

SCF Barometer

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Foreword



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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.

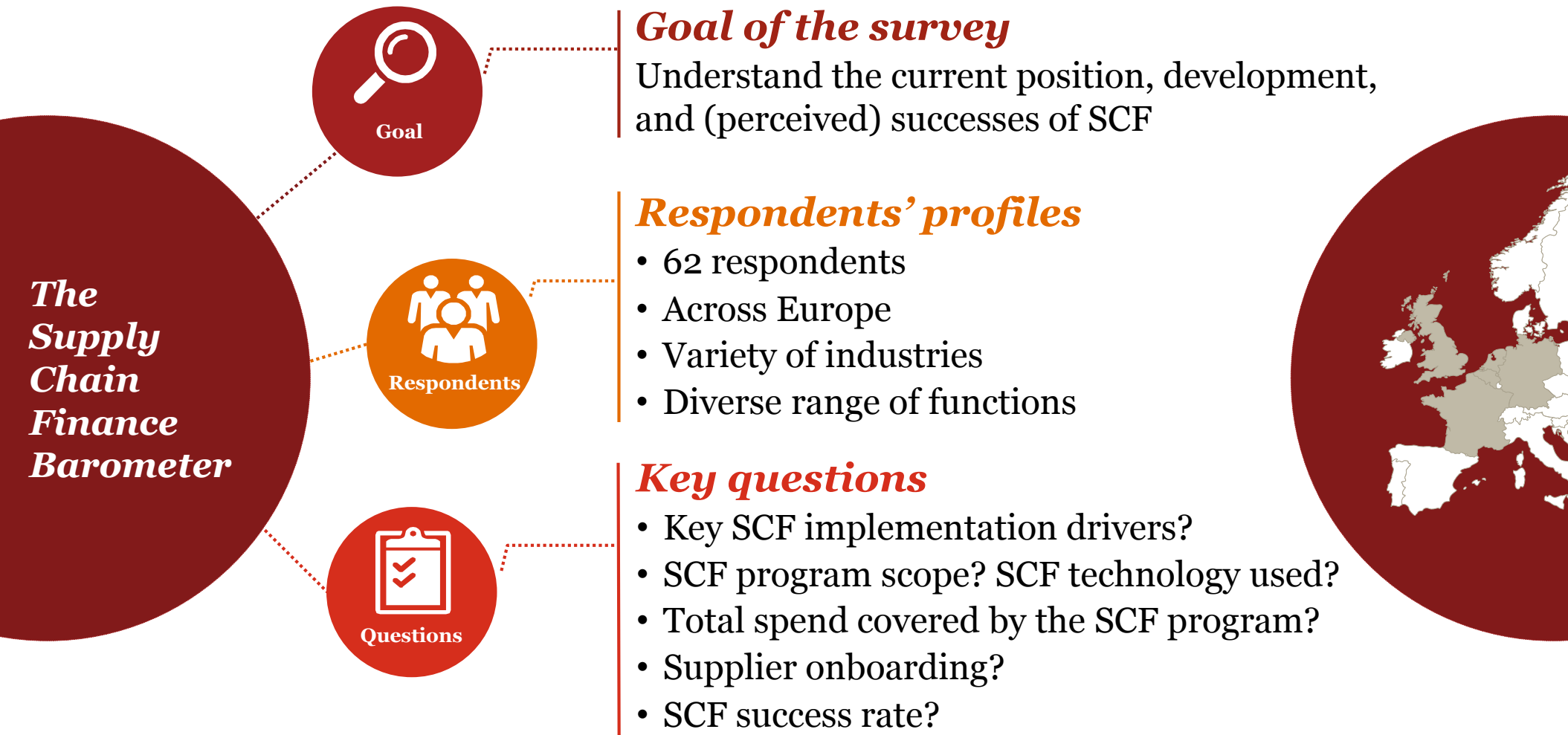
The picture that emerges is that Supply Chain Finance as a corporate strategic solution is in a good place and, most importantly, is on a firm foundation for growth and evolutionary development.



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The SCF Barometer - introduction

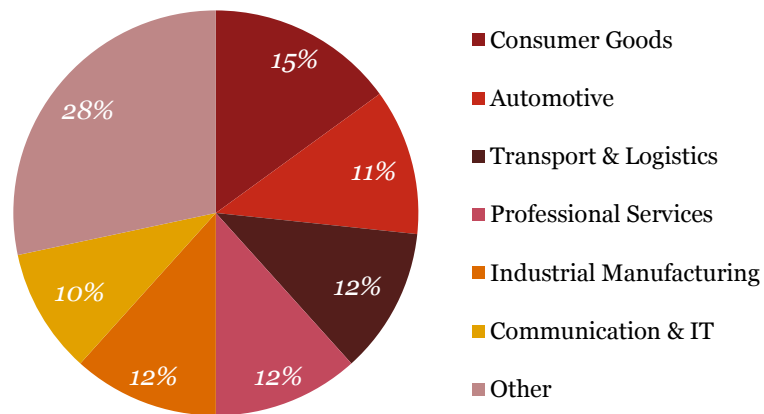


Supply Chain Finance General Status

A diverse range of respondents...

