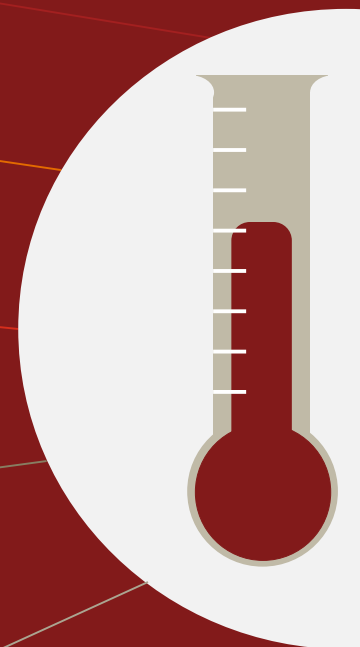


SCF Barometer

December 2016



Foreword



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Chairman –
Supply Chain Finance
Community

Before you head off for a destination, it is vital to know where you are and which direction you are facing. That is why the Supply Chain Finance Community was very pleased to partner with PwC on this study, the first-ever SCF Barometer. It gives the clearest picture we've ever had as to the current usage of supply chain finance and its success.

It's gratifying to see not only that such a significant proportion of major European businesses have already adopted some form of supply chain finance – predominantly reverse factoring –, but also that their satisfaction levels are high and that so many have ambitions to expand their SCF programs.

The SCF Barometer also sheds useful light on the extent of stakeholder involvement, the current triggers for supplier selection, the amount of time it takes to implement an SCF program and the critical success factors and bottlenecks that need to be taken into account.

The picture that emerges is that Supply Chain Finance as a corporate strategic solution is in a good place and, most importantly, is on a firm foundation for growth and evolutionary development.



Contents

1	Introduction	4
2	Supply Chain Finance General Status	5
3	Supply Chain Finance Program	9
4	Supply Chain Finance Supplier Base	12
5	Supply Chain Finance Implementation	15
6	Supply Chain Finance Success Factors and Bottlenecks	17
7	Supply Chain Finance Barometer	20
8	Contacts	22

The SCF Barometer - introduction



Goal of the survey

Understand the current position, development, and (perceived) successes of SCF

Respondents' profiles

- 62 respondents
- Across Europe
- Variety of industries
- Diverse range of functions

Key questions

- Key SCF implementation drivers?
- SCF program scope? SCF technology used?
- Total spend covered by the SCF program?
- Supplier onboarding?
- SCF success rate?

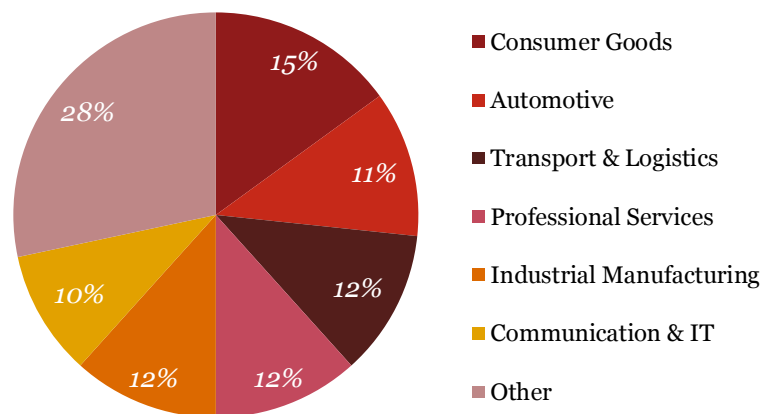


Supply Chain Finance General Status

A diverse range of respondents...

A broad scala of sectors and departments participated

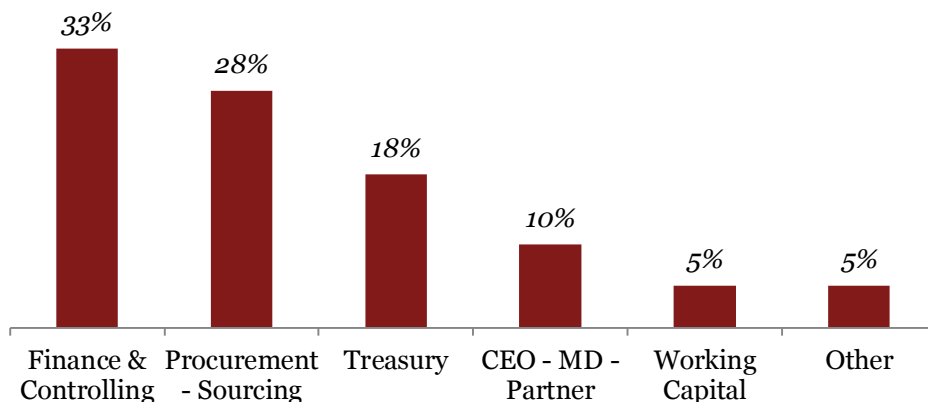
Respondents' sectors



Sectors/industries

Consumer Goods is the largest survey contributor, containing retailers, food producers, and even bedding producers

