

# Ariba® Supply Chain Finance: Frequently Asked Questions and Answers



Here are [answers to the most common questions](#) about the Ariba® Supply Chain Finance solution.

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## SUPPLY CHAIN FINANCE AND OVERALL VALUE

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### **What is Ariba Supply Chain Finance?**

Ariba Supply Chain Finance is a solution that gives companies a tool to increase their payment terms while giving their suppliers the option to get paid early. This helps meet corporate objectives such as improving working capital and earnings before interest, taxes, depreciation, and amortization (EBITDA) as well as reduce the risks of supply chain disruption.

### **How does supply chain financing work?**

Supply chain financing allows a buying organization to optimize its payment terms to its suppliers and improve working capital. At the same time, it gives suppliers the option to receive early payment based on attractive financing rates utilizing multifunder finance options.

Here's how it works:

- The supplier sends an invoice to its buyer as before.
- The buyer approves the invoice from the supplier and uploads the information on to Ariba Supply Chain Finance using the Ariba Network.
- The supplier is notified and has full visibility of the approved invoices.
- The supplier has the option to either trade its invoices immediately and get early payment by a funder or, alternately, wait for payment until the invoice is due.
- The funder (or funders) receives and processes early-payment requests and provides funding to the supplier.
- At the maturity date of the invoice, the buyer's clearing account is instructed to pay either the funder(s), if the supplier has sold invoices, or the supplier, if the supplier has not sold invoices.

### **What is multifunder financing, and why does it matter?**

In the wake of the 2008 financial crisis, many businesses that relied upon one or two main sources of institutional funding found their banks unable to meet their requirements for financing. Despite this, the majority of supply chain finance solutions that are currently available are tied to a single bank's closed platform. Ariba Supply Chain Finance offers a true multifunding platform with more than 55 funders. It delivers financing at the most competitive rates, matches companies with their preferred funders, and sustains greater liquidity.



## DELIVERY

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**How long does it take to set up a supply chain finance program?**

Ariba Supply Chain Finance provides fast, easy setup for our customers. SAP® Ariba solution teams will create a detailed implementation plan designed to ensure that your solution is set up and operational within just eight weeks.

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**Do you provide training? Who in our organization will need to be involved and trained?**

Before Ariba Supply Chain Finance goes live, we provide detailed training and educational services to your team through face-to-face meetings and customized Web-based microsites with calculators, case studies, descriptions of the different processes, and more.

As part of the training, we make sure your team members understand the principles and main selling points of the finance program. We help to find and provide the good arguments (based on working capital analysis) to support the payment term extension negotiations and supplier messaging.

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**Who is responsible for customer service and support for Ariba Supply Chain Finance?**

Full customer service and support for your finance program is included as part of Ariba Supply Chain Finance.

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**Is Ariba Supply Chain Finance associated with a major bank?**

Ariba Supply Chain Finance is a bank-agnostic financing platform with over 55 financial institutions serving as liquidity providers. It is not affiliated with any single financial institution.

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**What payment currencies do you support?**

Ariba Supply Chain Finance has no limitations in terms of currencies. We can easily add and manage any currency in our platform.

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**Are there balance sheet implications involved in using Ariba Supply Chain Finance?**

The team behind Ariba Supply Chain Finance has implemented more than 200 supply chain finance programs, each of which have been approved by all major auditors. This solution and legal structure have no implications in terms of accounting treatment. A buyer's accounts payable are not reclassified into financial debt; and for a supplier, it is a true sale of receivables for cash.



## BUYERS

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### **What are the benefits for a buyer using Ariba Supply Chain Finance?**

Benefits for the buyer include the following:

- Complete, mature, best-of-breed supply chain finance platform interwoven with the Ariba Network
- Supplier relationship and enablement beyond what is delivered by any bank or supply chain finance point solution
- Comprehensive service and education for global suppliers
- Significant and ongoing working capital improvements
- Operating cash flow freed up
- Standardized and harmonized payment terms
- More efficient accounts payable and reduced administrative costs
- Reduction of supplier payment inquiries with rich and comprehensive remittance data
- Lower risk of supply chain disruptions
- Highest accounting standard for buyers and suppliers
- Support for low-cost country sourcing
- Long-tailed suppliers addressed

### **What are the best practices recommended to maximize the success of supply chain finance objectives?**

First, you need to have a full, detailed analysis of your spend and of each supplier, which allows you to prioritize and implement the program in different phases to maximize your result. The analysis will provide detailed information about each single supplier and the standard payment terms within its industry and country, which helps you negotiate new terms with that supplier.

