

# The Definitive Guide to Stretching Vendor Payment Terms Using Supply Chain Finance

Procurement Leaders' Handbook



**QUARTIX**

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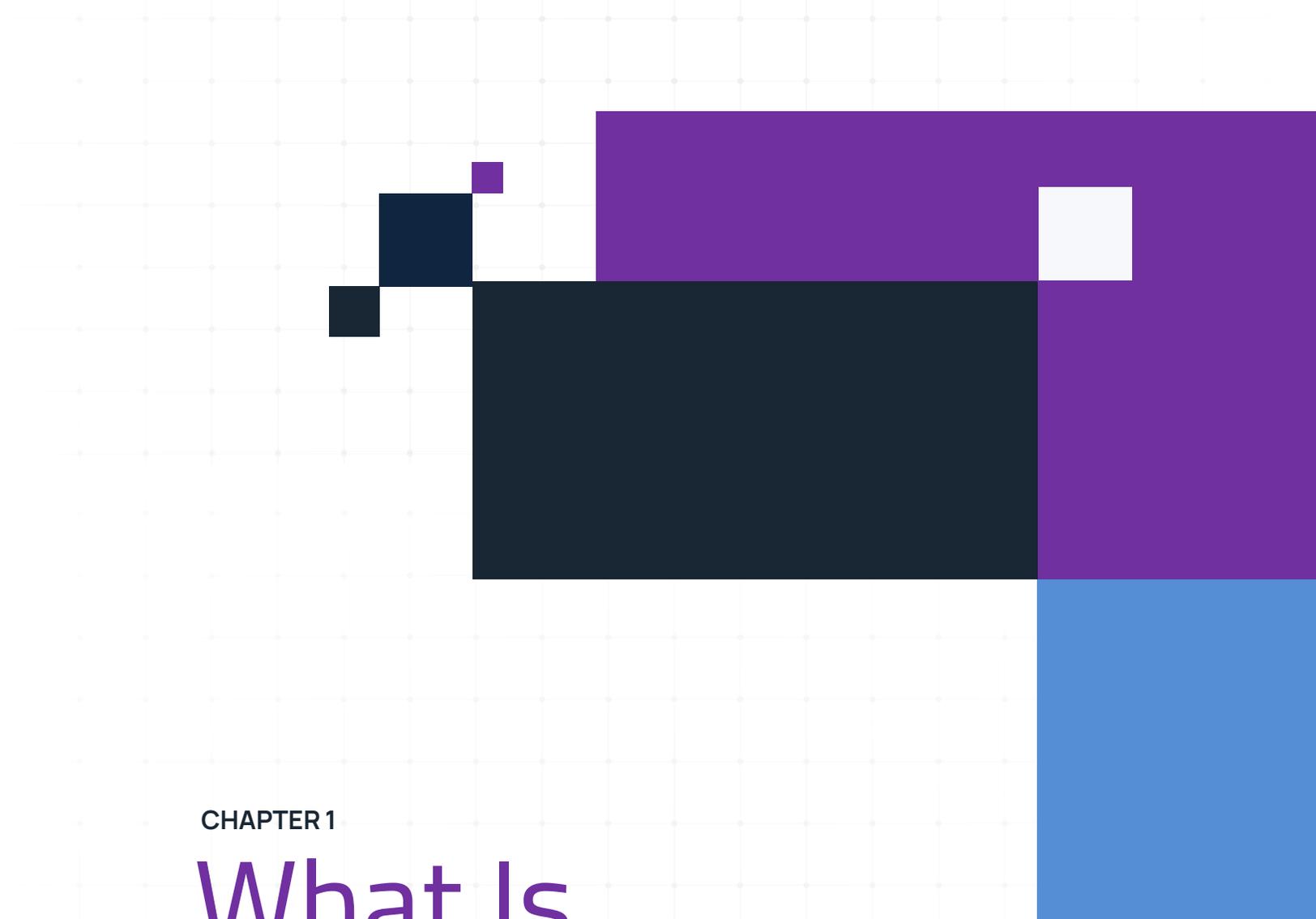
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CHAPTER 1

# What Is Supply Chain Finance?

# SCF - A Procurement Power Tool

Supply Chain Finance (SCF) is reshaping the procurement landscape. At its core, SCF is a straightforward financial solution:

- **Buyers** use SCF to negotiate extended payment terms with their vendors (i.e turning Net30 to Net60, Net45 to Net90)
- **Vendors** have the option but not the obligation to receive earlier payments through a third-party financier for each and every approved invoice, for a small fee paid by the vendor

This mechanism strikes a balance between a buyer's goal for better cash management and a vendor's need for timely cash. It's a win-win. SCF not only provides financial benefits, but it also paves the way for better vendor relationships. When vendors have confidence in their cash flow, they're more likely to negotiate, collaborate, and innovate.

