



## 4 Ways Food & Beverage Companies are Using Supply Chain Finance to Fund the Future

Persistent supply chain disruptions, economic instability, evolving consumer tastes, and digital transformation are adding new contours to the food and beverage (F&B) industry. As business leaders navigate these changes, they face a critical obstacle – liquidity. The scale and pace of these changes are forcing F&B manufacturers, retailers and suppliers to apply a laser focus to cash flow management while also making costly changes to their businesses.

“How will we fund X strategic business initiative in today’s economic climate?” is a question that weighs heavily on even the largest, most profitable F&B companies and especially on suppliers that lack access to investment-grade funding.

**For many businesses across the F&B supply chain, the answer is supply chain finance.**





**Supply chain finance optimizes cash flow by allowing companies (buyers) to optimize payment terms with their suppliers.** At the same time, it provides suppliers a way to get paid early by a third-party – typically a financial institution. By increasing the time it takes to pay suppliers, buyers can free up cash that would otherwise be trapped within the supply chain. Likewise, by enabling suppliers to be paid early by another party, suppliers can accelerate their own cash flow.

Shoring up liquidity often requires adding debt to the balance sheet – a move many businesses in the industry can't afford or are unwilling to make given current market conditions. Supply chain finance provides an affordable, debt-free alternative that benefits both buyers and suppliers. Buyers are able to unlock working capital trapped in the supply chain while suppliers are able to receive payment early. For buyers, the cash flow gains delivered are substantial enough to fund the kind of large-scale strategic business initiatives that often require billions of dollars in working capital. Suppliers also enjoy material improvements to cash flow and affordable access to liquidity. These funds can be used to more nimbly adapt to fluctuations in demand and costs as well as to invest in growth and innovation.





## Fueling Tomorrow's Success with Supply Chain Finance

From the world's largest F&B brands to niche suppliers, an increasing number of F&B companies are using supply chain finance to fund the changes and transformations that will power their future – even amid economic headwinds. These include:

**Aligning business with changing consumer preferences.** Changing consumer preferences are causing the F&B supply chain to reevaluate what's being served up to customers, how and where. One pervasive trend has been consumers' demand for lower price points for health-conscious products. Many food retailers are expanding their own private label brands to meet consumer demands for healthy/organic foods. According to Daymon's 2022 Private Brand Intelligence Report, 89% of consumers surveyed now trust private brands just as much or more than national brands. Furthermore, the rise of deep discount food retail is impossible to ignore. Retailers like Aldi and Lidl are rapidly growing and expanding into new markets.

For many F&B companies, these threats are simultaneous and game changing. Aligning the business to these changing dynamics requires significant capital – most often measured in billions.

*ICA, Sweden's leading grocery retailer, has taken a proactive approach to neutralizing market challenges like changing consumer preferences and the expansion of deep discount retailers. The solution? Implement a supply chain finance program to free up working capital that can be invested in digitization, strengthening its store network and developing meal solutions such as readymade meals and restaurant concepts. Through their partnership with PrimeRevenue, both ICA and its suppliers have been able to release over SEK 1bn each in working capital.*

**Innovation investment.** New products, updated packaging and brand repositioning are just three areas driving significant investment across the F&B supply chain. Historically, companies have used their own balance sheet to pay for these large-scale innovation programs – whether by increasing debt, austere cost cutting and/or restructuring, or the sale of assets. Supply chain finance provides an attractive, off-balance sheet alternative to these measures.

**Funding M&A success.** While M&A activity in the F&B sector declined in 2022, activity is still strong. According to a report by Kroll, the second quarter of 2022 was the eighth consecutive quarter with more than 80 deals in the North American food and beverage space. After years of mega-deals in the sector, F&B companies are focusing on smaller acquisitions that offer ready-made access to fast-growing spaces or bolster an existing presence in certain categories.

**Improving financial agility.** The current state of the F&B industry has underscored the need for greater agility. Transformation breeds innovation and opportunity, but it also creates chaos and instability. There is also economic instability, rising interest rates and widespread inflation to consider – all of which are contributing to profit erosion. Having the financial agility to navigate those threats is vital. This is especially true for sub-investment grade suppliers and/or suppliers that want to access liquidity at lower funding costs.



## Liquidity and Agility Through Supply Chain Finance

The price of transformation and disruption continues to be high for F&B companies, and it's one reason why industry leaders are embracing supply chain finance. By materially improving cash flow, supply chain finance can unlock large sums of working capital that can be used to fund mission-critical business initiatives.



**About PrimeRevenue** As a pioneer in global B2B payments, the PrimeRevenue 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](http://www.primerevenue.com).

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