The second important success factor is educating your procurement team and suppliers as well as registering them and bringing them on board. Ariba Supply Chain Finance provides a unique way to facilitate the process, making it as easy and fast as possible for your suppliers to come on board.

### **Do you support the ability to accelerate supplier payments with our company's own cash? What would be the difference in terms of collaboration and structure between our company and your company in such a case?**

Ariba Strategic Payables solutions, part of our financial supply chain solutions, support self-funding through the use of the Ariba Discount Management solution. Both Ariba Supply Chain Finance and Ariba Discount Management are built on the Ariba Network and share a single sign-on and user interface (UI) for both buyers and suppliers. As a result, buyers can choose which suppliers they want to pay early using their own cash and which they want to pay using financing – simply and within the same platform and UI.



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**Do you support the ability for us to provide our own sources of financing? Can we direct which banks will participate in any funding syndicate?**

You can direct which funder will participate in your program, at what amount and what pricing. You can choose from over 55 funders already on our platform or add your own financing partners.

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**In what countries can your services be utilized?**

With virtually unlimited funding capacity working with more than 55 financial institutions, we are most likely able to deploy supplier financing programs in any country for any supplier. Limitations would arise only if no funder can be found for a specific country.

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## SUPPLIERS

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**What are the benefits for a supplier to participate in Ariba Supply Chain Finance?**

Ariba Supply Chain Finance provides the following benefits for suppliers:

- Early payment of outstanding receivables
- Compelling alternative to expensive factoring or bank loans
- No debt, resulting in better balance sheet metrics
- Full transparency and visibility of all approved invoices
- Reduced disputes and collection costs
- Payment visibility and certainty regarding approved receivables from specific buyers
- Nonrecourse financing

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**What functionality is available to suppliers to initiate and control the acceleration of payments?**

The supplier has three options to trade its invoices and initiate acceleration of payments:

- The supplier can select individual invoices for early-payment terms.
- The supplier can define specific business rules to receive early payment across a wide number of parameters such as amount, date, and more.
- The supplier can select AutoTrade. This feature automatically trades all invoices and credit memos immediately once uploaded and limits any time delay in the cash receipt. For example, if you approve invoices on Monday, data is transferred during the Monday night batch to Ariba Supply Chain Finance, and it is automatically offered to the funder for sale. The sale offer is processed by the funder during the trading window on Tuesday, and if accepted, cash is debited from the funder account on Tuesday. The cash will be credited to the bank account on Wednesday.



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**Are suppliers obliged to finance all of their invoices when they sign up?**

No. Ariba Supply Chain Finance allows a great deal of control and customization in a simple and user-friendly format. Suppliers can select individual invoices for early payment, or they may choose to accelerate all their eligible invoices, or none of them.

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**Once enrolled, can suppliers decide not to trade using the program?**

Yes. Suppliers are not required to trade or request early payment of their invoices.

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**What happens if the supplier does not deliver the goods or services being invoiced?**

The invoice is only eligible for financing once the buyer has confirmed acceptance of the invoice. This normally takes place after the goods have been delivered and accepted by the buyer.

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**Will suppliers be paid later than usual if buyers use Ariba Supply Chain Finance?**

Quite the opposite: suppliers will be paid earlier and have much greater control of when buyers want to collect supplier payment. This will give suppliers immediate access to working capital and improve cash flow, reinvestment opportunities, and scope for growth.

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**What happens if buyers don't pay?**

For the suppliers, invoices that are sold for early payment through Ariba Supply Chain Finance constitute a true sale of accounts receivable. If there is a default, the payment will be collected from the buyer.

