5 Steps to Better Supplier Onboarding and Early Payment Program Success

Early payment programs like supply chain finance deliver transformative benefits to buyers and suppliers alike. Companies who implement these types of programs unlock working capital and improve cash flow to increase productivity, bolster competitive advantage, and fuel innovation. At the same time, suppliers participating in their customer's early payment program have faster, more reliable, and more accessible capital to fuel their own business growth.

So, why do some supply chain finance programs outperform others? What makes a program underperform?

The answer comes down to effective supplier education, training, and onboarding. A company's supplier onboarding strategy has a direct impact on the performance of a supply chain finance program. Most underperforming programs can be tied to one (or more) of the below pitfalls during the supplier onboarding process:

1. **Failure to see the complete supplier picture.** Companies must take an analytical approach to targeting suppliers for program participation. There are many factors that determine whether a supplier is suited for supply chain finance – not just company size.

2. **Failure to educate suppliers on program benefits.** Some suppliers are understandably apprehensive of change – especially when it comes to accounts receivable. Companies must effectively articulate the value of the program so suppliers can understand how supply chain finance will benefit their business.

3. **Failure to make program enrollment easy.** If it's not easy for a supplier to join a supply chain finance program, there is a higher chance of process abandonment. The supplier onboarding process should be as simple, quick and automated as possible. Tasks like submitting financial data and reviewing/approving terms should be easy to track and execute.

PrimeRevenue has guided more than 45,000 suppliers around the world through the onboarding process. We have identified several best practices that help companies avoid the above pitfalls and achieve successful supplier onboarding. Our five-step supplier onboarding process is built on the foundation of an end-to-end, white-glove service that has been proven to increase supplier program adoption rates as well as the value each supplier receives from the program.

Step 1: Identify and Prioritize Suppliers

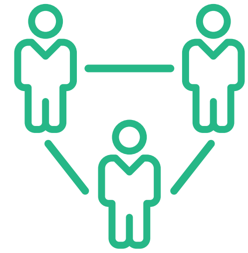
The first step to achieving high supplier adoption is to identify the best candidates for program participation. Typically, companies focus on their largest suppliers first. In most instances, this makes sense – the higher the value exchange, the more likely a supplier is to onboard. But there are many more factors to consider beyond the size of a business.

- **What is the quality of the relationship with the supplier?** Suppliers with a strong, high-touch relationship will be more inclined to onboard. The inverse is also true. Any negative relationship dynamics (e.g. recent significant cuts to order volume) will make the supplier less willing to join the program.
- **Has the supplier recently experienced a change to payment terms?** The tolerance for new change will be lower for suppliers who have already recently experienced change in other areas of the business relationship, such as payment terms.
- **Is the supplier making capital improvements to their business, such as opening new facilities or investing in infrastructure?** Companies need to keep a pulse on the strategic objectives of their key suppliers – especially those that require cash flow improvements. A need for cash translates into higher value for a supplier to join the program.
- **What is the financial health of the supplier?** Understanding the financial health of key suppliers is not only good business practice, but also a way to determine which suppliers will benefit most from participating in a supply chain finance program. This analysis should go beyond traditional financial metrics like revenue and profit to include external factors that may impact a supplier's financial health, such as economic and/or geopolitical events.
- **Is there a plan to do more business with the supplier?** Depending on a company's supply chain and business strategy, a current mid-tier supplier may become a top-tier supplier in six months. This growth could make them a priority target for program participation today.

Once supplier targets have been identified, it's time to prioritize which suppliers should be onboarded first. A phased approach provides quality control to ensure suppliers receive the required attention and internal resources do not become overwhelmed.

These phases can be determined any number of ways – by line of business, geography or product category, for example. Data analytics tools are a great resource for large, global supply chains with thousands of suppliers to sort through.

Step 2: Supplier Outreach



Convincing target suppliers to join a supply chain finance program requires an outreach strategy that consistently and compellingly educates suppliers while clearly communicating program benefits.

This step, if poorly executed, can end the supplier onboarding journey before it even begins. For some companies, it can be difficult for procurement and supplier relationship managers to “sell” supply chain finance because that isn’t a skill they often have to use. In other instances, internal resources are simply spread too thin to conduct outreach effectively. For organizations that haven’t thoroughly identified and prioritized suppliers for onboarding, delivering a compelling message to so many different supplier categories is nearly impossible.

Companies must consider these challenges when selecting a supply chain finance partner. In addition to providing the technology that connects buyers, suppliers and funders, the solution should provide resources to create and execute supplier outreach programs. Templates and outreach materials such as educational videos, webinars and presentations should be readily available to create a scalable toolkit for broadly reaching a large community of suppliers.