Respondents' functions or divisions



Respondents' profiles

- Most respondents have a finance, procurement or working capital related role
- Other roles include CEO, MD, innovations manager

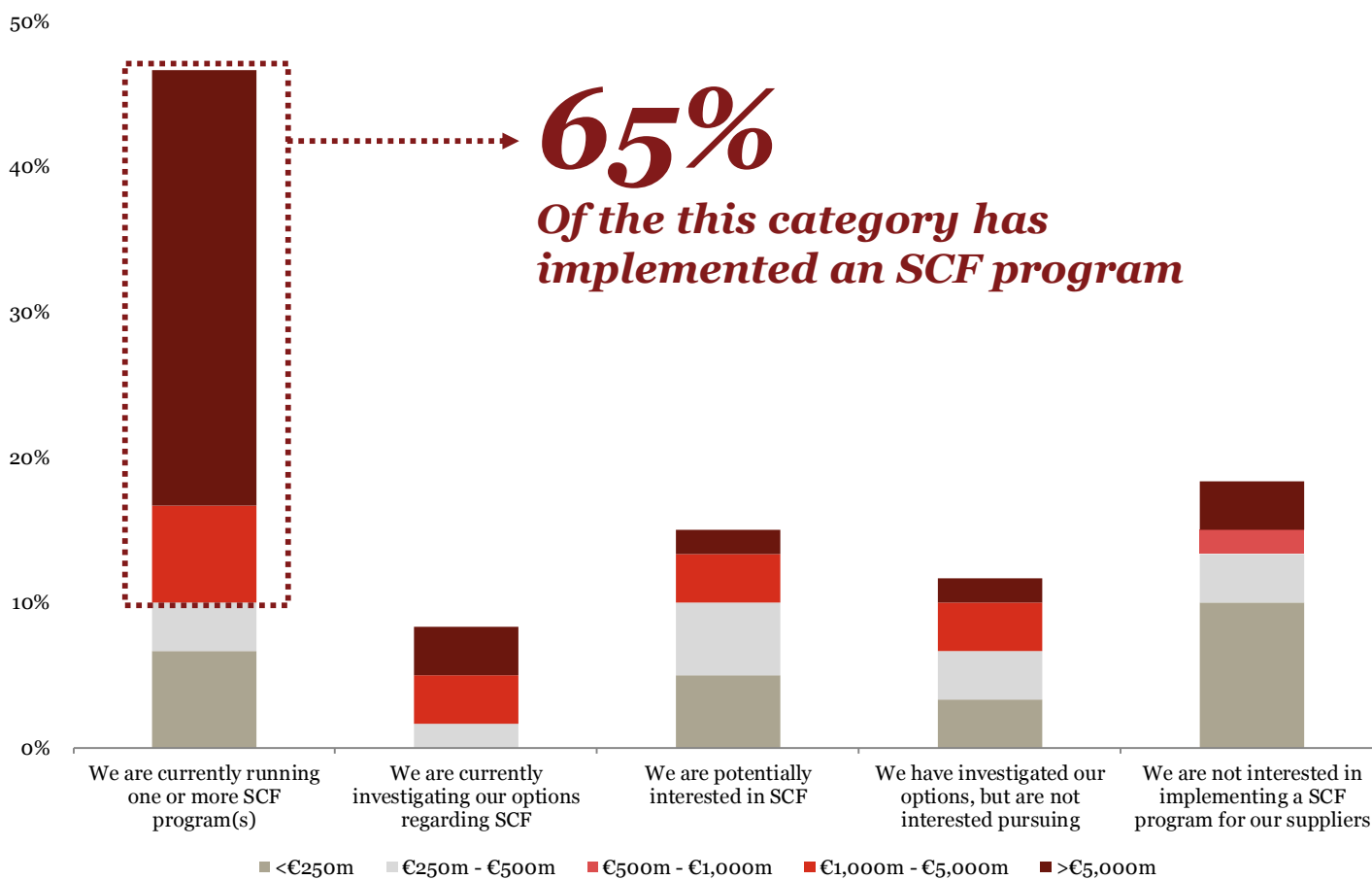
... representing different company sizes and SCF status

A correlation between size and SCF status can be observed

57%

Of the respondents have revenues above €1bn

SCF status vs. revenue size

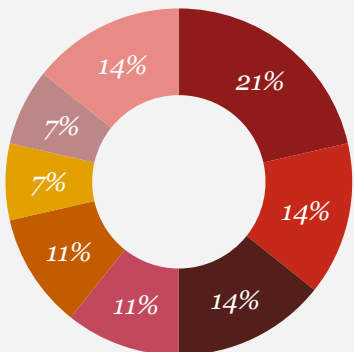


SCF status varies between industries

Top 4 SCF industries

Respondents with SCF in place

- Consumer Goods
- Automotive
- Communications & IT
- Energy, Utilities & Mining
- Industrial Manufacturing
- Transport & Logistics
- Professional Services
- Other

