



KYRIBA CASE STUDY

Strengthening Supplier Relationships with Reverse Factoring

Pimkie's Reverse Factoring program has brought sizeable working capital improvements while bolstering relationships with key suppliers.

Accessible-fashion company Pimkie works with over 200 suppliers located across Asia, Maghreb, Turkey and Europe. The company handles €230 million in purchasing each year.

A need for change

The company identified multiple inefficiencies which needed to be resolved. With half of the company's purchases made using letters of credit – particularly with Asian suppliers – the goal was to optimize existing purchasing processes. "The existing management method imposed a greater workload on our teams with little value added, and its extensive process lead to numerous errors," said Group Treasury Manager Grégory Ambrosio.

While the company had previously adopted a vendor financing program, it took nearly 25 days after shipment to handle discount requests. "We wanted to offer our suppliers an alternative solution while significantly improving funding timeliness," said Ambrosio.

Additional goals included the desire for a more global approach, and the need for working capital optimization within the company's payment terms. The company also wanted to incentivize suppliers to improve their corporate social responsibility (CSR) performance, and strengthen its strategic partnerships. "Within our industry, it is important to offer visibility to our suppliers and plan for stable, long-term relationships with even greater flexibility," said Ambrosio.

pimkie[®]


Founded: 1971
Headquarters: France
Industry: apparel
Revenue: €563 million
Employees: 5,212

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—Grégory Ambrosio,
Group Treasury Manager,
Pimkie



QUANTITATIVE RESULTS

Reverse factoring for
 **60 Merchants,**
85% of purchases,
€190 million eligible invoices

 **40%**
REDUCTION
(14 day improvement)
in time to pay suppliers

 **€8**
MILLION
in working capital
improvement in year one

 **€12-€15**
MILLION
in working capital
improvement per year
once fully operational

Adopting a solution

In order to achieve these goals, the company embarked on a project to adopt a reverse factoring program which would be offered to 60 suppliers, representing 85 percent of the company's purchases and €190 million in eligible invoices.

Following a four-month analysis phase to adopt a highly secure, bank-independent solution for the company, the treasury team presented the project to senior management, who quickly approved the project. Pimkie selected Kyriba to provide the technology platform. Once approved, the project mobilized several departments, including CSR, Purchasing, Accounting, Supply and IT, thereby enabling internal processes to be optimized.

During the four to six-month deployment phase, the company worked closely with BNP Paribas Hong Kong and Kyriba. An important step was arranging a roadshow for suppliers in China, Turkey and France in order to convince local suppliers to join the program. "We were able to offer sessions in English and Chinese due to Kyriba's presence in the area," Ambrosio said. The company also made significant investments in order to support communications and remove potential obstacles for suppliers.

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—Grégory Ambrosio,
Group Treasury Manager, Pimkie

The outcome

Since launching the program, Pimkie is on track to achieve its goals. By offering 60 key merchants the opportunity to take part in the program, the company aims to achieve working capital improvements of around €12-€15m per year once the program is fully operational. Suppliers, meanwhile, receive payment 14 days earlier than they did when using letters of credit, enabling Pimkie to strengthen key supplier relationships.

Pimkie has also leveraged the program to support its CSR goals. The financing rate offered to suppliers is determined by a CSR score allocated by Pimkie, with top performers benefiting from an enhanced rate while low performers are not able to take part in the program. "This creates a powerful incentive for our suppliers to raise awareness and consistently improve their CSR performance," said Ambrosio.

Ambrosio notes that effective supplier onboarding was key to the success of the project, as was the involvement of the Information Systems Department (ISD). Another crucial consideration was the need to gain approval of the program from statutory auditors on a commercial debt model, so that trade payables would not be reclassified as financial debt. "It is important to anticipate this phase, since it may take time," Ambrosio said.

Looking ahead, the company plans to open the program to non-merchant suppliers based in Europe and to smaller merchant suppliers, as well as implementing the program at Pimkie's sister companies. "The solution also allows us to plan for the future, financing our suppliers based on our own cash surplus through a Dynamic Discounting program," said Ambrosio.

Meanwhile, a paperless invoicing project already underway is expected to reduce invoice validation times further, enabling participating suppliers to receive early payment even faster.