

# SCF Barometer

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## Foreword



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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.

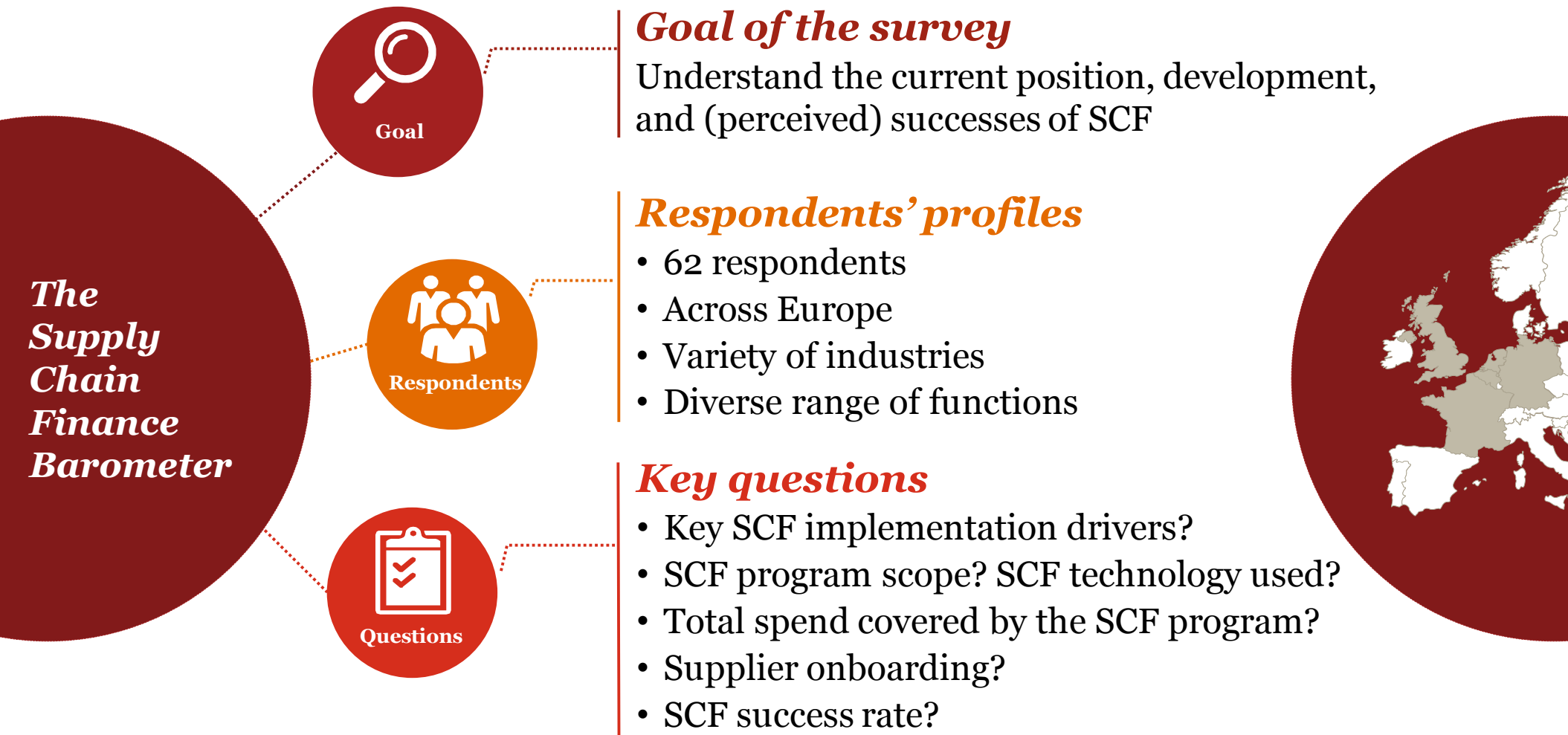
The picture that emerges is that Supply Chain Finance as a corporate strategic solution is in a good place and, most importantly, is on a firm foundation for growth and evolutionary development.



