



# Modernizing the Approach to Supplier Financing

How to leverage an innovative working capital platform to support all your suppliers



## Preface

Increasingly, organizations are starting to review and rethink their supplier finance strategy with visibility into the entire supply chain. Specifically, they are now more aware they must embrace and support suppliers in the same way they do their customers.

This means there is a need not only for greater investment in suppliers, but also for this investment to be made across all the spectrums of the supplier community. In the past, supplier finance has typically been targeted at large suppliers and neglected others.

Fortunately, there is a modern solution: C2FO. This guide provides insight into supplier finance alternatives and illustrates how C2FO can drive both supply chain finance and dynamic discounting capabilities to your entire supplier community.

The C2FO solution is being widely adopted by many of the world's largest corporations to support their supply chains while simultaneously allowing them to better manage working capital, improve EBITDA and advance their environmental, social and governance (ESG) agenda.



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## Introduction

Supply chain finance, also known as supplier finance, is a set of solutions that optimize cash flow throughout the entire supply chain. The parties involved are typically referred to as the buyer and the supplier(s). In some cases, this also may include a third-party lending institution, such as a bank.

Selecting and applying the right supplier finance solution results in a win-win situation for both the buyer and the supplier. The buyer is able to put its cash on hand to greater and more effective use, and the supplier generates additional operating cash flow, thus minimizing risk across the supply chain.

For decades, supplier finance was only available to the largest companies within a supply chain, and typically, these were bank-administered programs. Unfortunately, these programs' architecture often tied the organization to the funder and reduced the organization's ability to change.

## The demand for supplier financing

In recent years, waves of disruption have swept across the business world. For many companies with global manufacturing chains, these developments have led them to shift activities to new suppliers in other parts of the world. Amid such changes, the need to maintain supply chain financing programs, and the liquidity to support them, has been crucial.

As a result, finance and procurement teams have been reviewing strategic weaknesses in their supply chains, and payment policy is one area that has received considerable attention – specifically, buyers are agreeing to pay their invoices earlier. These payment policy adjustments have been made out of the necessity to enable their supplier community to survive.

The disruptive environment has been a catalyst for organizations to become more open in their thinking and to proactively look for complementary ways to support their supply chain. Organizations are also seeking a more structured way to maintain this early payment approach and continue their focus on enhancing supply chain health.





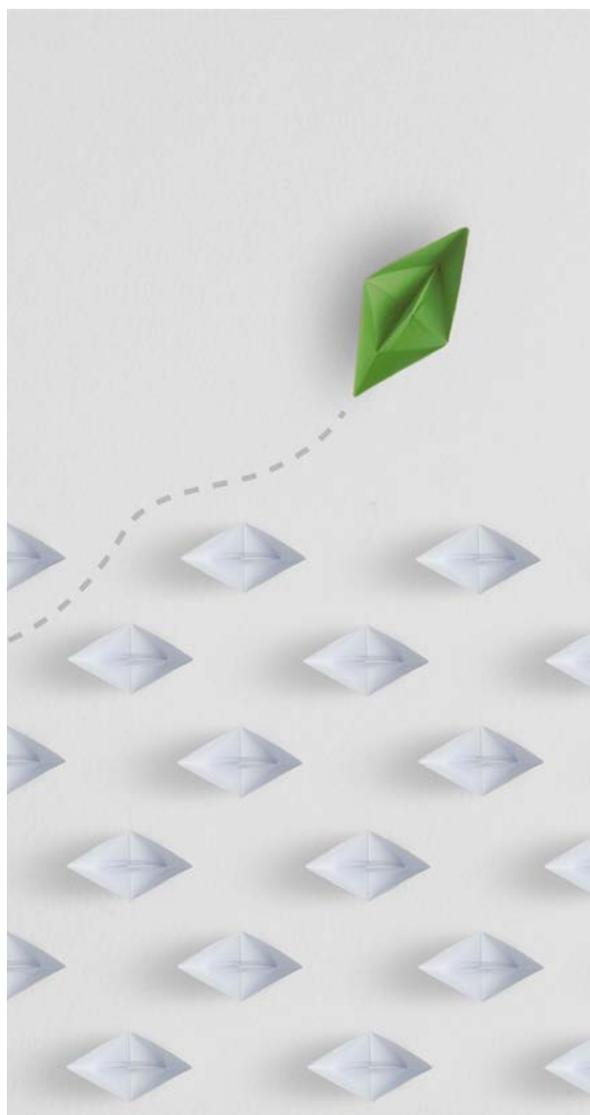
## The different forms of supplier financing

Because of supply chain disruption, inflation pressures and the lingering effects of COVID, the working capital needs within supply chains have never been more acute. Fortunately, two forms of supplier financing, dynamic discounting and supply chain finance, can help free up funds faster while delivering sizable benefits to buyers and suppliers.

