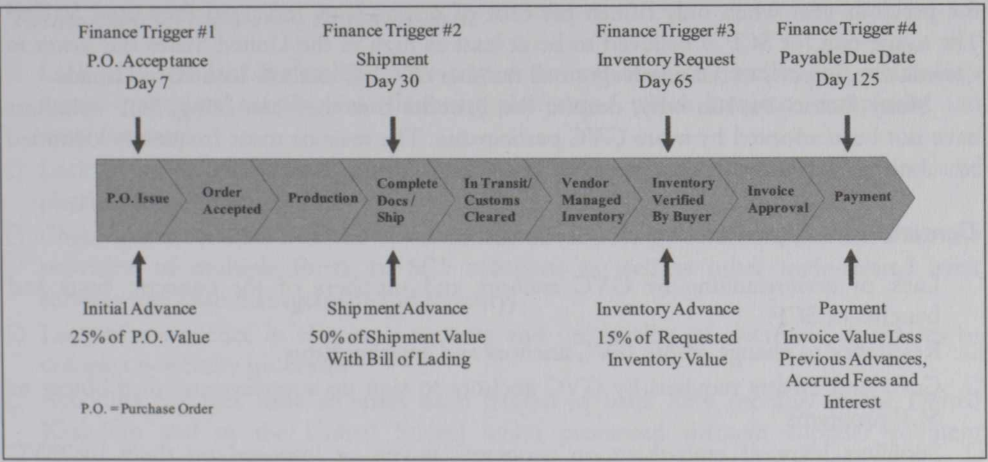
Other supply chain finance solutions

SCF solutions include other types of financing options that can help cut costs and improve GVC efficiency. For example, *in-transit inventory financing* can assist small and medium-sized exporters or importers gain access to cash while goods are being delivered in cases where they retain ownership of goods in transit. *Raw materials inventory financing* can help suppliers obtain lower prices on physical inputs by allowing them to order larger quantities. This can be accomplished by leveraging a GVC anchor's purchasing power with lower-tier suppliers and/or its banking relationships. *Vendor managed inventory financing* can support suppliers that sell to GVC anchors that operate just-in-time inventory systems.[22] In this case, GVC anchors usually want to receive (and be invoiced for) components only when they need and use them. This approach can put a lot of pressure on suppliers who must finance inventory for lengthier periods of time. A SCF solution can be crafted for such cases whereby a varying percentage of the purchase order value can be advanced to the supplier following the completion of pre-determined stages (Figure 4).

Figure 4. Event-Triggered Supply Chain Financing Solution



Source: Prepared by the authors based, in part, on a similar chart produced by Global Business Intelligence

Finally, looking further downstream along the value chain, *distribution financing* allows GVC anchors to remove inventory from their books more quickly and to accelerate cash inflow through the early discounting of receivables. Distribution financing programs are similar in structure to supplier payment programs except that GVC anchors now act as suppliers and look to SCF to reduce DII and DSO (as opposed to increasing DPO). The burden for distributors of having to carry more inventory, sooner, is offset by giving them more time to pay.[23] At invoice maturity, the distributor pays the financial institution instead of the GVC anchor.

[22] In this setting, the term "vendor" has the same meaning as "supplier". Vendor managed inventory financing is at times referred to as *consignment stock financing*.

[23] In some cases, gaining access to larger quantities of inventory can help distributors increase revenues. This will be the case, for example, with products exhibiting seasonal sales patterns such as outdoor sporting goods (where the costs associated with stock outs is high) or that come in many different models or with different features such as automobiles or televisions.