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Supply Chain Finance Software Vendors: TradeCard

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IMPACT POINTS

- Current product offerings and marketing messages circumscribe supply chain finance (SCF) to “supplier” (i.e., buyer-centric) finance. These solutions address the buyer/supplier relationship but fail to address end-to-end supply chain processes.
- Aite Group asserts that SCF should actually refer to the financial approaches and instruments that optimize the transactions, working capital, and costs of all collaborative supply chain processes, from product design to after-sales management, and through procurement, manufacturing, warehouse management, and distribution. The author asserts that true SCF software vendors are those developing and commercializing application suites that apply to the entirety of these processes—not solely to the buyer/supplier portion.
- For this research, Aite Group has created an SCF Maturity Chart that maps profiled players’ correspondence to the SCF software needs and requirements of the market (mostly represented by banks).
- The current market for SCF software is in strong demand for applications (called supply chain transaction—SCT Enablers) that create an infrastructure. On this infrastructure run software applications (called SCF Enablers—a.k.a. Components) that automate SCF (i.e., buyer-centric) transactions. The vast majority of vendors sell directly to banks. Aite Group believes, however, that financial institutions are finally realizing that it is more appropriate to turn to specialized providers to acquire software applications that support the execution of mission-critical SCF transactions.
- The most-offered SCT Enablers are dedicated to managing invoices, payables, receivables, and collaboration platforms (including multi-bank, a real novelty for the bank world). The majority of offered SCF Components are for open-account transactions. Within the next three years, however, Aite Group expects to see a strong convergence between software suites dedicated to open-account transactions and documentary credit-oriented (e.g., letters of credit, guarantees, collections) application suites.
- The current document features the solutions provided by TradeCard and maps the vendor against the SCF Maturity Chart.

INTRODUCTION

Companies around the globe are feeling pressure to revise their strategies for managing working capital. As companies increasingly operate their supply chains on a global basis to remain competitive, many seek new ways to manage the flow of funds through the supply chain. The physical supply chain represents the management of materials and information required to deliver goods, while the financial supply chain represents the correspondent management of cash and capital. The adoption of financial instruments to improve payables, receivables, and inventory ratios has long been a common practice among corporate treasurers. When a company's chief financial officer (CFO) and treasurer understand the financial dynamics of the supply chain, they can employ a vast array of financial instruments and practices (e.g., factoring, reverse factoring, forfaiting, inventory financing, and payables discounting) to help the company meet its working-capital objectives. Post-financial crisis, financial institutions need to use such instruments in a more organic way to impact the underlying financial elements concerned: accounts payable (A/P), accounts receivable (A/R), and inventory value. These instruments and practices are components of "supply chain finance."

This report discusses target markets, software functionalities, delivery models, client segmentation, and partnership strategies of SCF solution vendors and offers a particular assessment of the software applications and services operated by TradeCard in the developing SCF market. Although Aite Group is well aware that no solution vendors in the market currently provide a full portfolio of SCF features (and some have no desire to do so), the objective of this research is to provide guidance to CFOs and treasurers as to what criteria to adopt to identify which players have a predisposition to accommodate such capabilities in a market that will mature in the course of the next three years.

WHY SUPPLY CHAIN FINANCE?

Anecdotal market evidence shows that corporate treasurers are the main decision-makers in an SCF sales cycle. The adoption of financial instruments to improve payables, receivables, and inventory ratios has long been a common practice among corporate treasurers. In the aftermath of the credit-crunch crisis, the need to approach the use of such instruments in a more organic way has emerged , given that the underlying financial elements being impacted (i.e., A/P, A/R, inventory value) are all constituents of a company's working capital. The saying "cash is king" refers to this attention to working capital, and this mantra has, for many treasurers in recent years, taken a specific flavor depending on the size of the corporation. Aite Group has found that treasurers of very large (i.e., revenue of more than US$10 billion) corporations today look at cash not only in terms of where to find available sources of finance, but also on how to best utilize the free cash available. The financial (and now economic) crisis has stretched the resources of small yet strategic suppliers of these large corporations (which have, themselves, been part of the financial distress of their smaller providers) to the limit. The instinctive reaction to the incumbent crisis—to delay payments as a means to free up liquidity—has put suppliers on their knees. This has had a negative consequence on the buyers as well, as the campaigns to stop or delay payments hit both "normal" and "strategic" suppliers, reducing their ability to serve their large customers. The negative effect of such short-term and short-sighted policy was not immediately visible in a scenario of an almost-frozen economy.

The effort of corporate treasurers has shifted from finding streams of liquidity for the sole purpose of "keeping the lights on" to utilizing saved cash to sustain growth and take advantage of new opportunities in the markets. It has become common for a corporate supply chain to span multiple geographies and jurisdictions, and there has been a fundamental shift in how global trade is conducted. There is a clear and continuing corporate trend to conduct cross-border trade through direct, open accounts, thus increasing the opportunities for the adoption of innovative supply chain solutions that complement traditional, document-based trade finance. Open-account transactions are those trading relationships in which the buyer pays the supplier upon receipt of the goods with no backing other than the buyer's reputation. Traditional documentary trade finance instruments continue to have a role within global trade, but open accounts will provide the core framework for cross-border trade during the next 10 years.

Treasurers understand that the CFO's attention is on them and are demanding IT systems that support them throughout their daily activities and responsibilities, not only in terms of automating manual operations, but, more importantly, in terms of providing them with timely and integrated information along the value chain. To the eyes of a treasurer, a foreign exchange (FX) swap, for instance, shifts from being a mere currency-conversion transaction of a cross-border payment to becoming an instrument that allows the treasurer to allocate free liquidity in a new asset class (e.g., pool of liquidity in Swiss francs). Another example relates to the benefit of having an integrated system that connects cash management with trade finance. When forecasting cash balances, it would be very beneficial for a treasurer to be able to simulate what-if scenarios, including cash projections of outstanding letters of credit (LCs) or open-account transactions. The integration with payables and receivables from the enterprise resource planning (ERP) system would further increase the visibility of the inbound and outbound flows of cash.

