Modernizing supply chain finance: The strategic advantage of fintech-enabled solutions

Enterprises today are rethinking how technology, data, and liquidity come together to drive financial performance. At PwC, we see the convergence of treasury strategy and financial technology as one of the most powerful opportunities for value creation in modern finance. The market for supply chain finance and dynamic discounting is evolving rapidly — powered by data analytics, real-time decisioning, and multi-source funding models that provide flexibility and reach that traditional programs could not achieve. As enterprises seek to improve working capital and strengthen supplier relationships, FinTech-enabled platforms are setting new standards for scalability, transparency, and speed. PwC's Treasury and Working Capital practice helps clients harness these innovations — collaborating with leaders like C2FO to help design and implement solutions that modernize liquidity management, enhance visibility across the supply chain, and deliver measurable financial outcomes for all parties.

Executive Summary

Supply Chain Finance (SCF) programs serve as essential tools for enterprises looking to improve their working capital position by way of terms extensions while seeking to enhance the financial health and stability of their supply chains. By facilitating accelerated payment of accounts payable (AP), enterprises—typically in collaboration with financial institutions—provide vital working capital to suppliers in return for a financial discount. Although SCF is an established practice, traditional implementations often face limitations due to unclear program objectives, insufficient data-driven analytics, outdated systems, rigid structures, and constraints imposed by financial partners. As a result, participation in SCF programs is generally restricted to a small subset of suppliers who can satisfy stringent requirements such as continuous engagement, high creditworthiness, or operation within specific regions. Most enterprises have thousands of suppliers, yet conventional SCF programs typically benefit only 50-100 of the largest suppliers, with even the most holistic initiatives rarely extending beyond 300-500 participants.

While the advantages of SCF are well-recognized, emerging Financial Technology (FinTech) providers are transforming the landscape by leveraging advanced, data-driven payment term analytics, offering adaptable program configurations, sourcing funds from multiple providers, and extending accessibility to all suppliers irrespective of size, credit rating, or geographic location. This whitepaper examines how these innovative solution providers are redefining traditional SCF paradigms, empowering enterprises to address the working capital needs of their entire supply chains and optimize both their financial returns and working capital strategies.

Key takeaways from this paper include:

- Learn how to clearly define enterprise goals for both supply chains and internal KPIs.
- AI and analytics driven platforms help enterprises review and adapt supplier payment terms based on industry, importance, size, and location to create an effective working capital solution for all involved.
- Programs should provide multi-source funding, streamline supplier enrollment, enable unified management across integrations and interfaces, and enable a consistent experience globally.
- Bank agnostic approaches allow early payment pricing for suppliers to be a dynamic construct, dependent on supplier terms, size, and working capital goals of the enterprise, moving away from a fixed "one-size-fits-all" construct.
- Flexible early payment programs help to enable better balance sheet and P&L management, which can be leveraged to support corporate initiatives.

Introduction

SCF is a mechanism that enterprises have used for decades to provide suppliers with faster access to working capital. Typically, an enterprise collaborates with a financial institution to establish a cash pool, allowing enrolled suppliers to receive early payment of their accounts receivable (AR), corresponding to the enterprise's AP. In cases involving multiple financial partners, each program operates independently, requiring separate management and integration. Funding rates are established in advance, considering the financial partners' cost of funds (CoF), profit objectives, and the creditworthiness of the enterprise responsible for settling the AP invoice. Supplier enrollment processes often vary between financial institutions and can be manual and time-consuming, including requirements such as Know Your Business (KYB) verification, use of Receivable Purchase Agreements (RPAs), and agreements for future invoice participation. The administrative complexity associated with managing several manual programs across different entities tends to restrict participation to larger suppliers who can meet these requirements and generate sufficient returns for the funding partners. As a result, usually only 10-15% of suppliers—those representing approximately 80% of an enterprise's AP value—are able to participate, leaving about 80% of suppliers and 20% of AP value outside the program. Smaller suppliers, who may benefit most from SCF, often need to seek alternative financing sources such as factoring or higher-interest lines of credit (LOC) and debt.

