Towards a Shared European Logistics Intelligent Information Space

SELIS Workshop 29th January 2019

Supply Chain Financing – managing risk to expose opportunity

In this market of overnight delivery for consumers' orders, it is somewhat perverse that globalisation of manufacture has seen an increase in the lengths of supply chains. This leads to an increase in payment terms due to the desire of many buyers to not pay for 45, 60 or 90 days.

Factoring invoices has not been a very economic alternative for most companies and often driven by necessity in a time of weakness however the total turnover for the factoring and commercial finance industry across the EU in 2017 was 1.6 Trillion Euros.

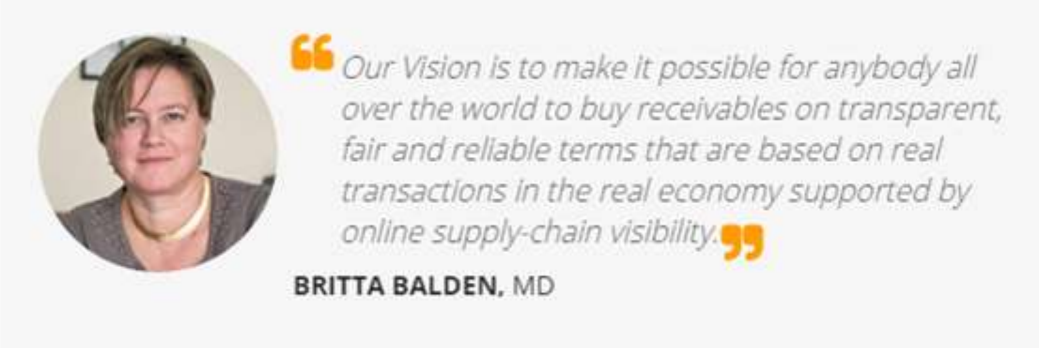
One of the Living Labs, designed to test the concepts of SELIS, has been researching the possibilities of providing sufficient quality data about the effectiveness of a shipper's or retailers supply chain to successfully quantify the risk inherent in a supply chain of good financial risk companies. By using their supply chain data, the unknown risk of default becomes quantifiable significantly reducing the cost of factoring.

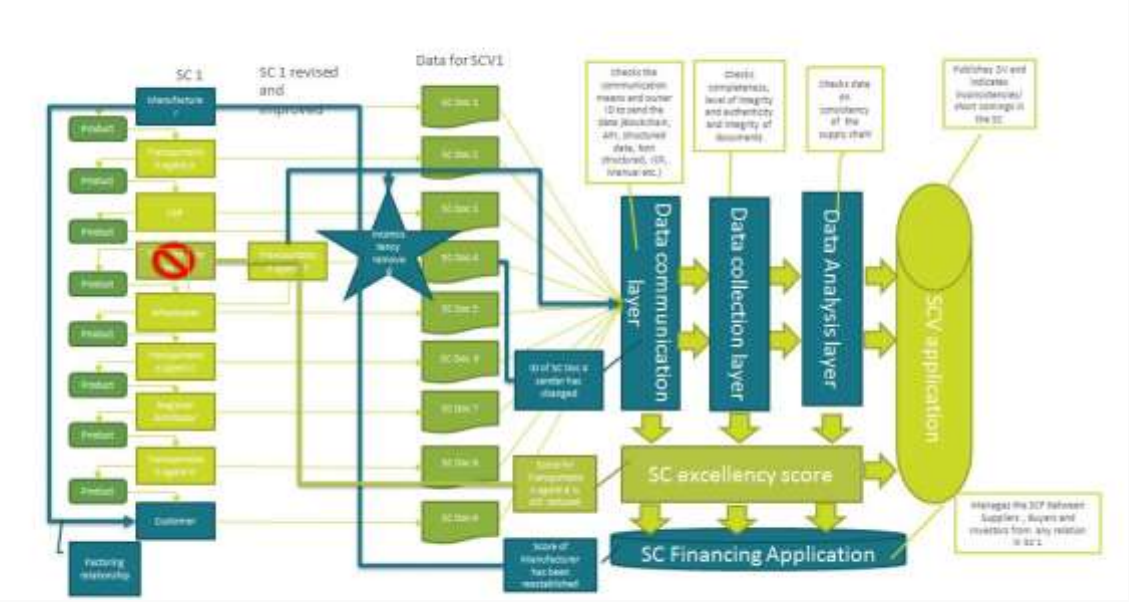
A workshop was held at the IBM Technology Campus in Dublin on January 29th 2019 where Britta Balden, Managing Director of Egerlink, one of the SELIS partners, presented about the Supply Chain Excellency Score as a concept.

The Supply Chain Excellency Score (SCE Score) gives

- Supply chain visibility
- SC Data to assess Financial collectability risk

And is Patent granted





The Supply Chain Excellency Score is based on the concept that

- Suppliers have long payment periods to contend with, partly through payment terms of the invoice but also it may take 7 to 48 days to get their goods to a customer.

- Factoring of invoices (Selling of Receivables) is a good way to reduce that time lag
- SMEs and overseas suppliers do not get good access to working capital support and differential interest rates can make the entire process costly.
- Discount rates for invoices are based on a number of risk factors; Corporate risk factors; Country risk factors; Will the Shipper get the goods there? Will the Customer pay the invoice?
- By providing an assessment, continually updated, of the shipper/customer supply chain the risk in this area is heavily reduced. If the risk is reduced then the financiers purchasing the receivables can reduce the discount rate.
- Big data of transactions in the supply chain can also be analysed to assess the Supply Chain Excellence of a Company.
- Blockchain can aid the authenticity of the transactions as well as provide more data between the Shipper and the Customer.
- It will become a fundamental part of the Know your Customer requirements.
- It should help make a great difference in the Greening of Logistics debate

SELIS Partners

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