Corporate treasurers are very careful in their choices of IT platforms, and prefer to select Web-based, multi-bank, and standards-based dashboards. They want to avoid being trapped into a bank-proprietary platform. They also want the freedom of choosing the best trading partner by exchanging transactions on the Web using globally accepted communication standards and protocols. The trend Aite Group sees is one in which treasury, cash management, trade finance, payments, and FX are all interconnected within a single multi-bank and standards-based (i.e., "open") platform.

EXPECTED BENEFITS OF SUPPLY CHAIN FINANCE

Supply chain finance has proven itself to be a valuable source for optimizing working capital. Each SCF component, when applied, provides a set of benefits to both parties of the commercial transaction (i.e., buyer and supplier). Because of the relative newness of the subject, Aite Group developed, in 2010, a survey[1] across more than one hundred treasury practitioners to evaluate the expected benefits from implementing SCF programs. Given that a company is at the same time a buyer and a supplier, the expected benefits from SCF software solutions must address

1. See Aite Group's report, *Supply Chain Finance Programs: Implementation Guidelines*, September 2010.

both sides of the value chain. The answers received were varied and considered the subject from different angles, including mitigating non-payment risk, transferring risk, reducing risk of open accounting, reducing cost of deployment vs. traditional trade finance , reducing days sales outstanding (A/R), increasing days payables outstanding (A/P), optimizing inventory levels, increasing return on committed cash, optimizing overall working capital, creating cash-flow certainty, enabling access to liquidity, and diversifying sources of financing.

Analysis and observations conducted among corporate treasurers have allowed Aite Group analysts to identify the three key areas of focus for any corporate treasury office:

- **Visibility, efficiency, and compliance**: Centralize information, integrate with external systems, forecast, and budget
- **Risk management**: Manage and mitigate the most significant form of risk, such as credit risk, counterparty risk, country risk, finance risk, and contract risk
- **Optimize sources and destinations of cash**: Know where to get funds and where to invest excess liquidity

METHODOLOGY

This Aite Group document seeks to assess the maturity of TradeCard's software solutions that support the execution of SCF programs. To this end, we present an analysis of a SCF software vendor that offers functional categories that can build the foundation of an SCF portfolio. To achieve the stated results Aite Group performed a thorough analysis of the current, state-of-art components of TradeCard's SCF software applications through an online survey and a series of telephone interviews and demo presentations between September and October 2011.

The added value of the present analysis is that it provides a structured overview of the vendor's current offerings against application categories which will, in time, expand into the wider and richer paradigm of a fully developed SCF platform. An SCF platform refers to the financial approaches and instruments that optimize the transactions, working capital, and costs of all end-to-end collaborative supply chain processes, from product design to after-sales management, and through planning, procurement, manufacturing, warehouse management, and distribution. Aite Group asserts that "SCF" software vendors should only be classified as those developing and commercializing application suites that apply to the entirety of these processes.

SOURCES

To avoid "reinventing the wheel" and to ensure validity and credibility to the whole project, Aite Group utilized the definitions of SCF elements provided by standard and official bodies such as the Bankers' Association for Finance and Trade - International Financial Services Association (BAFT-IFSA), the Society for Worldwide Interbank Financial Telecommunication - International Chamber of Commerce (SWIFT-ICC), and the Bank of England - Association of UK Corporate Treasurers (BoE-ACT). Aite Group also included additional elements in the proposed SCF portfolio based on its current research and analysis.

SCF ENABLERS (A.K.A. COMPONENTS)

Table A lists main components of SCF and their definitions. These software applications support the deployment of the added-value financial services that represent the core of SCF and automate the deployment of the financial instruments for the corporate supply chain.

Table A: SCF Components

SCF Component	Component definition
Pre-shipment finance	Pre-shipment finance, also known as purchase-order financing, is made available to a seller based on a purchase order received from a buyer. This financing can cover all the related working-capital needs of the seller, including raw materials, wages, packing costs, and other pre-shipment expenses.
Post-shipment finance	Post-shipment financing is provided to a seller using the receivables as collateral. The seller presents shipping documents as evidence of a receivable, and the bank may also require a bill drawn on the buyer for

SCF Component	Component definition
	goods exported.
Reverse factoring	Reverse factoring (approved payables financing) allows sellers to sell their receivables and/or drafts relating to a particular buyer to a bank at a discount as soon as they are approved by the buyer. This allows the buyer to pay at the normal invoice/draft due date and the seller to receive early payment. The bank relies on the creditworthiness of the buyer.
Receivables purchase	Receivables purchase allows sellers to sell their receivables/drafts relating to one or many buyers to their bank to receive early payment, usually at a discount on the value.
Buyer finance	On invoice due date or at sight, payment is made to the seller by creating a post-shipment finance loan on the buyer to cover the period until the goods are sold.
Buyer-driven payables (dynamic discounting)	Buyer organization funds its own program. Benefit is driven from an early payment discount offered by the suppliers. Usually, buyer organization uses supporting technology to implement the program.
Invoice financing/discounting	Solutions such as factoring or invoice discounting rely on suppliers selling their receivables to a bank and receiving a percentage of their receivables early for a discount. Discount is based on supplier credit standing.
ECA supplier financing	Governments, through their stimulus packages and established export credit agencies (ECA), are partnering with exporters and their banks in a series of global trade programs to mitigate cross-border risk in the supply chain. This type of government-backed receivables financing counters high lending costs between banks and suppliers.
Warehouse finance	Warehouse finance is a form of trade finance in which goods are held in a warehouse for the buyer, usually by the seller (but could be by a third-party), until needed.
Confirming	Confirming offsets the date on which the seller receives payment of its sales from the date the buyer makes the appropriate payout. Confirming allows the bank to negotiate separately with both parties on the final maturity of each bill.
Distribution finance	Financing and servicing programs that facilitate the manufacture, distribution, and sale of technology products, electronics, and appliances, industrial equipment, office products, and other consumer durables.
Bank payment obligation (BPO)	Bank payment obligation is an irrevocable (conditional) obligation of an obligor bank to pay a specified amount to a recipient bank as soon as a matching occurs between data extracted from different trade documents like invoices, purchase orders, transport documents, and certificates. Under a traditional documentary LC, a bank is obligated to pay subject to the physical presentation of compliant documents. Under a BPO, a bank is similarly obligated to pay subject to the electronic presentation of compliant data.