In addition to limited supplier participation, SCF programs face restrictions in four main areas: 1) addressing multiple corporate objectives through a single integrated deployment; 2) improving payment terms across the supply chain using data analysis; 3) dynamically shifting funding sources between enterprise balance sheets and those of financial partners; and 4) fragmented implementations, and multiple user experiences across programs.

Traditional Supply Chain Finance vs. Dynamic Discounting

To fully appreciate the benefits of technology-enabled supplier finance, it's important to distinguish between two common financing approaches: traditional Supply Chain Finance (SCF) and Dynamic Discounting.

Traditional Supply Chain Finance
Traditional SCF typically refers to bank-led programs. A buyer partners with a financial institution, which pays suppliers early on behalf of the buyer at a discounted rate. The buyer then pays the bank in full at a later date. The financing cost is based on the buyer's credit rating, offering suppliers access to capital at attractive rates. Traditional SCF is usually used when companies want to extend early payments to suppliers but also need to conserve working capital.

Dynamic Discounting
Dynamic Discounting enables buyers to use their own balance sheet to pay suppliers early in exchange for a discount. Rather than being fixed, the discount rate is calculated dynamically based on the discount the supplier is willing to offer, the number of days of acceleration, and the hurdle rates the funding company requires. This makes Dynamic Discounting a great option for companies experiencing surplus cash.

Supporting Corporate Objectives:

SCF provides suppliers with quicker access to working capital, but enterprises often have broader goals for their supply chain programs, such as encouraging manufacturing innovation, rewarding suppliers who meet social objectives, improving returns on idle capital, or extending payment terms without disrupting the supply chain. To achieve these aims, SCF programs should be flexible enough to manage multiple initiatives simultaneously, rather than relying on a single, generic approach. Traditional models often result in either one unfocused program or several disconnected ones that complicate administration and reconciliation.

As observed by PwC, legacy SCF platforms are often too rigid and as a result, restrict treasury's ability to optimize share-of-wallet (i.e., how much business is given to each bank) across bank partners. For traditional supply chain finance this can inflate or anchor volume to a single institution. Over time, this can weaken strategic flexibility, preventing treasury from re-allocating business amongst its banking partners.

Through a fintech-enabled SCF platform, enterprises can easily segment their supplier base by size, geography or financial need to support these broader business objectives.

For example, companies can proactively offer early payments to small businesses or suppliers navigating global disruptions. This turns finance into a tool for both resilience and responsibility, giving treasurers and CFOs the agency to reward bank partners, by allocating funding needs, and strategically manage suppliers to achieve both funding and treasury objectives.

> "These platforms allow treasury to be more adaptive. You're now allocating share of wallet potentially on a monthly or quarterly basis — not on a decade-long bet."
>
> **Steve Szafraniec**
> Treasury & Working Capital Solutions
> PwC Senior Manager

Data Backed Terms Optimization Across the Supply Chain:

A common misperception of SCF is that working capital provisioning primarily benefits suppliers or primarily benefits enterprises. However, both suppliers and enterprises often seek to optimize their own working capital for similar reasons. This creates a dynamic where an enterprise aims to extend terms to improve its working capital position while also providing accelerated payments to suppliers. Achieving this requires negotiating term adjustments with suppliers in exchange for low-cost financing offered through the enterprise's financial partners, often at rates otherwise unavailable to the supply chain. Effective negotiation depends on access to relevant information to guide these discussions. Without such information, the entity with greater leverage, either the supplier or the buying enterprise, may dominate negotiations. An alternative approach involves adjusting terms using industry benchmarks, considering the criticality to both supplier and buyer, and evaluating practices of comparable entities. Implementing this strategy requires holistic data to differentiate between isolated comparisons and validated benchmarks across numerous relationships.