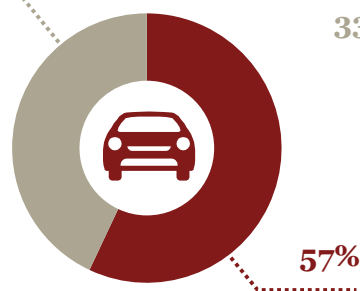


Consumer Goods



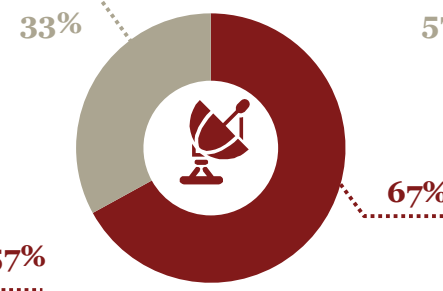
- Primarily larger companies
- Implementation before 2008, or in period 2013-2015
- Principal reasons: Working Capital optimisation and supplier liquidity needs

Automotive



- Different company sizes
- Implementation between 2010-2013
- Principal reasons: Working Capital optimisation and supplier liquidity needs

Communications & IT



- Primarily larger companies
- Implementation primarily in 2012
- Principal reason: Working Capital optimisation and supplier relationship improvement

Industrial Manufacturing



- Different company sizes
- Implementation before 2010
- Principal reason: Working Capital optimisation

■ No program

■ SCF in place

Supply Chain Finance Program

Reverse factoring is the most popular program And 2012-13 was the most popular implementation period



Bank Platform

89% uses primarily reverse factoring

Dynamic discounting and Pre-shipment financing are significantly less common

48% operate through a bank platform

- In-house developed platforms (21%) and other SCF platform providers (e.g. PrimeRevenue, Taulia) (12%) complete the top three.
- Other technologies (ERP system, E-invoicing, etc.) are less popular and are mainly used in combination with another SCF platform.



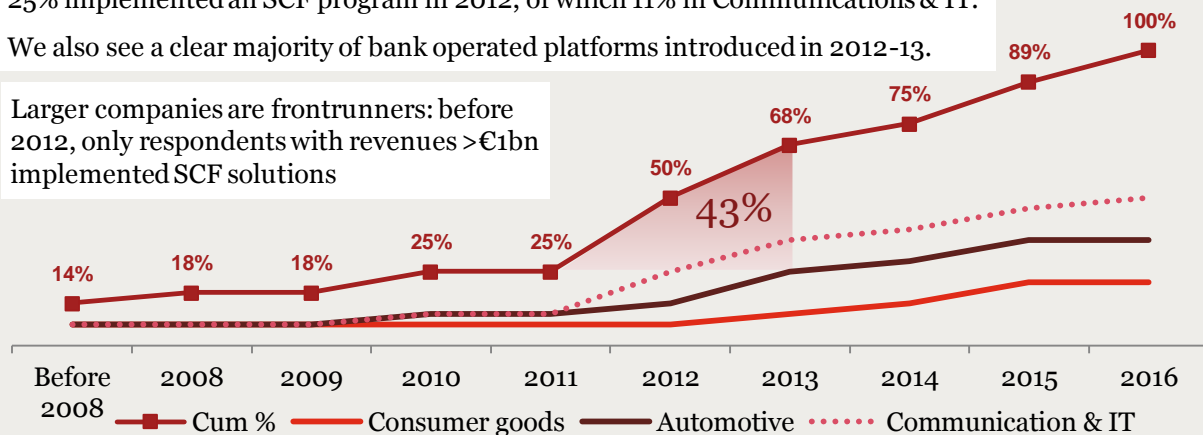
Reverse factoring

Year of implementation

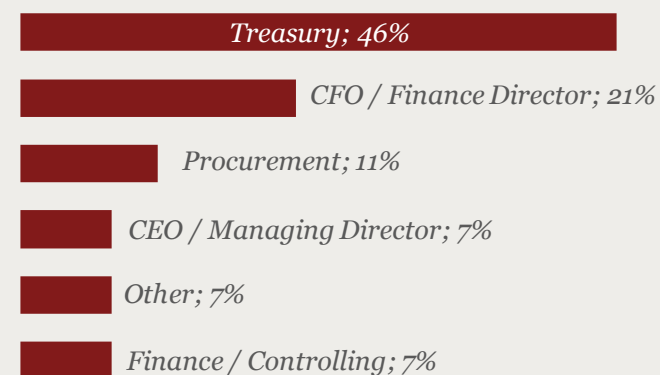
25% implemented an SCF program in 2012, of which 11% in Communications & IT.

We also see a clear majority of bank operated platforms introduced in 2012-13.