Source: Aite Group

SCT ENABLERS

Aite Group defines supply chain transaction—SCT—Enablers those software applications that create an infrastructure that runs the SCF Components and facilitates their execution (see Table B for a full list of SCT Enablers and their definitions). Electronic invoicing is a good example: An exchange of electronic invoices is needed to fully deploy the value of reverse factoring, one of the most frequently adopted SCF Components.

Table B: SCT Enablers

SCT Enabler	Enabler definition
E-Invoicing	An invoice is a trade document or instruction that details the goods sent/services delivered or goods received/services obtained with a statement of the due and payable amount together with a statement of any applicable value-added taxes. Some invoices are no longer paper-based, but rather transmitted electronically over the Internet (e-invoice).
Purchase order (PO) invoice matching, reconciliation, and approval	Automatically matches invoices to both purchase orders and contracts. Automates the processing of invoices before transferring them directly to the enterprise resource planning (ERP) for final payment. The remaining partially matched or unmatched invoices are automatically routed to the correct person for handling.
Order management (sales order, purchase order issue, dispute, confirm)	Enables the initiation of the order process from the sales or purchase order, setting the initial terms and conditions of the commercial trade. Advanced systems generate the invoice document directly from the purchase order.
Document management	Manages document production and distribution in a central, secure location. All documents are generated based on the trade transaction terms. Examples of documents include purchase and sales orders, insurance policies, customs files, shipping documents, bills of lading, invoices, and quality inspections.
Payments execution	Opening, maintaining, and closing accounts; payments initiation from all appropriate channels; monitoring payments; ensuring interfaces between client-interfacing and internal bank systems; clearing and settling payments to the parties' accounts at their respective banks.
Multi-bank connectivity platform	Enables buyers, sellers, and involved banks to see all of a corporation's electronic financial transactions in one place instead of logging into several different proprietary systems to gather a complete picture of their transactions.
Workflow management systems	Allows buyers, sellers, or involved third parties to define different workflows for different types of jobs or processes. Once the task is complete, the workflow software ensures that the individuals responsible for the next task are notified and receive the data they need to execute their stage of the process. A workflow management system reflects the dependencies required for the completion of each task.
Accounts payable	A/P is a file or account sub-ledger that records amounts that a company owes to suppliers, but has not yet paid (a form of debt), sometimes referred to as trade payables. A/P automated solutions (commonly called e-payables) automate the paper and manual elements of processing an organization's

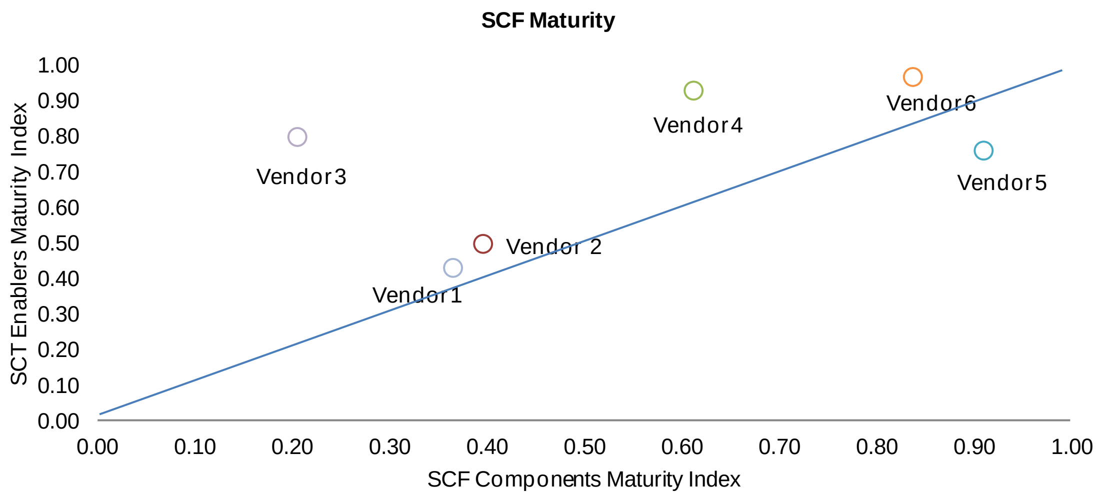
SCT Enabler	Enabler definition
	invoices. Sometimes A/P is supported by a company's ERP system, and other times by a dedicated system.
Accounts receivable	A/R represents money owed by entities to the firm on the sale of products or services on credit. The A/R team is in charge of receiving funds on behalf of a company and applying them toward their current pending balances. Collections and cashiering teams are part of the A/R department. While the collection's department seeks the debtor, the cashiering team applies the monies received. The A/R file is used by the buyers to assess the outstanding balances with the seller and free up available credit.
Event management	Controls and assigns actions to trade collaborators. Sets alerts for automatic notification of significant PO events (e.g., new POs, amendments, approvals, delays, holds, or latest shipment dates).
Securitization	Securitization is a modern and successful way for corporate financing to provide liquidity via securities backed by corporate assets. Securitization is a funding source and a balance sheet management tool. It has a leverage effect on liquidity and provides enhanced security and visibility on funded assets.
Trade services utility (TSU)	TSU is a centralized matching and workflow engine provided by SWIFT that can be used by the banking community to support the timely and accurate matching of trade-related transaction data, such as commercial invoices, transport, and insurance.
Collaboration platform (transaction portal)	Shared environment where trading partners share purchase orders and invoices that are eventually matched and used for receivables or payables financing.

