

# Optimizing Your Financial Supply Chain

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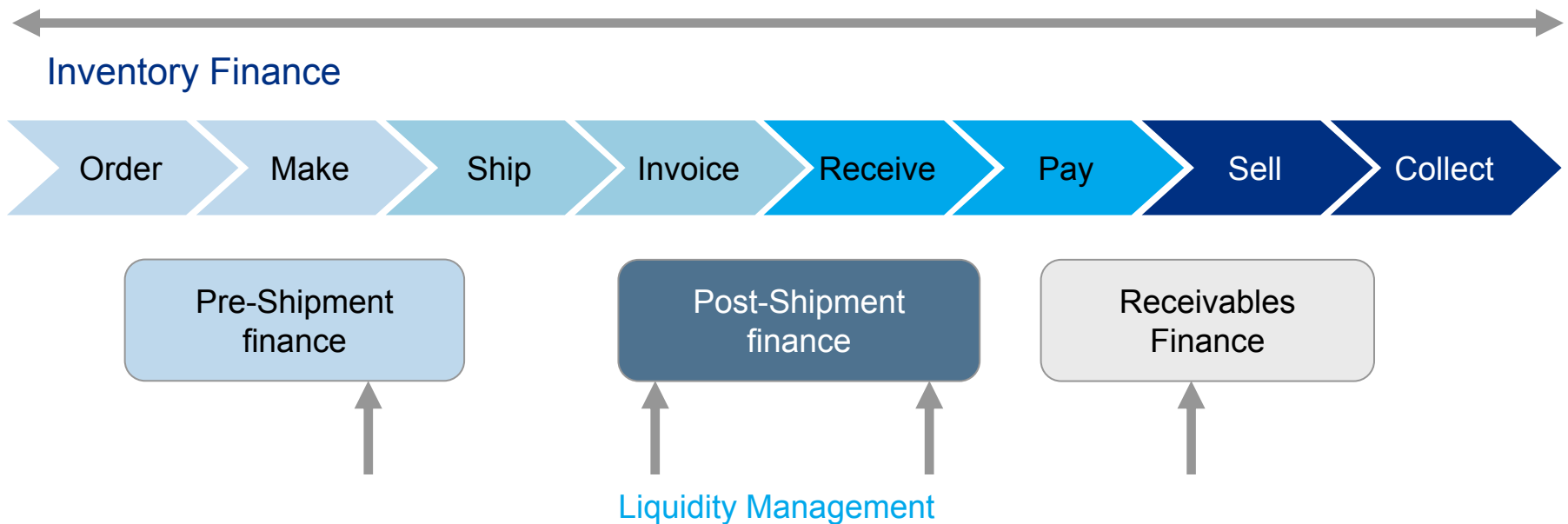
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# Financing the Global Supply Chain

- Historically, companies have managed the physical supply chain without much emphasis on the financial aspect
- That is changing: The clear focus today for mid-size to large companies is the financial supply chain
- Financing the supply chain can be viewed in dimensions:
  - Horizontal: Processing the end-to-end cycle of order to payment
  - Vertical: Ensuring that between order and payment, cost is contained and liquidity is infused

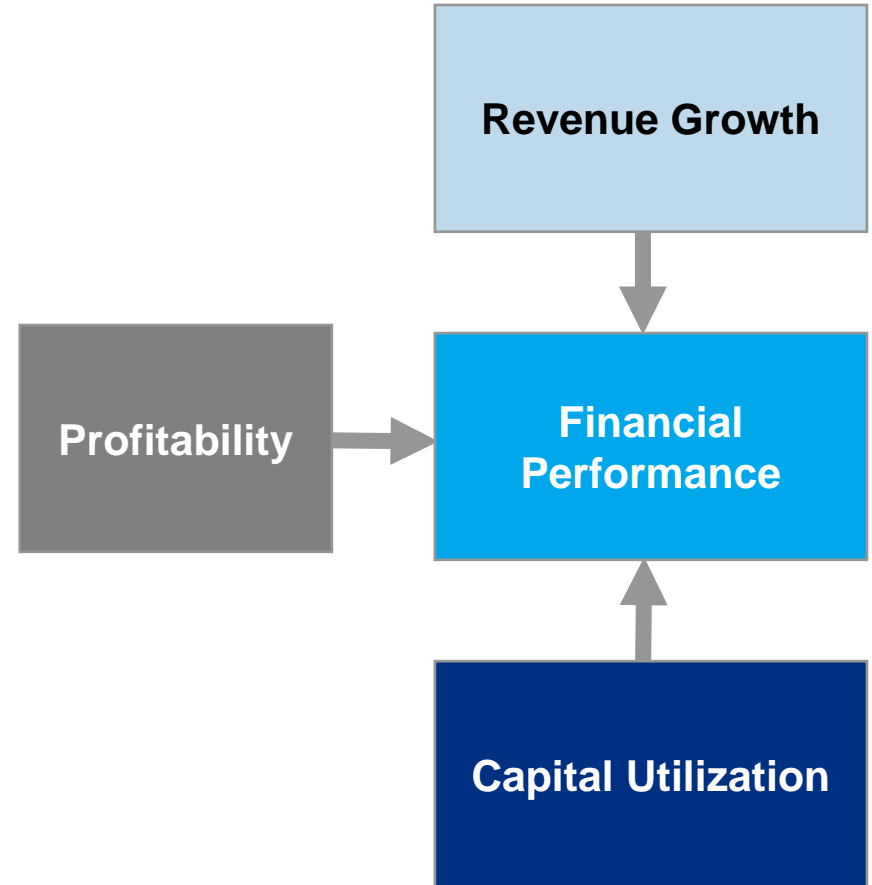


End Result: Multiple opportunities for banks to provide financing

# The Challenge

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- Many companies historically have not aligned Supply Chain Management (SCM) with financial performance goals.
- High performance companies use SCM to achieve financial goals through:
  - Higher Value-Adding Revenue Growth
  - Improved Profitability
  - Greater Capital Utilization – Working Capital and Fixed Asset Utilization
  - Stability to the Supply Chain

