



# Using technology to unlock cash



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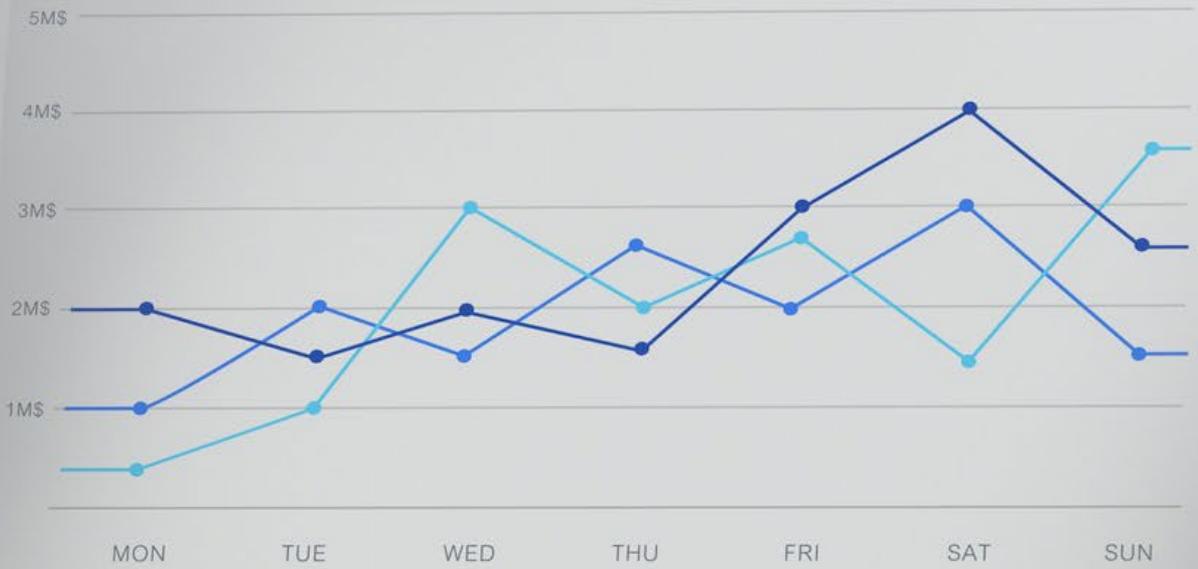


# FINANCE REPORT

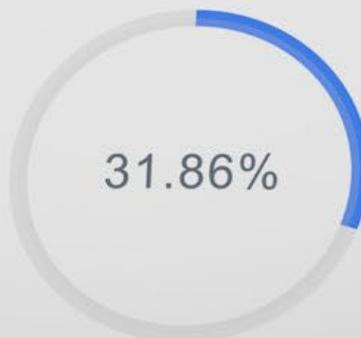
ACCOUNT REPORT

## DASHBOARD > INCOME

DAILY WEEKLY MONTHLY



## TOTAL INCOME



LINE ITEMS	16.15 M\$
SHIPPING	0.15 M\$
TAXES	0%
TOTAL	16.3 M\$

LINE ITEMS	13.5 M\$
SHIPPING	0.2 M\$
TAXES	0%
TOTAL	13.7 M\$

LINE ITEMS	13.00 M\$
SHIPPING	0 \$
TAXES	0%
TOTAL	13.00 M\$

# Introduction

**Technology holds the key to unlocking the next major wave of working capital optimisation, both in terms of heightened visibility of opportunities and highlighting alternatives to existing funding sources.**

Businesses are increasingly looking at technology to transform their ways of working - reducing costs, enhancing customer service and improving working capital. From adopting secure Blockchain applications within their operating model through to implementing fully integrated supply chain that includes component suppliers, assembly/manufacturer and the end customer, significant opportunities exist to exploit developments in Big Data processing and analysis.

