



Selection Guide

Working Capital Management Solutions

Comprehensive benchmarks for choosing a
platform to meet your company's working
capital needs



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Introduction

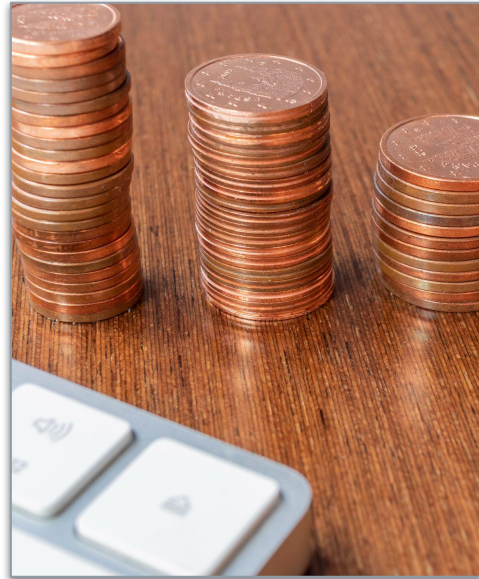
Maximizing working capital is vital to the success of any company; without cash to make payroll, maintain facilities, or keep the lights on, businesses fail. To keep their liquidity, many companies have turned to accounts receivable and accounts payable financing programs to boost their working capital positions and support their cash-strapped suppliers. As the options have grown, choosing the right program can be daunting.

We created this Buyer's Guide to provide you with a tangible framework to evaluate solutions and, ultimately, identify one that best meets your working capital needs.



Comprehensive End-to-End Solution

The working capital needs of companies are constantly evolving and having a solution that can facilitate multiple functions like factoring, reverse factoring, and dynamic discounting can improve efficiency and speed of payment when compared to fragmented and manual solutions.

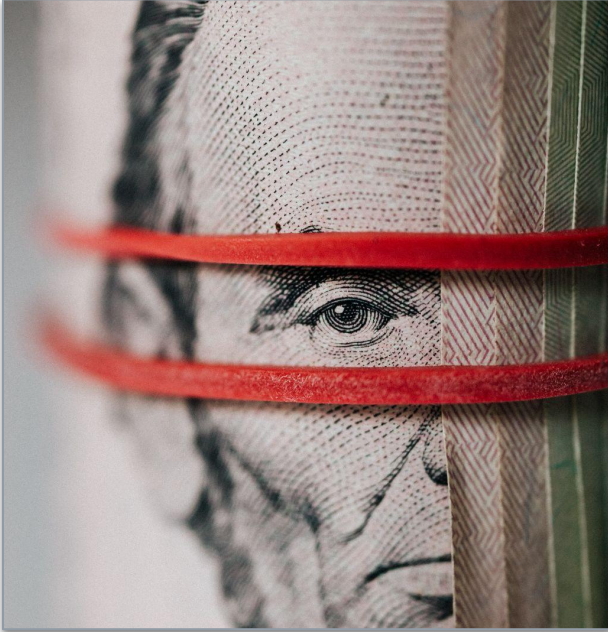


What to look for in a solution:

A single interface for on-demand access to capital through accounts receivable and payable financing options, including:

- ❑ **Factoring**
Let businesses get paid faster and use the funds they've already earned to run and grow their business through invoice financing.
- ❑ **Supply Chain Finance**
Free up working capital for buyers by leveraging third-party funds to pay suppliers early.
- ❑ **Dynamic Discounting**
Enable buyers with excess cash to put that money to work by funding their own early-payment program for suppliers.

Multiple Funding Sources



A solution with diverse funding sources allows buyers the flexibility to structure a program that best fits their working capital needs. Diverse funding sources also allow for more affordable options for sellers participating in a supply chain finance program.

