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

**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
- Consumer Goods 24%
- Communication & IT 19%
- Manufacturing 6%
- Engineering & Construction 6%
- Professional Services 9%
- Automotive 9%
- Chemicals & Metals 12%
- Other 15%

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 have varying levels of SCF maturity
Larger companies are more likely to be running a SCF programme

<table>
<thead>
<tr>
<th>Annual revenue</th>
<th>Running a program (46%)</th>
<th>Interested (45%)</th>
<th>Not interested (9%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>&gt;€5,000m</td>
<td>53%</td>
<td>10%</td>
<td>17%</td>
</tr>
<tr>
<td>€1,000m-€5,000m</td>
<td>22%</td>
<td>24%</td>
<td>33%</td>
</tr>
<tr>
<td>€500m-€1,000m</td>
<td>6%</td>
<td>10%</td>
<td>50%</td>
</tr>
<tr>
<td>€250m-€500m</td>
<td>9%</td>
<td>21%</td>
<td></td>
</tr>
<tr>
<td>&lt;€250m</td>
<td>9%</td>
<td>34%</td>
<td></td>
</tr>
</tbody>
</table>

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

**Respondents with SCF in place**

- Consumer Goods: 34%
- Communication & IT: 16%
- Manufacturing: 16%
- Chemicals & Metals: 9%
- Other: 16%

### SCF practitioners in sector

- Consumer Goods: 25%
- Communication & IT: 16%
- Manufacturing: 16%
- Chemicals & Metals: 9%
- Other: 16%

### SCF solutions

- **Consumer Goods**: 50% of the respondents have a programme in place
  - Reverse Factoring or Inventory Finance/Asset Based Lending
- **Communication & IT**: 50% of the respondents have a programme in place
  - Predominantly Reverse Factoring, however several other SCF programmes in place
- **Manufacturing**: 63% of the respondents have a programme in place
  - Primarily Reverse Factoring

### SCF drivers

- **Consumer Goods**: Profitability improvements are another implementation driver
- **Communication & IT**: Working capital optimisation is the principal implementation reason
- **Manufacturing**: Supply Chain stability and Supplier relationship improvement are triggers to put a programme in place

### SCF practitioners

- **Consumer Goods**: Primarily companies with revenues above €5bn
- **Communication & IT**: Companies running SCF range in size
- **Manufacturing**: Primarily companies with revenues above €5bn
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

<table>
<thead>
<tr>
<th>SCF Solution</th>
<th>We know well how it works</th>
<th>We know the main features</th>
<th>We know more or less what it is</th>
<th>We have heard about it</th>
<th>We don't know what it is</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reverse factoring</td>
<td>71%</td>
<td>13%</td>
<td>6%</td>
<td>9%</td>
<td>1%</td>
</tr>
<tr>
<td>Dynamic discounting</td>
<td>51%</td>
<td>18%</td>
<td>12%</td>
<td>12%</td>
<td>7%</td>
</tr>
<tr>
<td>Pre-shipment financing</td>
<td>31%</td>
<td>31%</td>
<td>29%</td>
<td>15%</td>
<td>7%</td>
</tr>
<tr>
<td>Inventory finance</td>
<td>22%</td>
<td>19%</td>
<td>31%</td>
<td>13%</td>
<td>15%</td>
</tr>
<tr>
<td>Invoice auction</td>
<td>15%</td>
<td>18%</td>
<td>16%</td>
<td>21%</td>
<td>31%</td>
</tr>
<tr>
<td>Collaborative logistics</td>
<td>32%</td>
<td>19%</td>
<td>13%</td>
<td>16%</td>
<td>19%</td>
</tr>
</tbody>
</table>

### SCF technology/platform used amongst Reverse Factoring users

![Pie chart showing the distribution of SCF technology/platform used amongst Reverse Factoring users.]

- Bank-operated platform: 59%
- SCF platform: 14%
- In-house developed platform: 10%
- Enterprise Resource Planning system: 7%
- Procure-to-Pay system: 7%
- Treasury management system: 3%

75% of companies use reverse factoring most frequently.
As seen last year, the trend for SCF roll outs continues to grow and are often driven by Treasury or the CFO

**Year of implementation**

Before 2008: 23%  
2009: 27%  
2010: 30%  
2011: 30%  
2012: 37%  
2013: 40%  
2014: 43%  
2015: 57%  
2016: 73%  
2017: 100%

**Annual revenue**

- < €1,000m
- €1,000m - €5,000m
- > €5,000m
- Total

**Involvement per function in SCF initiation**

- Treasury: Owner 100%, Involved 0%, Not informed 0%
- CFO: Owner 90%, Involved 30%, Not informed 30%
- Procurement: Owner 60%, Involved 40%, Not informed 40%
- Supply Chain: Owner 80%, Involved 60%, Not informed 40%
- Finance: Owner 70%, Involved 50%, Not informed 30%
- Sales: Owner 50%, Involved 30%, Not informed 70%
- CEO: Owner 100%, Involved 70%, Not informed 30%

