

Including the Missing Links in the Global Supply Chain



All You Need is One.
Enabling an eco-friendly digital world.

INCLUDING THE MISSING LINKS IN THE GLOBAL SUPPLY CHAIN

The totally automated supply chain is still in the early stages of global acceptance. Trust between businesses of all sizes is a key criterion for enabling significant market adoption.

Over the last 20 years, technology and solutions that automate the global supply chain have had a profound impact on business to business commerce. Electronic forms and templates for documents such as purchase orders and invoices are increasingly replacing paper documents. Acceptance of an electronic response has gained critical mass with larger purchasers and suppliers, resulting in reduced costs and risks for the supply chain. Enterprise software is now the norm in the top tier of the market. Technology suppliers continue to improve existing solutions and develop new and more innovative ways to increase the collaboration and timeliness of information. The “Lean” enterprise is the norm rather than the exception in larger companies.

However, to truly automate the supply chain, small and medium enterprises (SME) must become active participants in the automation. These smaller enterprises represent a far larger proportion of the corporations around the world and without them, true critical mass and acceptance of electronic response cannot be achieved.

Financing is Critical

Unlike their larger counterparts, SME suppliers do not have easy access to competitive financing for sustaining and building their businesses. Most of these companies do not have established credit histories and ratings with services such as Fair Isaac or Dunn & Bradstreet. Therefore, financiers reduce their risks by offering SMEs credit at higher rates and for shorter periods of time. Without financing, SME suppliers are constantly trying to balance the cash flows they need to provide enough liquidity to run their business against their needs to expand or enhance their products and services to meet the needs of their customers or respond to new market requirements.

In the high tech world, for example, the need for speed continues to increase while dropping price points force suppliers to invest in new technologies that enhance their capabilities within the same footprint. Without access to competitive financing, these SMEs can not make the investments they need or expand existing operations. They miss revenue opportunities, jeopardize the stability of their businesses and drive up the risk for purchasers.

Trust is Critical for Expanding the Supply Chain

To break the juggernaut that currently exists in getting funding to SMEs, trust needs to be inherent throughout the entire supply chain. Purchasers must be able to verify that the parties to a transaction are vetted and authorized to carry out multi-million dollar purchases. Suppliers must be able to prove they are real companies with real businesses that file taxes and meet regulations in the places where they do business. And all participants must be able to verify that purchase orders, invoices and payments are authentic.

In the past, suppliers have granted early payment discounts to purchasers that would pay invoices in full upon receipt. Unfortunately, often the purchaser accepted the discount but did not make the payment by the agreed-upon date. Suppliers began to distrust purchasers, hampering efforts to get funding to suppliers early in the procurement cycle.

However, inserting a trusted third-party into the process would provide all parties with assurance. For example, this third-party could guarantee that if payables are discounted, payment cycles are commensurately reduced. The trusted third-party could also insure that all parties to the transaction are not fraudulent and meet globally accepted Know Your Customer (KYC) standards.

With Trust Comes Secure Financing

Through a globally interoperable identity authentication approach that uses a trusted third-party, financiers can rely upon the credentials issued and thus release payments in a more secure and trusted environment. Trust in the SME in turn enables financing to be completed based upon the credit worthiness of the purchaser. Since the purchaser is in many cases a large or larger company, established credit ratings and histories are available for the financiers to base their credit decisions upon. This practice, called Reverse Factoring, is available through many financial institutions throughout the world.

With additional financing, SMEs can expand and innovate to meet market needs and remain competitive. This brings stability to these companies and makes them more attractive candidates for purchasers. Additionally, a larger, more stable group of companies available for purchasers reduces supply chain risk while enabling business to maintain a lean approach. Multiple suppliers also make pricing more market sensitive and reduce the possibility that a purchaser will not be able to fulfil orders.

Scaling the Supply Chain Requires Trust and Financing

By making each leg of the supply chain secure and lowering risk for financiers, the automated supply chain can gain critical mass in the mid and lower tiers of the global markets. Innovative companies in countries that are barely participating in e-commerce can, through the standards and continuing evolution of solutions, become active and successful members of the global supply chain. Authentication and financing provide an incentive for them to enter the global market and thus expand the options and pricing available to everyone. Healthy companies of all sizes enable healthy country and regional economies and create a more stable environment for executing global commerce.

Without these two powerful enablers of authentication and financing -- the "one – two punch"-- companies both large and small will not be able to realize the true value of business to business e-commerce. Authentication and financing combine to create stability and growth. A healthy economy breeds other healthy economies. Thus working together, we can achieve the true growth potential of the Internet.

Copyright © IdenTrust, Inc. 2006. All rights reserved. This document is the intellectual property of IdenTrust, and is protected under the laws of the United States and other countries.

ABOUT IDENTRUST

IdenTrust is the global leader in trusted identity solutions, recognized by global financial institutions, government agencies and departments, and commercial organizations around the world. IdenTrust enables organizations to effectively manage the risks associated with identity authentication; work interoperably with countries around the world; minimize investment in creating their own policies and legal frameworks; and deploy a spectrum of products insuring trust, smarter, faster, and more cost effectively.

The only bank-developed identity authentication system, IdenTrust provides a unique legally and technologically interoperable environment for authenticating and using identities worldwide. The IdenTrust Trust Infrastructure is predicated on a proprietary framework that combines policies, legal framework, trusted operations and technology (P.L.O.T.) to create a comprehensive environment for issuing trusted identities. IdenTrust is the only company to provide a solution incorporating all four of these elements. Customer agreements are valid, binding and enforceable in more than 175 countries. IdenTrust identities are globally interoperable under uniform private contracts recognized in countries around the world. Competing offerings, in contrast, rely on a dizzying maze of public laws that vary from jurisdiction to jurisdiction. Additionally, the IdenTrust Trust Infrastructure maintains the privacy of each and every transaction processed by reading only digital certificate information, not the message itself.

Additional information can be found at www.IdenTrust.com.

Corporate Headquarters

IdenTrust Inc.
55 Hawthorne Street, Suite 400
San Francisco, CA 94105
USA
Telephone: +1.866.IDENTRUST (+1.866.433.6878)
Fax: +1.415.486.2901

European Office

IdenTrust Inc.
288 Bishopsgate
London, EC2M 4QP
United Kingdom
Telephone: +44 (0)203.008.8330
Fax: +44 (0)203.008.8331