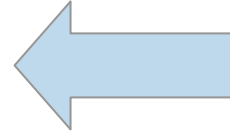


# Best in Class Performance Advantage

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**Best in Class:**  
Top 20% of aggregate performance scorers in metrics specified below

- **Average cash conversion cycle = 11 days**
- **92%** have improved cash conversion cycle over the past 2 years (**8%** - remained the same)
- **90%** have improved return on capital over the past 2 years (**10%** - remained the same)



**43 days less** than average cycle of Industry Average companies and **53 days less** than the average among Laggards (bottom 30% of performers)

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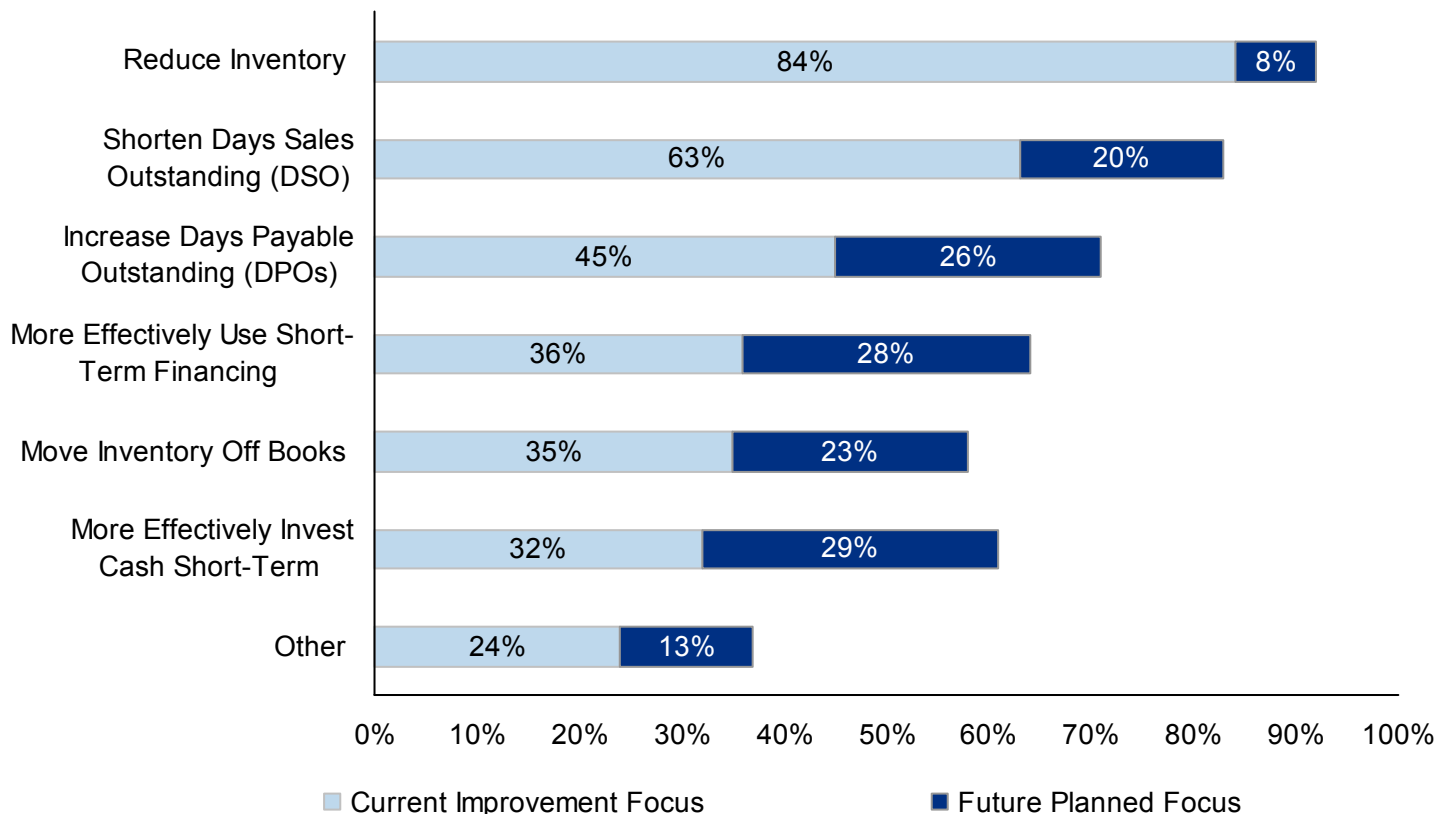
## Best in Class Definition

Metrics used to Define Best in Class/Average/Laggards in this Study:

- Cash Conversion Cycle (absolute measure in days) = (DSO + DIO – DPO)\*
- Relative improvement over the past 2 years in:
  - Cash Conversion Cycle
  - Return on Capital