# 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

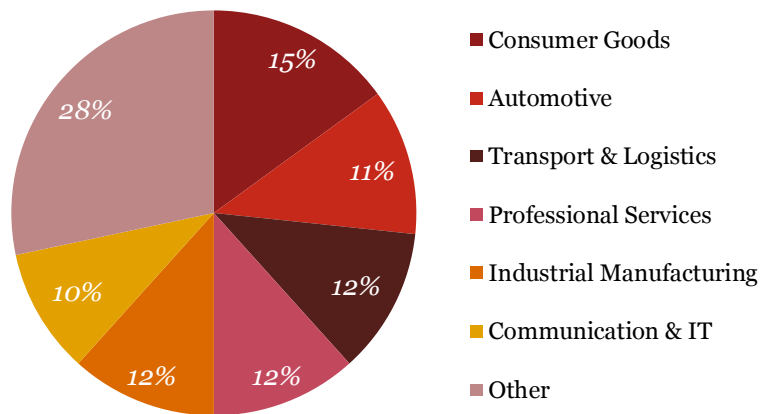


# *Supply Chain Finance General Status*

# A diverse range of respondents...

## A broad scala of sectors and departments participated

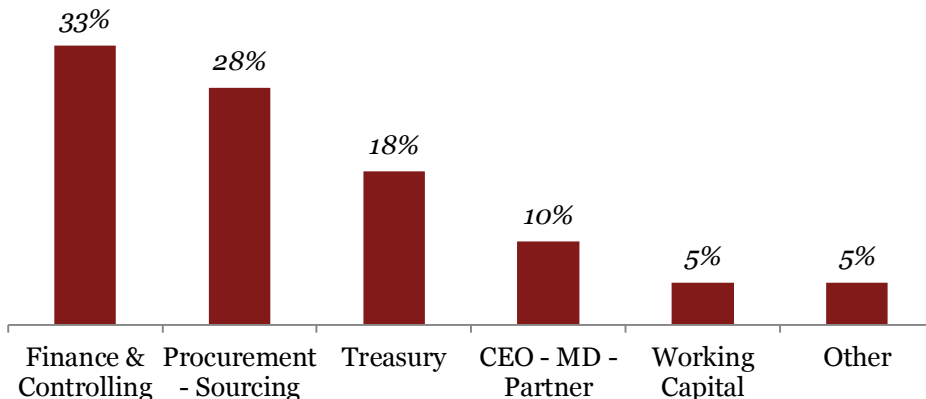
### Respondents' sectors



### 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

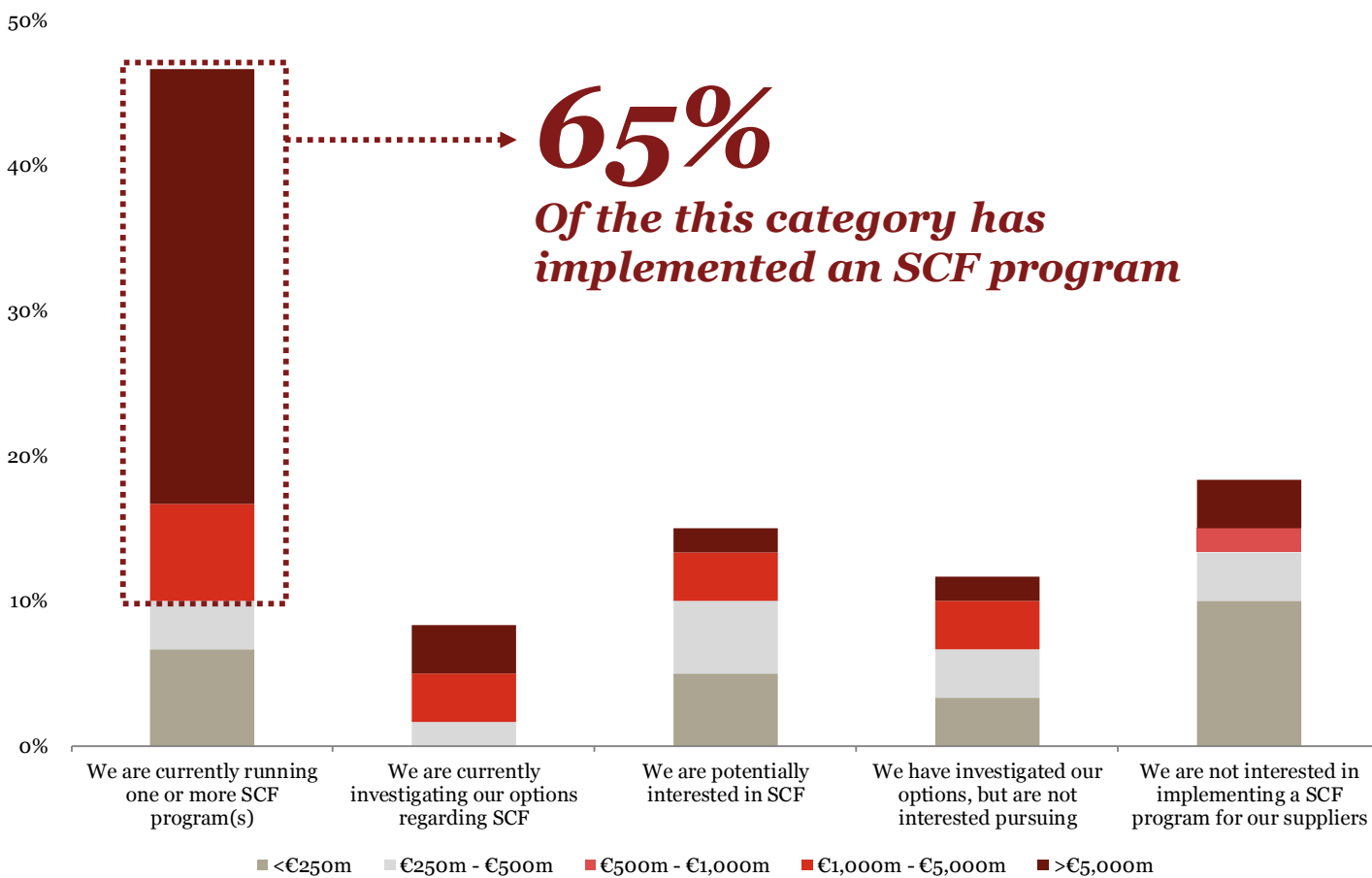
# ... representing different company sizes and SCF status