Source: Aite Group

To assess to what extent TradeCard's selected solutions present elements that can contribute to building the SCF solution stack, Aite Group analysts have created the SCF Maturity Chart (Figure 1), built on two axes: The SCF Components Maturity Index and the SCT Enablers Maturity Index.[2] The intent of this chart is to gauge each solution vendor's ability to play a relevant role in the current and future SCF software market.

2. A more detailed explanation of the SCF Components and SCF Enablers Maturity Indexes is provided in Appendix A.

Figure 1: The SCF Maturity Chart with Example Vendors



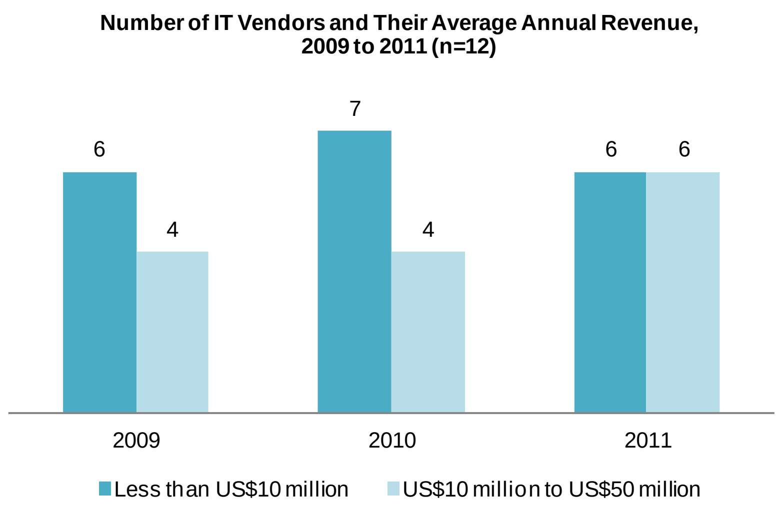
Source: Aite Group

The diagonal line establishes a virtual boundary between SCT Enablers-focused players (above the line) and SCF Components-focused players.

OVERALL MARKET ANALYSIS

Before diving into the details of TradeCard's functionalities, it is worth taking an overall look at the aggregate results of a research program Aite Group conducted across 20 SCF software market players. Vendors were asked to provide figures of their revenue growth profile between 2009 and 2011. Due to the confidential nature of the information only a subset agreed to respond. For six of them, the clients acquired throughout 2011 will generate estimated revenue of less than US$10 million. The other six respondents estimate that they will enjoy higher returns within the US$10 million to US$50 million range (Figure 2). These numbers show a significant increase in higher-value deals from previous results in 2009 and 2010.

Figure 2: SCF Software Solutions Revenue Growing Into the US$10 Million to US$50 Million Range



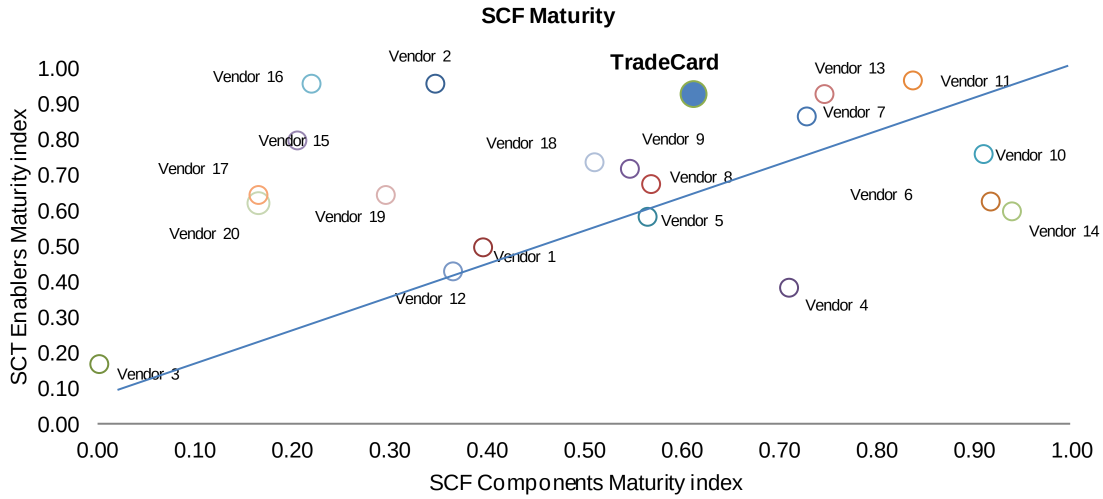
Source: Aite Group

Aite Group's findings support anecdotal evidence that SCF programs are difficult to start but have a ripple effect on the parties involved once they are up and running. Based on extrapolated revenue data, Aite Group analysts estimate that the total annual turnover of the SCF software solutions market is in the neighborhood of US$500 million.

AGGREGATE VENDOR ANALYSIS

Figure 3 illustrates information that deserves attention and further analysis. The chart maps the position of the players on the SCF Maturity Chart and considers whether their SCF Components and SCT Enablers are currently being internally developed and offered, are on the product roadmap, or are offered through a third party.