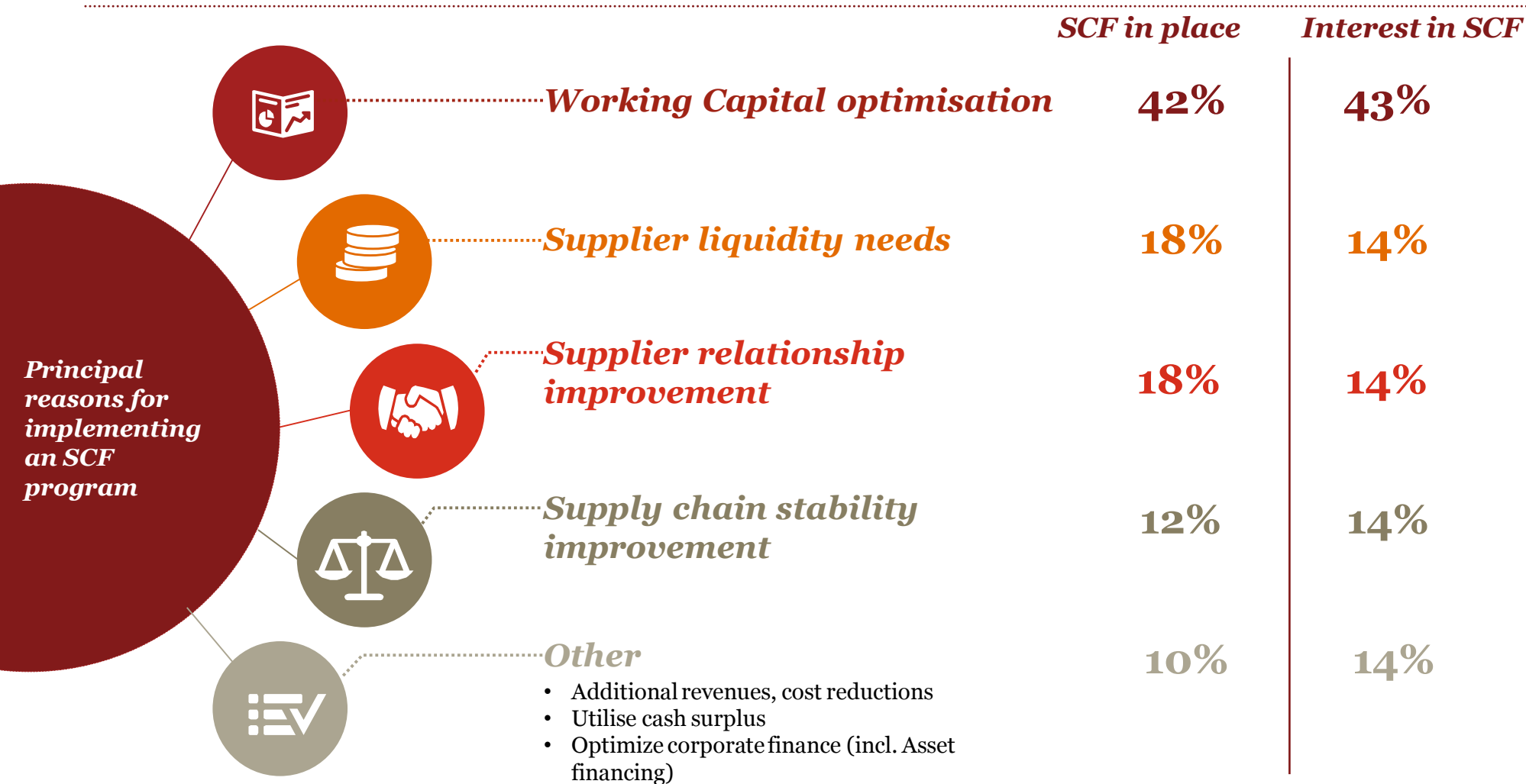
Larger companies are frontrunners: before 2012, only respondents with revenues >€1bn implemented SCF solutions



SCF initiator



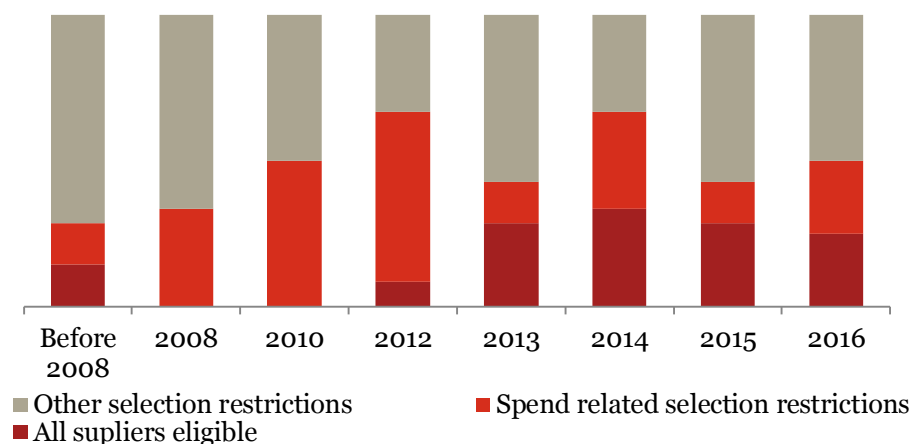
Implementation reasons between SCF practitioners and aspirants are quite similar