What to look for in a solution:

Flexibility to support a variety of programs drawing from various funding sources is critical. This flexibility allows for quick implementation to meet the needs of suppliers. A solution should include the ability to be:

- ❑ **Self Funded**
Supports buyer-funded programs by providing an interface for sellers to request early payment for invoices - at a discounted rate.
- ❑ **Bank Funded**
Allows buyers to use funding from their bank or a supply chain finance platform partner bank.
- ❑ **SaaS-Company Funded**
Allows for flexibility in an early-payment program by streamlining underwriting and implementation.

Supplier Risk Analysis

Risk is always a consideration of any type of business arrangement; working capital management is no exception. Having advanced analytics to help mitigate that risk is a vital part of a solution.



What to look for in a solution:

The ability to assess important factors that can predict bankruptcy, days to pay, dilution, and fraud.

- ❑ **Predictive Algorithms - Invoice Performance Engine**
Utilizes risk-management tools that combine business practices, data science, and modeling.
- ❑ **Enterprise Business Intelligence**
Performs on-demand, responsive analyses to support sales and operational needs.
- ❑ **Supplier-Risk Monitoring**
Reviews data like invoice details, seasonal trends, disputes and discounts, skipped invoices, concentration, and DSO and DPO to monitor the health of the supply chain.

Insightful Reporting

Data is only as useful as its ability to be interpreted and understood. To that end the ability to generate clear reports on the important aspects of a working capital management program is vital to success.



What to look for in a solution:

Important metrics that must be clearly and easily quantified and articulated directly from a platform include:

- ❑ **Spend Count**
Number of suppliers, invoices, POs by region, business unit, payment term, currency, and payment method.
- ❑ **Spend Amount**
Over time by region, business unit, category, supplier, payment term, currency, and payment method.
- ❑ **Payment behavior**
Approval days, payment terms, and performance.

Diversity, Equity, and Inclusion



Supplier diversity is an element of supply chain planning that is becoming increasingly important to private companies, government agencies, and nonprofits. Supplier diversity means building a strong commitment to creating and maintaining a supply chain that ensures the inclusion of diverse groups in procurement plans, including, women-, minority-, LGBTQ-, and veteran-owned businesses.

What to look for in a solution:

- ❑ **Supports the long tail**
The majority of minority-owned companies are small-to-medium businesses that are not usually included in traditional buyers' early-payment programs.
- ❑ **Provides education and outreach**
As they are under banked, many minority-owned businesses don't have the experience to navigate early-payment programs or other financing options.

Data Security and Compliance

Unfortunately, data security is a constant worry for companies worldwide. This problem has grown exponentially more difficult for IT departments to solve with distributed workforces that led to an increase in ransomware and data theft.



What to look for in a solution:

A platform should have built-in features to help protect your data, both at rest and in flight. Critical features include:

- ❑ **Multi-factor Authentication**
Adds an additional security layer to logins to prevent unauthorized access.
- ❑ **Data Encryption**
Ensures that data is always protected and secure, even when in transit.
- ❑ **TRUSTe Privacy Certification**
Certified to uphold strict privacy and data governance practices.
- ❑ **SSAE-18 Compliance**
Recognized as compliant with strict industry standards.

Ease of Implementation and Use



If a solution is not intuitive, is cumbersome to use, or difficult to set up and get started for both buyers and sellers, there is a high probability that any program using that platform will fail due to lack of participation.

What to look for in a solution:

The elimination of friction in implementation and use is key to a successful program.

❑ Simple Implementation

Caters to varying technological sophistication with no-code downloadable templates, SFTP connections for larger volume invoice uploads, third-party integrations, and data sharing with AP and ERP systems.

❑ Rapid and Easy Onboarding

Ability to have users online in a few days, allowing invoices to be added to the system for faster payment without stress and paperwork.

❑ Intuitive Interface

Eliminates the complexity of working-capital management with a UX that delivers clarity and transparency.

Seller Onboarding and Management



A program is only successful when sellers come on board and actively participate. Seamless onboarding and adoption followed by dedicated account management ensure enrollment and utilization of sellers across the supply chain.

