

Scaling supplier finance to build a more resilient supply chain



Supplier finance is a cornerstone of an agile, resilient supply chain

In a challenging and unpredictable macroeconomic environment, companies need to be ready for anything. A robust supplier finance program can help companies mitigate the effect of unexpected market developments by improving the agility and resilience of their supply chains.

And unlike older bank-led programs, sophisticated supplier finance solutions provided by fin-techs like SAP Taulia give companies access to the technology and resources they need to scale supplier finance to their entire supply chains – not just a minority of suppliers.

Even the best technology requires initiative, and that's what this guide is for. SAP Taulia has implemented over 165 working capital programs with some of the largest companies in the world, like Airbus, Red Bull, T-Mobile, and Bridgestone. Our network of millions of suppliers spans more than 165 countries.

In other words, we've learned a thing or two about how to scale supplier finance – and this research and experience has allowed us to develop a framework for success.

That framework is what we're sharing here.

1. Planning
2. Tools and resources
3. Strategic preparation
4. Operational readiness
5. Execution and growth

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Planning – where do you want to go?

When considering a supplier finance program, it's important to be clear about the objectives of your project – why are you here, and what are you trying to achieve?

Building resilience and driving sustainability

Every project is unique, but in our experience there are some common themes that everyone considers at the outset. And in today's uncertain environment, companies are particularly focused on harnessing supplier finance to shield their businesses from the risk of disruption.

By helping suppliers manage their cash flows and working capital more effectively, there's an opportunity to not only improve relationships with suppliers, but to make the whole supply chain more resilient.

At the same time, companies are increasingly using supplier finance to advance their ESG goals. For example, companies can incentivize suppliers to improve their sustainability credentials by offering more favorable rates if suppliers improve their environmental performance or meet social criteria.



Defining your goals

Whatever your specific goals, it's important to set program objectives that are 'SMART' – in other words, Specific, Measurable, Achievable, Relevant and Time-bound.

Once your objectives have been agreed, make sure the business knows what to expect and by when. Organizational alignment around the expected outcomes of the project is the most important thing to bring to the table at the outset. But how do you make sure that what you're committing to is possible? Our answer is simple: model the scenarios to test the expected outcomes. A robust modeling process will provide you with a practical decision-making path to help you meet your objectives.

Eyes on the prize

When embarking on scenario modeling, data – together with an understanding of industry metrics – can help show you the way. Armed with knowledge of market trends, and an understanding of how you would like your own KPIs to trend, you can analyze your spend file to identify the opportunities and begin building your strategy.

Key questions to consider include:

- How do your key KPIs compare to your competitors?
- What are your available financial levers and options?
- What approach is best suited for suppliers in your industry?

But modern planning also needs to go beyond KPIs. A successful supplier finance program also needs to factor in compliance with shifting regulations and questions around supplier sustainability.

Partnering for success

If you know the outcomes you want to model against, choosing a partner with rich data and broad experience is enormously valuable at the planning stage. In today's environment, you should also seek a partner that deploys AI-driven analytics to provide actionable insights.

If you're seeking positive working capital outcomes, we've seen some businesses engage major consulting firms with dedicated working capital practices. This approach can help you identify key opportunities in your supply chain. Ultimately, your organization will need to align its objectives against what is possible to achieve.



The SAP Taulia advantage

- Full spend file data analysis
- Artificial intelligence and predictive program insights
- Network supplier match
- Unique program modeling software
- Dedicated consultant to share market insights and best practices
- ESG performance dashboard to track program benefits for ESG-aligned suppliers

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Tools and resources – who will lead you there?

Having discovered what supplier finance can help you achieve, it's time to consider what tools and resources you will need to get there. You'll need to deploy both internal and external resources.

Build a cross-functional team

First, evaluate your internal resources. Your working capital advisory team should ideally include stakeholders from Procurement, Finance, Treasury, Accounts Payable, and IT. This cross-functional team should be accountable to either the Chief Financial Officer (CFO) or the Chief Procurement Officer (CPO).

The exact make up of your cross-functional team will depend on the nuances of your organization – we've seen teams as small as five and as large as 50. But bear in mind that all the relevant functions will need a seat at the table.

This team will:

- Set and communicate clear, measurable objectives
- Establish timelines
- Commit resources
- Select providers
- Implement the solution
- Execute the strategy
- Remain accountable for ongoing success, as measured against the objectives

External tools and resources

If your goals include addressing aspects of your entire supply chain, you'll need access to external tools that ensure scalability. That's where technology comes in – and it's essential to choose a partner that aligns with your goals.

As part of this decision, consider adopting a solution that's flexible enough to evolve in line with your company's needs. For example, a solution that offers the ability to switch between self-funded and third-party-funded options can help companies navigate seasonal peaks and troughs or respond to an unexpected liquidity squeeze.

