

5 Ways to Grow Working Capital

How a supplier portal helps you benefit from longer payment terms & more discounts captured



Working Capital Initiatives Can Fund Shared Services

Working capital initiatives can be vital to the success of any business. They help you capture the cash needed to service debt, cover operating expenses and fund new projects that contribute to your firm's future growth. If you work in procure to pay, you are in a unique position to impact working capital in a number of positive ways. You can adopt beneficial payment terms, offer early payment discounting programs, conduct audits to recover lost revenues—and more.

Two common roadblocks, though, have historically made it difficult to execute working capital initiatives successfully. The first is incomplete or inaccurate data about your suppliers and key points of contact. This information gap can impede your ability to make informed decisions about the effective design, deployment and marketing of your working capital programs. The second roadblock is compliance. Even the best-designed initiatives will produce lackluster returns unless you have the tools necessary to enforce adoption.

Two roadblocks to working capital initiative success



Incomplete or inaccurate data about your suppliers and key points of contact



Enforced adoption for compliance

Thanks to powerful technology advances, today's procure-to-pay teams can easily overcome these hurdles. Industry leaders are now using the same, portal-based technologies that power supplier onboarding to help them bring their working capital programs to life. The best solutions leverage artificial intelligence technologies that continuously learn, evaluate, predict and execute in ways that can make a significant financial impact on your business. You benefit from smarter segmentation, offer assignment and supplier engagement.

The results can be transformative. One example: A global entertainment company adopting a supplier portal has made breakthrough improvements in working capital. The company previously was capturing only \$200,000 annually in early pay discounts. By using the proactive, automated marketing features built into its new supplier portal, the company now benefits from millions in discounted payments. It is capturing enough savings annually to fully fund its shared services operations.

Here are five important ways a supplier information management portal can help you boost your company's working capital.

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01

Create a Strong, Data-Based Foundation for Working Capital Initiatives

One important capability of supplier portals is supplier information management. Top solutions automatically verify the information suppliers enter against millions of records held in external databases. They also enrich and validate supplier information over time so your vendor master stays up to date. Portals can even flag duplicate entries, append industry codes and establish parent-child relationships so you can clearly track and report on all your business with multiple divisions of a single enterprise.

You benefit from a single, trusted source of the truth about your supply chain that can guide decision making, arm you to negotiate more beneficial contracts and help you launch a variety of programs to boost working capital.

02

Enforce Payment Terms

Are you using your payment terms strategically and holding onto cash as long as other businesses in your industry? And if so, are you enforcing those terms across the board so you get the maximum return on your capital?

The enforcement side of the equation is an area where your supplier portal can really shine. Simply set up your online registration fields to default new suppliers to standard terms. The best portals allow standard payment terms to be assigned based on a variety of supplier characteristics, like industry, region and payment type. You also can require contract uploads to support any exceptions and route them to the appropriate category manager for approval. It's all touchless. You simply set it and forget it.

03

Identify, Market and Manage Early Pay Discounts

Offering early payments to suppliers in return for a discount is a great way to support working capital initiatives. When companies extend their standard payment terms, some suppliers will be put under working capital pressure. Early payment options allow cash-hungry suppliers to meet their own working capital needs. apexanalytix benchmarking data shows our best-in-class performer is capturing \$13 million in early pay discounts for every \$1 billion spent.

The challenges, though, are multifaceted. How do you identify the most appropriate targets for discounting and marketing your offer? How do you track who has accepted and then communicate the information to your payment platforms?

Leading supplier portals include predictive analytics and touchless discount management capabilities that make it simple to design and run your discounting program end-to-end. You can segment and score suppliers based on key characteristics and can structure discount offers that are most likely to be accepted. With the right portal, you have lots of options.

- Offer fixed early payment terms, such as paying a net 45 invoice at day 15 for a 2 percent discount.
- Adopt a dynamic discounting, sliding-scale program that allows suppliers to simply click a button to accept a discount at any time before the original due date. Amounts are calculated automatically based on how early the payment will be made.
- Establish an early payment auction by deciding how much cash to devote to discounted payments and inviting your suppliers to compete with their best discount offer. Set thresholds to automatically reject low offers, accept high offers and send midrange offers for review.

You also get multiple ways to communicate your discount offers to contacts in your vendor master, including automated outbound email and phone messages. Some portal vendors even let you access their own expansive database of validated supplier contacts so you can broaden your outreach.