“

Tech combined with Big Data will release further working capital from business of all sizes”

# Big Data - Big Problems or Big Potential?

**Businesses are inundated with Big Data on a day-to-day basis. It's not the amount of data that's important. It's what organisations do with the data that matters.**

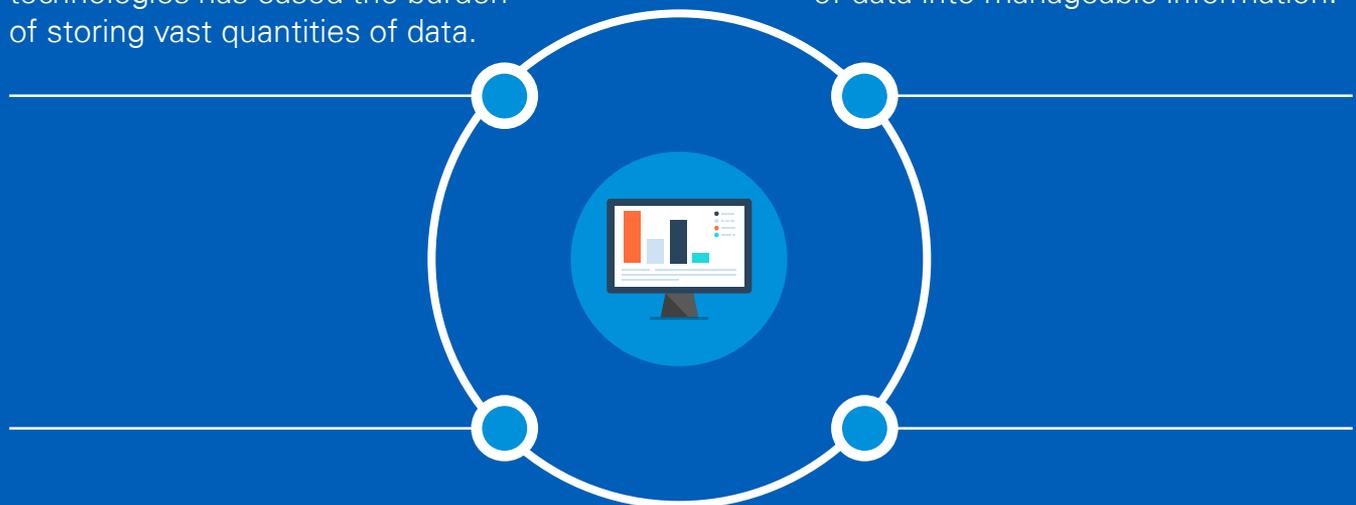
**Big data can be analysed for insights that lead to better decisions and strategic business moves.**

## Volume

Information is growing exponentially each year. Development of new technologies has eased the burden of storing vast quantities of data.

## Variety

Structured vs unstructured data- technology can digest all forms of data into manageable information.



## Velocity

The speed at which incoming data is processed is paramount. The time from identifying benefits to implementation should be as short as possible.

## Value

A real objective is critical to an organisation's success; data must generate some sort of insight which is of value.

# Using technology to identify previously hidden benefits...

**Decision makers are often unable to gain valuable insights from their data for a variety of reasons:**



Data is scattered across multiple IT systems.



Data is stored and extracted in a format that is unhelpful for business analysts.



Data is too large to be tackled using traditional desktop software.

A reliance on the IT function to create reports can add further delay to the reporting process, leading to outputs that are structured around what is convenient for IT rather than what is most insightful for the business.

**Technology increasingly brings control of an organisation's data to be put back into the hands of the business.**



Software which can effectively handle large amounts of data and is understood by business users, not just IT experts.



Flexible technologies which allow the business rather than IT to decide the relevant KPIs and define hypotheses to be tested.



Incorporating operational knowledge into the tools and their use, rather than just relying on the technology itself.



The ability to combine a variety of data sources that may sit outside an organisation's ERP system.

The result is a process by which analysis of the business, identification of opportunities, and measuring of progress is primarily led by the business, not the IT function.

# ...through enhanced visualisation and reporting

## Visibility

- Leadership
- Cash flow forecasting
- KPIs and reporting
- Review and meeting agendas

Clear data visualisation is essential to analysing data quickly and with the greatest value.

Effectively visualising data can lead to recognising key learnings/trends quicker and more effectively demonstrate impact.

Technology can pull together data from components/business units and report upon from a Group view. This gives the opportunity for functional teams to have a holistic oversight of the organisation, and then to easily deep dive into specific business units.



Working capital can often be released through improved visualisation – and quicker than ever before

# Treating working capital data as a product

In business, it's important to always have the right product at the right place at the right time.

By applying this same theory to working capital data, we can in effect use technology to enhance the 'supply chain' of working capital data and ensure.