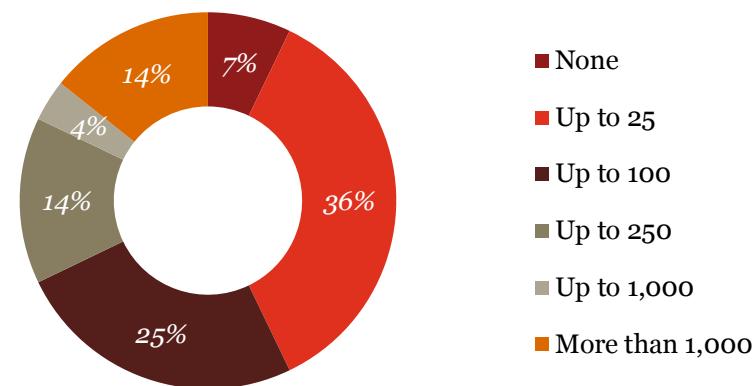
Supply Chain Finance Supplier Base

Size is the main SCF driver, but expectations on spend coverage by an SCF program seem to be overconfident

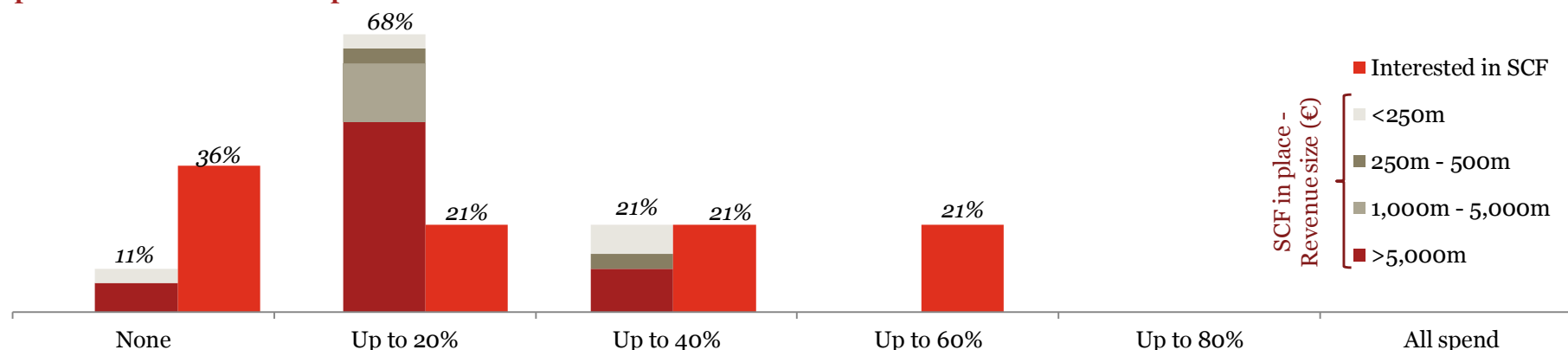
Supplier selection criteria



Number of Suppliers who joined the program

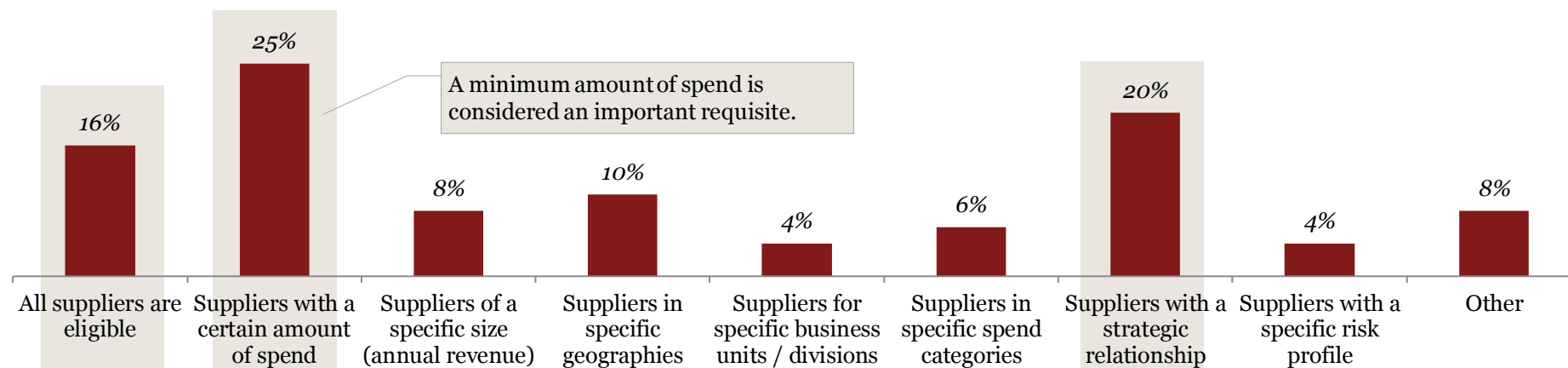


Spend covered: actual vs. expected



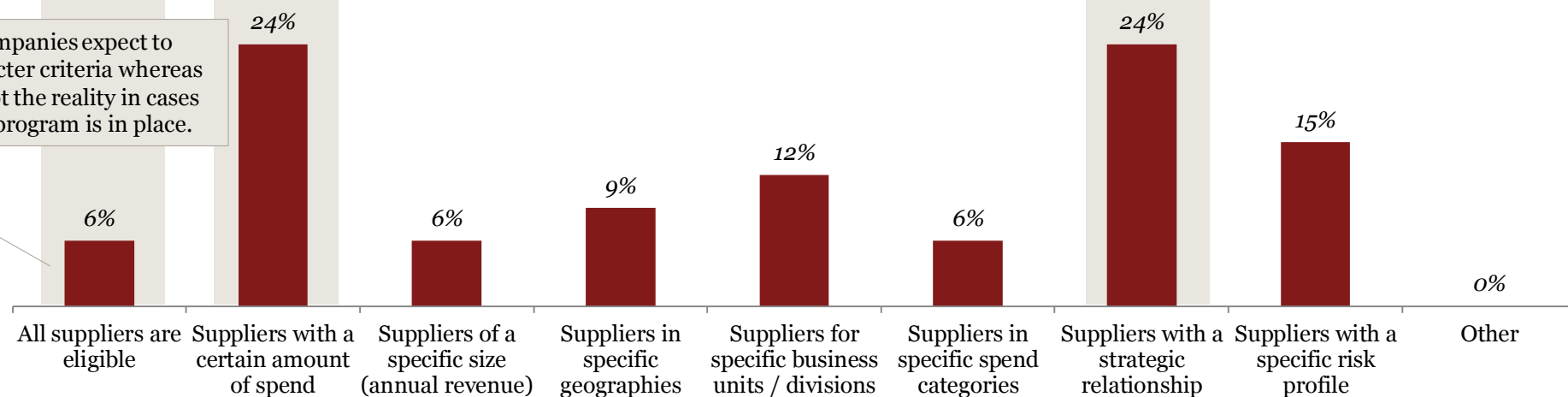