That includes reducing slow payment, a problem that has a real and negative effect on businesses. A QuickBooks survey noted that 65% of mid-sized businesses spend up to 14 hours per week collecting payments and chasing late payments. A lack of reliable access to working capital also can be a key inhibitor to the growth of many organizations. Alarmingly, these indirect costs continue to exist within the supply chains of most businesses and ultimately are passed through to consumers.

This document takes a look at the advantages of supply chain finance and dynamic discounting and how they can affect your cash flow. We also review the C2FO platform, which supports both methods of supplier financing and allows an organization to:

1. Reach a wider supplier audience
2. Provide treasury with a more nimble platform to impact both EBITDA and working capital metrics
3. Equip treasury with a flexible platform to seamlessly move between funders





## Reducing supply chain costs with dynamic discounting

With dynamic discounting, suppliers offer a discount to buyers that agree to use cash on hand to pay their invoices early. The size of that discount will vary. Generally speaking, though, the earlier the payment, the bigger the discount.

One of the key drivers for dynamic discounting is the ability to rapidly inject cash into the supply chain when needed. At times, this could address a specific vulnerable supplier group. More commonly, though, large organizations are developing it as a complementary approach to their supplier finance program, using dynamic discounting in parallel with supply chain finance.

Inflation concerns are also top of mind for many buyers. As a result, the procurement, finance and treasury departments are all looking for potential cost reductions.



Dynamic discounting can support this effort in two ways:

1. Adoption of a broad, fully automated discount program that leads to a significant cost reduction
2. The reduction of indirect costs — for example, cost associated with accounts payable (AP) processing or the reduction of cost associated with supply chain members accessing third-party funding sources





## Reducing supply chain costs with dynamic discounting

(continued)

It should be noted that, in practice, many companies' "dynamic" discounting solutions are not dynamic. They rely on the use of static terms.

Under static terms like 2/10 net 30, a buyer can claim a fixed 2% discount only in the first 10 days after the invoice is issued. Plus, under static discounting, buyers — especially large enterprise buyers — tend to have more leverage and can often dictate the discounts they want.

C2FO, meanwhile, is truly dynamic. Unlike other dynamic discounting programs, C2FO's platform uses a marketplace approach to dynamic discounting. This marketplace allows suppliers and buyers to seamlessly agree to a rate that works for both parties. Furthermore, with the C2FO dynamic discounting solution, discounts could be made available at day 11, 15 or even 21.

C2FO's marketplace automatically uploads all of a buyer's approved invoices to the platform, and the buyer sets a target for the size of the discount it is seeking in exchange for making early payment.

Using the platform, the buyer's suppliers make offers for how much they're willing to discount their invoices in order to get paid early. C2FO's algorithm considers all the offers to determine which ones best meet the buyer's target and should be paid early.

The big benefit of this approach is that suppliers have more control over the size of their early payment discounts — or if a discount is offered at all.

Buyers appreciate dynamic discounting because the discount reduces their cost of goods sold (COGS). That discount usually represents a larger rate of return than other investment opportunities, and it's risk-free. And by paying suppliers early, the buyers are helping to ensure those suppliers are financially healthy and able to fulfill future orders.

Thanks to the flexibility and the lack of a middleman, dynamic discounting is expected to be one of the fastest-growing financing solutions in the market.