A broad scala of sectors and departments participated

Respondents' sectors



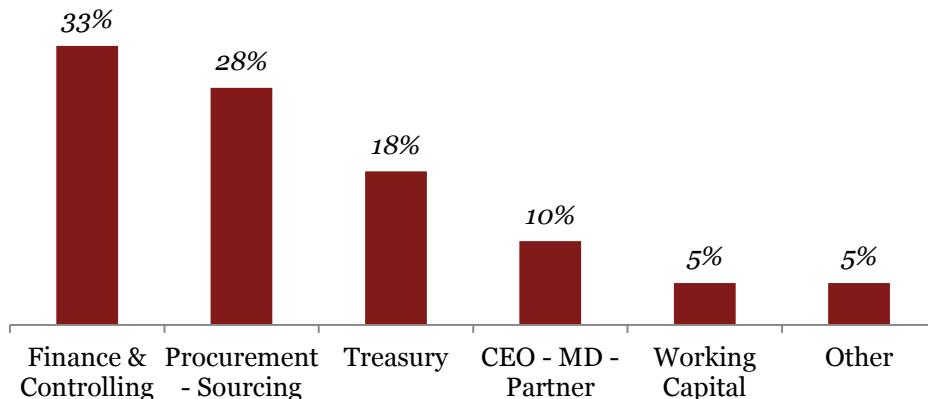
Sectors/industries

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

Respondents' profiles

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

Respondents' functions or divisions



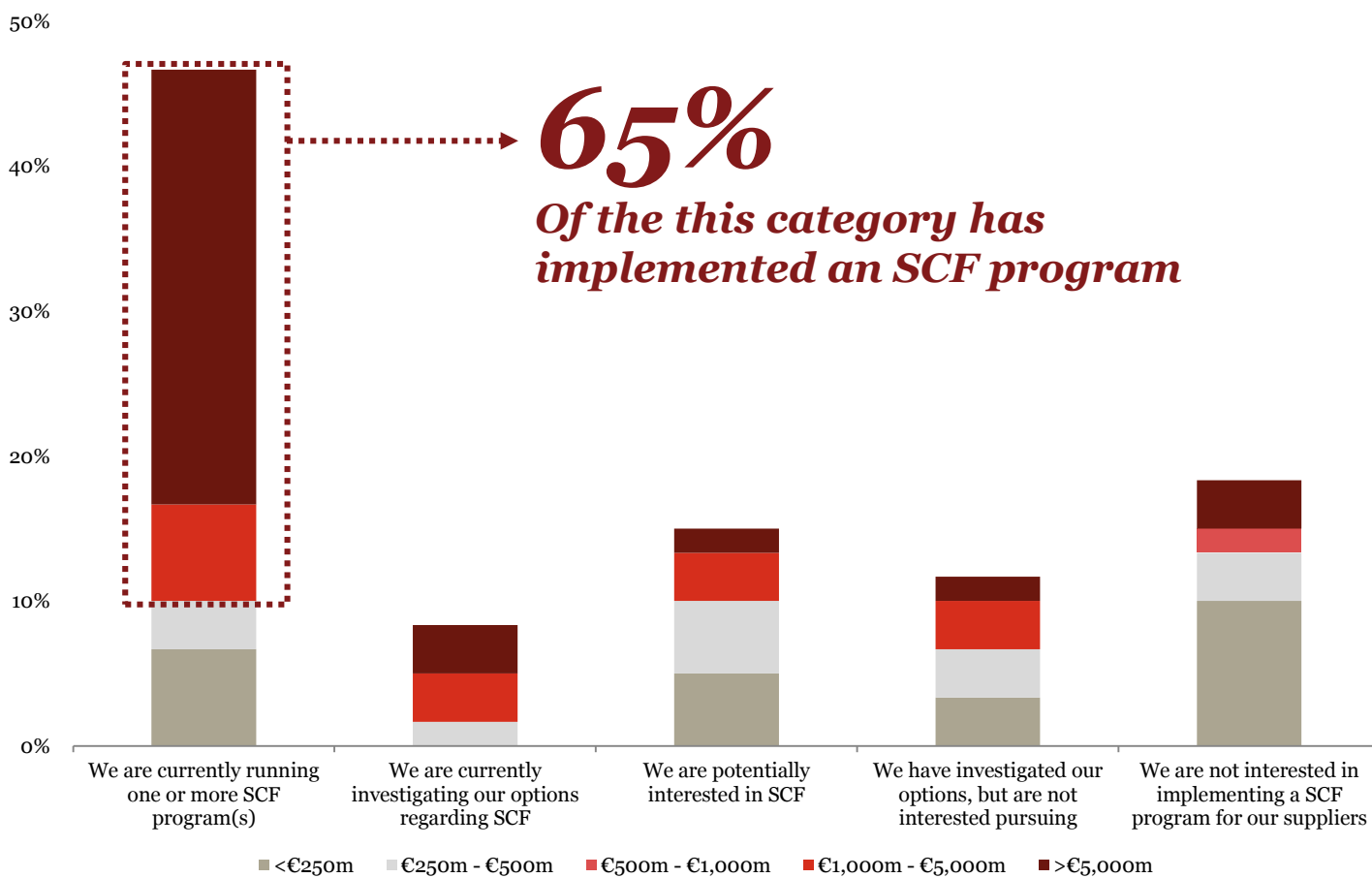
... representing different company sizes and SCF status