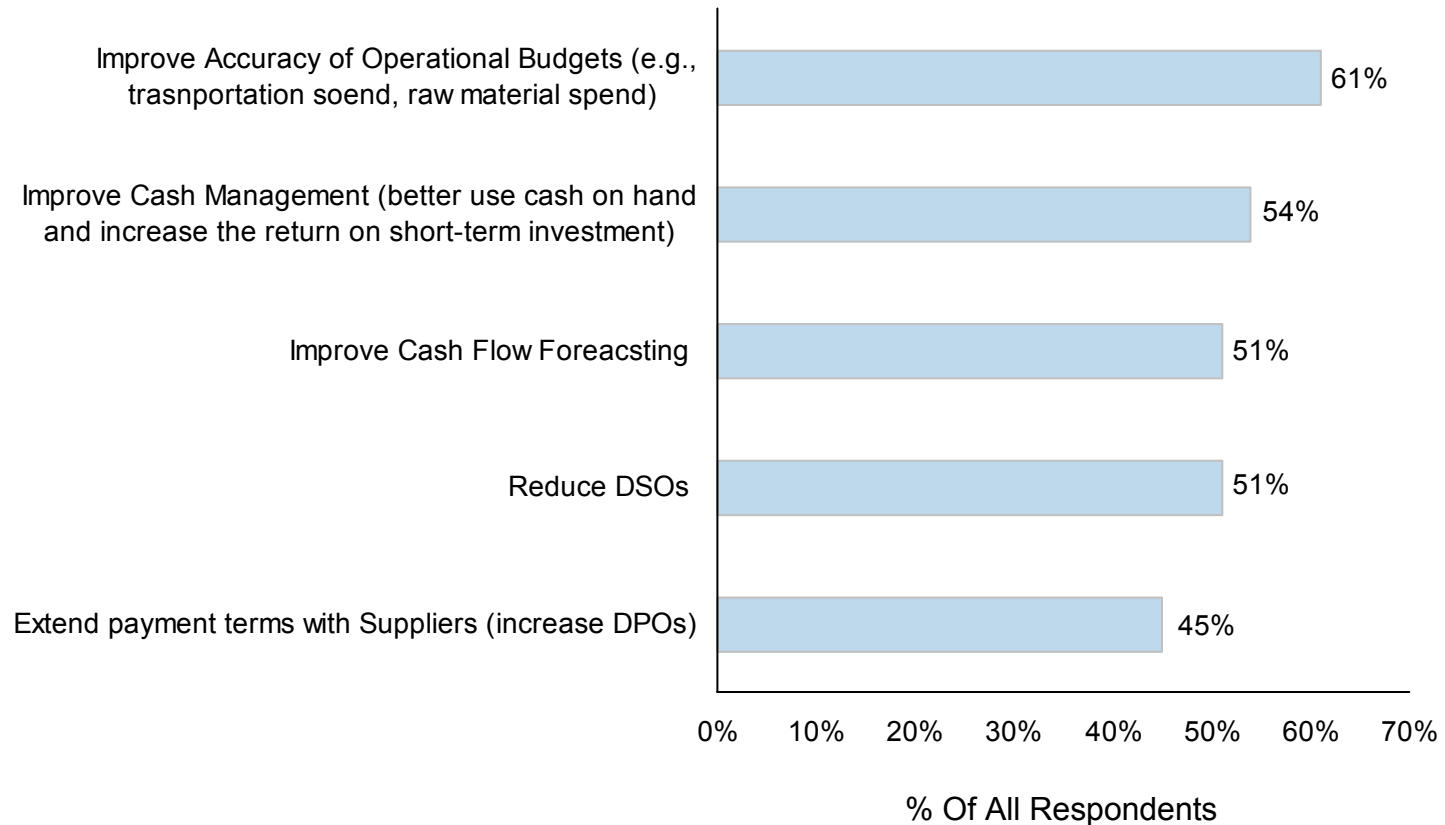
# Top Strategic Actions to Optimize Working Capital

- Working Capital Optimization (WCO) – High Priority for 2/3 of companies



Source: "Working Capital Optimization" Benchmark Report, June 2007; Aberdeen Group © 2008

