

# Supply Chain Finance Keeping it a “Win Win”



**Supply Chain Finance (“SCF”) continues to grow rapidly across the globe as a means for corporates to obtain more value from their supply chain. The major focus in the promotion of SCF is most often about releasing additional working capital by extending the corporate buyer’s payment terms whilst at the same time offering suppliers a discounted early payment option should they want or require it. A “win win” for all parties” which is true most of the time.**

As products such as SCF grow and become more accessible, they also become smarter and more sophisticated. In the case of SCF this is driven in part by the continuing developments in technology, but also by the increasing number of providers competing for market share and revenues. As several of the technology providers in this space are fuelled by large amounts of private equity or other third-party investment, they are compelled to develop more complex propositions which can demonstrate even greater value for their large corporate clients.

A slightly worrying concern is the how the larger SCF technology providers use the data their systems gather from the thousands of suppliers who use their platform. This use of “Big Data” in conjunction with Artificial Intelligence (“AI”) technology can lead to the profiling of supply companies in terms of their financial status and also their cash needs. If this information is then used to inform the larger corporate who it can then press to accept larger discounts for early or on time payments then there is a risk the SCF solution starts to lose that “win win” element and suppliers may become wary of such programmes. This could have a negative effect upon the growth of SCF and encourage regulators to pay more attention to it.

We at Corporate Linx have made a conscious decision to not use supplier data and AI in this fashion.

I would argue that there are even greater benefits to be derived from implementing an SCF solution than just the ability for large corporates to extend payment terms to their generally smaller suppliers. The ability to communicate in a dematerialised fashion improves the accuracy and efficiency of the supplier/buyer relationship. The transparency that comes from all parties seeing the same information on the same platform creates more trust in the relationship. Knowing when payment will be made creates certainty for both supplier and buyer when it comes to cash planning, which is one of the biggest issues for large and small corporates alike. All these benefits are derived from implementing a supply chain finance solution before you even get to the very valid discussions around offering early payments and discount options.

It is how the evolution of SCF is managed by those within the industry which will create its reputation and set the tone for the future. Other industries/solutions were tagged early in their development with often unfair labels which they have struggled to shake off even when their products became more mainstream. With no regulatory body, it is those in the SCF industry that have the responsibility to ensure that the unique position technology providers have, is used for the good of all parties and not to the detriment of others. The concept of a “win win” needs to be protected and will provide the best basis for the continued growth and acceptance of what continues to be a fabulous product.