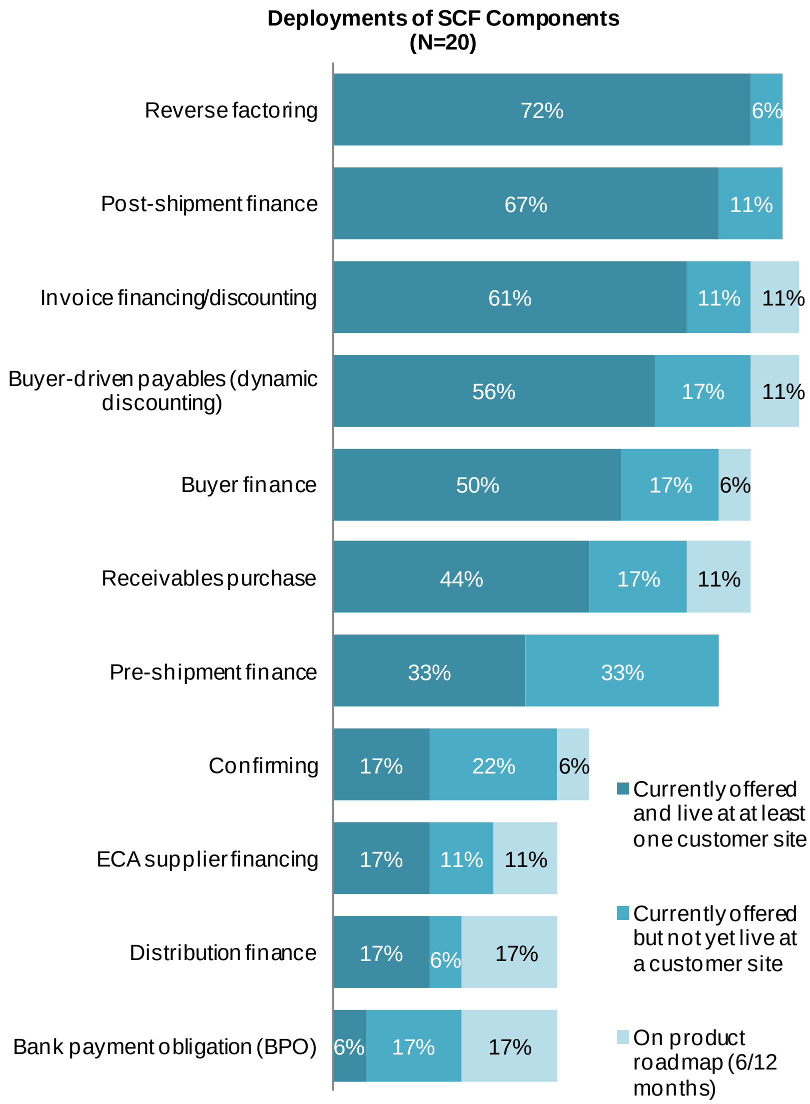
Figure 3: SCF Offerings from Vendors Are Strongly Focused on SCT Enablers



Source: Aite Group

The immediate observation is that the vast majority of players concentrate their SCF software portfolio on SCT Enablers. Almost all vendors are positioned above the diagonal line that establishes a virtual boundary between SCT Enablers-focused players (above the line) and SCF Components-focused players. Along with this first comment, vendors on both sides of the line offer SCF Components designed and developed to automate and support the execution of open-account transactions (Figure 4. TradeCard's position shows that of a solution vendor with a balanced mix of Enablers and Components. A more detailed and focused description of TradeCard's SCF readiness is provided later in the document).

Figure 4: Open-Account Functionalities at the Core of SCF Components



Source: Aite Group

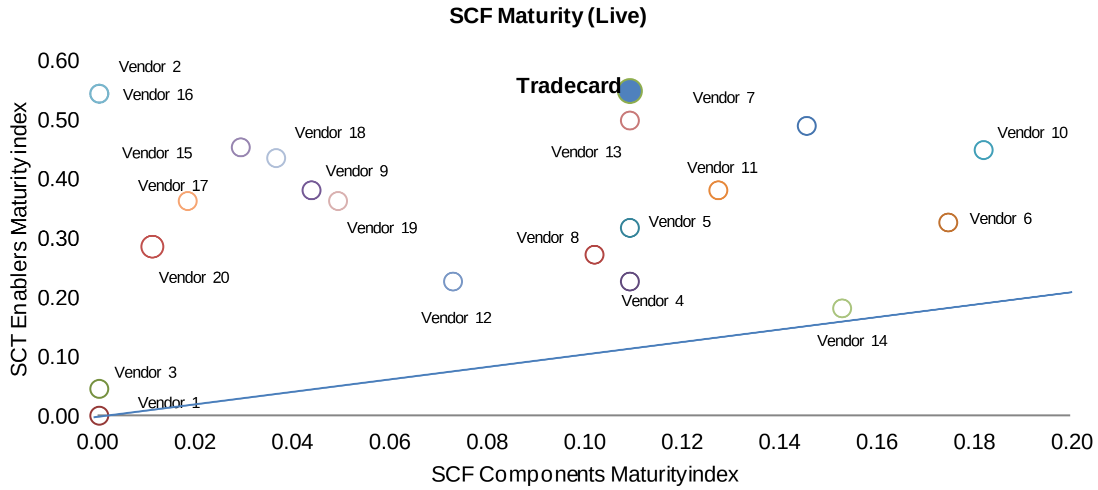
The most frequently offered SCT Enablers (Figure 5) are dedicated to managing invoices, payables, receivables, and collaboration platforms (including multi-bank, a real novelty for the banking world).

Figure 5: SCT Enablers Deployed Mainly to Execute Payments and Create Collaboration

Source: Aite Group

That SCT Enablers are, today, the keystone of any software SCF vendor's offering is also illustrated in Figure 6.