A correlation between size and SCF status can be observed

# 57%

Of the respondents have revenues above €1bn

SCF status vs. revenue size

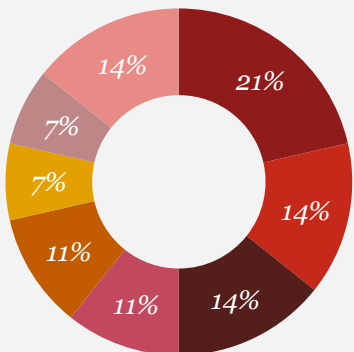


# SCF status varies between industries

## Top 4 SCF industries

### Respondents with SCF in place

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

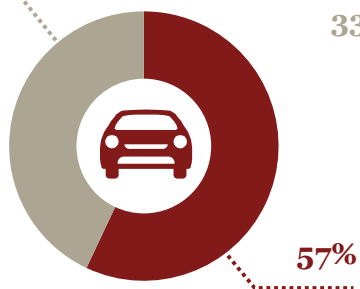


### Consumer Goods



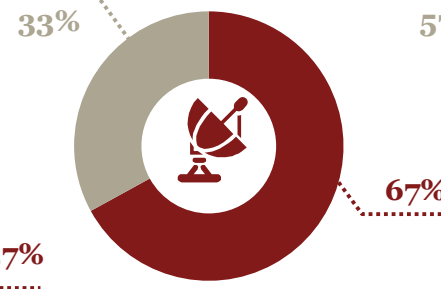
- Primarily larger companies
- Implementation before 2008, or in period 2013-2015
- Principal reasons: Working Capital optimisation and supplier liquidity needs

### 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



**Reverse factoring**

**48% operate through a bank platform**

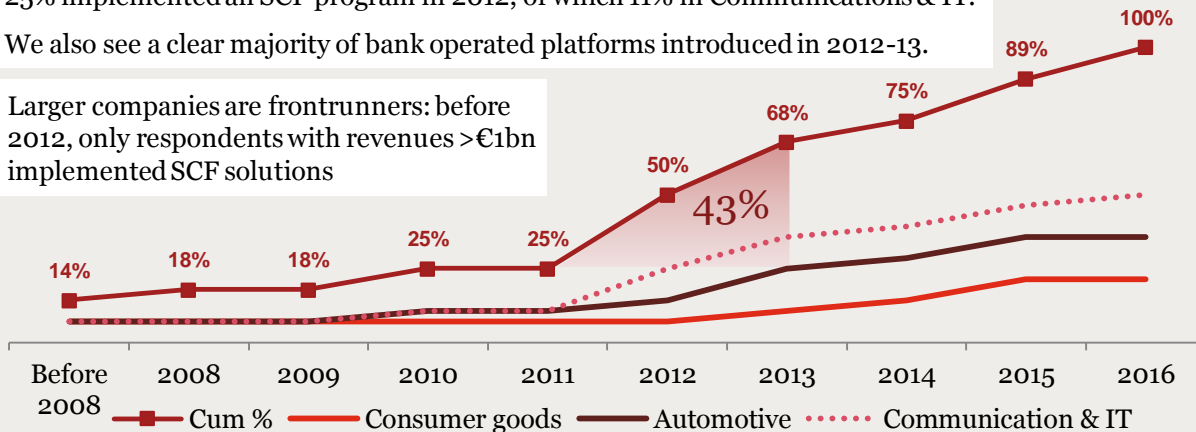
- In-house developed platforms (21%) and other SCF platform providers (e.g. PrimeRevenue, Taulia) (12%) complete the top three.
- Other technologies (ERP system, E-invoicing, etc.) are less popular and are mainly used in combination with another SCF platform.