Dynamic Access to Funding Sources

SCF programs are supported primarily through two funding sources: banks or comparable financial institutions (typically classified as SCF), and enterprise balance sheets with surplus capital (commonly referred to as Dynamic Discounting or DD). These sources of funding differ in pricing, cash pool capacity, administrative requirements, and supplier eligibility. The most effective programs employ a hybrid strategy that leverages multiple funding sources and dynamic segmentation driven pricing strategies to fulfill holistic program objectives. Ideally, an enterprise would integrate with as many funding pools as necessary to achieve program goals, enabling suppliers to participate flexibly across any available funding source. Acceleration pricing would adjust dynamically according to funder constraints, supplier demand, and enterprise return-on-investment objectives. Due to limitations arising from legacy, fragmented, and non-integrated solutions, adopting a hybrid approach is often challenging. The complexity of coordinating with numerous financial partners and managing suppliers across diverse funding streams can result in significant operational burdens for the enterprise, unless going with a consolidated fintech platform such as C2FO. Allowing suppliers to be able to access working capital at a dynamic price that aligns with their terms, size, and geography, creates a virtuous cycle: suppliers access crucial working capital while enterprises realize direct working capital benefits.

A Dynamic Supplier Finance Success Story

A large multinational telecommunications company was looking for a simple solution to a very complicated challenge. “They were looking for a really user-friendly digital tool that they could use with all their suppliers, which allowed them to use a combination of third-party funding, provided by their relationship banks, and also their own cash to facilitate early payment across the whole supply chain,” said John Anderson, head of relationship management for EMEA at C2FO. “They needed to unpick legacy supply chain finance systems and migrate to a new technical solution.” This was provided by C2FO, with a single-entry point for all suppliers.

As well as simplifying the procurement processes across the board with a simple, fully digital platform, C2FO’s DSF platform allows companies not only to utilize their own finances to pay suppliers but also to work with partner banks to secure additional funding, increasing the flexibility of how and when invoices are paid.

Finding something innovative, fully digital and suitable for supporting SMEs was paramount for our company. Chief Procurement Officer said: “We wanted something digital, with everything available in two clicks, and we wanted to be mobile. Other solutions felt old school and unexciting and focused mainly on large organizations. We wanted to find the easiest solution possible to support all our suppliers.”

Of course, the simplicity of the platform and a smooth onboarding process is another key reason that C2FO was the right choice. Chief Procurement Officer said: “When we met C2FO, it was the perfect match. For our ambition to be fully digital, and to really simplify the way we pay our suppliers.” The company’s ethos is to make procurement simple, digital and responsible.

Fragmentation and Multiple Experiences

A critical aspect of effective SCF is providing access and capabilities via a unified platform and consistent customer experience. Enterprises that work with multiple financial institutions and their own treasury often navigate several non-standardized implementations and operational processes. Suppliers participating in these programs encounter similar fragmentation, especially when working with multiple customers. This leads to increased administrative tasks for both enterprises and suppliers, which can outweigh the intended financial advantages and potentially decrease supplier participation. Without a unified platform for all parties, this fragmentation typically produces a generic SCF program that may not perform optimally for all users, adds significant operational burden in forms of reconciliation challenges for enterprises, banks, and suppliers alike, and adds further complexity to regulatory reporting.

Modernizing SCF through FinTech & Data

Over the past decade, financial technology providers have made significant strides in modernizing SCF programs worldwide. While the breadth of offerings and degree of success differ among solution providers, those delivering the most holistic solutions have achieved notable outcomes such as:

- Enhancements in enterprise working capital by up to 20%;
- Deployment of multiple concurrent funding pools through a single integration (with an average of three to five pools, and no upper limit);
- A supplier participation rate up to ten times greater than traditional programs;
- Funding levels between 120% and 300% higher than conventional approaches;
- Consistent achievement or surpassing of enterprise KPIs and corporate social responsibility objectives.

The leading solution providers adopt a data-driven, systematic methodology, offering a unified platform that streamlines participation for all stakeholders.