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**Will suppliers receive less money if buyers use Ariba Supply Chain Finance?**

Suppliers have total control over which invoices they run through Ariba Supply Chain Finance. They receive payment for the full value of an invoice minus a small early-payment fee, which is fully visible to the supplier when choosing to accelerate or not.

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**How quickly can we start selling our invoices?**

The registration process is designed to be quick and easy. On average, companies need 48 hours to register for the supply chain finance program and start selling their invoices for early payment.



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**Do we have to change the way we invoice today?**

No change is required. The existing process that a supplier performs to invoice the buyer still remains in place.

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**As a supplier, how quickly do we get paid?**

The funds will be electronically transferred to the supplier's bank account in as few as 24 hours.

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## GENERAL FUNCTIONALITY

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**Does this solution work with our existing systems and software?**

Yes. Ariba Supply Chain Finance works with all major enterprise resource planning (ERP) and information management systems.

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**Do we need additional software or equipment to use Ariba Supply Chain Finance?**

No. It operates in the cloud with all major Web browsers, is available online 24x7, and requires no software installation. All that is required to use Ariba Supply Chain Finance is to be a member of the Ariba Network.

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**How secure is Ariba Supply Chain Finance?**

With Ariba Supply Chain Finance, we have made security a primary operational focus. The solution is based on many layers of security, each with its own policies, controls, and monitoring. We apply the strongest security and encryption protocols to all data, activity, and transmissions across the solution. It has been approved and is being used by over 50 leading financial institutions, including the largest commercial banks.

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**Are there any process changes that will need to take place in our accounts payable operation to accommodate the solution?**

No changes need to take place in your accounts payable operations. Ariba Supply Chain Finance integrates with all major proprietary ERP systems, and it can also simply receive the required information through an invoice file transfer.



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**What information is required from suppliers to enable them?**

We collect a standard set of Know Your Customer (KYC) information required by the third-party funder. The level of KYC information requirements can vary between banks. However, due to the multiple funding options in Ariba Supply Chain Finance, we would recommend the best choice in terms of the financial institution. All data requirements are saved and implemented in our onboarding platform. In order to make the process as simple as possible, we explain in detail why the respective information is required and guide suppliers through the whole registration process. They can see exactly where they stand, using a progress bar, at any time during registration.

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**In a multinational group, how can the local buying organizations participate in a global supply chain financing program?**

The extension of the buyer role to your subsidiaries can be done very easily during the configuration of the program. You can integrate new subsidiaries at a go-with-the-flow pace. The administrator of the program decides on which capabilities and authorizations are open to subsidiaries.

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**With regard to security, where will my data be stored?**

Data is stored in SAP's highly secure data centers.

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**Can a supplier participate in several supply chain financing programs at the same time?**

Yes. This is the idea supported by the Ariba Network. Connecting millions of companies, this business network provides an incomparable ecosystem bringing transparency, flexibility, and security to each trading partner.

The more buyers participate in a program based on Ariba Supply Chain Finance, the more suppliers will be able to enhance their accounts receivable and treasury management.

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**Can I publish invoices that are not validated yet?**

Yes. You can do this so that suppliers have visibility into all of their invoices. Nevertheless, they would not be able to request an early payment for invoices before you validated them.



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## ADDITIONAL QUESTIONS

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**What's the user experience like with Ariba Supply Chain Finance?**

Ariba Supply Chain Finance offers a simple, intuitive user interface. Buyers can quickly identify opportunities with just a click of a button. Suppliers can accelerate payments easily and define rules to automatically trade receivables.

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**How does Ariba Supply Chain Finance link with e-invoicing?**

Designed as an integral part of the Ariba Network, Ariba Supply Chain Finance works seamlessly with the Ariba Invoice Management solution as well as other e-invoicing solutions. However, when combining the supplier finance and e-invoicing processes, SAP Ariba solutions are able to speed up the sales cycle for e-invoicing solutions as well as increase the penetration of your solutions with your existing supplier base. In addition, the time in which invoices are approved by the buyer is generally reduced.

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### Find out more

Still have questions? To learn more about Ariba Supply Chain Finance, call your SAP Ariba software representative today or visit us online at [www.ariba.com/solutions/manage-cash](http://www.ariba.com/solutions/manage-cash).



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