Figure 6: Currently Live SCF Implementations from Vendors



Source: Aite Group

The positions in the SCF Maturity Chart correspond to only those SCF Components and SCT Enablers currently offered by each vendor and live at least at one customer site. From the chart, we have an immediate visualization that within live SCF software implementations, the focus on SCT Enablers is even more prominent: The highest score for the SCT Enablers Index (0.60 for TradeCard) dwarfs the SCF Components Index (max value at 0.18 for Vendor 10).

The conclusions derived from the above observations are as follows:

- **The current market for SCF software holds strong** demand for applications that create an infrastructure (i.e., SCT Enablers) to run software modules that support the deployment of value-added SCF transactions (i.e., SCF Components).
- **The majority of offered SCF Components are for open-account transactions**. Within the next three years, however, Aite Group expects a strong convergence between software suites dedicated to open-account transactions and documentary credit-oriented (e.g., letters of credit, guarantees, collections) application suites. These latter application suites currently build the solutions portfolio of traditionally labeled “Trade Finance" vendors.

VENDOR PROFILE: TRADECARD

The following sections will provide a general overview of the vendor's profile and product offering. Aite Group has gauged the functional scope of the SCF Components and SCT Enablers offered in terms of whether they are:

- Currently offered and live at a client site, or available but not yet implemented
- On the company's product roadmap
- Delivered through a partner
- Not offered

Information gathered through the online survey has been integrated with additional evaluations derived from follow-up interviews, demo presentations, desktop research, and the author's personal judgment. Aite Group analysts wanted to overcome the too-simplistic grid approach, where the vendor is asked to fill a check-box questionnaire to indicate whether its solution offers support for specific software needs by simply placing an "X" in the box next to each feature/functionality offered. The method preferred was the same used to calculate the SCF Components and the SCT Enablers Maturity Indexes (see Appendix A).

The results are illustrated in two charts:

- The vendor's SCF Components Functional Scope Chart
- The vendor's SCT Enablers Functional Scope Chart

The analysis work then provides a mapping of TradeCard in the SCF Maturity Chart to assess the vendor's competitive position.

Lastly, additional market-related information on the following areas is provided to present TradeCard's overall competitive strategy position:

- Geographic coverage
- Player origin (i.e., physical vs. financial supply chain background)
- Delivery model (i.e., licensed, Software as a Service—SaaS, hosted)
- Use of a bank channel
- Client base

ANALYSIS

TradeCard provides a collaboration platform on which brands, retailers and their trading partners connect and exchange trade transactions. Currently positioned as a supply chain platform, the TradeCard Platform was originally developed as a trade finance automation system to replace the execution of letters of credit. The TradeCard Platform automates the process of reconciling data and terms on the purchase order against fulfillment documents (e.g., invoice, packing list) and proof of delivery provided by a third-party logistics provider. Discrepancies are automatically identified and presented to the supplier and

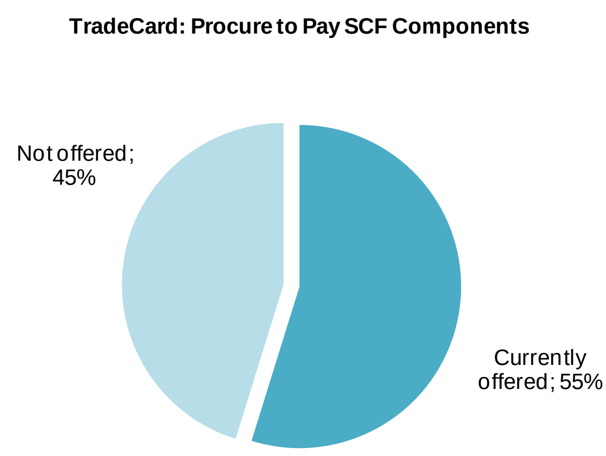
buyer for payment decision.

The initial offering supported financial options such as payment protection and export financing. Subsequently, support for open-account transactions and additional funding options (e.g., factoring) and invoicing discounting were added. The company's Procure to Pay product is the portion of the full platform dedicated to supply chain finance. TradeCard continued to expand the collaboration and visibility points between brands, retailers, and their trading partners to include more services dealing with the physical movement of goods by adding new products for work-in-progress tracking, packing, labeling and advance shipping note creation, supply planning collaboration, and raw materials management.

Both physical and financial aspects of the supply chain are integrated on the platform. As an example, TradeCard offers a single invoice-creation process to generate both the commercial invoice and customs invoice from the same source data. In addition to capturing the terms for financial settlement of the invoice (e.g., quantity of items, unit price, payment terms), TradeCard captures data, such as individual product components, that make up the unit cost (e.g., for a jacket, the fabric for the outer shell, fabric for the liner, and the hangers that the jacket is being shipped on). Each have their own associated Harmonized Tariff Schedule code and duty rate (the hangers are non-dutiable). Creating both versions of the invoice through a single creation point eliminates errors and the need to reconcile the two types of invoice documents.

Although the Procure to Pay platform displays a very focused set of SCF Components (Figure 7), these are dedicated to purchase-order-based transactions (e.g., purchase-order commitment to pay, pre-shipment finance) not so often found in other systems.

Figure 7: TradeCard Procure to Pay SCF Components Functional Scope



Source: Aite Group; Vendor information

Transactions begin with a PO, and the finance process can start as early as from an approved PO (i.e. ,raw materials financing). It is TradeCard's experience that banks typically finance less than the full amount (Aite Group estimates 80%) of the order at this stage, and later provide more financing once the invoice is issued—and the risk of default is lower. At maturity, TradeCard Procure to Pay calculates the transaction fee and the bank discount, deducting the amounts from the invoice value when paying the supplier. The repayment from the buyer to the bank goes across the TradeCard platform (thus, the bank is repaid directly). The original trade finance framework of the TradeCard platform provides suppliers with the necessary visibility that allows them to track the funds going back to the financiers. The platform also provides transaction visibility to the financing providers so they are alerted to key events, such as PO changes, where PO-based financing has been provided. This financing feature on the TradeCard platform allows both buyers and suppliers to access transaction data online with no need for paper, provides real-time information on transaction status and directs payments from the buyer to the financial institution for the amount financed.