"We have partnered with C2FO to give our suppliers access to the most competitive working capital in whichever geography they operate and regardless of the size of their business. C2FO gives us a market leading technology platform which connects our relationship banks and we also have complete flexibility to deploy our own funds in exchange for discounts whenever we wish. C2FO is helping us to build resilience across our complex supply chain using technology that is universal, simple and future proof."

Multinational Food and Beverage Company
Global Lead Supplier Cash Flow and Pay

Enterprises benefit from a one-time connection to the FinTech platform; financial institutions require only a single integration to access their client base; and suppliers can easily register and connect to any buyer-sponsored program available on the platform through a unified user experience. Leveraging advanced data analytics, these FinTech platforms enable enterprises to quickly evaluate payment terms across their entire supply chain, make informed adjustments where necessary, and implement targeted working capital solutions for suppliers.

For context, top-performing platforms process more than $2 trillion in accounts payable records annually, have the ability to support over one million suppliers with on-demand access to designated funding pools, and deliver accelerated funding exceeding $100 billion on an annualized basis.

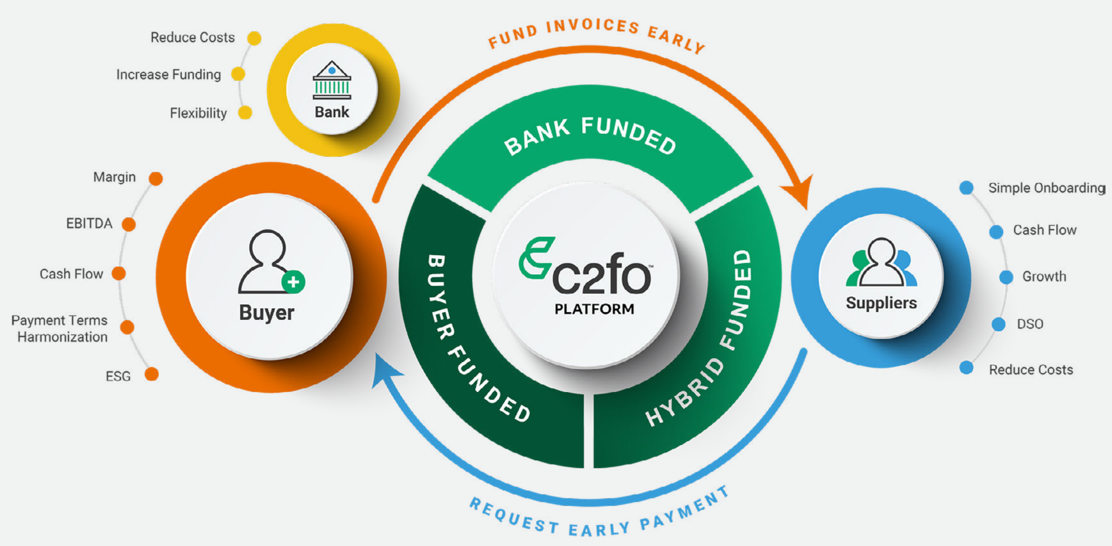
Data First

A FinTech platform typically has access to more holistic data than individual organizations or their financial partners. This is due to FinTech's' ability to serve a diverse range of industries, including for example retail, construction, manufacturing, and hospitality; and compile an extensive repository of supplier information that is shared on an anonymized basis among buyers within the same sectors. As a result, there is substantial supplier overlap between buyers in similar industries, along with notable consistency in profiles such as size, expenditure, importance, location, and regulatory requirements across various regions and markets. In contrast, enterprises are restricted to data within their own operations, and partner banks often engage with a limited group of suppliers who can manage complex enrolment procedures. The many-to-one intermediary structure of an advanced FinTech platform offers significant advantages by facilitating greater connectivity and efficiency in supplier management.