Strategic relationship and spend amounts are key drivers for supplier selection

Supplier selection criteria



Expected supplier selection criteria

More companies expect to have stricter criteria whereas this is not the reality in cases where a program is in place.

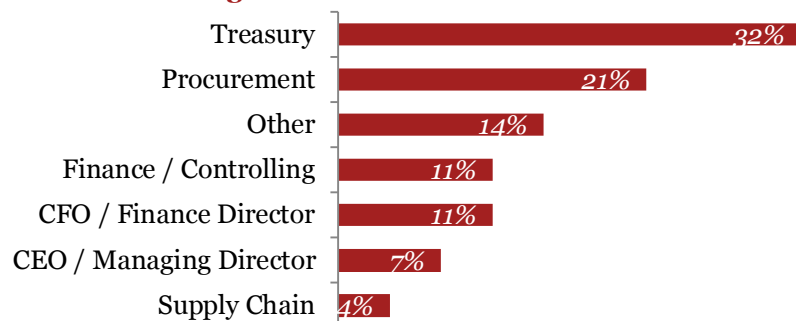


Supply Chain Finance Implementation

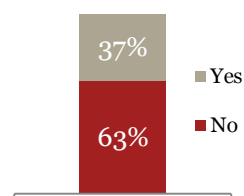
In 32% of the cases, implementation takes over 6 months