The SAP Taulia advantage

- 165+ projects with the world's largest organizations
- Millions of suppliers in our network
- 18 languages
- 90-second registration
- Exclusive alliances with J.P. Morgan, KPMG, EY, IBM, Standard Chartered and UniCredit
- Flexible funding model allows companies to switch effortlessly between self-funding (dynamic discounting) and third-party funding (supply chain finance)

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Strategic preparation

Objectives defined, organization aligned, resources identified – it's time to get to work.

The best programs have an accurate picture of their financial supply chain, which includes an understanding of supplier relationships. Furthermore, in today's environment, it's vital to adapt quickly to unexpected events, which means understanding how economic, geopolitical, and regulatory changes could impact your supplier base.

Supplier segmentation analysis can include a number of factors. Common considerations include supplier relationship, strategic importance, geography/region, IT landscape, supplier size, contractual restrictions, supplier risk, ESG practices and regulatory restrictions. Suppliers can also be segmented based on factors such as spend and criticality.

The best programs are also logical about how to tackle scope, including technology and a strategic rollout plan. The best technology will design requirements that align with your business processes. Important considerations include:

- Buyer entity and supplier location
- Supplier enrolment process
- Invoice submission and approval process
- Supplier access to payment and invoice-level detail
- Payment process
- AP inquiry process
- AI analytics
- ERP integration





Communication

Strategic and scalable programs also include effective plans for communication, incorporating both internal and external content. Important considerations when building out this plan include:

- Scope and supplier segmentation
- Measurable success metrics
- Corporate vs local entity involvement
- Timelines
- Necessary change management

If the initiative sits across the entire supply chain, communication handling should be targeted to different types of suppliers. In most cases, scalable electronic communications are sufficient for mid and long-tail suppliers – meetings and live conversations should be reserved for the most strategic suppliers, and preparations should include handling of any objections.

By developing a 360-degree approach to your suppliers, you will be better placed to design and implement the proper strategy on a supplier-by-supplier basis. Careful planning will allow a quicker ramp, ensuring speed to value.

The SAP Taulia advantage

- Segmentation strategy expertise
- 100+ customer success team members
- Advanced data analytics and modeling
- Robust methodology
- Access to the SAP Taulia network of buyers
- Native integration into the SAP Business Network

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Operational readiness

Now that you've developed a strategy and a framework, you need to get the organization aligned and ready.

At this point, everyone should have a clear understanding of their roles and responsibilities. It's also important to pinpoint who in leadership is taking ownership for reporting.

Internal messaging

When considering a large initiative that involves various departments, it's best practice to announce the initiative internally in the first instance, in order to maintain control of messaging.

Failing to educate supplier-facing staff properly will seriously undermine the effectiveness of a finance program. But a clear message from senior leadership can provide purpose, clarity, and confidence.

At this point, the following should be in place:

- Business framework
- Management sign-off
- Operational plan (living document)
- IT resources

- Project roles and responsibilities
- Communication plan and templates
- Supplier outreach resources
- Exception handling process
- Launch date

The cross-functional team should also be fully aligned, particularly including procurement and treasury.

It's important at this point to understand that the plan is a 'living document' – you should feel empowered to add to, improve or streamline the plan as you learn more.

The SAP Taulia advantage

- Webinars and training
- Supplier content creation and deliverability
- Supplier outreach and education team
- Supplier inquiry handling



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Execution and growth

You've planned, and now it's time to execute. At this point, thanks to close collaboration, preparation, and partnership, 'go live' should feel natural. Once your program is in place, aim to continue tweaking, adjusting and realigning your strategy to ensure you're meeting the objectives of both your business and your suppliers.

After the first 90 days following your program's launch, it's important to develop a growth mindset around the program. By this point, significant progress will have been made, but it's still important to have access to the relevant teams and tools to ensure the program continues to deliver success.

The SAP Taulia advantage

- Dedicated business consultant
- Real-time data insights
- Supplier outreach and education team
- Supplier marketing
- Supplier technical support

In summary

Supplier finance, like any cross-functional strategic initiative, requires strong analysis, robust planning, clear objectives, and great partnership in order to succeed.

The various requirements and considerations involved can seem overwhelming at the outset, but rest assured, you're not alone.

Whether you're in the information-gathering phase or ready to get going tomorrow, SAP Taulia has walked this journey with over 165 of the world's largest organizations. Our market-leading, multi-funder network is ready to support suppliers across your ecosystem, while giving you the control and flexibility you need to navigate a changing economic environment.

If helpful, we would welcome an initial conversation to get a better understanding of what you're looking to achieve, and share our perspectives on how to realize that success.



Bring out your best.