



All that counts is money

The term "Financial Supply Chain Management" has recently repeatedly been the focus at logistics presentations and discussions. This approach, publicized years ago, and also named Working Capital Management (WCM) in finances, comprises the steering and optimization of cash flow in and between companies.

Suppliers' credits and terms of payment for customers evoke discrepancies between the physical flow of goods and actual the cash flow. WCM is primarily about the minimization of companies' tied up capital and consequently to improve the company's liquidity and accounting ratios. These values are based on the average accounts receivable and payable terms and frequency in storage cargo handling. In particular, SMVs struggling in these days with shrinking liquidity due to the banks' restrictive credit policies need to focus on these flows' continuous and sustainable control. Deduction in tied up capital increases the available amount of cash and hence reduces dependency on third party credits for the execution of investments. The currently prevailing, massive turnover reduction results in a higher reduction level for turnover in comparison to the level of receivables from external enterprises. This is done against the backdrop of companies with a poor order situation and therefore ready to deliver to customers with low payment reliability and/or make concessions in payment conditions to be able to reach their target figures.

How can we counter steer these developments and improve our own liquidity and reliability? The ideal of customers paying early and us clearing our own liabilities with suppliers as late as possible is difficult to implement in practice, or not possible at all. Enterprises, in particular of SME size, are highly dependent on financing from banks. On the other hand, their customers are in general bulk (trade) purchasers who dictate their suppliers' long payment terms. And in communicating internal company data to suppliers and customers for the development of a joint, fruitful payment concept confidentiality problems arise, which are already known from the implementation of a "common" SCM.

A Solution can be found here in good negotiation skills for contract- and payment terms with customers and suppliers and primarily in the management and optimization of the operating logistics processes. Internal the storage movement and cycle time can be accelerated by means of inventory clearance of slow moving items and conceptional design of optimized goods flow, which results in avoiding capital tied up unnecessarily. In regards to suppliers the implementation of JiT supplies, consignment warehouses, tracking & tracing, or the continuous evaluation of suppliers enhance both the delivery time and quality and planning of deliveries. Additionally, bad debts are often indicators of deficiencies in our own operative processes and quality defects in production and delivery, insufficient goods availability and lack of complaints processing. Finally, satisfied customers who received their goods at the right time and in the desired condition are more disposed to clear open accounts in due time.

To strengthen our own liquidity and assure the company's continuance, it is imperative to not only take measurements in terms of finance but also to review existing logistic processes and implement optimization potential!

Yours

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