The SCF Component for reverse factoring provides a control feature that determines whether a supplier is eligible for funding. The financial institution determines the creditworthiness of the buyer, and a general credit limit is established for both buyer and supplier on the system setup. If the supplier is eligible, then the financing transaction can happen. In that case, the matching between PO and invoice is done automatically by the system. The matching process also factors into the proof of delivery, which is a document typically related to trade management operations. The results of the matching are provided to the buyer so the buyer can make its payment decision. Early payment of the invoice is only provided by the financing provider where the buyer approves that invoice for payment. By approving the invoice for payment, the buyer has an irrevocable obligation to pay, based on the terms of the TradeCard membership agreement. Further description of TradeCard's early payment program vs. a more traditional bank invoice discounting program is illustrated in Table C.

Table C: Bank Invoice Discounting Programs vs. TradeCard's Early Payment Program (EPP)

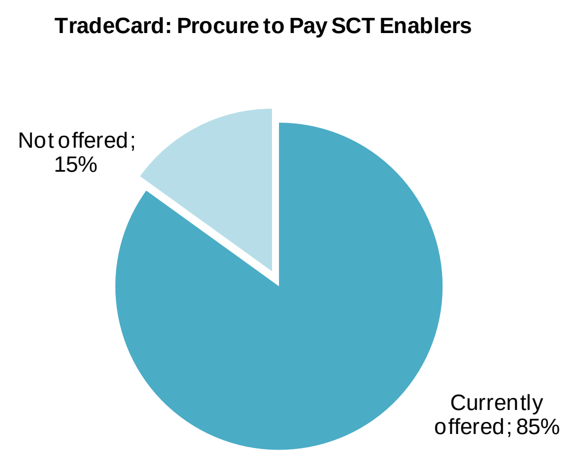
Bank Invoice Discounting Program	TradeCard EPP
The buyer's obligation to the bank is most likely debt reflected on the balance sheet.	The transaction is treated as a Trade Payable, not debt, and therefore not reflected on the balance sheet. The Buyer's obligation is to the third party Funding Provider (FP) facilitated through TradeCard.
A contract between buyer and bank is required and the bank relies solely on the credit worthiness of the buyer.	No contract with the buyer is required. The TradeCard Membership Agreement covers the obligation, stating that, upon compliance, the buyer is obligated to pay.
There is typically no relationship or contract with the seller.	A relationship exists between TradeCard and the seller. A contract exists between seller and FP. The FP purchases the receivable from seller and will fund following TradeCard's notice of compliance and buyer's approval.

Bank Invoice Discounting Program	TradeCard EPP
Paper fulfillment documents are created by the seller and must be received, manually reconciled and authorized by the buyer prior to discounting. This process significantly reduces the discount period to the seller.	TradeCard's patented data compliance engine reconciles the seller's electronic fulfillment documents as well as automates the buyer's approval process enabling a substantial discount period.
A significant transaction fee, based on the invoice amount, is assessed by the bank.	A flat, nominal transaction fee is assessed by TradeCard.
The bank pays the seller directly or through the buyer.	Upon TradeCard's automated compliance and buyer approval, no further action is required. TradeCard performs the payment process.
Buyer pays Bank at maturity or account is debited.	At maturity, TradeCard facilitates routing of payment from buyer to Finance Provider.

Source: TradeCard

On the SCT Enablers side, the situation is more solid and generous with applications (Figure 8).

Figure 8: TradeCard Procure to Pay SCT Enablers Functional Scope

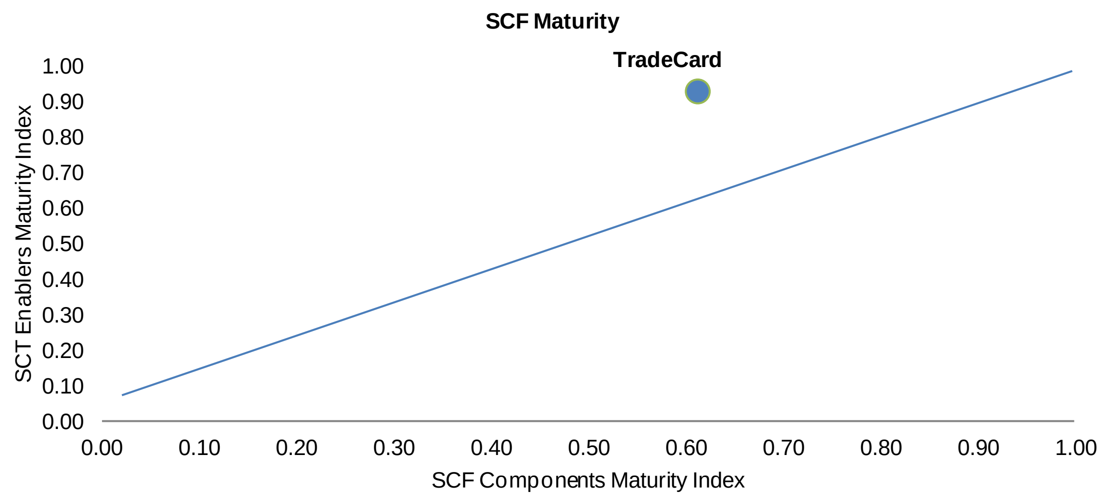


Source: Aite Group; Vendor information

The TradeCard Procure to Pay platform is designed to execute payables automation and allows complete visibility of POs and invoices. The platform infrastructure connects trading partners and extends visibility to work-in-process (WIP) items to track goods and reduce risk for parties financing those goods. The provided SCT Enablers allow multiple touch points between buyers and suppliers who are using a single platform. Banks can evaluate and assess the performance of buyers and suppliers related to their response to financing opportunities (e.g., delays in repayments, frequency of credit-level breach). To make this possible, the system of record resides in the TradeCard platform database. A purchase order created on an enterprise resource system (ERP) flows automatically into TradeCard through integration channels. The payment terms of the PO are negotiated and confirmed by suppliers directly from the TradeCard platform.

