



# Mobile Receivables: Taking the Pain out of Your Global Supply Chain

**E**merging markets may be where the growth is these days, but for supply-chain executives, these markets deliver their share of headaches and business risks. This is especially true for fast-moving, transaction-intensive consumer goods companies that have long dealt with the inefficiencies, complexities and risks associated with traditional cash payments. In these markets, the risks can range from inaccurate accounting and lengthier days sales outstanding to downright theft. Fortunately, new mobile-phone-based payment services are helping

supply-chain managers and local store owners mitigate these risks, while dramatically improving payment-collection, tracking and reporting efficiencies.

## **The world has “gone mobile”**

Mobile receivables solutions are an inevitable next step in the worldwide explosion of mobile communications. Globally, twice as many people have mobile phones than either bank accounts or credit cards. What’s more, roughly 75 percent of the world’s seven billion people have on average at least one mobile phone subscription. These popular and

ubiquitous pocket-sized devices are fundamentally altering the daily affairs of individuals, as well as the business processes of companies across industries and around the world.

Mobile technology’s importance in supply chain management is no exception. A recent survey of senior supply chain executives by the ARC Advisory Group found that nearly 70 percent use smartphones as an integral part of their daily tasks. The same survey found that roughly one in five of these executives use their mobile computing devices for barcode scanning and for taking and transmitting photos of delivered mer-

chandise. In addition, executives and managers are mobilizing critical work processes such as completing real-time work orders, providing copies of signed orders, tracking deliveries and, increasingly, receiving and recording payments from retailers.

### Cash payments: The Achilles heel of direct store delivery

Receiving and processing payments are frequently among the most inefficient financial supply chain processes. This is particularly true in emerging markets, where small store owners prefer to pay for their deliveries in cash and access to sophisticated automated payment processes is virtually non-existent.

While familiar and convenient for store owners, cash payments create a number of process inefficiencies and security risks for delivery personnel and the companies that employ them. For safety reasons, companies often impose limits on the amounts of cash drivers can carry at any one time. Once they reach that limit, drivers typically have to return to headquarters to turn in their payments before they can continue on their routes. This creates costly inefficiencies in driver routing.

However, that is just the one of many headaches that cash payments create for supply chain managers. In addition to driver safety and the obvious fraud and theft risks, processing cash is costly, time consuming and rife with processing and reporting inefficiencies.

### Beyond traditional receivables: optimizing overall order-to-cash process

Increasingly, companies doing business in emerging markets are looking beyond traditional receivables methods, such as lockbox and even electronic collections, toward mobile technologies that can help them improve their order-to-cash processes. Mobile financial services are already an integral part of daily business in many emerging markets where many individuals and businesses lack bank accounts and credit cards but have access to highly developed mobile networks.

Take, for example, mobile collections solutions that are being used by consumer goods companies to settle

transactions with retailers. Consumer product companies, such as food and beverage manufacturers, were early adopters of mobile applications to improve brand awareness and product loyalty with consumers. Now, industry innovators are using mobile technologies to reengineer the way they issue invoices and collect payments for products delivered to small retailers and “mom and pop” stores, including unbanked merchants in developing markets. In countries like Kenya, Uganda, the Philippines and Malaysia,

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use of mobile financial services outpaces that of most developed nations .

In South Korea, the in-country subsidiary of a top consumer goods company has leveraged Citi’s mobile solution to eliminate cumbersome cash payments from retail store owners and replace them with mobile payments that offer real-time settlement at the point of delivery. Now, the company’s accounts receivables and cash processing departments, delivery personnel and its merchants have all eliminated the inefficiencies, potential errors, and security risks associated with handling large amounts of cash.

Citi provides direct debit and real-time approval through a mobile device, as well as straight-through processing of daily transactions to the company’s ERP system. The end result: automated accounts receivable reconciliations, improved liquidity management, as well as lower days sales outstanding and collection costs.

### History suggests a game-changing opportunity

In the 1980’s, web-based banking and supply chain management tools were in their infancy. What followed were two decades of unprecedented growth, efficiencies and value enhancements enabled by these technologies. Today, the parallels are clear: mobile technology is in a similar state of evolution, with a world of innovations on the horizon.

Citi’s South Korean mobile collections solution is expected to expand to other countries around the world. And the business use of mobile phones will continue to evolve, allowing distributors and merchants alike to manage inventory and orders and capture data about consumers’ purchasing habits and preferences to aid sales and promotional efforts.

Citi recognizes the enormous potential for mobile devices to enhance commercial and financial activities and is investing heavily in, and piloting, a variety of mobile-payables and mobile-receivables services in targeted markets around the world. As mobile phone and computing technologies continue to proliferate in fast-growing, emerging markets, companies will continue to leverage new digital solutions and transform their financial supply chain processes for the 21st century.



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<sup>1</sup> Adapted from ITU World Telecommunication/Information and Communication Technology Sector Indicators and Consultative Group to Assist the Poor (CGAP) data

<sup>2</sup> ITU World Telecommunication/Information and Communication Technology Sector Indicators database

<sup>3</sup> ARC Advisory Group-Transportation Management Systems- Five Year Market Analysis and Technology Forecast through 2015, April 27, 2011

<sup>4</sup> Groupe Speciale Mobile Association (GSMA)