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Technology can enhance real-time visualisation, integration, processing and overall quality of working capital data

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## **Example: supplier negotiation**

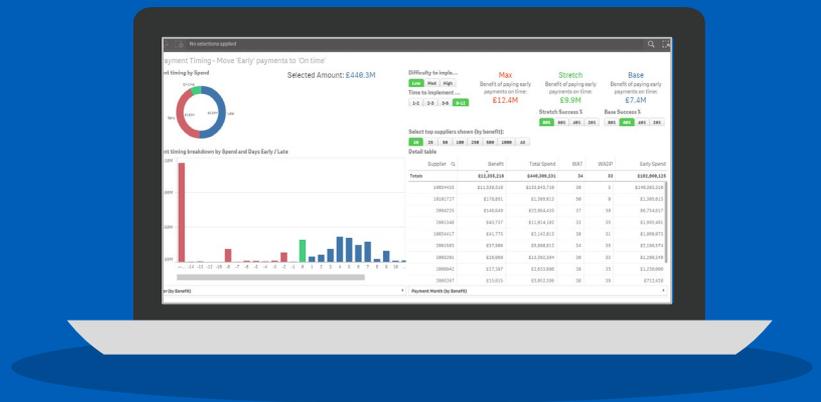
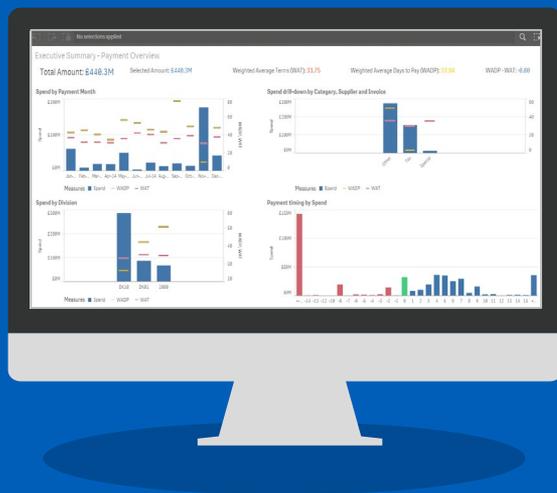
When a procurement function seeks to negotiate commercial terms with suppliers, they must know key facts, or data points, about the supplier. These might include:

- Current contract terms
- Historical payment performance
- Supplier delivery, quality and financial performance
- Internal/external benchmarking of proposed terms

All these data points are likely to be held in different places across multiple ERPs, or may be missing completely. Sending multiple data requests out to the organisation takes time, incurs cost and may risk the ability to negotiate successfully.

An efficient organisation will use technology to develop system that draw these data points together into one place, allowing procurement to enhance supplier performance and reduce costs.