**Smaller companies are beginning to introduce supply chain finance**

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

<table>
<thead>
<tr>
<th>Reason</th>
<th>Key impact</th>
<th>High impact</th>
<th>Medium impact</th>
<th>Low impact</th>
<th>No impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Working capital optimisation</td>
<td>80%</td>
<td>70%</td>
<td>60%</td>
<td>50%</td>
<td>40%</td>
</tr>
<tr>
<td>Liquidity needs of our suppliers</td>
<td>80%</td>
<td>70%</td>
<td>60%</td>
<td>50%</td>
<td>40%</td>
</tr>
<tr>
<td>Supplier relationship improvement</td>
<td>80%</td>
<td>70%</td>
<td>60%</td>
<td>50%</td>
<td>40%</td>
</tr>
<tr>
<td>Improving our EBITDA / cost reduction</td>
<td>80%</td>
<td>70%</td>
<td>60%</td>
<td>50%</td>
<td>40%</td>
</tr>
<tr>
<td>Improve Supply Chain stability</td>
<td>80%</td>
<td>70%</td>
<td>60%</td>
<td>50%</td>
<td>40%</td>
</tr>
<tr>
<td>Utilising cash surplus</td>
<td>80%</td>
<td>70%</td>
<td>60%</td>
<td>50%</td>
<td>40%</td>
</tr>
<tr>
<td>Changing market dynamics</td>
<td>80%</td>
<td>70%</td>
<td>60%</td>
<td>50%</td>
<td>40%</td>
</tr>
<tr>
<td>Potential credit rating agencies approach to SCF programs</td>
<td>80%</td>
<td>70%</td>
<td>60%</td>
<td>50%</td>
<td>40%</td>
</tr>
<tr>
<td>Legislation on SCF programs</td>
<td>80%</td>
<td>70%</td>
<td>60%</td>
<td>50%</td>
<td>40%</td>
</tr>
</tbody>
</table>
There is little historic fluctuation in key implementation reasons for both SCF practitioners and interested parties.

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

- All suppliers are eligible: 31%
- Suppliers with a certain amount of spend: 18%
- Suppliers of a specific size (annual revenue): 15%
- Suppliers in specific geographies: 6%
- Suppliers for specific business units / divisions: 4%
- Suppliers in specific spend categories: 7%
- Suppliers with a strategic relationship: 17%
- Suppliers with a specific risk profile: 1%

For 1/3 of the SCF programmes all suppliers are eligible

Supplier selection criteria - Respondents interested in a SCF programme

- All suppliers are eligible: 19%
- Suppliers with a certain amount of spend: 19%
- Suppliers of a specific size (annual revenue): 14%
- Suppliers in specific geographies: 7%
- Suppliers for specific business units / divisions: 6%
- Suppliers in specific spend categories: 1%
- Suppliers with a strategic relationship: 18%
- Suppliers with a specific risk profile: 15%

Companies planning to implement a SCF programme within 6 months indicated that spend value will be the key selection criteria.

Respondents interested in SCF indicated that the risk profile will play a role in the selection process, whereas this was not a key factor for respondents running 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.

Spend covered by SCF: actual vs expectations

72% of the SCF participants have less than 100 suppliers enrolled which appears in line with expectations of survey practitioners.
Supply Chain Finance Implementation
Moving from contract stage to initial invoice processing takes less than 6 months for a third of programmes

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?

- Yes: 31%
- No: 69%

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

Implementation time per revenue size

- >€5,000m
- €1,000m - €5,000m
- €500m - €1,000m
- €250m - €500m
- <€250m

Expectations
Respondents planning a SCF programme anticipate implementation to take between 3 an 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.
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

<table>
<thead>
<tr>
<th>Spend covered</th>
<th>Continue the programme</th>
<th>Extend the programme</th>
<th>Implement other SCF solutions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to 20%</td>
<td>8%</td>
<td>42%</td>
<td>27%</td>
</tr>
<tr>
<td>Up to 40%</td>
<td>-</td>
<td>4%</td>
<td>4%</td>
</tr>
<tr>
<td>Up to 100%</td>
<td>4%</td>
<td>12%</td>
<td>-</td>
</tr>
</tbody>
</table>

Is the SCF program in place a success?
- Yes: 56%
- Partly: 38%
- No: 6%

What are the future plans with respect to Supply Chain Finance?
- Implement other SCF solutions: 39%
- Extend the program: 44%
- Continue the program: 17%
- Implement other SCF solutions: 25%
- Extend the program: 58%
- Continue the program: 17%
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

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
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