What Every CFO Needs to Know About Supply Chains

OBJECTIVE

In 2020, TrueCommerce-DiCentral and the Center for Supply Chain Research at Lehigh University conducted a survey of over 125 CFOs and CEOs of North American-based manufacturing companies to gain insight into the impact of supply chain collaboration and digitization on financial performance.

85%

of participants felt that additional investment in digitization was warranted, with nearly all participants completing some level of digital integration.

95% of participants have started the journey to digitize invoices sent to customers

25% of participants stated that they had high digital penetration rates

4% of participants have digitized 100% of their invoice activity

THE COST OF MANUALLY ENTERING DATA

Over **$600,000** per year manually entering invoices from suppliers

Over **$648,000** per year in manually entering data from bank portals into an ERP system

On average, companies had over

$1 Million

in annual labor expenses tied to manual data entry

SUPPLY CHAIN SIGNAL FOR REVENUE RECOGNITION

13% — **Internally Estimated:** use the "pickup date and time" of goods from their shipping facility as the event that triggers revenue recognition

13% — **Customer Initiated:** incorporate a supply chain signal from the customer as the event that triggers revenue recognition

74% — **Carrier Initiated:** use supply chain signals digitally received from transportation carriers as the event that triggers revenue recognition

Internally Estimated triggers were revealed to be the least desirable, despite avoiding integration costs.

There is often a Pareto Principle in customer supply chains, in which **20%** of the customer base represents a disproportionate share of the overall revenue.

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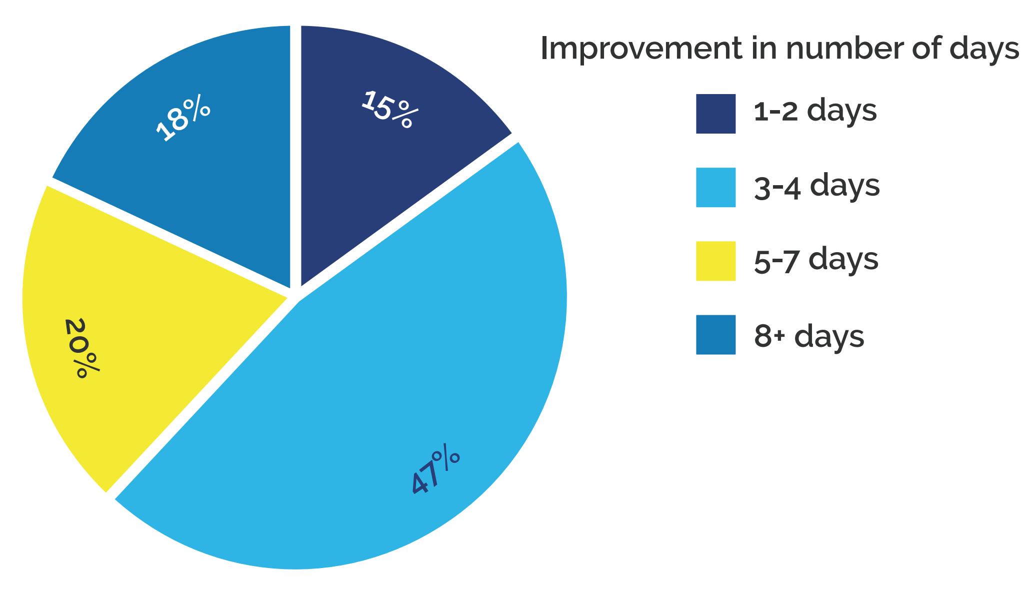
WHAT IS THE PARETO PRINCIPLE?

The Pareto Principle states that for many outcomes roughly 80% of consequences come from 20% of the causes (the "vital few"). Other names for this principle are the **80/20 rule**, the **Law of the Vital Few**, or the **Principle of Factor Sparsity**.

IMPROVING DSO (DAYS SALES OUTSTANDING)

Over **85%** of research participants suggested that at least 3 days of DSO improvement could be gained if collaboration activities with customers were more digitized.



IMPROVING CASH COLLECTION THROUGH ELECTRONIC PAYMENTS

Nearly every company surveyed had started the process of accepting electronic payments, with a few operating at **100%**

Over **85%** of the companies indicated that more than 40% of their clients pay them digitally

BANK INTEGRATION VS MANUAL PAYMENTS

Cash management is a primary driver for C2B (Corporate to Bank) integration.

The majority of respondents reported a cash management relationship with 3 to 4 different banks, with a strong partial C2B integration with at least one of them.

80% of the companies were seeking to increase their cash forecast frequency.

Currently, the average organization makes 38% of its payments to major suppliers via check.

According to an AFP payments fraud and control survey, 70% of U.S. organizations reported check fraud in 2019, which was responsible for more than $18 billion in losses.

2019 was the first year in which fewer than half of B2B payments were being made by check.

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