A correlation between size and SCF status can be observed

57%

Of the respondents have revenues above €1bn

SCF status vs. revenue size

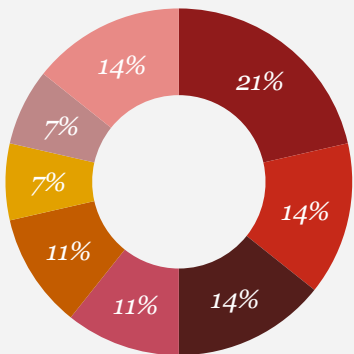


SCF status varies between industries

Top 4 SCF industries

Respondents with SCF in place

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

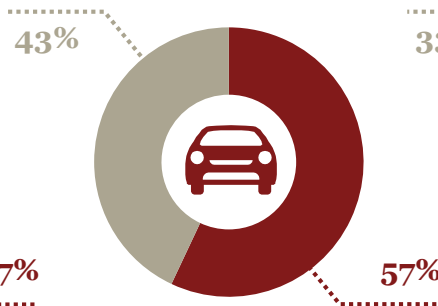


Consumer Goods



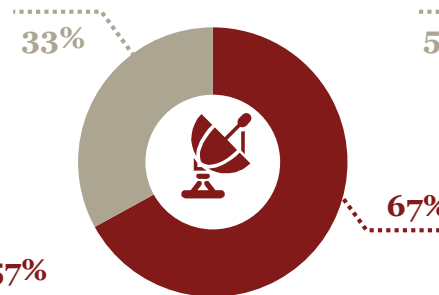
- Primarily larger companies
- Implementation before 2008, or in period 2013-2015
- Principal reasons: Working Capital optimisation and supplier liquidity needs

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

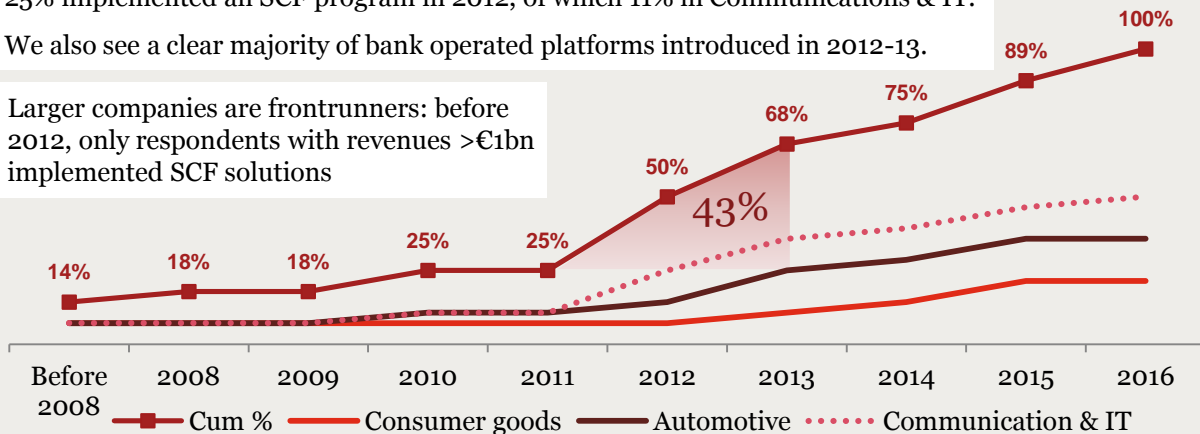
- In-house developed platforms (21%) and other SCF platform providers (e.g. PrimeRevenue, Taulia) (12%) complete the top three.
- Other technologies (ERP system, E-invoicing, etc.) are less popular and are mainly used in combination with another SCF platform.

Year of implementation

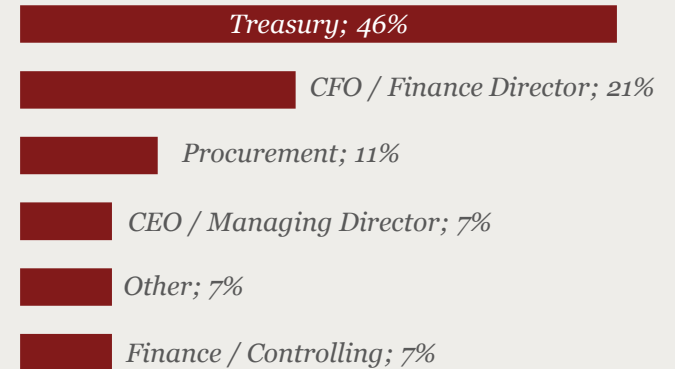
25% implemented an SCF program in 2012, of which 11% in Communications & IT.