## Year of implementation

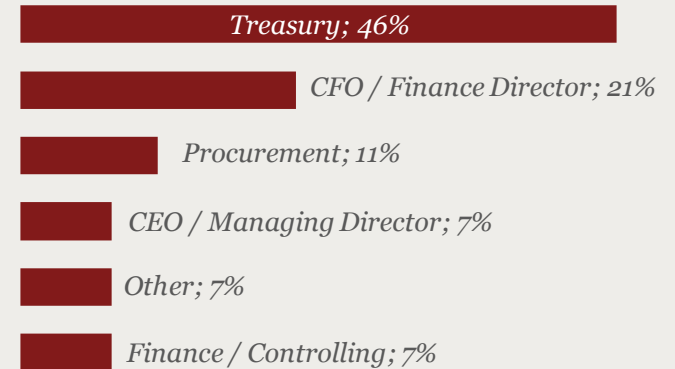
25% implemented an SCF program in 2012, of which 11% in Communications & IT.

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

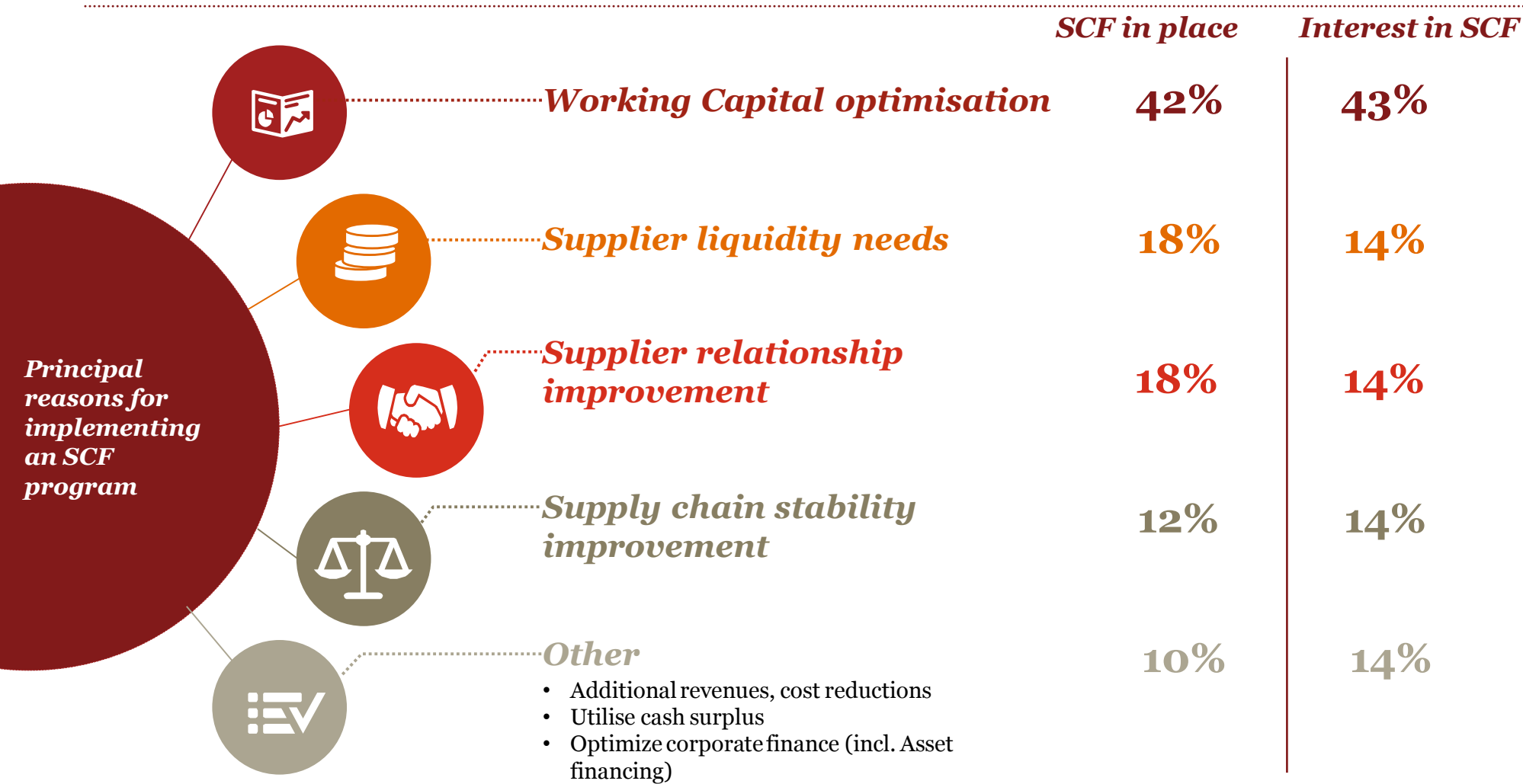
Larger companies are frontrunners: before 2012, only respondents with revenues >€1bn implemented SCF solutions