In the chapters ahead, we'll dive deeper into the tangible benefits of SCF, and how procurement professionals can use it as a powerful tool in their negotiations and vendor management strategies.





CHAPTER 2

# Stretching Payment Terms Using Supply Chain Finance

# Making SCF Attractive – Key Points for Vendors

When rolling out SCF to your vendors, ensuring their enthusiasm for adoption is key. This means vividly communicating the direct benefits they will reap. This section provides an overview of the primary advantages that SCF brings to the table for vendors.

As we journey through this guide, we'll delve into the strategic nuances of leveraging these benefits effectively so you, as a procurement leader, could make the most out of them for your own objectives and goals.





## **A** Funding channel

A distinguishing feature of SCF is its provision of an unsecured, uncommitted and optional financing channel to your vendors. It is also entirely optional, with no fixed costs or commitments. Vendors have the liberty to use SCF as their new primary funding avenue or as a supplementary option alongside existing credit providers, all while optimizing their financing strategies without any binding obligations.

## **B** Cash Flow Management

Be it seasonal peaks or the regular ebb and flow of business, maintaining cash flow consistency and predictability is paramount for vendors. SCF enables vendors to receive payments early, turning sporadic cash flows into more predictable revenue streams. During pronounced seasonal peaks, the acceleration of specific approved invoice payments becomes an invaluable tool

## **C** Convenience of Operations and Collections

Simplifying operations is a significant boon for vendors. With SCF, they can opt to accelerate all outstanding invoices, streamlining their cash collection into a lump sum, which eases administrative tasks and reduces the complexity of multiple 'micro payments'.

## **D** Expanded Sales

SCF allows vendors to circumvent self-imposed credit caps towards their individual customers, which might sometimes limit sales to your company. By using SCF to sell invoices on a true-sale basis, vendors effectively remove these sales barriers, allowing for greater business with buyers without incurring additional credit risks.