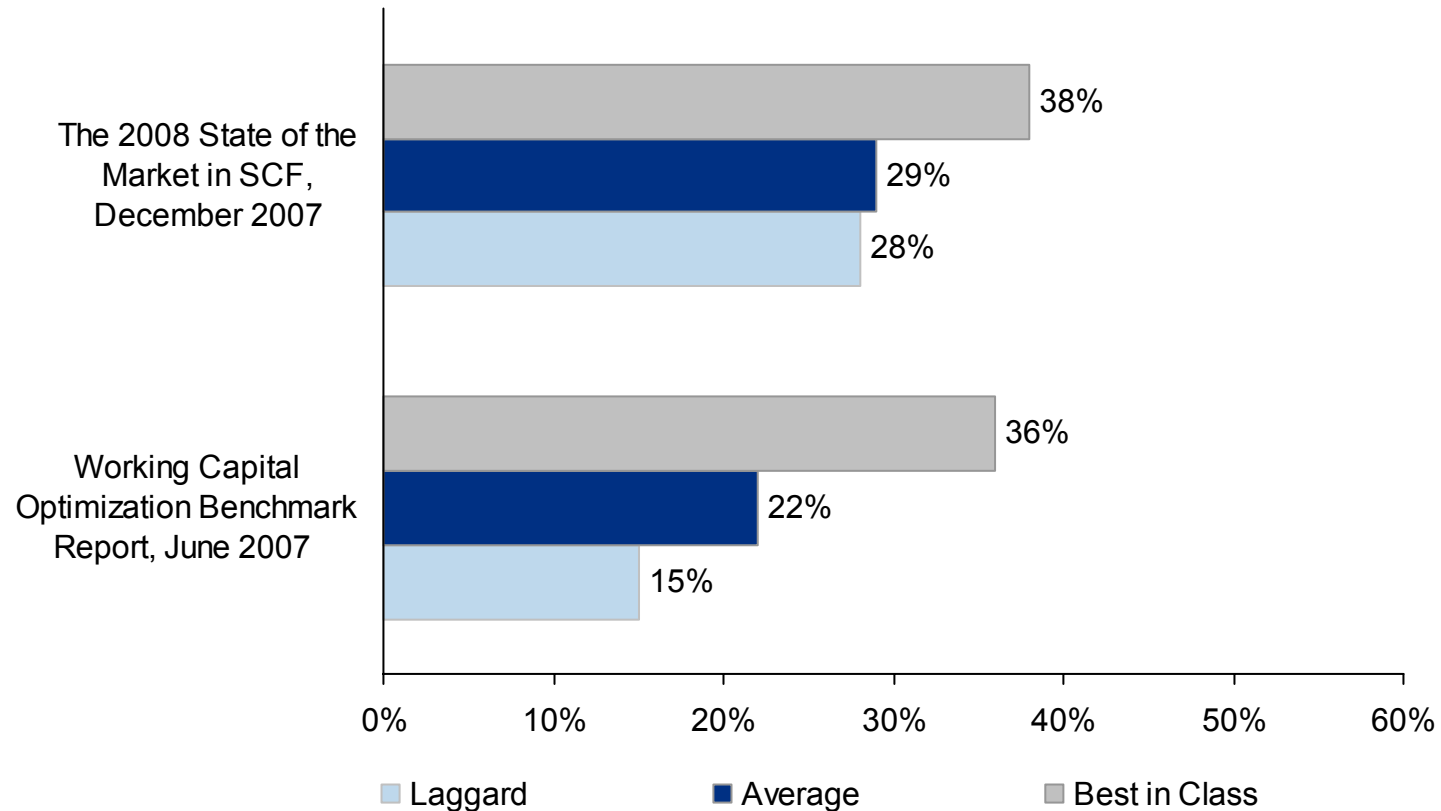
# Financial Strategies to Improve Working Capital



Source: "Working Capital Optimization" Benchmark Report, June 2007; Aberdeen Group © 2008

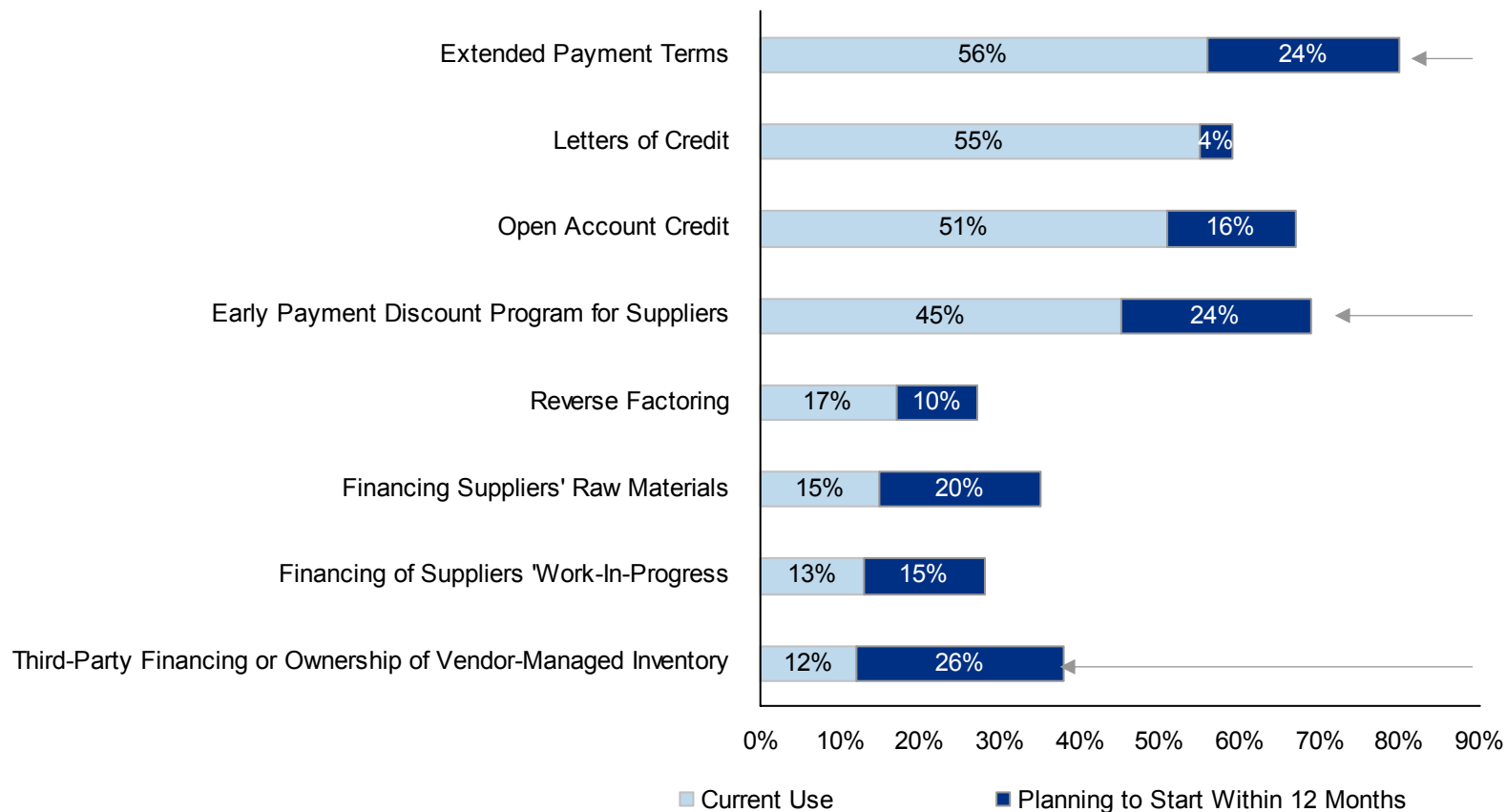
# Best in Class Have Better Access to Financing

