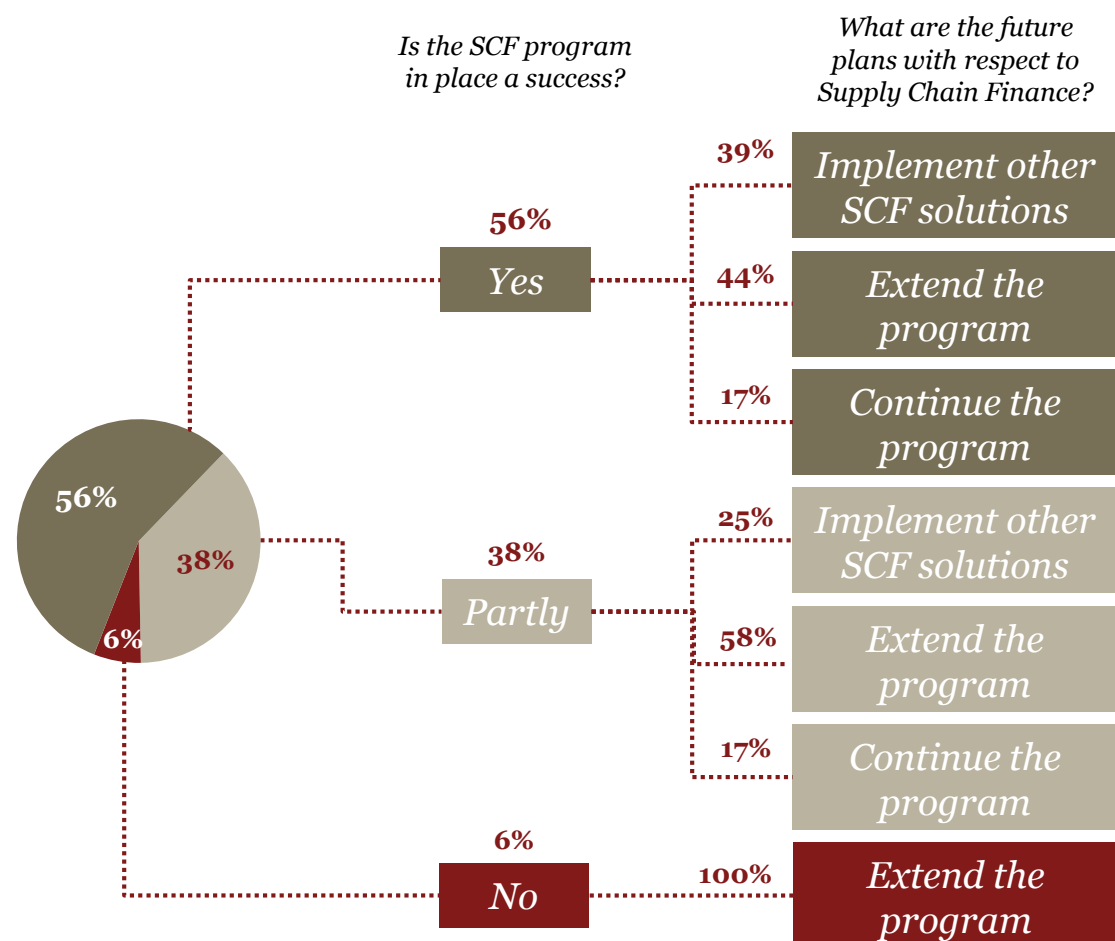
Supplier appetite, on boarding process, and business case are the key success factors for a SCF programme

An interesting observation is that the two key success factors with highest response are also considered as potential bottlenecks, being supplier appetite and on boarding process for suppliers



External factors (e.g. appetite, commercials, supplier on boarding) are seen as greater bottlenecks than factors within a company's control (e.g. resources, processes, sponsorship)

SCF programmes are generally viewed as a success and >80% of participants plan to extend their SCF solutions



94% of the respondents consider their SCF programme a (partly) success

>80% of the respondents will further extend their programme or implement other SCF solutions

Spend covered	Continue the programme	Extend the programme	Implement other SCF solutions
Up to 20%	8%	42%	27%
Up to 40%	-	4%	4%
Up to 100%	4%	12%	-

