

VOLVO AND PRIMEREVENUE PARTNER TO HELP SUPPLIERS SURVIVE GLOBAL DISRUPTION WITH SUPPLY CHAIN FINANCE

Throughout its nearly 100-year history, Volvo Car Group has weathered a myriad of economic climates. But the global health pandemic in 2020 brought new challenges to the automotive industry, including production shutdowns, plant closures and reduced consumer demand. In the face of an industry-wide financial firestorm, Volvo used its PrimeRevenue-led supply chain finance program to respond with agility and resiliency.

Long before the global pandemic, Volvo enlisted PrimeRevenue to launch its first supply chain finance initiative in early 2015. The program had two core objectives: improve working capital to invest in strategic initiatives and fortify the supply chain.

Working capital improvement would be key to both strengthening Volvo's financial position and enabling investment in innovation that would increase competitive advantage.

A Focus On Supplier Health and Working Capital Prepares Volvo For Unprecedented Uncertainty

Volvo has always been a frontrunner in automotive innovation, from hybrid and fully electric vehicles to self-driving technology and top-of-the-line safety measures. To achieve Volvo Cars' future ambitious targets, a well-thought-out financing strategy needed to be in place. The cash unlocked through supply chain finance has been and continues to be a supportive component to helping Volvo achieve their objectives.

For Volvo, supporting supplier health was equally as important as its own working capital improvements. Each piece of the supply chain, from large to small suppliers, plays a key role in the success of the business

CASE STUDY SNAPSHOT



CHALLENGE:

- IMPROVE WORKING CAPITAL TO DRIVE STRATEGIC INVESTMENTS IN ANY ECONOMIC CLIMATE
- FORTIFY SUPPLY CHAIN BY PROVIDING SUPPLIERS AN ADDITIONAL LIQUIDITY OPTION AMID GLOBAL HEALTH PANDEMIC

RESULTS:



GENERATED SIGNIFICANT WORKING CAPITAL TO INVEST IN GROWTH AND INNOVATION



74 DPO

INCREASED DPO FROM -50 TO -74 DAYS

92%

OF INVOICES ADVANCED FOR EARLY PAYMENT



– meaning it’s imperative to support suppliers and provide the tools they need to overcome disruption. By providing suppliers an early payment option, suppliers could accelerate cash flow, improve financial forecasting, power investments in their own business, and navigate economic instability with greater confidence.

Developed with ethics in mind, Volvo’s supply chain finance program has expertly executed on its goals. From the beginning, the company ensured the program was mutually beneficial, providing suppliers access to liquidity in addition to unlocking cash flow for Volvo. Implementation and supplier onboarding was quick and easy thanks to PrimeRevenue’s proven methodology.

Supply Chain Finance Provides New Liquidity During Pandemic to Keep Volvo and Its Suppliers On Track

The supply chain finance program has been brilliantly successful for both Volvo and its suppliers, thanks to Volvo expertly balancing working capital improvements and supplier support.

Today, 86 percent of onboarded suppliers are actively using the platform. More than half of those suppliers have opted to enroll in AutoTrade, a feature that automatically trades invoices for early payment based on criteria set by the supplier. Suppliers on the program represent 12 countries and multiple banks provide funding in 7 currencies.

Volvo’s global days payable outstanding (DPO) prior to the supply chain finance program was approximately 50 days. Today, DPO is approximately 74 days.

From a DPO perspective, Volvo intentionally stays middle of the pack compared to competitors where the longest payment terms offered are nearly double Volvo’s and the shortest are nearly half. Volvo’s payment terms are long enough to optimize cash flow but not so long that it strains suppliers.

Volvo’s supply chain finance program has also played a key role in supporting the company – and its suppliers – weather the economic impacts of the global health pandemic. The program has provided a much-needed additional liquidity option for suppliers to lean on during times of unprecedented uncertainty. Over the life of the program, 92 percent of invoices have been advanced for early payment.

Ultimately, Volvo’s supply chain finance program and partnership with PrimeRevenue was in line with the company’s commitment to innovation, growth and the health of its supply chain amid economic uncertainty levied by the pandemic. Just as importantly, it’s helped Volvo’s suppliers unlock critical liquidity so they can protect and sustain health.

“At the beginning of the pandemic, Volvo Cars had to temporarily suspend its Chinese operations which put a significant strain on our cash flow. New orders were stopped as well, which paused our ability to be paid for part of our previous supplies...Without timely support from both Volvo Cars and PrimeRevenue, I’m not sure we would have been able to survive those first few months.” – Volvo supplier

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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