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

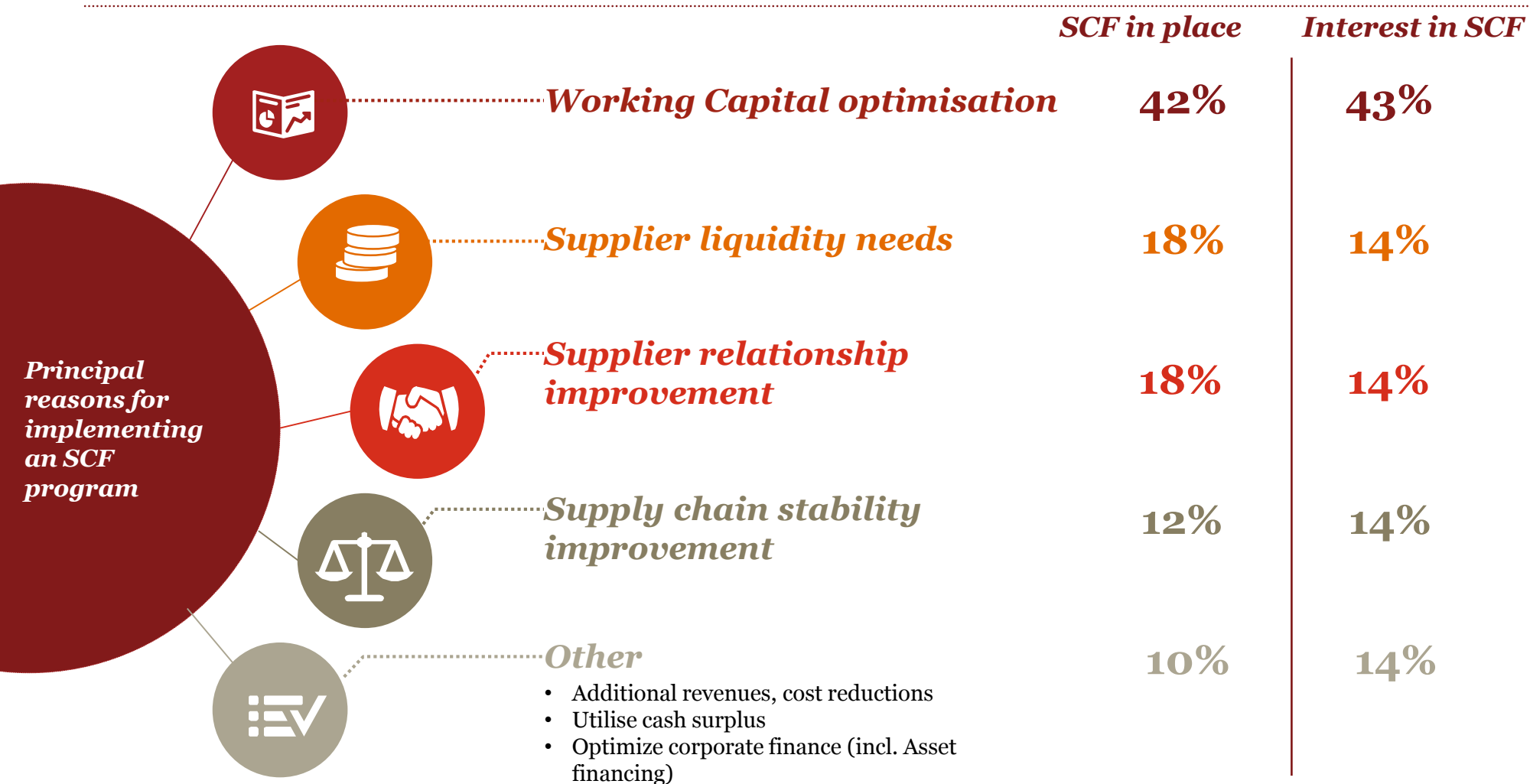
Larger companies are frontrunners: before 2012, only respondents with revenues >€1bn implemented SCF solutions