At each step in the process, the portal takes care of everything. It automatically manages offers using thresholds you've established and updates your supplier invoices in your ERP to reflect the new due date and discount amount. It even monitors discount acceptance and tracks profitability to determine the impact of your early pay initiatives on your bottom line. You can see which techniques are producing the greatest results and fine-tune your approach over time.

Building working capital

\$13M

Best-in-class performers are capturing as much as \$13 million in early pay discounts for every \$1 billion spent.

Source: apexanalytix benchmarking data.

04

Offer Third-Party Financing to Every Supplier

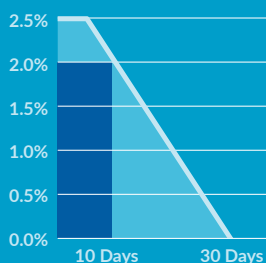
While discounting can significantly improve working capital, there may be times when you have competing priorities and simply don't want to use cash on hand to advance supplier payments. That doesn't mean you have to suspend your early pay program, though—disrupting your suppliers' cash flow and compromising future working capital benefits. Instead you can use third-party funding sources that are integrated into your portal. Here's how it works: If a supplier accepts your early pay offer, your funder pays the invoice early. You in turn pay the funder on the original due date. Your portal communicates any changes directly to your ERP.

Top portal solutions use secure, open adapters to integrate your preferred strategic funding providers directly into your portal for seamless performance. Some vendors even offer pre-integrated funding sources with fully automated, real-time authorization for mid-tier and long-tail suppliers—letting you offer third-party financed early payments to any supplier of any size. Like other portal functions, the entire third-party financing process is automated. You simply click your funding options “on” or “off” on demand, without changing what your suppliers experience.

Cash Discount Management: Flexible Early Payment Options

Dynamic Discounting

Sliding-scale early payment discounts available to any supplier on any approved invoice



You pay supplier early for a sliding-scale discount

Auction/Marketplace

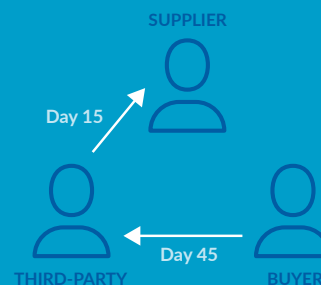
Suppliers compete for your available cash

3.0% ✓
2.6% ✓
1.8% ✓
1.0% ✗
0.5% ✗
0.2% ✗

You set auto-reject, auto-approve and review thresholds. Suppliers bid. You decide which to take.

Flexible Funding

Support your supply chain while holding onto your cash



Third-party pays supplier early for a sliding-scale discount. You pay third-party on due date for full amount.

Capture Unapplied Credits

Some supplier portal solutions also offer integrated audit modules—helping you boost your working capital by capturing statement credits that might have been missed. Predictive analytics generate “claim likelihood scores” and prioritize those suppliers that represent the highest-potential targets for an audit. The result is faster recoveries at a lower cost per claim.

Everything is automated from start to finish. You simply trigger an outbound email campaign to ask suppliers for a statement of account. Suppliers upload their statements online. The system reconciles statements submitted and flags unapplied credits for follow-up. Status is tracked in real time so you know whether a supplier statement has been requested, uploaded and reviewed. It couldn't be easier—or more impactful.

To Find Out More

Are you ready for your procure-to-pay team to make a greater impact on your company's bottom line? With the right supplier portal, you too can achieve standout results that maximize working capital. If you would like to know more, contact apexanalytix at +1 800-284-4522. We'll help you explore your options.



About the Author

Danny Thompson is Senior VP of Market and Product Strategy at apexanalytix and is responsible for defining, communicating and leading our company's software product strategy and roadmap. He works closely with our customers to ensure that each solution helps them meet their business objectives. Danny has a proven track record in the procure-to-pay arena, with a strong background in ERP implementation, process automation and financial shared services. He previously was VP of product management at Tungsten Network, a global business-to-business e-invoicing firm. He also is a former global process driver for invoice-to-pay at Pfizer. Danny earned his B.A. degree from Harding University.

apexanalytix revolutionized recovery audit with advanced analytics and the introduction of firststrike overpayment prevention software. Today, apexanalytix leads the world in supplier management innovation with apexportal and smartvm, the most popular supplier onboarding and compliant master data management solution available. With over 250 clients in the Fortune 500 and Global 2000, apexanalytix is dedicated to providing companies and their suppliers the ultimate supplier management experience. To learn more visit www.apexanalytix.com, email apexinfo@apexanalytix.com or call +1 800-284-4522.

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