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.

Michiel Steeman
Chairman – Supply Chain Finance Community
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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

- Consumer Goods: 28%
- Automotive: 15%
- Transport & Logistics: 11%
- Professional Services: 10%
- Industrial Manufacturing: 12%
- Communication & IT: 12%
- Other: 12%

Respondents' functions or divisions

- Finance & Controlling: 33%
- Procurement - Sourcing: 28%
- Treasury: 18%
- CEO - MD - Partner: 10%
- Working Capital: 5%
- Other: 5%

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
... 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

65%
Of the this category has implemented an SCF program
**SCF status varies between industries**

**Top 4 SCF industries**

- **Consumer Goods**
  - 33% SCF in place
  - Primarily larger companies
  - Implementation before 2008, or in period 2013-2015
  - Principal reasons: Working Capital optimisation and supplier liquidity needs

- **Automotive**
  - 43% SCF in place
  - Different company sizes
  - Implementation between 2010-2013
  - Principal reasons: Working Capital optimisation and supplier liquidity needs

- **Communications & IT**
  - 33% SCF in place
  - Primarily larger companies
  - Implementation primarily in 2012
  - Principal reason: Working Capital optimisation and supplier relationship improvement

- **Industrial Manufacturing**
  - 57% SCF in place
  - Different company sizes
  - Implementation before 2010
  - Principal reason: Working Capital optimisation

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**Respondents with SCF in place**

- Consumer Goods: 21%
- Automotive: 14%
- Communications & IT: 11%
- Energy, Utilities & Mining: 11%
- Industrial Manufacturing: 14%
- Transport & Logistics: 7%
- Professional Services: 7%
- Other: 14%
Supply Chain Finance Program
Reverse factoring is the most popular program
And 2012-13 was the most popular implementation period

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.

Bank 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
- Treasury; 46%
- CFO / Finance Director; 21%
- Procurement; 11%
- CEO / Managing Director; 7%
- Other; 7%
- Finance / Controlling; 7%
Implementation reasons between SCF practitioners and aspirants are quite similar

**SCF in place** | **Interest in SCF**
---|---
Working Capital optimisation | 42% | 43%
Supplier liquidity needs | 18% | 14%
Supplier relationship improvement | 18% | 14%
Supply chain stability improvement | 12% | 14%
Other | 10% | 14%

Principal reasons for implementing an SCF program:
- Additional revenues, cost reductions
- Utilise cash surplus
- Optimize corporate finance (incl. Asset financing)
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:
- Other selection restrictions
- All suppliers eligible
- Spend related selection restrictions

Number of Suppliers who joined the program:
- None
- Up to 25
- Up to 100
- Up to 250
- Up to 1,000
- More than 1,000

Spend covered: actual vs. expected:
- None
- Up to 20%
- Up to 40%
- Up to 60%
- Up to 80%
- All spend

SCF in place - Revenue size (€):
- <250m
- 250m - 500m
- 1,000m - 5,000m
- >5,000m
Strategic relationship and spend amounts are key drivers for supplier selection

Supplier selection criteria

A minimum amount of spend is considered an important requisite.

- 25% Suppliers with a certain amount of spend
- 20% Suppliers with a strategic relationship
- 16% All suppliers are eligible
- 10% Suppliers in specific geographies
- 8% Suppliers of a specific size (annual revenue)
- 4% Suppliers for specific business units / divisions
- 6% Suppliers in specific spend categories
- 4% Suppliers with a specific risk profile
- 8% Other

Expected supplier selection criteria

- 24% Suppliers with a certain amount of spend
- 24% Suppliers with a strategic relationship
- 20% Suppliers with a specific risk profile
- 9% Suppliers in specific geographies
- 6% Suppliers of a specific size (annual revenue)
- 12% Suppliers for specific business units / divisions
- 6% Suppliers in specific spend categories
- 6% Suppliers in specific geographies
- 0% Other

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.

**SCF Barometer**

**Success Factors**

**Implementation**

**Did you use external implementation support?**

<table>
<thead>
<tr>
<th>Role</th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>CEO / Managing Director</td>
<td>37%</td>
<td>63%</td>
</tr>
<tr>
<td>CFO / Finance Director</td>
<td>14%</td>
<td>86%</td>
</tr>
<tr>
<td>Finance / Controlling</td>
<td>11%</td>
<td>89%</td>
</tr>
<tr>
<td>Other</td>
<td>7%</td>
<td>93%</td>
</tr>
<tr>
<td>Procurement</td>
<td>21%</td>
<td>79%</td>
</tr>
<tr>
<td>Treasury</td>
<td>32%</td>
<td>68%</td>
</tr>
</tbody>
</table>

**Implementation time vs. roll-out manager**

- Treasury
- Supply Chain
- Procurement
- Other (mixed teams)
- Finance / Controlling
- CFO / Finance Director
- CEO / Managing Director

**Implementation time per revenue size**

- Less than 3 months
- 3 to 6 months
- 6 to 12 months
- More than 12 months

- <€250m
- €250m - €500m
- €1,000m - €5,000m
- >€5,000m
Supply Chain Finance Success Factors and Bottlenecks
Supplier appetite, technology, and attractive commercial offerings are considered key factors

Critical success factors
- Supplier appetite (for cash / SCF)
- Technology platform
- Commercial offering towards our suppliers
- Onboarding process
- Positive business case
- Sophisticated Procure-to-Pay process
- Sponsorship/internal buy-in
- Sufficient qualified resources / strong project management

Top 5 bottlenecks
- Lack of supplier appetite: 15%
- Unsuccessful supplier onboarding process: 13%
- Unattractive commercial offering to suppliers: 13%
- Limitations in IT/technology: 13%
- Unsophisticated Procure-to-Pay process: 13%

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.

SCF programs are generally considered as a success.
Ca. 80% will further extend their SCF solutions.

<table>
<thead>
<tr>
<th>Spend covered</th>
<th>Implement other SCF solutions</th>
<th>Extend the program</th>
<th>Continue the program (status quo)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to 20%</td>
<td>21%</td>
<td>63%</td>
<td>15%</td>
</tr>
<tr>
<td>Up to 40%</td>
<td>50%</td>
<td>16%</td>
<td>33%</td>
</tr>
</tbody>
</table>
Supply Chain Finance Barometer
There is an increasing awareness over the past few years, driving appetite for introducing or extending SCF solutions.

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.

- 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
- 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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SCF Barometer