## SCF initiator



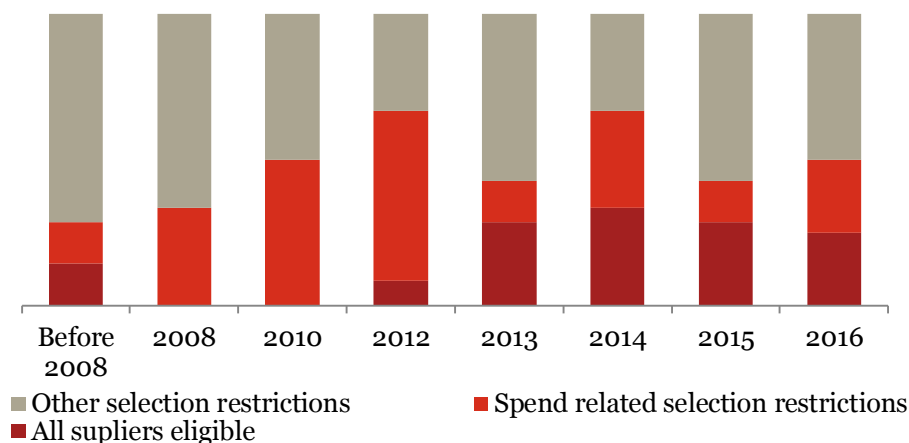
# Implementation reasons between SCF practitioners and aspirants are quite similar