Ubiquitous Integrations

Enterprises frequently engage their established financial partners to sponsor SCF programs. Beyond technical requirements, corporate treasury departments are highly focused on maintaining a balanced distribution of business among partner banks to avoid disruptions or strains within existing relationships, which are essential for various banking needs such as treasury management services, debt facilities, and competitive pricing. Additional complexities emerge when operating across multiple regions with differing regulations, accounting principles, and payment limitations. Cloud-based global FinTech platforms offer the ability to collaborate seamlessly with banking partners in local markets, thus relieving enterprises from these operational challenges. These integrations can support multiple enterprise clients, driving ROI as the platform's client base grows. Moreover, since banking implementations form the backbone of FinTech service offerings, these providers prioritize leading practices and standardized processes, often contributing to the education and improvement of the banks' own integration protocols. Importantly, funding mechanisms on a FinTech's platform are independent of who's balance sheet is used, which means that Enterprises are able to put their own underutilized or surplus capital to work, thereby realizing higher returns.

> "If you acquire a business, you don't want to wait months or years getting it plugged in. You're going to want to go with a partner who can move quickly."
>
> **Janet Nail**
> VP Product Strategy and Operations, C2FO



Fintech-enabled SCF: Understanding the quantifiable benefits

According to PwC's analysis of enterprise supply chain finance implementations, organizations implementing modern SCF solutions typically achieve*:

- 20-30% reduction in working capital requirements
- 40-60% increase in supplier participation
- 15-25% reduction in processing costs
- 30-45% faster implementation timeframes
- 50-70% reduction in IT resource requirements

**Based on PwC's global study of enterprise SCF implementations, 2023-2024*

Unified Customer Experience

The holistic value of a single platform for enterprises offering SCF programs and the associated funding balance sheets depends on consistent and extensive use by suppliers. This requires straightforward registration processes (such as two-click registration), an intuitive user interface, analytics and pricing tools to clarify financial considerations for suppliers, and the ability to access multiple programs through one platform across all customers. Supplier economic activity increases as they connect with more enterprise programs via a single solution; for example, supplier-generated economics double with two buyers, increases tenfold with three buyers, and rises twenty-five-fold with four buyers on the platform[1]. Additionally, revenue retention for the funding balance sheet can exceed 120% over five years. Given these dynamics, many FinTech companies allocate substantial technology budgets toward simplifying their platforms, employing data science and AI for timely engagement opportunities, and providing pricing tools that enable suppliers to negotiate discount rates compatible with both their profitability targets and available funding limitations.

"If you have banks cooperating within a Supply Chain Finance program funding network, the cost of funding spread is going to balanced, making trade finance more affordable for suppliers while increasing program adoption rates."

Adam Taplinger
Treasury & Working Capital Solutions
PwC Principal

[1] C2FO data

Wrapping it Up

SCF is essential for enterprise health and supply chain efficiency. Traditional providers serve only large suppliers and face issues with outdated processes, while new FinTechs have transformed service delivery, pricing, and participation. Choosing a modern FinTech collaborator can help you launch or upgrade programs that benefit your whole supply chain and improve corporate returns and KPIs, without disrupting current financial relationships or missing new collaboration opportunities.

About PwC and C2FO

PwC is a global leader in professional services, bringing deep expertise in financial operations, technology implementation, and business transformation. C2FO is the world's largest platform for working capital, delivering innovative solutions that help organizations optimize their financial operations and strengthen supplier relationships.

Together, PwC and C2FO provide organizations with holistic expertise and leading technology to transform their supply chain finance operations and achieve superior results.

Contact information

To learn more about how PwC and C2FO can help your organization improve its supply chain finance operations, please contact:

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"Corporate enterprises today are looking to a next generation of supply chain finance where they have much greater flexibility to use their own cash, to invite multiple banks to the program, to have greater flexibility in driving multiple KPI's as the business environment evolves. When this also comes with immense insights into global payment terms and supplier funding rates it creates outsized value for all parties."

Colin Sharp
Chief Sales Officer, C2FO