Ability to access supply chain financing at various stages in the supply chain (payables/receivables/inventory financing).



Source: Aberdeen Group © 2008

# Financing Types Used by the Buyers

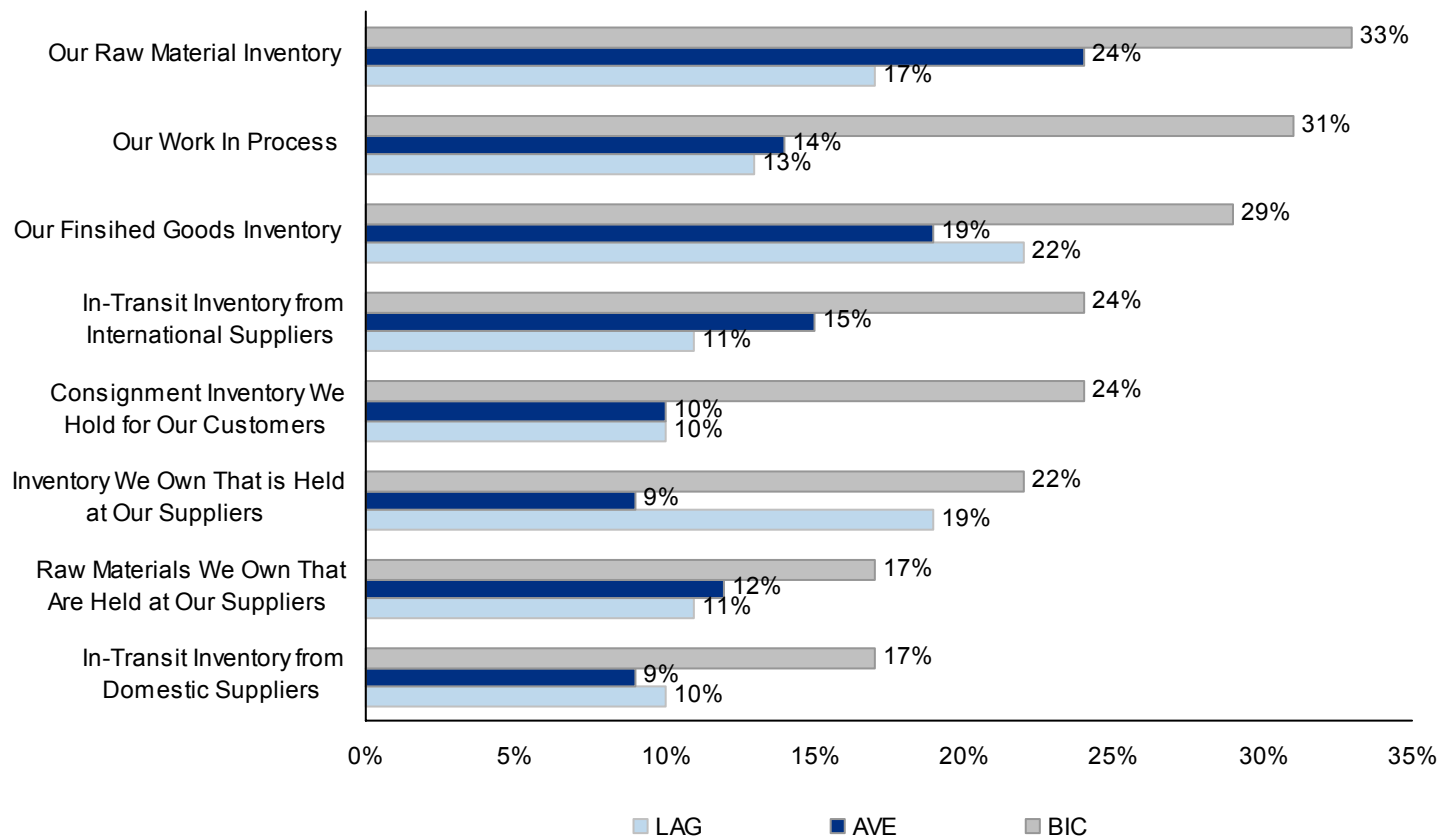


Source: "The 2008 State of the Market in Supply Chain Finance" Benchmark Report, December 2007; Aberdeen Group © 2008