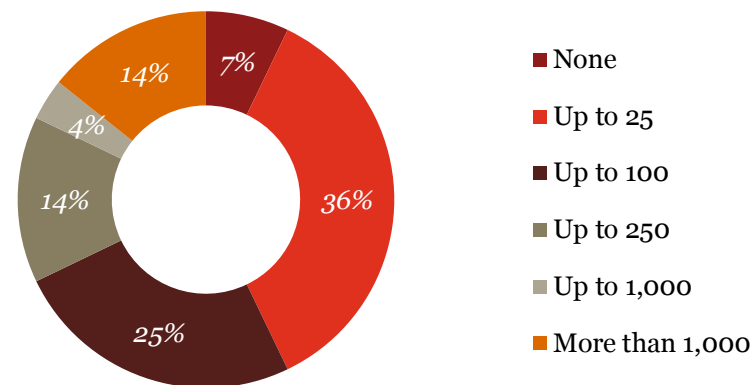
# *Supply Chain Finance Supplier Base*

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

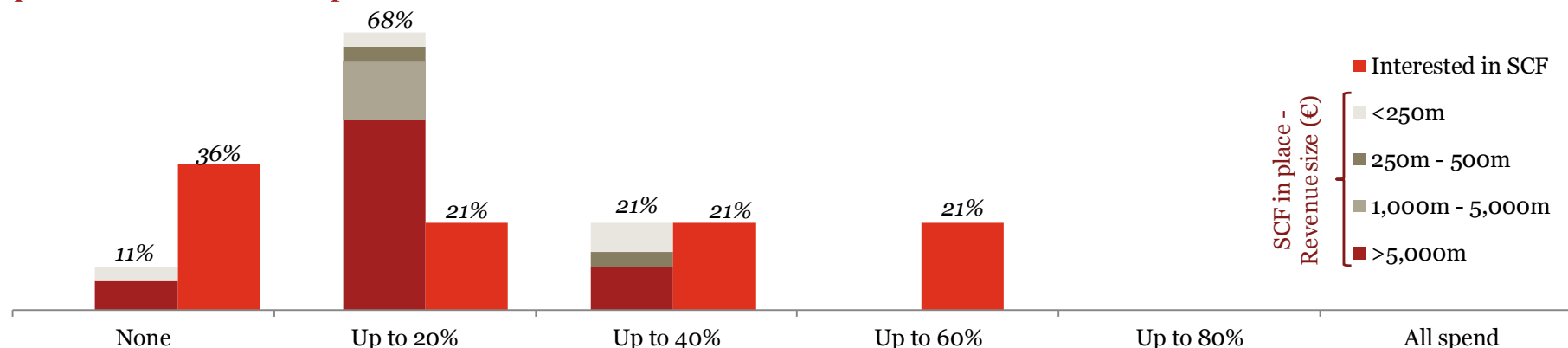
Supplier selection criteria



Number of Suppliers who joined the program

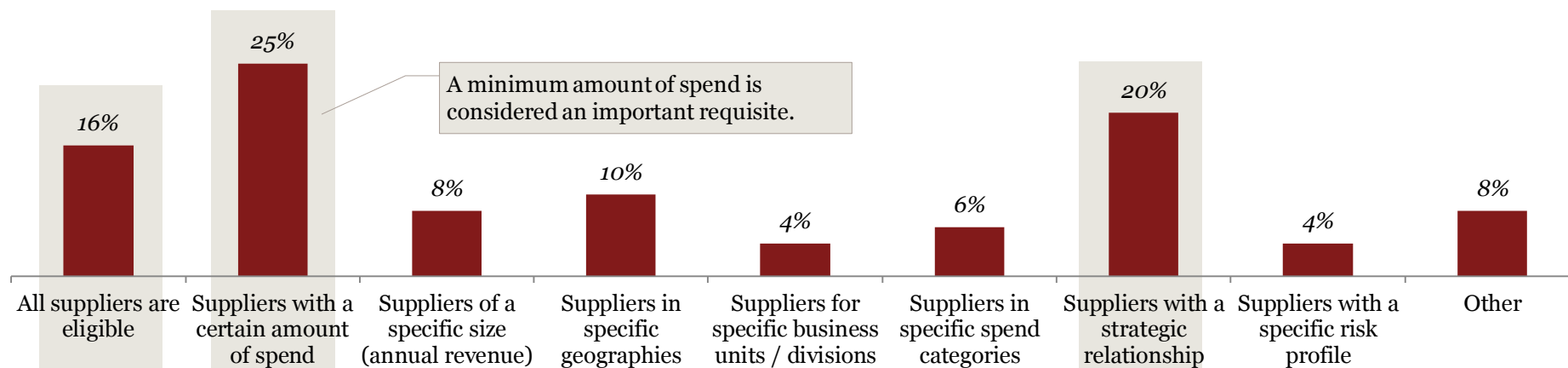


Spend covered: actual vs. expected

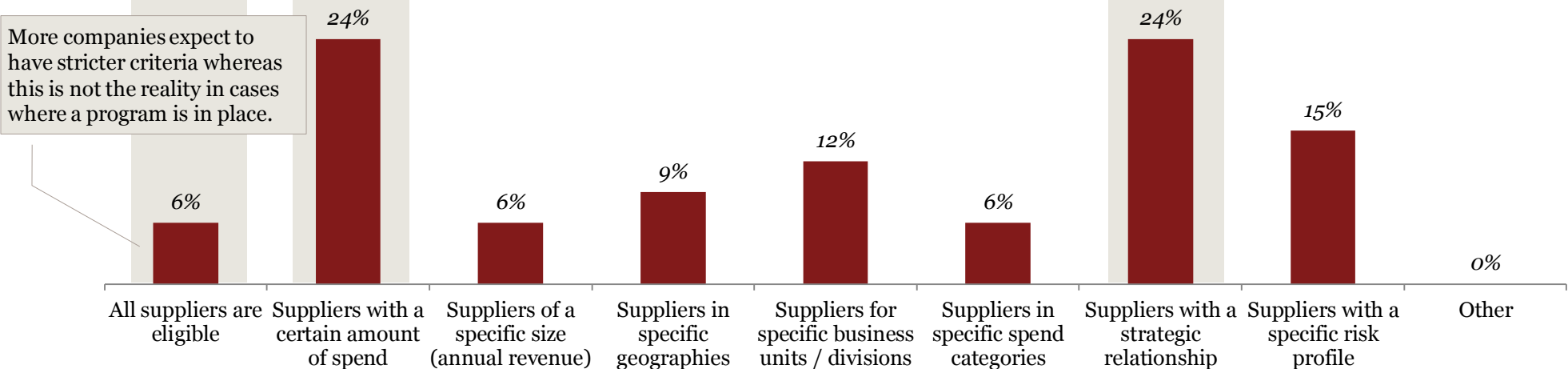


# Strategic relationship and spend amounts are key drivers for supplier selection

## Supplier selection criteria



## Expected supplier selection criteria

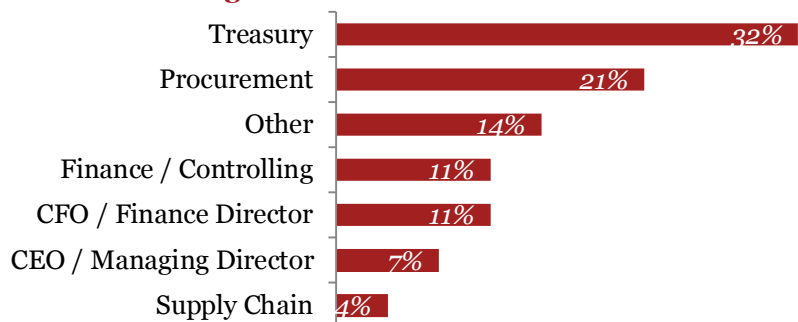


# *Supply Chain Finance Implementation*

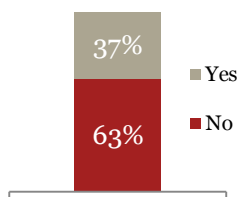
# In 32% of the cases, implementation takes over 6 months