Supply Chain Finance Barometer

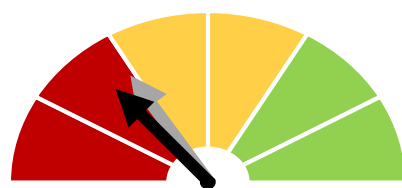
BAROMETER

There is an increasing awareness over the past few years, driving appetite for introducing or extending SCF solutions



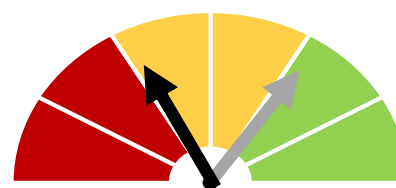
56%

consider the
programme to be
a full success



28%

of the programmes have
over 100 suppliers on
the platform



33%

implemented the
programme within a
6 month timeline

Legend:

2017 survey

2016 survey



*Although SCF programmes are generally considered successfully, **supplier coverage is limited***

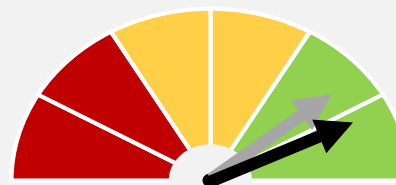
*There is a lot of interest in **implementing** further SCF solutions.*

*However, we notice that SCF is **not very common in small- and medium enterprises***



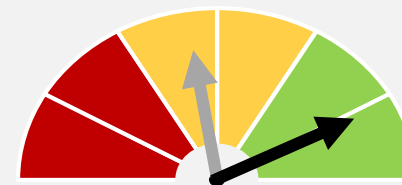
53%

of the companies with a
SCF programme in place
have revenues >€5,000m



84%

intend to
enhance its SCF
solutions



84%

of the respondents not having
a SCF programme are
interested in implementing

Supply Chain Finance and Working Capital contacts



 **Danny Siemes**

Director – Netherlands

T: +31 6 3024 5711

E: danny.siemes@pwc.com

Danny is head of the Dutch PwC Working Capital Management team and brings over 20 years of advisory experience. He is specialised in analyzing cash flows and unlocking cash from working capital cycles, thereby assessing key drivers, improving operational excellence and overall liquidity.



 **Stephan Dellermann**

Senior Manager – Germany

T: +49 151 268 18204

E: stephan.dellermann@pwc.com

Stephan is a senior manager in PwC's specialist working capital practice. He advises clients in delivering working capital improvements as part of the value creation within the transaction lifecycle or standalone.



 **William Extra**

Senior Manager – United Kingdom

T: +44 7803 455 643

E: william.b.extra@pwc.com

William is a senior manager within the UK's working capital team and specialises in Supply Chain Finance and Forecast to Fulfil. William held various supply chain, logistics and order to cash positions in industry prior to joining PwC.



 **Luca Gelsomino**

Senior Researcher, Windesheim University of Applied Sciences

T: +31 88 469 6088

E: lm.gelsomino@windesheim.nl

Luca is a senior researcher at Windesheim and the SCF Community. He has a PhD in Supply Chain Finance from Politecnico di Milano (Italy). His research interests include the interface between Logistics and Finance as well as the latest technological development in Supply Chain Finance.

Co-authors of the study



Rob Kortman
Partner
United Kingdom



Mathijs Oosterhuis
Senior Consultant
Netherlands



Laura Monagan
Senior Associate
United Kingdom

Special thanks for the support to



Antonella Moretto
Assistant Professor
Politecnico di Milano



Viktor Elliot
Assistant Professor
Göteborg University



Agostino Bonzani
Analyst
Politecnico di Milano



Supply Chain Finance Community
Bridging physical and financial supply chains

© 2017 PwC. All rights reserved. Not for further distribution without the permission of PwC. "PwC" refers to the network of member firms of PricewaterhouseCoopers International Limited (PwCIL), or, as the context requires, individual member firms of the PwC network. Each member firm is a separate legal entity and does not act as agent of PwCIL or any other member firm. PwCIL does not provide any services to clients. PwCIL is not responsible or liable for the acts or omissions of any of its member firms nor can it control the exercise of their professional judgment or bind them in any way. No member firm is responsible or liable for the acts or omissions of any other member firm nor can it control the exercise of another member firm's professional judgment or bind another member firm or PwCIL in any way.