SCF initiator



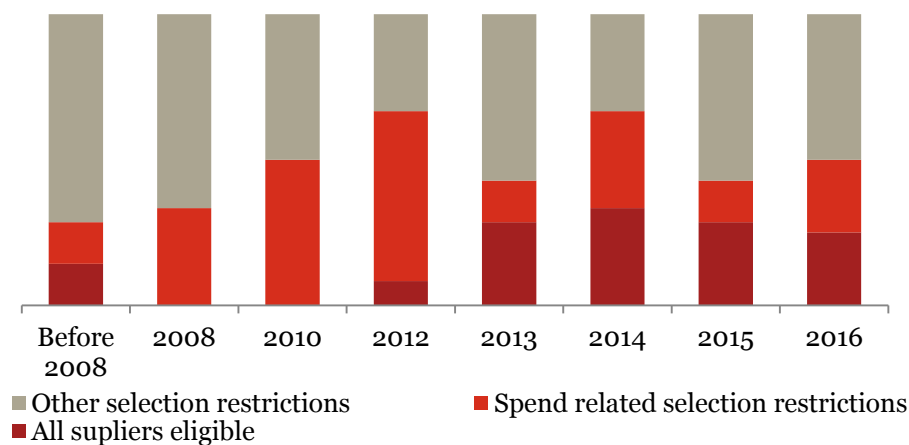
Implementation reasons between SCF practitioners and aspirants are quite similar