# Types of Inventory Currently Financed via a Third Party

## What Firms Are You Using/ Considering for Inventory Financing?

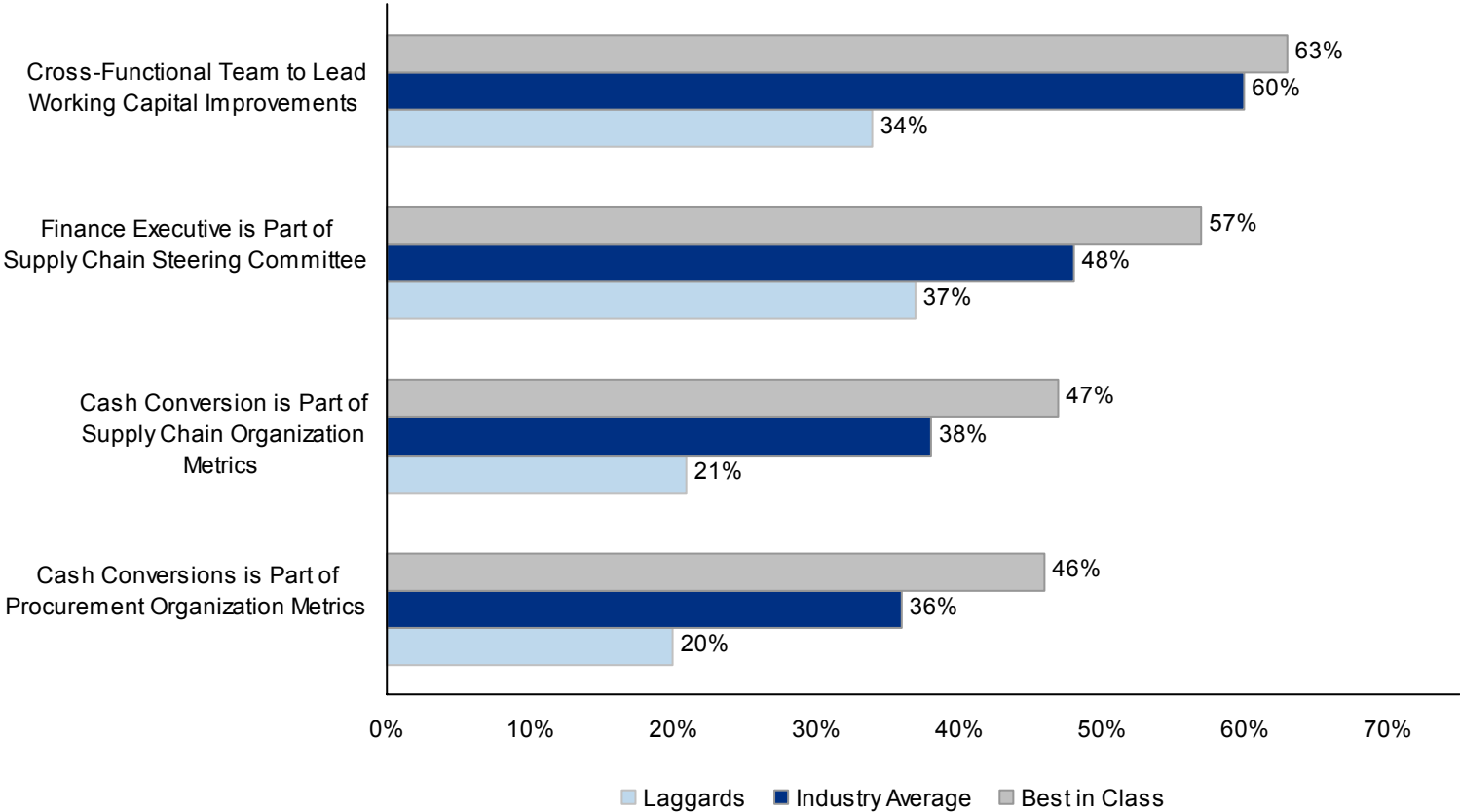
- 58% — A bank
- 43% — Various non-bank financial institutions
- 29% — A channel partner



Source: "Working Capital Optimization" Benchmark Report, June 2007; Aberdeen Group © 2008

# Organization and Collaboration Best Practices

Best in Class companies more effectively collaborative internally.



