

Modernizing International Supplier Finance With Reverse Factoring Programs

KYRIBA SUCCESS STORY

French retail group Auchan uses reverse factoring to pay suppliers sooner without negative impact to working capital.

After the global financial crisis, Auchan Group's suppliers began asking whether their invoices could be paid sooner, as they were struggling to secure bank financing on acceptable terms. When some of these suppliers began to have difficulty fulfilling orders placed by Auchan, it was clear that action was needed.

The group began exploring how reverse factoring programs could be used to pay suppliers faster and at favorable terms, without adversely affecting Auchan's working capital. These programs would need to be supported by a supplier portal in order to keep suppliers informed about the status of their invoices.

Auchan therefore decided to set up ASAP (Auchan Supplier Advanced Platform), a wholly owned subsidiary, which would provide the group's entities with reverse factoring programs. Another goal of the project was to modernize the group's payment methods, thereby improving security and reducing costs.

Getting Started

Once management had given the project the green light, the company rapidly assembled the affected teams: purchasing, IT, legal and the financial department. "This was a company-wide project in response to highly strategic challenges," said François Verrodde, CEO of ASAP and head of the Group's Reverse Factoring programs. "It was therefore important to have powerful sponsors within the company, and the involvement of all players."



Parent Company: Mulliez Group
Founded: 1961
Headquarters: Nanterre, France
Industry: Retail
Revenue: \$44B



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— François Verrodde
CEO of ASAP, Auchan Group

QUANTITATIVE RESULTS



15,500
Suppliers
Participating



5
Auchan group
entities covered



47%
Increase in
financing requests

Where technology was concerned, Auchan was looking for a bank-independent solution which could cover multiple laws, languages, banks, IT systems, repositories and currencies. “Only a solution independent from the banks, such as that offered by Kyriba, could natively integrate all of these requirements,” said Verrodde. He notes that the decision to adopt Kyriba’s platform was also driven by the need for a modern, flexible and customizable solution.

The implementation began with a pilot phase incorporating four group entities and three banking partners. “We approved some of the decisions made, such as the financing arrangements offered to our suppliers,” said Verrodde. Thereafter, the focus was on onboarding as many suppliers as possible to the platform using a range of communication methods, from an e-mail campaign to in-person discussions at conventions.

Surpassing the Original Goals

Three years after the project began, the program has already exceeded the company’s original goals with over 15,500 suppliers on the platform. ASAP currently tracks reverse factoring programs on behalf of five different group entities: Hypermarkets France, Supermarkets France, Auchan Poland, Auchan Romania and Auchan Portugal.

Suppliers can use Kyriba’s portal to access information about the status of their invoices and can finance their invoices on attractive terms with a few clicks. “The feedback from suppliers that joined the program has

been unanimously positive,” said Verrodde. “We have met their expectations in terms of visibility, simplicity, transparency, independence and attractiveness.” In some countries, the company has also been able to move from paper-based payments to electronic transfers.

For other companies looking to adopt a similar program, Verrodde emphasizes the importance of working with multiple banks, adding this was “essential” to the success of Auchan’s project. He also notes the importance of addressing legal considerations thoroughly: “In our multinational environment, with its wide array of legislation, any legal impact must be approved by our internal teams, with the support of an outside firm that specializes in international finance.”

Future Plans

Looking ahead, it is likely that the reverse factoring programs will be expanded into additional countries. “Our primary mission is to support the growth of Auchan Group, so naturally we will respond to requests from other countries that face significant challenges in this area,” said Verrodde.

The company also hopes to develop existing tools further in order to provide greater agility and flexibility. Future developments could include the use of techniques such as purchase order-based financing or dynamic discounting. “Of course, we are working on these issues in close cooperation with our partner Kyriba, which has effectively supported us from the start of this project, and continues to provide us with appropriate solutions,” Verrodde concludes.