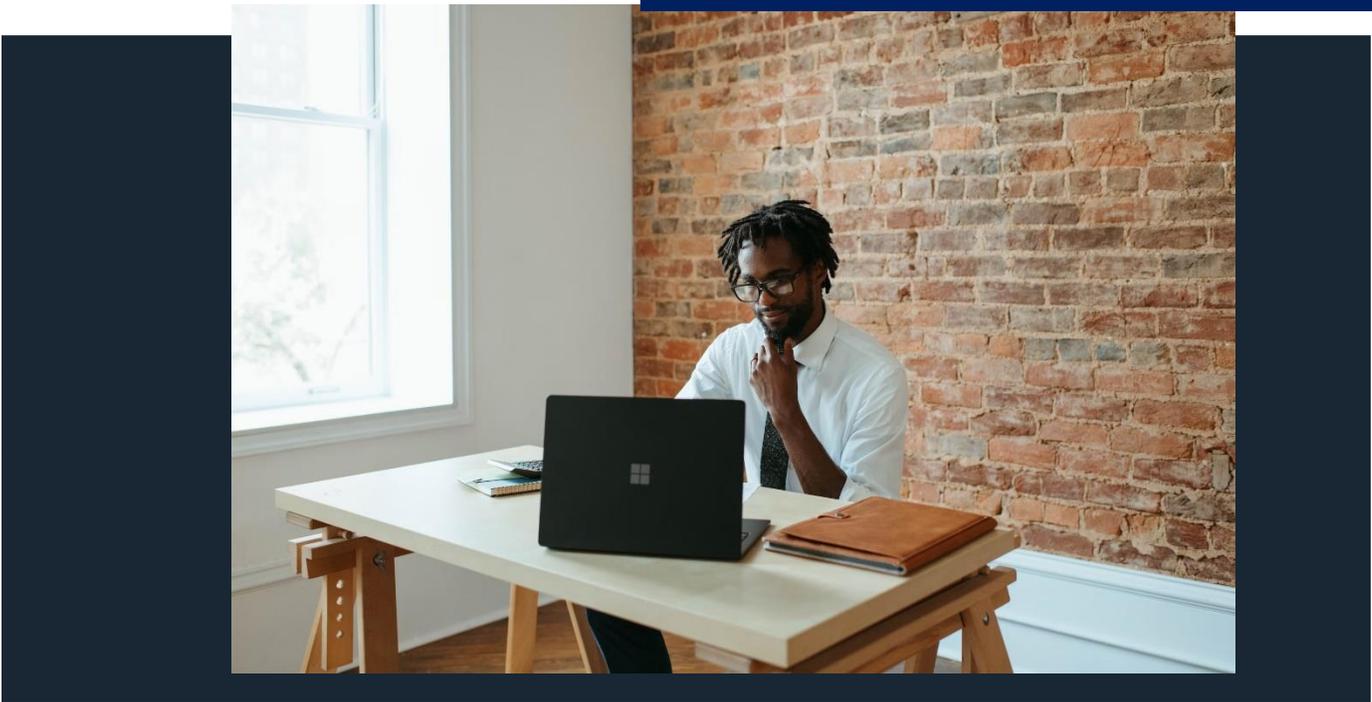
## **E** Stronger Buyer Relationships

Beyond its financial facets, SCF stands as a relational tool. Transparent tracking of invoice approvals means fewer check-in calls and more trust, fostering more profound and more resilient vendor-buyer relationships.

## **F** Enhanced Operational Focus

With a more stabilized financial backdrop, vendors can direct their energies more efficiently, focusing on product and service delivery without the overhanging anxieties of payment uncertainties.

# Strategic Negotiations of Longer Payment Terms Leveraging SCF



In today's intricate vendor-buyer ecosystem, the power of strategic negotiation is undeniable. For procurement leaders, the challenge often lies in optimizing the company's financial parameters without straining vendor relationships. Enter SCF: more than just a financial tool, it's a multifaceted asset for negotiation. Here are five strategic approaches where SCF can be wielded to enhance negotiation power



## The Bargaining Chip Approach

**Scenario:** The buyer wants to extend payment terms, but meets resistance from the vendor

**Strategy:** Introduce SCF as a way for the vendor to collect extremely fast, give access only if the vendor agrees to stretch terms

**Pitch:** "You could collect even faster than you do today, but only if we extend our payment terms "

**Outcome:** Extended terms for the buyer, accelerated cash flow for the vendor

## The Gentle Persuasion Approach

**Scenario:** The buyer wants a soft entry into extended payment term discussions.

**Strategy:** Highlight SCF as an added advantage, not a trade-off.

**Pitch:** "Consider extending our payment terms. With SCF, you'll have the flexibility to collect payments early, safeguarding your cash flow."

**Outcome:** An amicable discussion with a balanced offer



## The Ultimatum Approach

**Scenario:** The buyer needs extended terms non-negotiably.

**Strategy:** Be clear about the requirements but also provide SCF as a safety net.

**Pitch:** "Our terms have to be extended. If this doesn't align with your processes, we might have to consider other options. However, we're introducing SCF to ease this transition and benefit you."

**Outcome:** A firm stance with a supportive offering.



## The Gradual Approach

**Scenario:** The buyer introduces SCF without immediately requesting extended terms.

**Strategy:** Let vendors get accustomed to SCF. Later, request extended terms.

**Pitch:** "Try out SCF and experience its benefits. As our relationship evolves"

**Outcome:** Building trust and easing the vendor into new financial structures.

## The Partnership Strengthening Approach

**Scenario:** The buyer is willing to prioritize purchases from the vendor if it agrees to extend payment terms.

**Strategy:** Request extended terms while offering SCF and promising / guaranteeing increased purchase volumes.

**Pitch:** "If you agree to extend terms, we will not only unlock SCF to you but also buy more from you, increasing your overall profitability from our account."

**Outcome:** A true win-win situation



# Managing Vendor Push-Backs



Implementing SCF into procurement processes offers transformative benefits. But like with all shifts, concerns and reservations might arise. To foster a smooth SCF rollout, addressing vendor reservations and dispelling misconceptions becomes paramount. Based on both commonly asked questions and other potential reservations vendors may have, here's how you may address them:

## 1. Flexibility Concerns

**Vendor Reservation:** Is SCF some sort of a 2/10/net30 offer?

**Addressing the Reservation:** SCF provides a flexible solution unlike rigid structures like 2/10/net30. Vendors can selectively choose which invoices they'd like to expedite, ensuring they pay a fee only when they actively decide to accelerate a payment.