But while the content you plan to send suppliers is important, the context and delivery of this messaging is just as influential. Depending on the organization, the first communication to suppliers should come from the company’s Chief Procurement Officer, Chief Financial Officer or Treasurer. The objective of this initial communication is to foster trust and interest. It should explain the strategic reason for implementing the supply chain finance program, the benefits to suppliers, and the next steps for suppliers who want to learn more.

Two common mistakes should be avoided in this area:

1. **Initial cold outreach coming from supply chain finance solutions partner.** Passing suppliers to a third party too early in the process can undermine the trust you’re looking to foster. You must facilitate a soft introduction first so suppliers feel comfortable working with your supply chain finance vendor, especially since the onboarding process requires financial information.

2. **Not separating the invitation to a supply chain finance program from the introduction of increased payment terms.** Announcing these changes simultaneously not only clouds the value proposition of a supply chain finance program to the supplier, but it can also impact whether auditors assess a buyer’s term extension as financial debt or an extension of accounts payable.

At this point in the onboarding process, target suppliers have received an initial and compelling introduction to their customer’s supply chain finance program. So, what’s next?

Step 3: Supplier Education

After introducing the program, it is important to educate suppliers on the value they will receive from supply chain finance. Educating suppliers using a tailored approach starts with understanding which value propositions to promote to which suppliers.

For suppliers in an industry experiencing a downturn, early and consistent payment is a strong value proposition as it unlocks capital to keep the business running without having a negative impact on credit. Alternatively, suppliers that need to grow headcount and infrastructure to meet market demand may find increased access to on-demand capital the most compelling reason to join.

To inform and reinforce specific value propositions with each supplier, companies should do the following:

1. **Leverage a tiered approach to supplier engagement.** Some strategic suppliers require a high-touch, highly personalized education approach with multiple face-to-face meetings and stakeholder presentations. Other suppliers can be educated through phone campaigns, webinars, email campaigns and written educational resources.

2. **Involve the right stakeholders in the discussion.** It's important to identify the decision maker at the supplier level as well as the contact who will "own" participation after initial onboarding. These stakeholders need to be educated and nurtured throughout the onboarding process. CFOs, treasurers and accounts receivable managers are typically represented at the table, but every supplier is different.

3. **Provide tools for suppliers to see program benefits "in action."** Case studies that speak to specific value propositions are excellent tools for quantifying a program's potential value at the individual supplier level. Another tool is a cost-benefit breakdown of program participation.

Step 4: Supplier Enrollment

The registration phase of supplier onboarding is dangerous territory. The supplier is willing to take the next step, but they're also likely to abandon ship if the enrollment process is too cumbersome or inflexible. This is also the supplier's first introduction to the customer's supply chain finance platform of choice – and their experience will shape their overall impression of the program.

For this reason, it's important to ensure the enrollment process meets the following requirements:

1. **Transparency and traceability.** The supply chain finance solution should clearly communicate what information needs to be provided and why, how information will be secured, and next steps with deadlines. Each step should be easily identified while providing a traceable record of action to meet any financial and / or regulatory requirements.

2. **Simplicity.** The enrollment platform and processes must be built for simplicity. Suppliers should be prompted to enter only the required information (nothing more, nothing less). It needs to be compliance-aware and sensitive to funding restrictions. Most importantly, it needs to be user-friendly with all processes and tools being intuitive and easy to use.

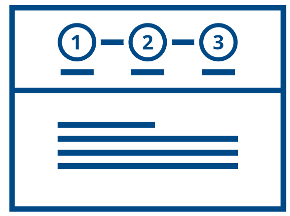
3. **Minimal opportunity for human error.** The solution should minimize manual input requirements to reduce the chance of human error. Fields should pre-populate based on data already shared, and changes to fields should be replicated throughout the system.

4. **Efficient collaboration.** The supply chain finance platform should replace the need for email and fax during the onboarding process. It should have the capability to automatically send reminders, alerts and notifications to keep momentum going. Further, there should be a dedicated support team available to provide support throughout the onboarding process.