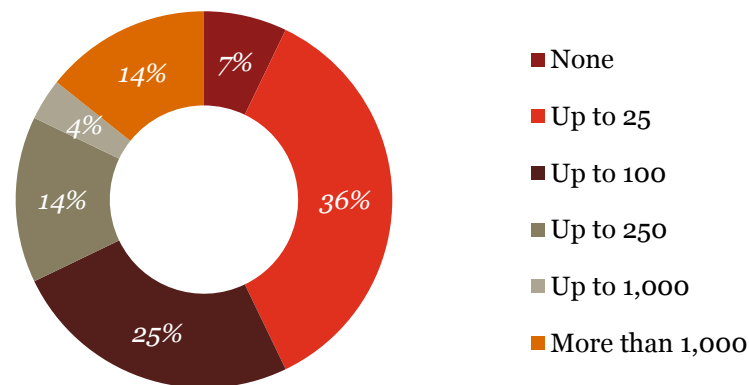
Supply Chain Finance Supplier Base

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

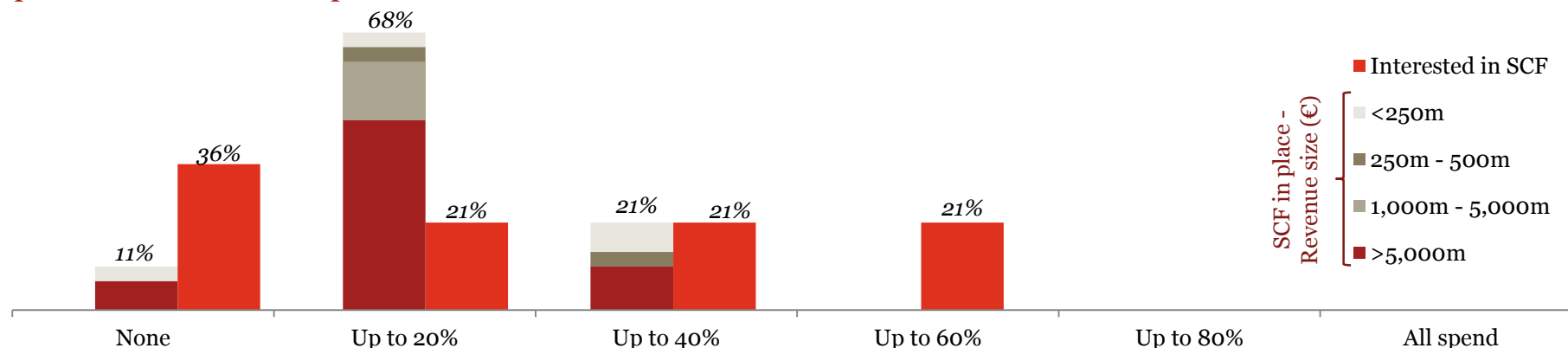
Supplier selection criteria



Number of Suppliers who joined the program

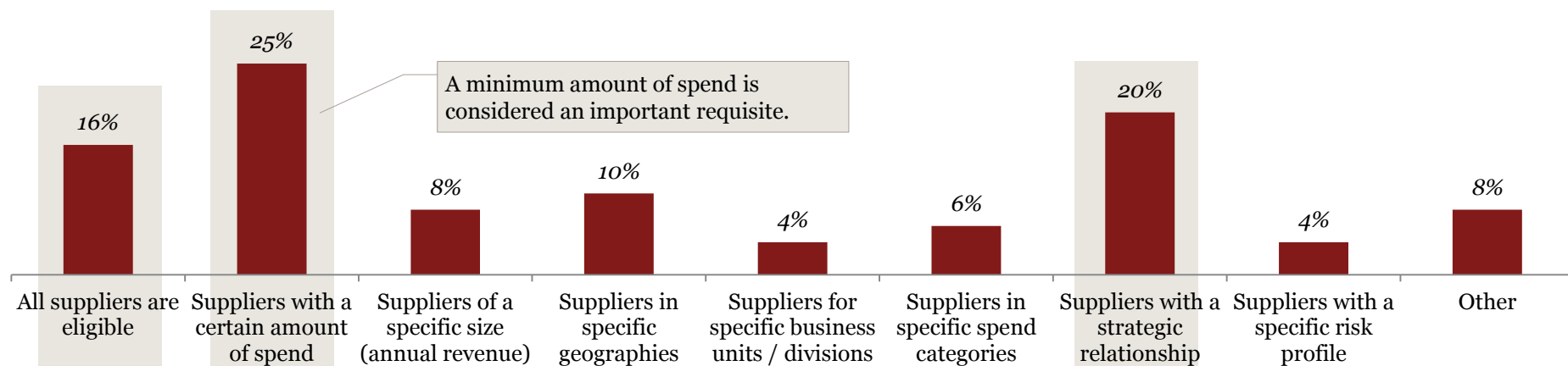


Spend covered: actual vs. expected



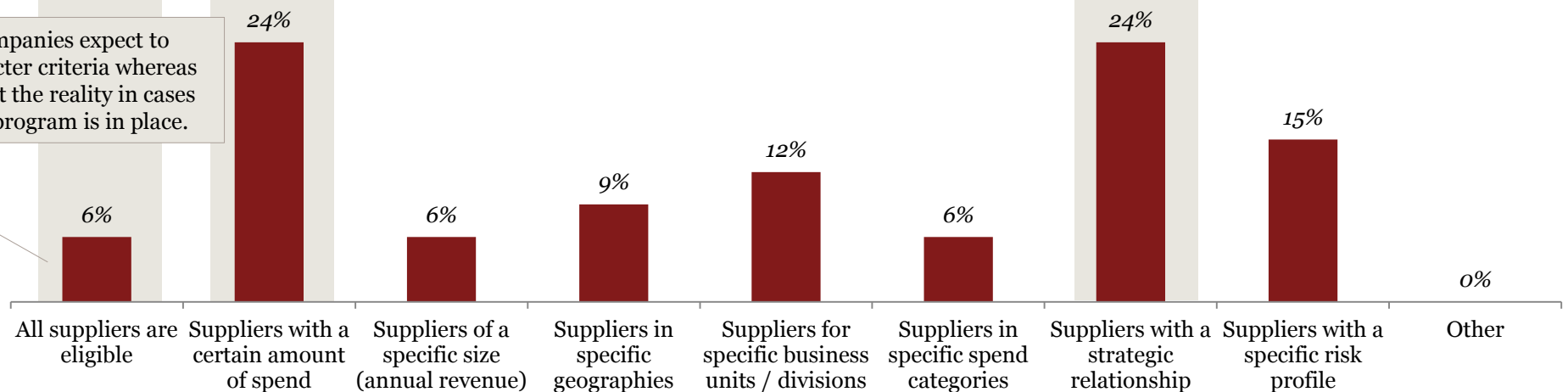
Strategic relationship and spend amounts are key drivers for supplier selection

Supplier selection criteria



Expected supplier selection criteria

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

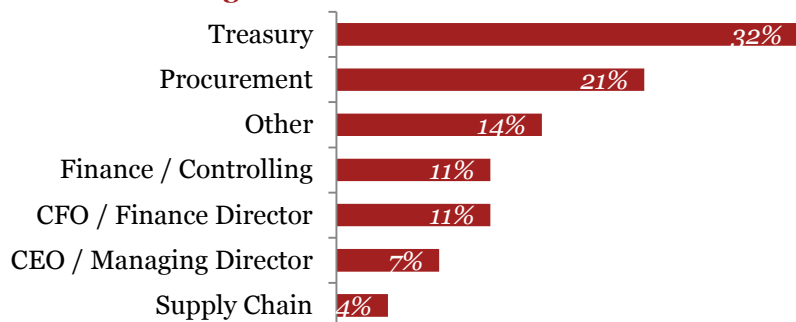


Supply Chain Finance Implementation

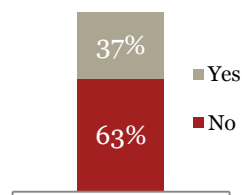
In 32% of the cases, implementation takes over 6 months