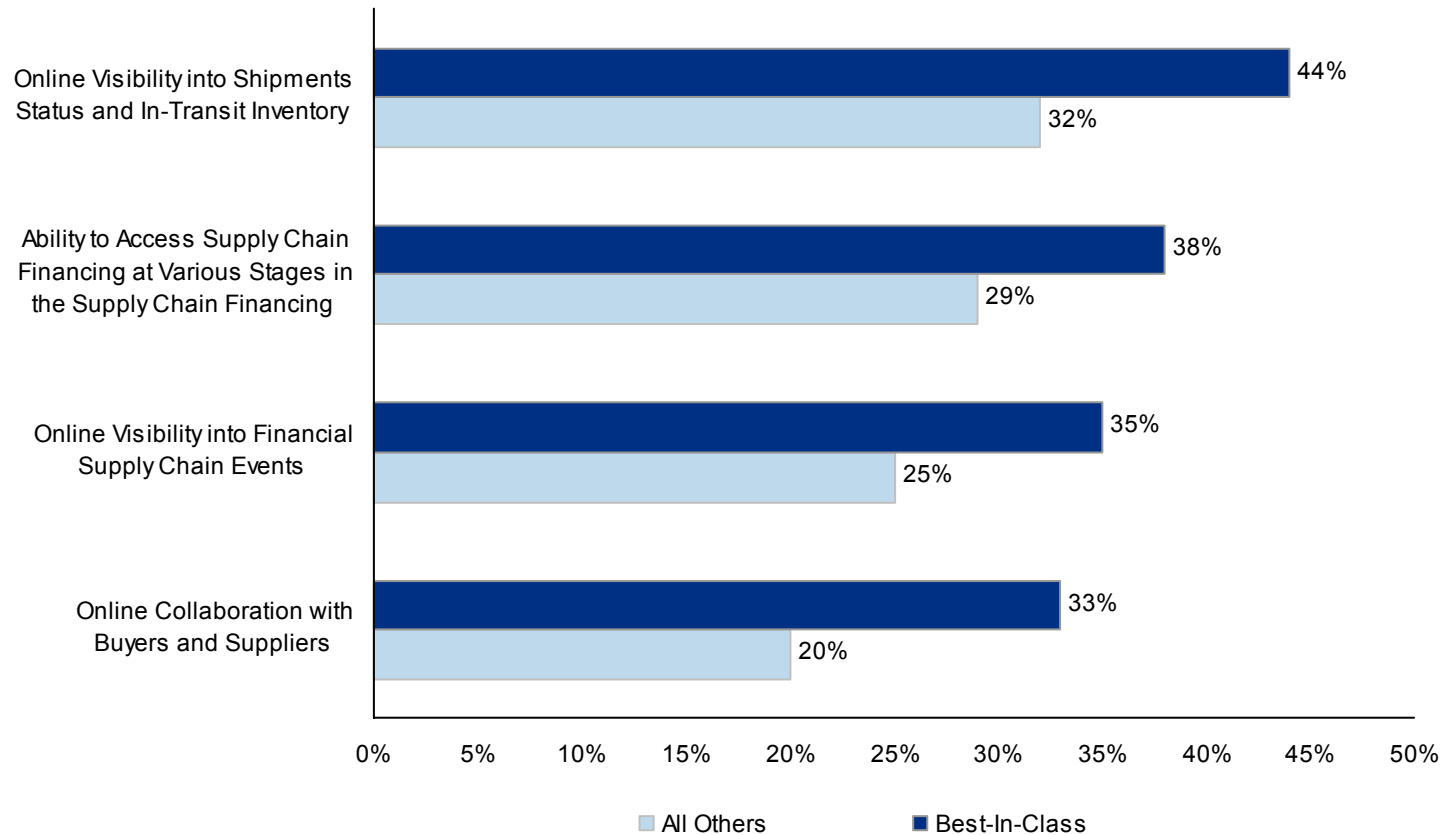
Source: "Working Capital Optimization" Benchmark Report, June 2007; Aberdeen Group © 2008