The robustness of its infrastructure applications pushes the TradeCard solution up in the SCF Maturity Chart (Figure 9).

Figure 9: TradeCard Procure to Pay in the SCF Maturity Chart



Source: Aite Group; Vendor information

GENERAL INFORMATION

- **Geographic coverage:** The Asia-Pacific is the most significant region for this company, though other target markets are North America and Europe.
- **Player origin:** TradeCard was established as a financial supply chain solution and has evolved into a supply chain collaboration platform that manages physical and financial aspects of the supply chain.
- **Delivery model:** TradeCard offers a single hosted platform to which all users connect.
- **Uses a bank channel?** Yes. Financial institutions are involved in sales of the financial services available on the platform. As SCF solutions become more accepted, and solutions tend to go more toward the middle market, opportunities appear for banks. Banks are starting to realize that supply chain executives and CFOs are reluctant to adopt bank proprietary solutions (as opposed to open software solutions).
- **Client base:** This company targets large corporations, small and midsize manufacturers and suppliers, and financial institutions, and is currently very focused on retail, apparel, and footwear. Suppliers ask to bring their retailers and buyers on the platform to manage their transactions. In general, retailers

and brands are key target clients in North America and Europe; manufacturers and vendors are the client segment in Asia and other emerging regions.

FINAL COMMENTS

The evolution from the financial supply to the physical supply chain has provided TradeCard with significant experience in building the right connections between the two chains—this means the ability to identify the process events in the physical chain (e.g., shipping goods, issuing a PO) that "trigger" correspondent processes on the financial chain (e.g., payment execution, customs management). In the course of time TradeCard has experienced that a robust technology that manages the processes of the financial supply chain determines the need to improve the quality of the underlying processes in the physical supply chain. The application of an IT platform that fulfills the execution of financial transactions requires an amount—and quality—of data that can be further used to improve correspondent physical supply chain processes. That is, to get accurate data to execute the financial transaction, the underlying physical supply chain transaction must be of quality as well. To give an example, in order to handle in a seamless way a letter of credit there must be a better process to handle the invoice, the data of which contribute to the quality of the LC data. A better invoice demands an improved management of the shipping data as well as "cleaner" information from the purchase order. To provide more informative data the purchase order must rely on a lean execution of the purchase order lifecycle management (i.e., send request for quotation, negotiate contractual conditions, request purchase order, authorize purchase order, issue purchase order) which squarely sits in the domain of the physical supply chain.

A robust IT infrastructure to handle the financial supply chain consequently implies improved management of the physical supply chain processes. Decision makers in the corporate finance department can then better understand the importance of improving the execution of supply chain management and have a compelling reason to close the gap that exists in any company between them and their colleagues in operations (i.e., procurement, sourcing, logistics, supply chain, production, distribution).

Aite Group positions the vendor in the "to watch" list for its rich set of SCT Enablers that constitute the foundation of a well-established platform for SCF. Attention should be dedicated to further developing the portfolio of SCF Components such as Distribution Finance and the Bank Payment Obligation.

APPENDIX A

This section provides an explanation of how the SCF Components Maturity Index and the SCT Enablers Maturity Index are built.

SCF Components are software applications that support the deployment of the value-added financial services representing the core of SCF. These applications automate the deployment of the financial instruments for the corporate supply chain. As an example, reverse factoring is one of the most frequently adopted SCF Components.

Aite Group defines SCT Enablers as IT applications that create an infrastructure that runs the SCF Components and facilitates the execution of the SCF. Electronic invoicing is a good example: An exchange of electronic invoices is needed to fully deploy the value of reverse factoring.

For each SCF Component (Table A) and SCT Enabler (Table B) Aite Group assessed whether the vendor:

- Currently offers it and has it live in at least one customer site
- Currently offers it but does not yet have it live at a customer site
- Has it on its product roadmap (six to 12 months)
- Offers it through a third-party partner

Each option has a weight. Aite Group analysts assessed each vendor's SCF Components and SCF Enablers and attributed the correspondent weight. The weights of the SCF Components were added up into an SCF Maturity Index for SCF Components. The same thing was done to obtain an SCF Maturity Index for SCT Enablers. Each index value ranges between zero and one. If the full list of SCF Components (Table A) for a particular vendor were assessed as being currently offered and live at a minimum of one customer site, the total score of the SCF Maturity for SCF Components for that vendor would be one. Partial situations would receive a decimal score. A zero score would be applied in case none of the SCF Components was offered by the vendor. The same analysis applies for the SCF Maturity Index for SCT Enablers. A final "correction factor" was applied to each SCF Maturity Index to account for the analyst's personal evaluation.

ABOUT AITE GROUP

Aite Group is an independent research and advisory firm focused on business, technology, and regulatory issues and their impact on the financial services industry. With expertise in banking, payments, securities & investments, and insurance, Aite Group's analysts deliver comprehensive, actionable advice to key market participants in financial services. Headquartered in Boston with a presence in Chicago, New York, San Francisco, London, and Milan, Aite Group works with its clients as a partner, advisor, and catalyst, challenging their basic assumptions and ensuring they remain at the forefront of industry trends.

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