Involvement of CFO, finance or mixed teams increases implementation speed

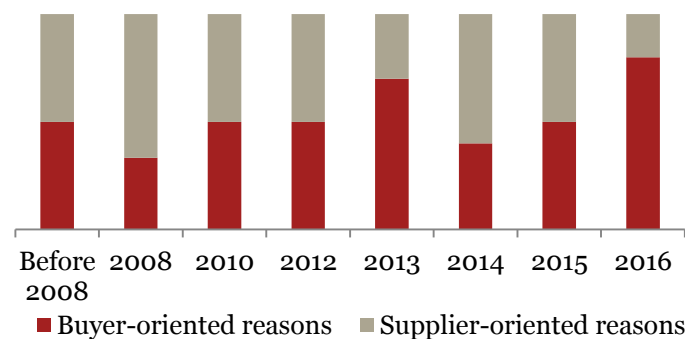
Roll-out manager



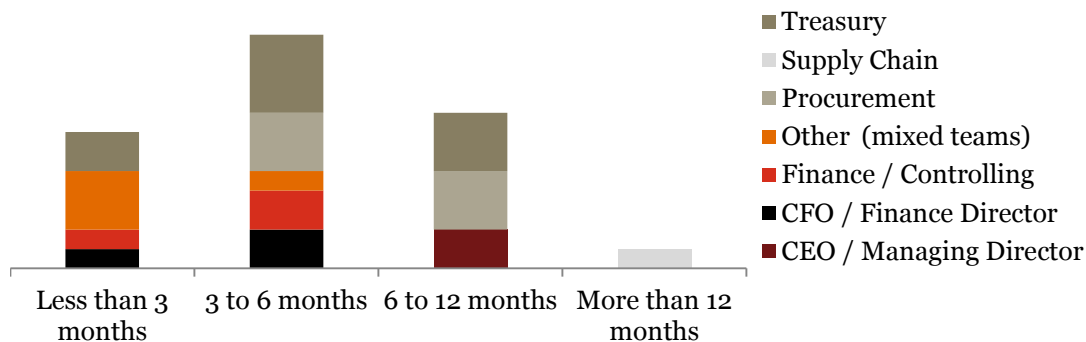
Did you use external implementation support?



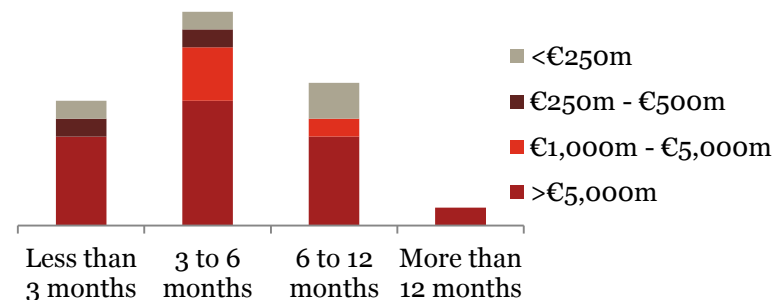
SCF implementation motivation



Implementation time vs. roll-out manager



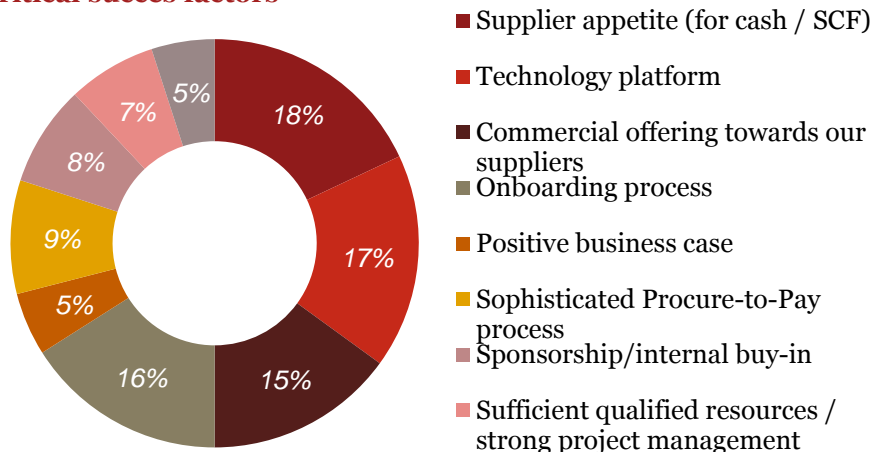
Implementation time per revenue size



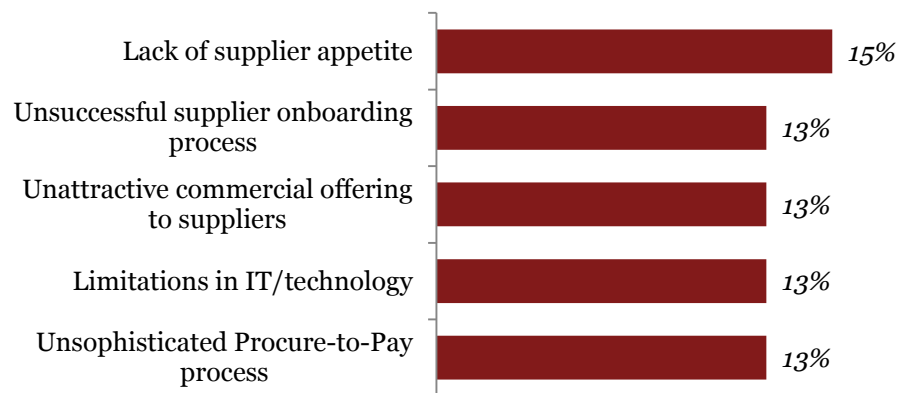
Supply Chain Finance Success Factors and Bottlenecks

