

New solution promises cheaper supply chain finance

A web-based platform which offers access to a range of business commerce applications could herald major changes in the global intra-enterprise business, writes **Liz Salecka**.

Ariba Commerce Cloud is an enhanced range of outsourced business applications, which companies can access online to manage corporate spending, procurement and sales processes, and to automate payables and receivables. As the applications are hosted on external servers and accessed over the internet using the software as a service model (SaaS), companies do not have to invest in, install, or manage the software and infrastructure required to take advantage of these services. The solution offers access to the Ariba network, an established web-based trading community of more than 300,000 companies, including bank providers of supply chain finance. This means that corporates using Ariba Commerce Cloud can electronically tap into the network to source cost-effective receivables discounting and trade finance opportunities from a range of banks. "In terms of supply chain finance, what we are trying to do is help corporates achieve their working capital objectives. On the payables side, buyers may be looking to extend payment terms or they may want to invest in their supply chains, and maximise opportunities for suppliers to benefit from early payment through receivables discounting," explains Peter Lugli, senior director, working capital management and business development, Ariba. "Suppliers, meanwhile, can benefit from early access to finance by selling their receivables to a bank or other financial institution that is a member of the network. At a click of a mouse, suppliers can decide if they want to be paid early for certain receivables." Lugli explains that the new platform can

lower the cost of receivables financing because banks offering this service via the network benefit from electronic access to information on trade between buyers and sellers on which they can base their decisions.

"In the case of receivables financing, there is greater transparency into invoices mediated via the network. Banks can build a picture of the relationship between a buyer and a supplier over a period of time. The network provides them with transparency and a greater insight into financial flows and this can help them to reduce the cost of financing, making receivables financing less expensive for suppliers."

He adds that banks can access up to 10 years of information on buyer/seller relationships, captured and archived by the Ariba network, depending on the agreements in place with those corporate customers.

Aside from improved electronic access to a number of bank providers of supply chain finance and potentially cheaper financing, corporate buyers and sellers using the Ariba solution can also switch financial providers easily.

"A corporate may take on a supply chain finance solution from one financier, which then ceases to offer this business. In this instance, the buyer and its suppliers get stuck with a particular solution and need to migrate to another provider. The Ariba network offers more flexibility when switching financiers," says Lugli.

According to Tim Minahan, chief marketing officer at Ariba, the Ariba network is attracting growing interest from banks and non-banks, which see its popularity as an opportunity to expand their supply chain finance activities. Most of the major global bank providers of supply chain

finance have already joined the network, he claims, and now use it to compete and bid for the opportunity to discount receivables.

"A whole host of third-party service providers have joined. These include banks, which recognise that they can use the information provided to buy receivables," he says. "They are provided with transaction histories and payment histories – and can also factor against a large buyer, which offers them greater security."

"Financial institutions are looking at how they can best participate," adds Lugli. "With Ariba Commerce Cloud, all the information they need is made available online to aid their decision-making – no paper is needed or used at all."

"Aside from offering supply chain finance via the network, banks' participation is much greater in many cases, and some also work as our partners, reselling our product labelled as their own. Many banks have also deployed our solution to trade with their own suppliers, and manage their own supply chain needs."

Although Ariba Commerce Cloud provides network members with improved visibility into their cash flows as well as access to supply chain finance, Lugli points out that it is still difficult for any one provider to offer a truly comprehensive cash and trade solution. "We are still on the journey when it comes to collaborative cash management and supply chain finance solutions," he says.

"However, once you have digital communications with your suppliers, and manage your payables and receivables in this way, visibility into cash flows becomes better than before, and this provides you with a platform for working capital management." **GTR**