## Involvement of CFO, finance or mixed teams increases implementation speed

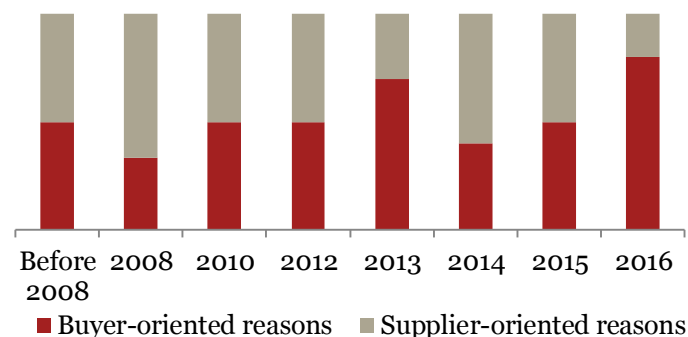
### Roll-out manager



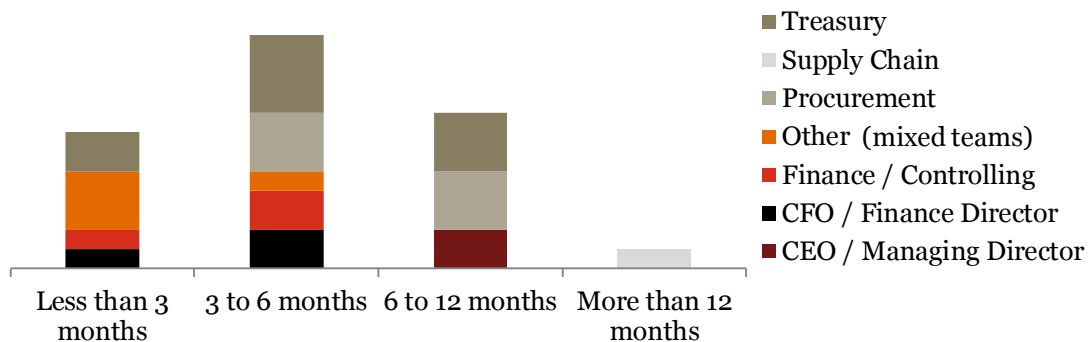
### Did you use external implementation support?



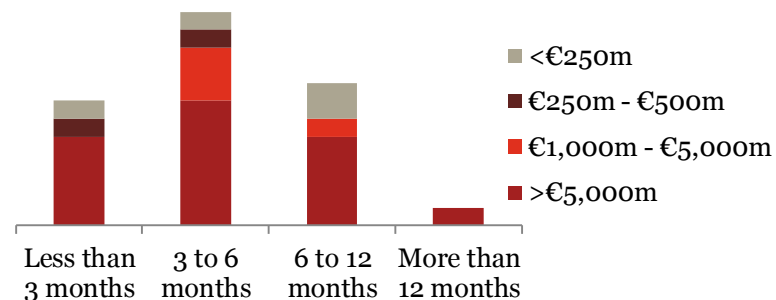
### SCF implementation motivation



### Implementation time vs. roll-out manager



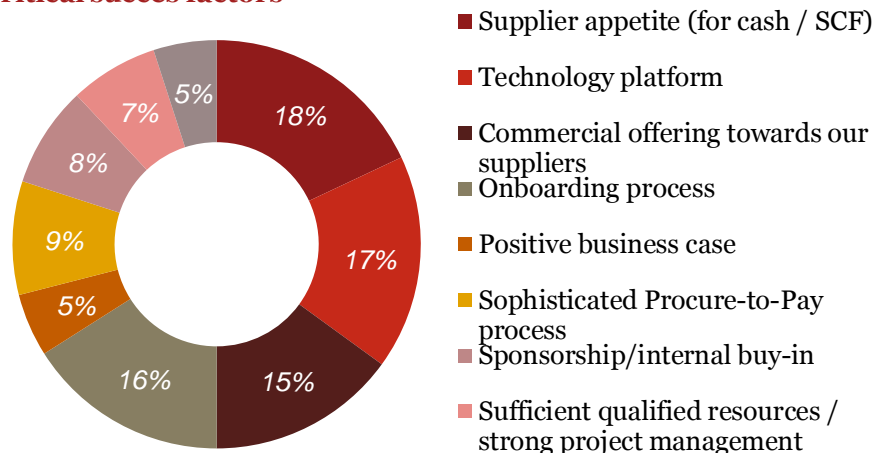
### Implementation time per revenue size