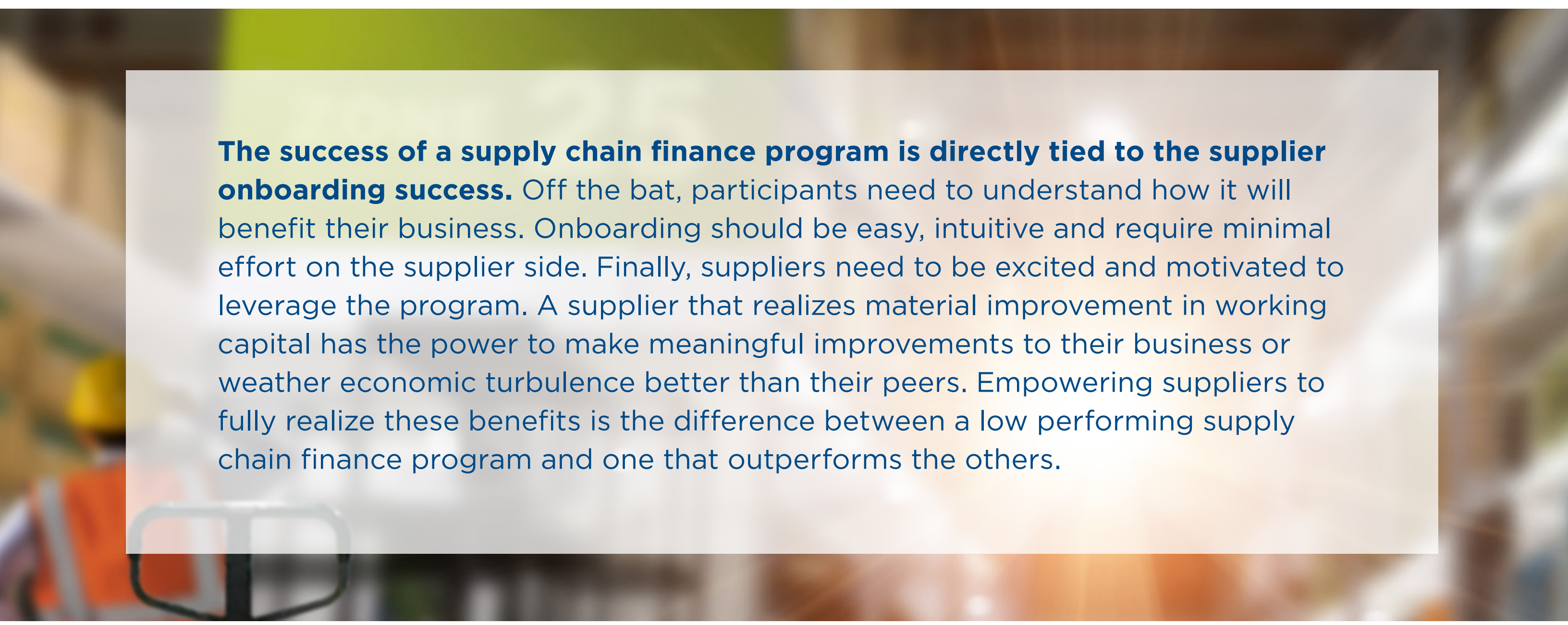
5. **Flexibility.** Automation and standardization can take the headache out of supplier onboarding, but there will always be suppliers that require more flexibility. To that end, the supply chain finance platform and processes need to be flexible enough to accommodate suppliers that deviate from the norm.

Step 5: Supplier Training

Functional training is an integral part of any supplier onboarding process. Training helps suppliers become comfortable with the new platform and is key to a successful program deployment. Strategic suppliers – based on size, priority and likelihood of using the program – can receive individual orientation sessions with hands-on training. Smaller suppliers can receive group training sessions, on-demand videos or web-based demos.



However, functional training will only drive program success so far. The "how to" is just one piece of the puzzle. The most successful programs train suppliers to maximize the value they get from the supply chain finance program. For example, a supplier can create rules that automatically flag invoices for trading based on seasonal volumes and cash flow requirements. Suppliers can also schedule their remittance advice reports to be delivered straight to their inbox. These functionalities add even more value to an already valuable program.



The success of a supply chain finance program is directly tied to the supplier onboarding success. Off the bat, participants need to understand how it will benefit their business. Onboarding should be easy, intuitive and require minimal effort on the supplier side. Finally, suppliers need to be excited and motivated to leverage the program. A supplier that realizes material improvement in working capital has the power to make meaningful improvements to their business or weather economic turbulence better than their peers. Empowering suppliers to fully realize these benefits is the difference between a low performing supply chain finance program and one that outperforms the others.

About PrimeRevenue As a pioneer in global B2B payments, the PrimeRevenue SurePay Platform connects the entire supply chain by improving working capital and automating digital payments. Thousands of companies around the world leverage one streamlined platform to increase payment visibility, enhance control, and improve cash flow. PrimeRevenue is headquartered in Atlanta, with offices in London, Prague, Hong Kong, and Melbourne. For more information, visit **www.primerevenue.com**.

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