# What Best in Class Do Differently

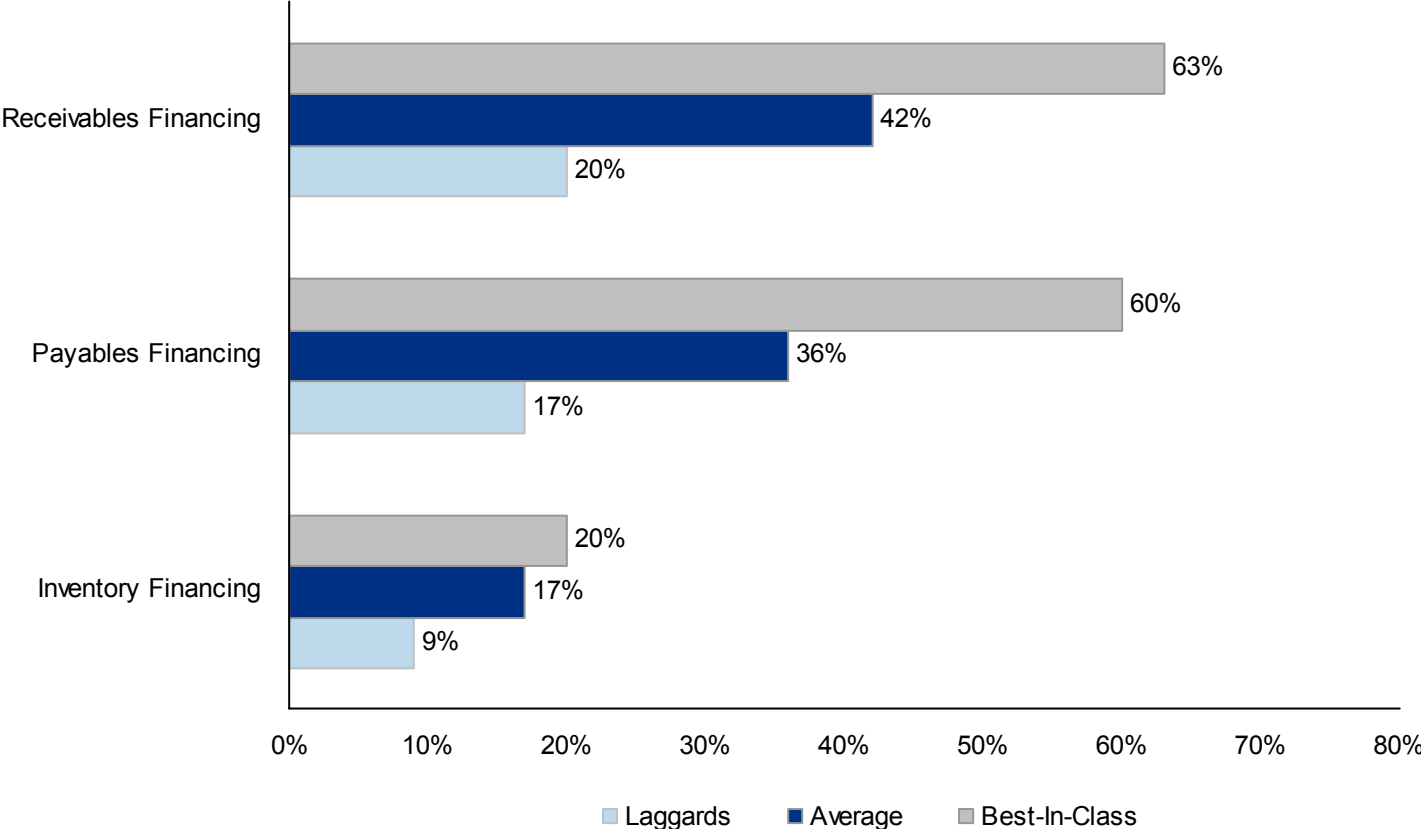
## FAST FACTS

- Best-in-Class are ~40% more likely to have online visibility into shipments status and in-transit inventory
- Best-in-Class are 60% more likely to have the ability to collaborate online with buyers and suppliers.



Source: "The 2008 State of the Market in Supply Chain Finance" Benchmark Report, December 2007; Aberdeen Group ©2008

# Financing Accessible (Processed) via the SCF Platform



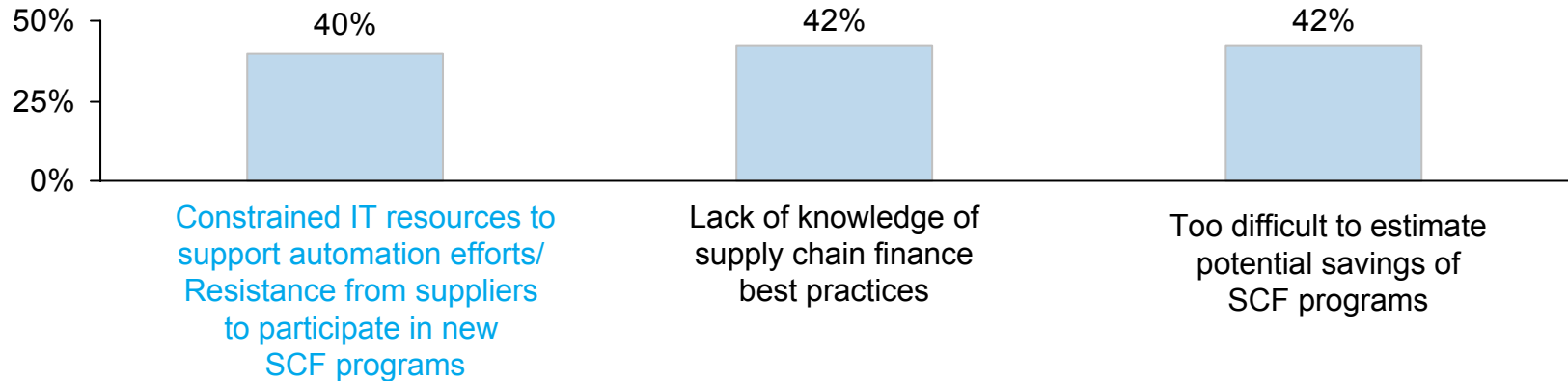
Source: "The 2008 State of the Market in Supply Chain Finance" Benchmark Report, December 2007; Aberdeen Group ©2008



# Internal Challenges to Improved SCF

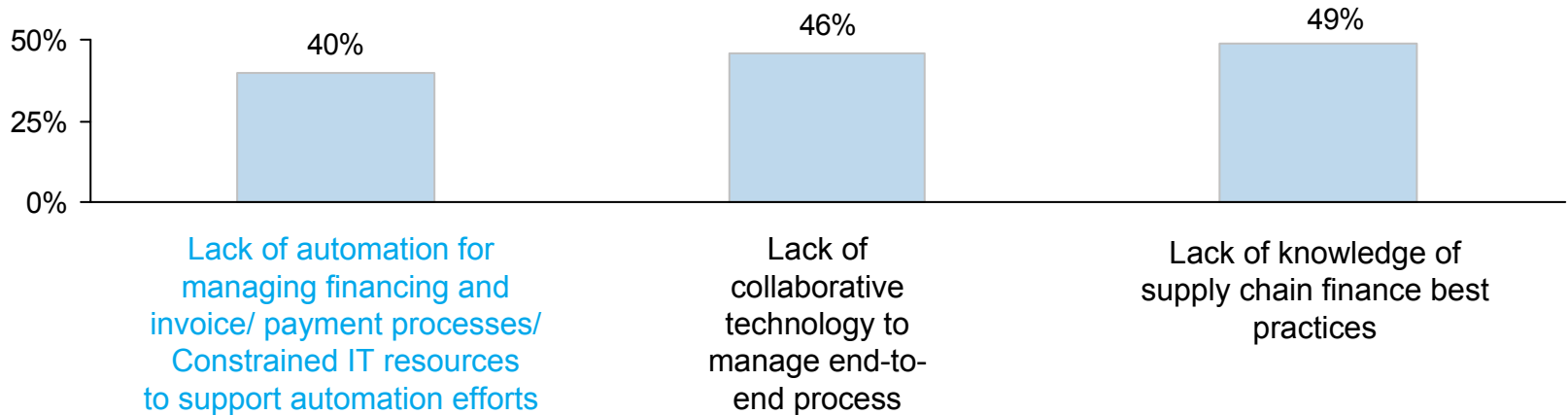
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% of Buyer respondents



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% of Supplier respondents



Source: "The 2008 State of the Market in Supply Chain Finance" Benchmark Report, December 2007; Aberdeen Group ©2008