## 2. Hidden Costs

**Vendor Reservation:** Any fixed/sign-up/other fees?

**Addressing the Reservation:** SCF is designed with transparency in mind. There are no hidden fees, fixed costs, or additional surcharges. The only fees vendors encounter are for the actual service of expediting payments.

## 3. Commitment Worries

**Vendor Reservation:** Do I take any commitment to expedite payments/pay fees?

**Addressing the Reservation:** SCF offers flexibility with no obligations to expedite payments. Vendors pay fees solely when choosing to accelerate specific invoices

## 4. Complexity of Onboarding

**Vendor Reservation:** How do I sign up? How long does it take?

**Addressing the Reservation:** SCF is user-friendly. With some providers, vendors are not even bogged down with formal agreements or complex setups. They can simply start using the platform as soon as they establish their credentials.

## 5. Long-term Ties

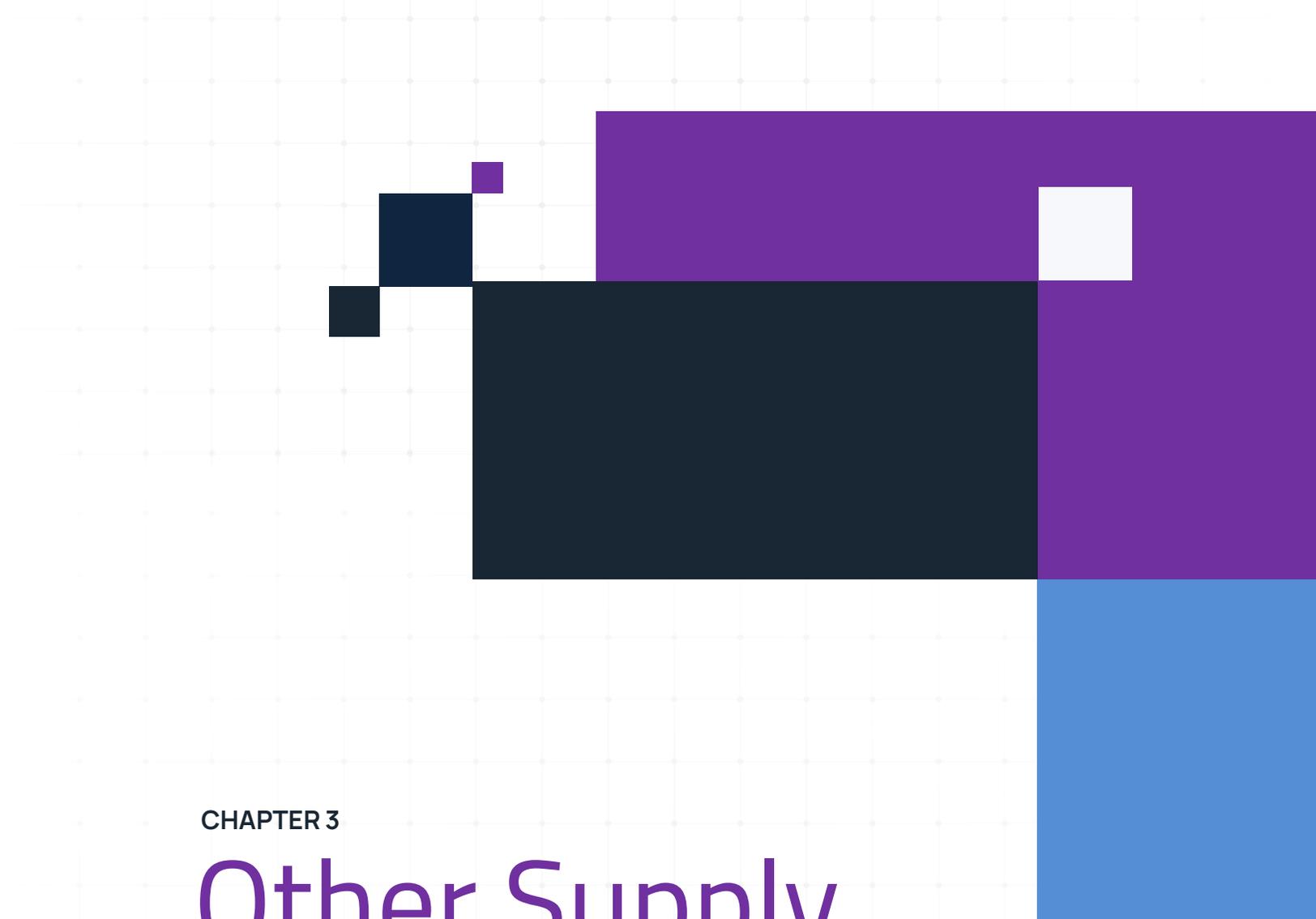
**Vendor Reservation:** Can I unsubscribe from SCF?