# Market-leading data visualisation techniques



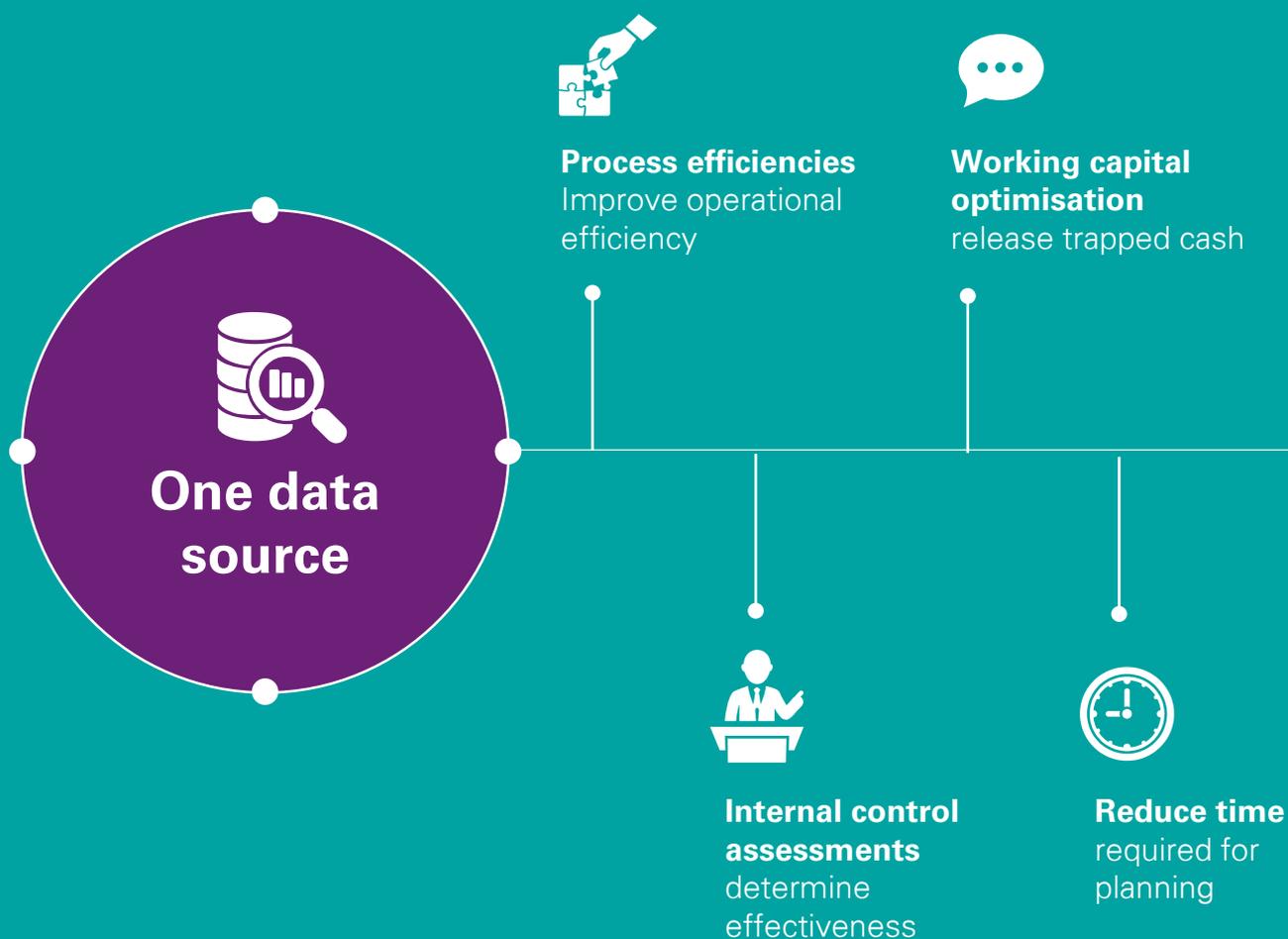
## Timely data interaction

KPMG's market leading working capital diagnostic methodology utilises powerful data visualisation software.

Drawing from multiple standard ERP data outputs, our software is able to quickly analyse and prioritise working capital optimisation opportunities.

This output is dynamic and users have the ability to interact 'live' with their data. By adjusting assumptions and running multiple scenarios simultaneously, users quickly arrive at the root cause of problems. Coupled with our extensive experience and insights gathered from a range of sources, this is a powerful methodology to optimise working capital performance.