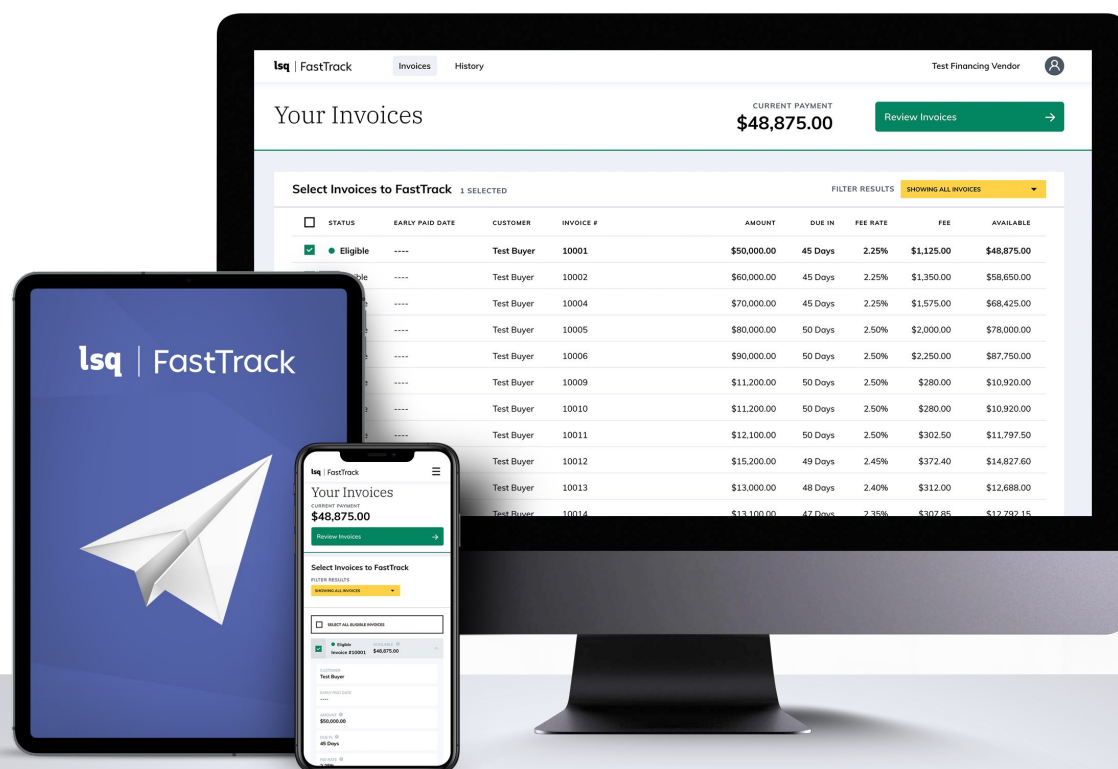
What to look for in a solution:

It is important to consider how a platform supports supplier adoption and use.

- ❑ **Supplier Segmentation**
Utilizes data science to analyze of suppliers and their payment data to determine which suppliers will be the likeliest to adopt
- ❑ **Supplier Outreach**
Based on segmentation, develops a prioritized strategy to recruit sellers based on their likelihood to adopt and use the program.
- ❑ **Dedicated Account Management Team**
Supports sellers through the entire process, from onboarding to invoice submission to reconciliation with a supplier success team.

Summary

Working capital management platforms have proven to be valuable tools for buyers and sellers of all sizes in a multitude of industries to boost their liquidity and overall financial health. While every company has its own unique needs and goals for a supply chain finance program, by being thoughtful about implementation and making sure a solution checks the important boxes and can scale as your business grows, you can ensure a better chance of success in meeting working capital requirements.



Learn how LSQ can help your business

Contact us for more information: [\(800\) 474-7606](tel:8004747606) | [LSQ.COM](https://lsq.com)

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