## Improving liquidity with supply chain finance

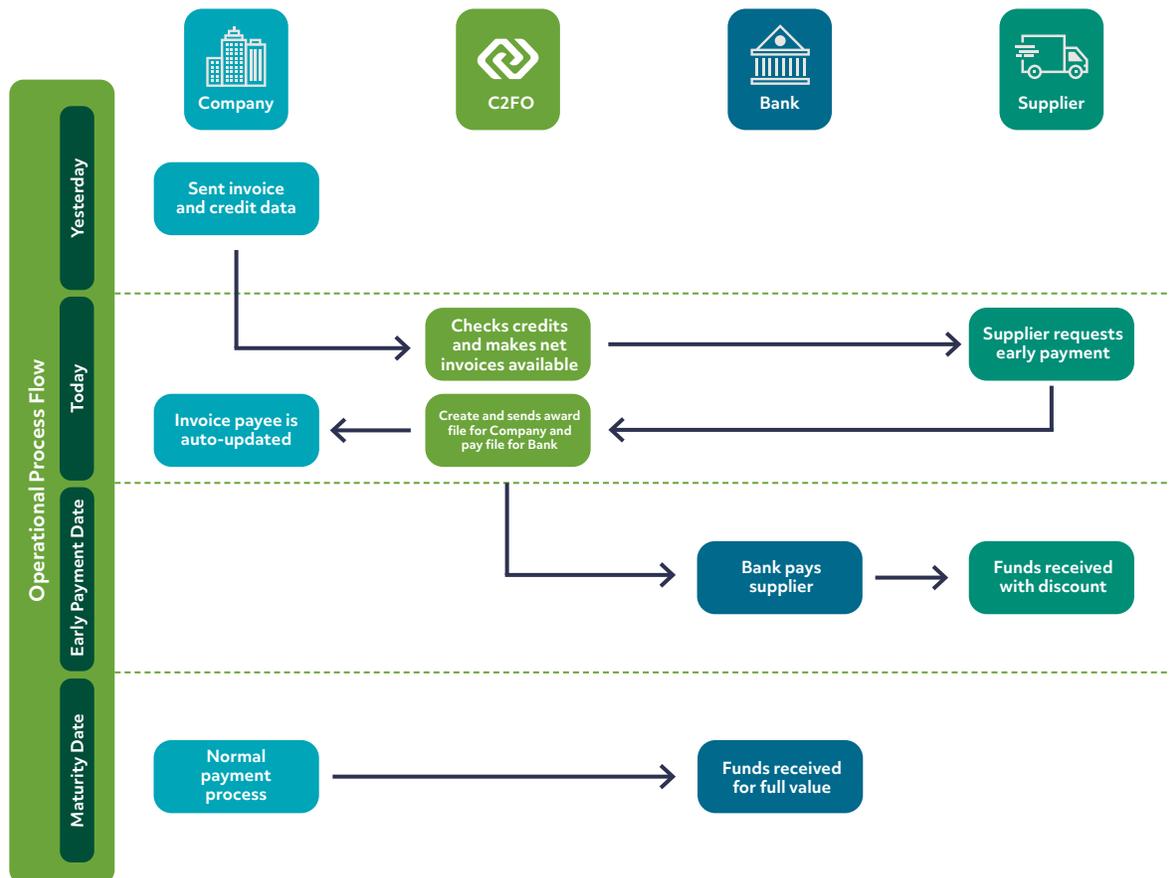
Supply chain finance (SCF), also known as supplier finance or reverse factoring, can also help buyers pay their suppliers faster.

Under an SCF program, a buyer will typically finance early payment of its suppliers' invoices through a bank or other financier. The supplier gives a discount in exchange for early payment, the same way as with static or dynamic discounting. The buyer typically pays the financier back on the invoice's original due date or later.

Supply chain finance improves liquidity for both parties, allowing suppliers to get quicker access to what they are owed and buyers to have more time to pay their invoices. This can positively impact both working capital and margin (EBITDA) for the buyer.

The main differences between C2FO's supply chain finance solution and traditional models are:

1. The platform is independent of any specific funding partner, enabling choice of funding partner and rapid interchange between funders.
2. The platform can combine both a buyer's "own cash" and third-party funding and dynamically switch between the different sources to impact either EBITDA or working capital metrics.
3. The platform also includes the unique marketplace characteristics of all C2FO solutions.





## Supply chain finance vs. dynamic discounting

There are a couple of important technical differences between dynamic discounting and supply chain finance.

For starters, dynamic discounting is typically used when the buyer has cash on hand. Supply chain finance is utilized when the buyer wants to offer early payment but prefers to conserve cash.

And two, with supply chain finance, early payment is financed through funds from a bank or some other third party, and that financing is based on the strength of the buyer's credit, not the supplier's.

Traditional supply chain finance has additional drawbacks for suppliers, though C2FO has addressed these obstacles with specific products and solutions.

Typically, supply chain finance programs are only available to a buyer's biggest vendors. C2FO's dynamic discounting and Dynamic Supplier Finance, a version of supply chain finance, can be made available to suppliers of all sizes because the patented technology allows C2FO to make smaller accelerations of payment, at scale.

Suppliers that are invited into a supply chain finance program usually have to agree to be "all in" – all of their invoices for that particular buyer must be funneled through the program. With C2FO, suppliers and buyers can tap into early payment whenever they choose.