Involvement of CFO, finance or mixed teams increases implementation speed

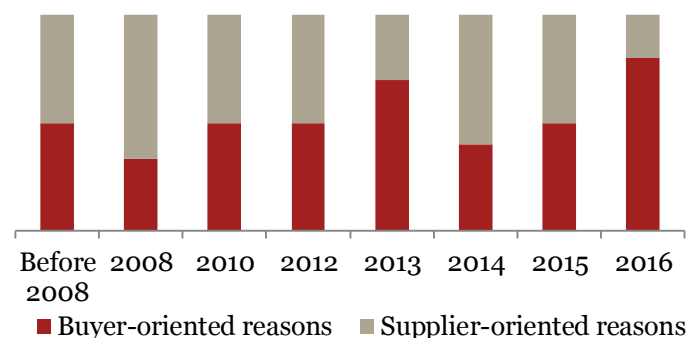
Roll-out manager



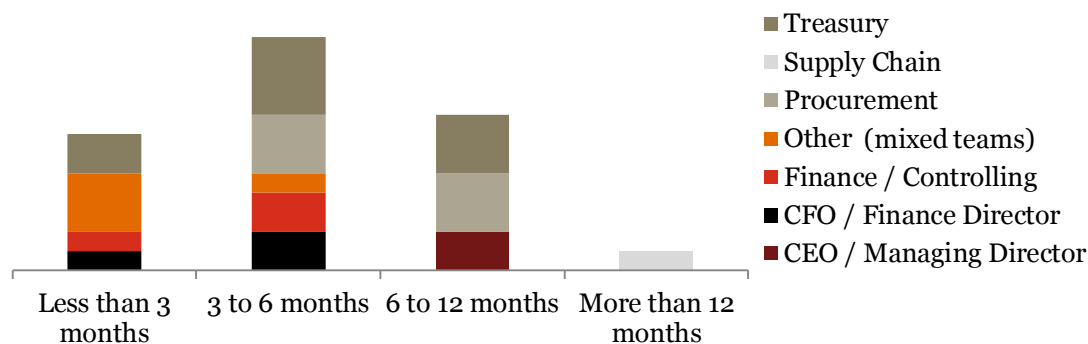
Did you use external implementation support?



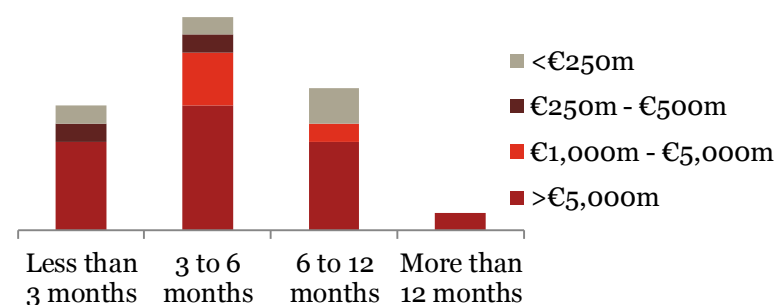
SCF implementation motivation



Implementation time vs. roll-out manager



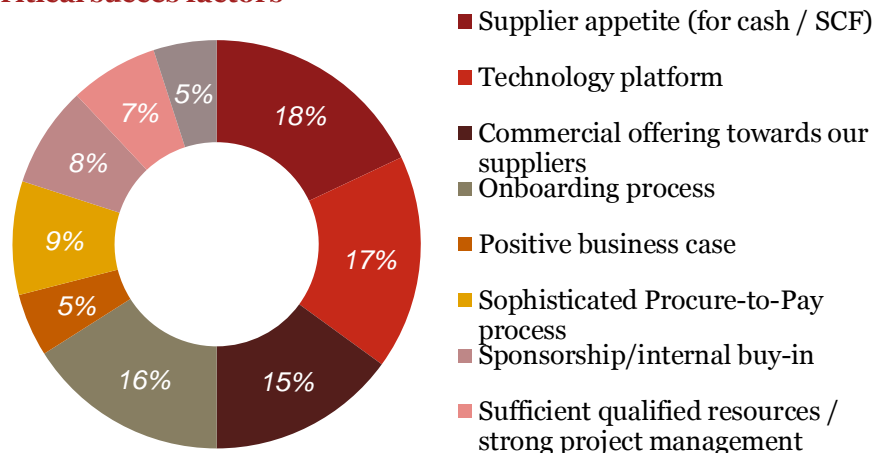
Implementation time per revenue size



Supply Chain Finance Success Factors and Bottlenecks

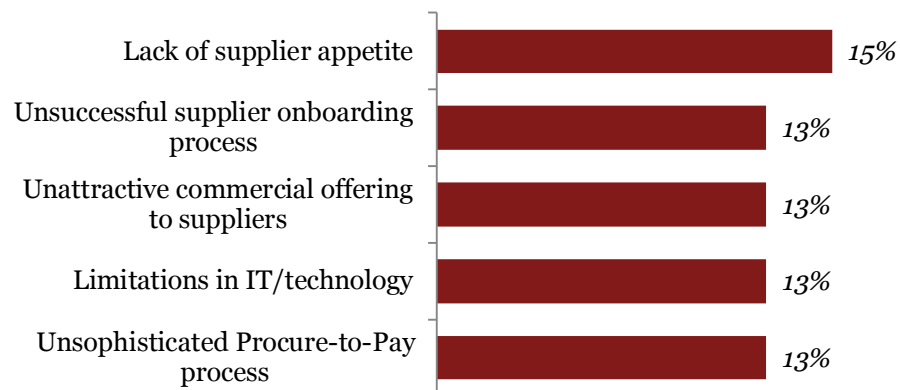
Supplier appetite, technology, and attractive commercial offerings are considered key factors

Critical success factors



Other critical success factors include the ability of the SCF partner to provide the SCF program globally, and clear contract terms