**Addressing the Reservation:** SCF respects vendor autonomy. Vendors can opt-out anytime, ensuring they don't feel tethered



Unlocking Quartix's vendor friendly SCF app made conversations easier with many of our vendors. Payment terms are less of an issue now. I also have a new "negotiation asset" that costs us nothing, available to me during commercial terms negotiations with vendors

**Ryan Peed, Procurement Director,  
Majestic Kitchen + Bath, NC**



CHAPTER 3

# Other Supply Chain Finance Applications

# SCF Use Cases

## Beyond Stretching

## Payment Terms

Procurement leaders do more than just negotiate; they build strategic partnerships. SCF, beyond just extending payment terms, can strengthen vendor relationships, ensure stability, and offer a competitive advantage. Here are its diverse benefits:

### 1. Improving Vendor Relationships

Offering SCF access to vendors without extending payment terms shows goodwill and commitment to their financial health. This fosters partnership, enhancing trust, communication, and collaboration, leading to stronger mutual growth

### 2. Supporting Critical Vendors

During challenging times, some vendors' struggles can affect your supply chain. By offering SCF access, you support their continuity and stabilize your supply chain. SCF thus becomes a vital tool for supporting key partners' sustainability

### 3. Buy more from your vendors

If a vendor is hesitant to grow volumes with you due to existing payment terms, unlocking SCF will ease its concerns, allow it to accelerate any payment it wants and be able to sell you the goods you need

### 4. Defending Existing Long Payment Terms

If vendors seek shorter payment terms, SCF allows you to keep your extended terms while giving vendors a way to fast-track payments. This shows flexibility without altering your established terms.

### 5. Reducing Vendor Turnover

Offering SCF can increase vendor loyalty by improving their cash flow, showing commitment to their success. This reduces the chance of vendors looking for other buyers due to financial issues, strengthening trust in your partnership.



### 6. Enhancing Vendor Diversity

By offering SCF as a financial tool, you can attract a wider range of vendors, including those who might have previously been deterred by concerns about cash flow. This diversification enriches your vendor pool and ensures a steady supply of goods and services from various sources

# Wrapping Up: Charting the Path Forward with SCF

SCF is not just a financial tool; it's a strategic asset that empowers procurement leaders to reshape relationships, optimize operations, and foster resilience within the supply chain ecosystem. In this guide, you've delved into a diverse range of SCF applications, from negotiating longer payment terms to cultivating vendor partnerships and supporting critical vendors during challenging times. You've explored the art of leveraging SCF as a bargaining chip, sweetener, and growth enabler, while also understanding its role in building resilient supply chains.

As you move forward, keep these key takeaways on the right-hand side of this page in mind,

As you embark on your SCF journey, remember that SCF isn't just a financial tool; it's a vehicle for collaboration, innovation, and shared success. This guide may be used as a compass to navigate the world of SCF to create a brighter future for both your organization and your valued vendor partners



## Collaboration:

SCF is a collaborative tool that thrives on strong partnerships. Engage with your vendors, listen to their needs, and align SCF initiatives with their goals



## Flexibility:

SCF offers a spectrum of approaches. Whether it's a gradual introduction, using it as a bargaining chip, or supporting critical vendors, adapt your SCF strategy to suit specific circumstances.



## Communication:

Effective communication lays the foundation for successful SCF implementation. Transparently share benefits, address concerns, and foster a sense of partnership to encourage vendor adoption.



## Continuous Improvement:

SCF implementation is not a static process. Regularly evaluate its impact, gather feedback from vendors, and refine your approach to maximize its benefits.



## Resilience:

SCF can contribute to supply chain resilience. By supporting vendors during challenging times and enhancing cash flow optimization, you contribute to a robust and adaptable supply chain ecosystem.





# Contact us

Interested to learn more about how SCF can benefit your business?  
Book a demo!

[Book a Demo](#)

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