With many supply chain finance programs, there is no room for negotiating the discount; however, C2FO allows suppliers to set a discount that they find acceptable through patented Name Your Rate™ technology.

Today, many buyers are recognizing the single point of failure in using bank-based supply chain finance, where the bank-controlled technology is used to deploy bank funding of early payment. If the bank's credit appetite shrinks, as is common today, then the supply chain funding dries up. A bank-flexible solution, like C2FO's Dynamic Supplier Finance, guards against this.





# The C2FO platform

C2FO offers a supplier-friendly version of both solutions in a single platform.

Dynamic discounting and supply chain finance are two different solutions for the same problem: How can businesses access the working capital they need, quickly and easily? Depending on the situation, each approach can offer significant value to buyers and suppliers.

With C2FO, companies don't have to choose. Our dynamic discounting and Dynamic Supplier Finance solutions are designed to work hand in hand. C2FO makes it easy for buyers to switch between these solutions as needed so they can continue to pay invoices ahead of schedule, without interruption.

## \$262B

in working capital funded since 2010



## 5

GLOBAL OPERATING CENTERS

United States, United Kingdom, India, Australia and China



### NETWORK REACH



Over **2 million** in-network relationships in 160+ countries

**100** of the **Fortune 100** companies are in the C2FO network

**1,597** of the **Forbes Global 2000** companies are in the C2FO network

### EMPOWERING ALL BUSINESSES TO THRIVE

## \$4.7B

in accelerated funding to diverse businesses in 2022, a 27% increase over 2021

## 1,349

women- or minority-owned businesses funded in 2022



### LOADED AP / AR

## 43M

approved invoices were **uploaded** each day in 2022



## \$2T

Matched **\$2 trillion** of AR to AP in 2022

### C2FO IMPACT: Q4 2022

## \$20.9B

in funding to businesses

## 10.7M

invoices accelerated in Q4



### C2FO IMPACT: 2022 TOTAL

## \$867 MILLION

Top funding day: **\$867 million** on March 25

## \$78 BILLION

in funding to businesses

## 42%

increase in funding compared to 2021

## \$1.5 BILLION

per week in funding

## 3 MILLION

invoices accelerated each month, on average

## 31.7

average days paid early

## 36 MILLION

invoices accelerated

## 6.7%

average global cost of funding



## A strategy for success

More and more organizations are recognizing the singular importance of having a healthy, flexible supply chain. They understand how solutions such as dynamic discounting and supply chain finance can benefit both the organizations and their suppliers.

The most successful organizations won't just have technology, though. They'll also have a superior strategy — a clear vision of the results they want to produce, as well as a clear understanding of how different solutions can produce those results.

For one enterprise, the goal might be greater supplier health, while others prioritize cash yield, cost reduction or a reduction in time-to-

pay. Once the organization has identified its goals, it will be in a better position to choose solutions designed to effect the desired outcomes.

Some buyers may decide that a static discounting solution may be enough to hit their targets. Many more will see that truly dynamic tools, like C2FO's platform, are most likely to create success for themselves and their suppliers, especially in the global economy's rapidly changing conditions.

Because the changes never really end. To endure in the marketplace, the most effective organizations are almost always the most adaptable.



**Explore how C2FO's on-demand working capital platform can deliver exceptional results for you and your entire supply chain. Schedule a call today.**

[Schedule Now](#)



## About C2FO

C2FO stands for “Collaborative Cash Flow Optimization.” But that only explains part of our role as the world’s largest online platform for working capital.

In 2008, we began building an on-demand platform that matched the accounts receivable and accounts payable for hundreds of thousands of companies. This digital solution enabled suppliers to receive early payment on their invoices, at discounts that they determined. Their customers used the invoice discounts to safely increase margins and profits, while ensuring the health of their supply chains.

Since its launch, C2FO has provided more than \$262 billion in working capital funding and earned \$1 billion gross profit for our enterprise customers. And, 100 of the Fortune 100 companies are in the C2FO network, and we have over 2 million network relationships in 160 countries.

Our supplier customers today can use C2FO to access the capital they need to grow their business. Our buyer customers can use their own balance sheets or third-party funding from C2FO’s network of lending partners to adjust the timelines on AP or AR, providing more flexibility and control over working capital and EBITDA improvement for everyone in their ecosystem.

**At C2FO, we’re committed to ensuring that working capital works for you – and for everyone.**

[Learn More](#)