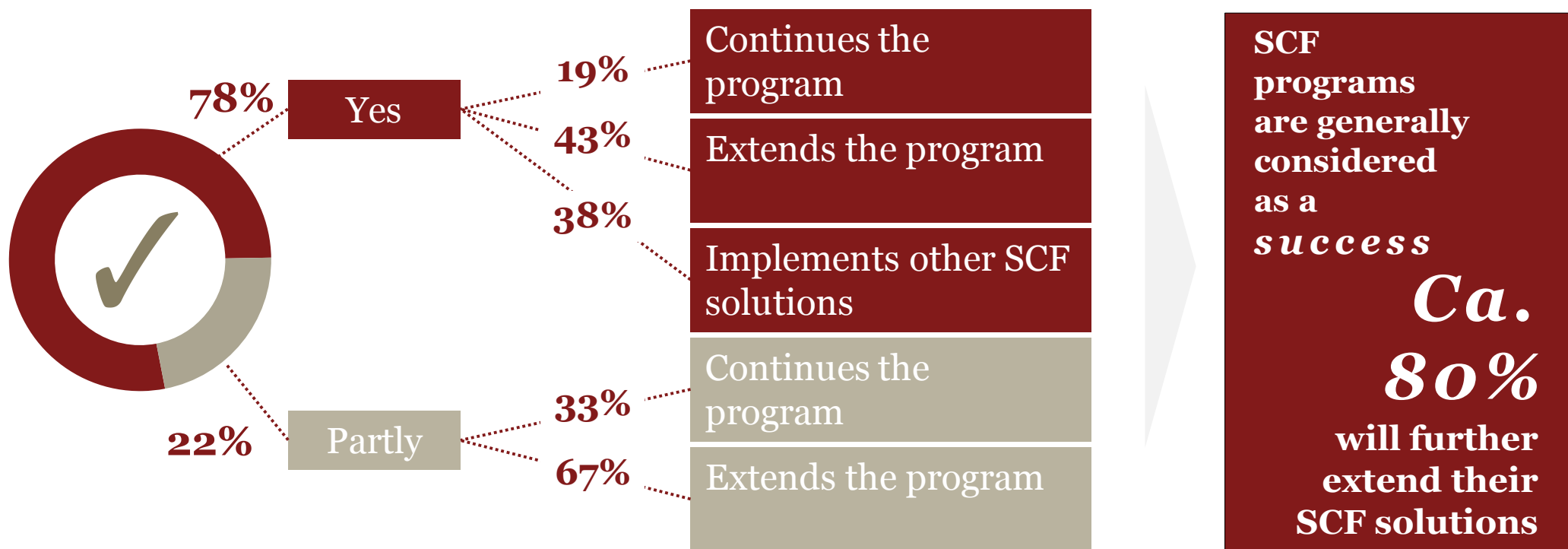
Top 5 bottlenecks



Other critical bottlenecks include a.o. lack of internal sponsorship, weak project management, inadequate in-house qualifications, and lack of SCF knowledge

The program is commonly considered as a success

Nevertheless, SCF solutions cover maximum 40% of spend

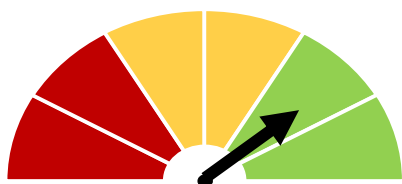


<i>Spend covered</i>	<i>Implement other SCF solutions</i>	<i>Extend the program</i>	<i>Continue the program (status quo)</i>
Up to 20%	21%	63%	15%
Up to 40%	50%	16%	33%

Supply Chain Finance Barometer

BAROMETER

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



78%
considers the program
to be a full success



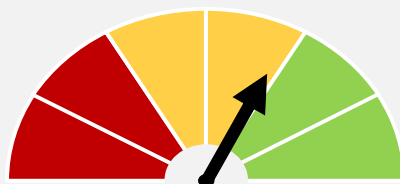
32%
of the programs have over
100 suppliers on the
platform



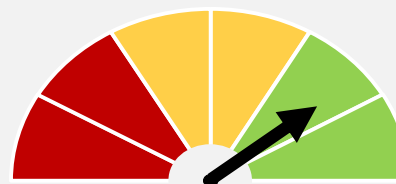
68%
implemented the program
within 6 months

*Although the SCF program is generally considered a success, **not that many suppliers join the program.** **Implementation time can be a challenge***

*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***



64%
of the companies with an
SCF in place have
revenues >€5,000m



79%
intends to enhance
its SCF solutions



44%
of the respondents not
having an SCF program is
interested in
implementing one

Supply Chain Finance and Working Capital contacts



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



 **Danny Siemes**

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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.



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Ronald de Boer is leading applied research projects in Supply Chain Finance/Optimization in close cooperation with organizations like Philips, Unilever and Scania and various international renowned universities. After his PhD in Operations Management he worked for Ortec and Procter & Gamble.

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Bridging physical and financial supply chains

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