

USD 2,500 (calculated above) by the daily inventory carrying cost of USD 122.50 yields the 20 day break-even extension for the inventory carry period.

Source: Prepared by the authors based in part on an example presented in Dyckman, *op. cit.*, p. 314

Aside from lowering financing costs, supplier payment programs can provide other advantages to GVC anchors and their suppliers. Table 1 outlines some of these other operational benefits and summarizes the main financial benefits of supplier payment programs.

Table 1. Benefits of Supplier Payment Programs

BENEFITS FOR GVC ANCHORS (BUYERS)	BENEFITS FOR SUPPLIERS	BENEFITS FOR GVC ANCHORS AND SUPPLIERS
<ul style="list-style-type: none"> ➤ Increase in DPO and drop in DII ➤ Cost of goods sold may drop due to lower negotiated input prices ➤ Cost of processing payments to suppliers decreases as it is now performed by the financial institution 	<ul style="list-style-type: none"> ➤ Ability to discount purchase orders, invoices or accounts receivable early and with ease ➤ Ability to obtain more cash at a cheaper rate than through the use of discounts, factoring or a bank line of credit ➤ Reduction in DSO ➤ Savings produced by the supplier payment program can help offset the cost associated with a GVC anchor's request to extend payment terms, carry more inventory or reduce prices ➤ Increases certainty of payment and eliminates the need for credit insurance for sales to GVC anchors 	<ul style="list-style-type: none"> ➤ Reduction in the cash conversion cycle ➤ Financing costs decrease ➤ Helps establish a more collaborative relationship ➤ Enhances the stability and competitiveness of GVCs ➤ Improved visibility of cash flow achieved through the SCF technology platform ➤ Better cash flow forecasting ➤ SCF technology platform encourages automation of financial supply chain processes (e.g. ordering, invoicing) which can significantly reduce administration costs

Source: Prepared by the authors