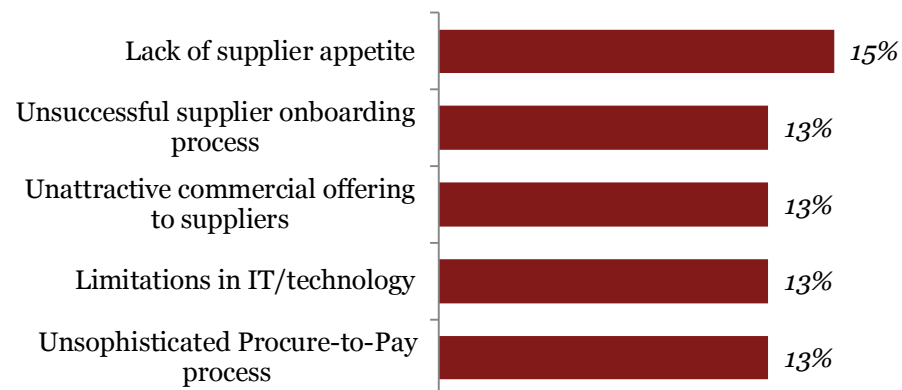
# *Supply Chain Finance Success Factors and Bottlenecks*

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

## Critical success factors



## Top 5 bottlenecks

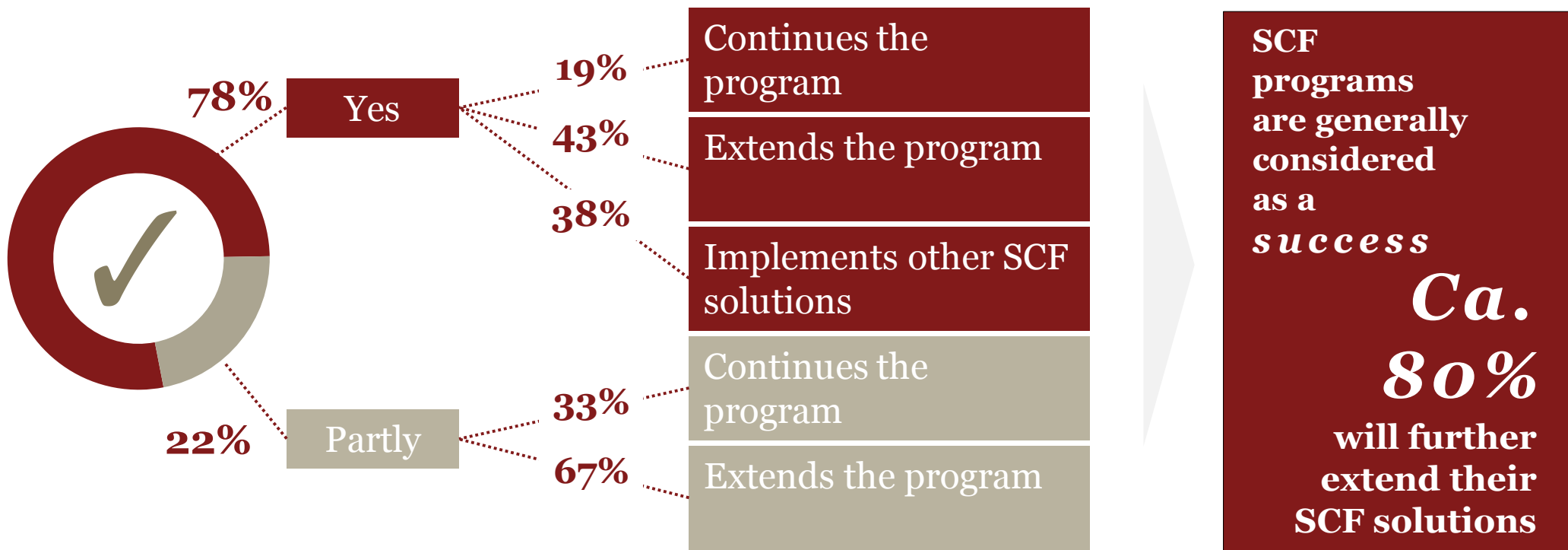


Other critical success factors include the ability of the SCF partner to provide the SCF program globally, and clear contract terms

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

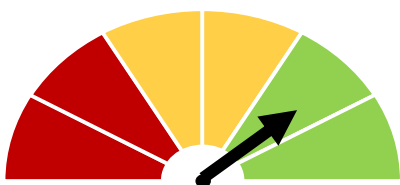


Spend covered	Implement other SCF solutions	Extend the program	Continue the program (status quo)
Up to 20%	21%	63%	15%
Up to 40%	50%	16%	33%

# *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

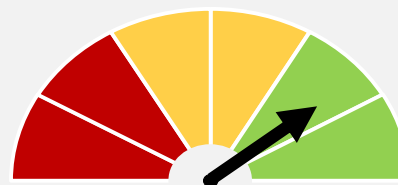


**68%**  
implemented the program within 6 months

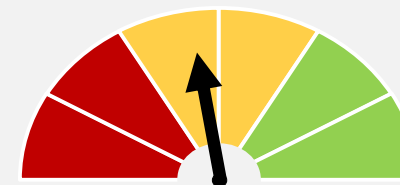
*Although the SCF program is generally considered a success, **not that many suppliers join the program.** **Implementation time can be a challenge***



**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

*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***

# Supply Chain Finance and Working Capital contacts



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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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