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

Critical succes factors



Top 5 bottlenecks

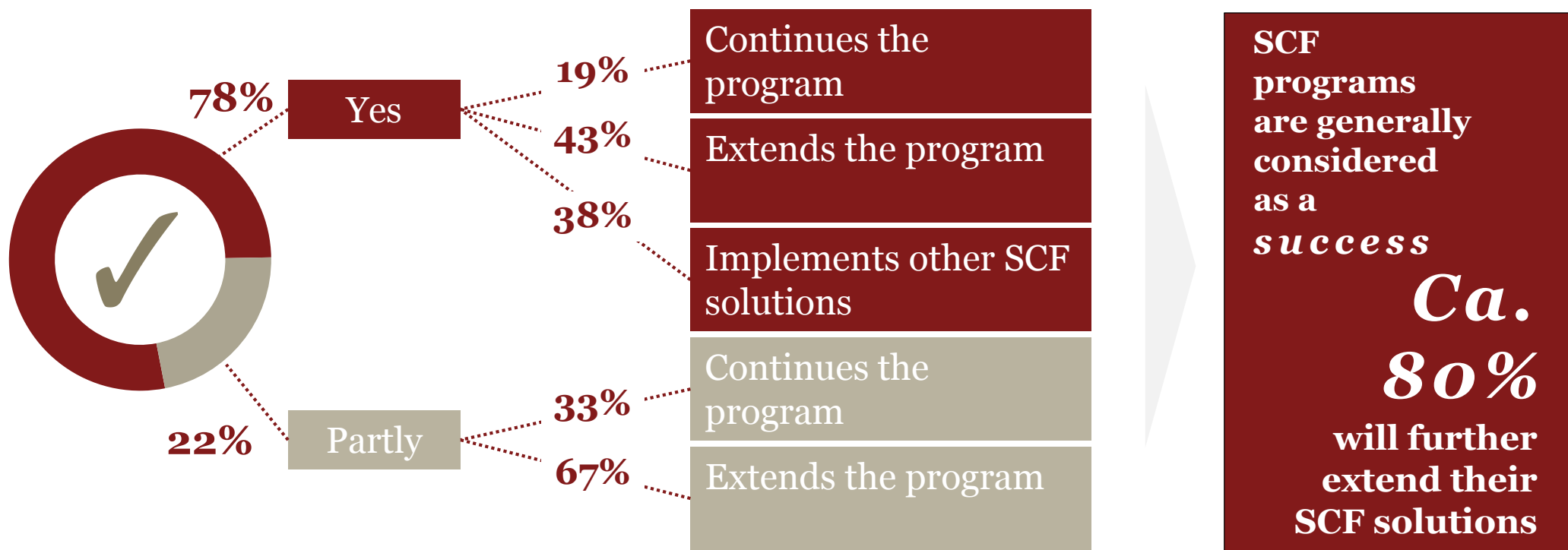


Other critical success factors include the ability of the SCF partner to provide the SCF program globally, and clear contract terms

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

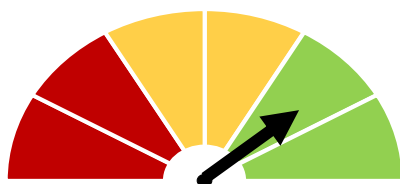


| <i>Spend covered</i> | <i>Implement other SCF solutions</i> | <i>Extend the program</i> | <i>Continue the program (status quo)</i> |
|----------------------|--------------------------------------|---------------------------|--|
| Up to 20% | 21% | 63% | 15% |
| Up to 40% | 50% | 16% | 33% |

Supply Chain Finance Barometer

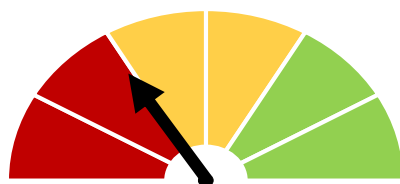
BAROMETER

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

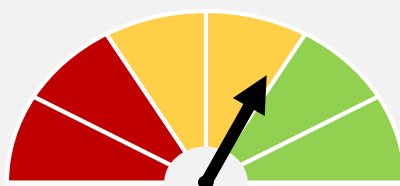


68%

implemented the program within 6 months

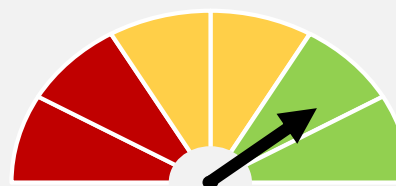
*Although the SCF program is generally considered a success, **not that many suppliers join the program.** **Implementation time can be a challenge***

*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***



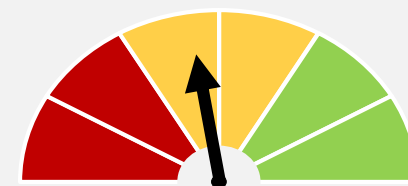
64%

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.



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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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Supply Chain Finance Community
Bridging physical and financial supply chains

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