# One data source can provide multiple insights

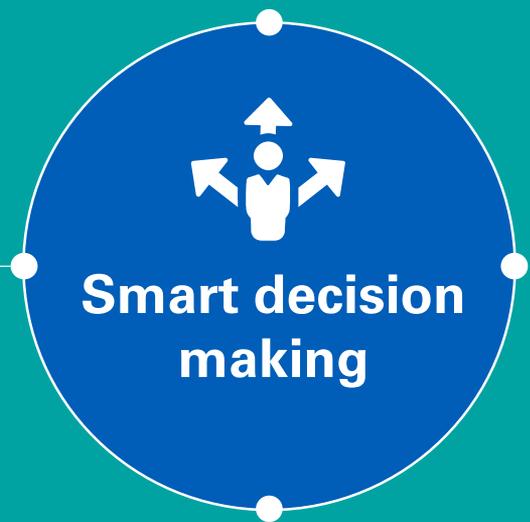




**Perform risk assessments**  
and mitigate future losses



**Supplier payment**  
enabling on-time  
payment performance

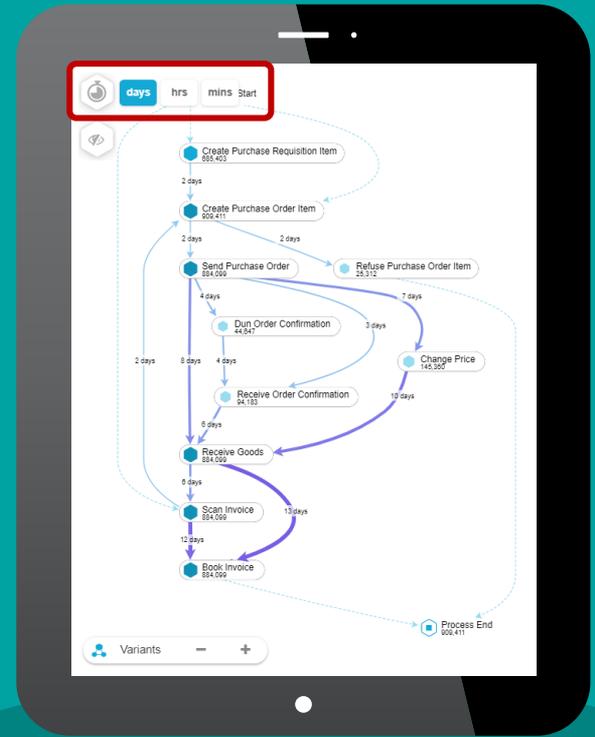


**Optimise offerings**  
identify areas for  
improvement

# Smart decision making

## Case study

- “Process mining” technology enables organisations to automatically visualise actual process flows based on transactional data held in their IT systems, creating transparency across end-to-end processes.
- For example, in a procure-to-pay process, we can measure how many transactions follow an optimal processing path from purchase order to payment, and visualise transactions that deviate from the standard process, e.g. due to errors, adjustments or manual overrides.
- By analysing every single transaction at a granular level, we are able to drill-down into process performance, identifying metrics such as the throughput time and level of automation for each process step.
- The insights gained can be used to reduce manual intervention in processes, improve accuracy, reduce costs and enhance supplier relationships.



“

On one recent client, we were able to identify opportunities to reduce processing costs by one-fifth

”

# Sustaining the gains

**Organisational culture is often the greatest obstacle to technology-driven improvements. Businesses need to foster an environment that embraces new technology and processes in order to achieve lasting improvements.**

## Critical success factors



### Control

- Entity targets and performance management
- Individual targets and incentives
- Policies and controls
- Business case formats and sign-off



### Organisation

- Responsibility and accountabilities
- Competency models
- Key user involvement



### Capability

- Training and skills
- Knowledge management
- Internal benchmarking



#### Level 1: **Projects**

Establish joint project team and governance.



#### Level 2: **People**

Skills transfer/handover to client team.



#### Level 3: **Processes**

Cash embedded in core business processes, both operational and financial.



#### Level 4: **Strategy**

Cash impact of strategic decisions evaluated.



#### Level 5: **DNA**

Organisation generates working capital improvements naturally without project disciplines.

# External tech enabled offerings

Leveraging technology helps to achieve optimal levels of working capital.



## Supply chain finance

There has been significant disruption across the market over recent years, with new and nimble fintech businesses challenging the landscape previously dominated by the large banks. This means that SCF solutions are now more accessible and flexible than ever before. Technology has reduced the onboarding time for suppliers and more and more solutions are held on the cloud reducing implementation costs. What's more, many providers are also incorporating dynamic discounting solutions alongside SCF – given businesses the ability to trade priorities between cash and profit.



## Blockchain

Blockchains are distributed ledgers where all parties can see and validate certain details of transactions. As well as allowing greater integration of information across a supply chain, blockchains can be used to create “smart contracts” where given a certain set of events in an order process, payment is enforced. Smart contracts can assist in working capital management by reducing disputes, increasing the reliability of cash flow from customers, and reducing manual intervention in the order to cash and purchase to pay processes.



## Dynamic discounting

Dynamic discounting is a flexible tool that allows business to shift priorities between the P&L and balance sheet. In times of surplus liquidity suppliers can be paid early (at a discount), whereas when liquidity levels of tight payments can be made to full terms. Fintech business are providing easy-to-use, flexible solutions within this space that are gaining in popularity across the globe.

Dynamic discounting also enables buying companies and their suppliers to initiate early-pay discounts on an invoice-by-invoice basis. This solution allows both parties to view invoices through a web-based platform and select approved invoices for early payment.

The main benefit of dynamic discounting is that the buyer can use their own balance sheet or cash reserve to generate additional purchasing discounts. The seller benefits by reducing working capital and getting paid earlier.



Working capital improvement remains a priority in many finance functions



## Factoring

Invoice factoring is a widely-used method for businesses to improve liquidity by selling their invoices to a factoring company at a discount.

The advantage of factoring is that the factoring company will forward a proportion of the invoice immediately to the business, providing cash flow.

Technology has allowed for greater visibility and transparency between the business and factoring company of the credit control function.



## Supply chain integration

Improved visibility across supply chains can improve time to market, and improve working capital requirements by reducing stock levels across all parties. Lead times can be reduced by sharing details of customer orders with input suppliers. Transparency on production and stock levels throughout the supply chain can allow safety stock to be reduced. Various solutions exist to facilitate supply chain integration, and it is a promising area for the application of new technologies such as blockchain.



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