

Philips uses custom C2FO solutions to offer suppliers equitable, affordable access to on-demand liquidity

Philips, a Dutch multinational health technology company, has a rich history of people-focused innovation that stretches back nearly 130 years.



"We implemented within 10 weeks, achieving an ROI within the first 30 days, and have rolled the programme out to 133 different countries, in multiple currencies within the first few weeks. In addition to a strong contribution to EBITDA, we have also successfully navigated our working capital KPIs."

Alexander Visser, Global Head of Indirect Procurement - Spend Management Transformation

About Philips

Founded in the Netherlands in 1891, the company spearheaded the mass-market introduction of electricity, revolutionised health care technology, and pioneered work in images, sound and data.

Philips has been at the forefront of innovation and environmental, social and governance (ESG) initiatives from the very beginning. Its customers' needs drive this innovation and instil a culture of social responsibility that serves as the bedrock of Philips' core values.

Headquartered in Amsterdam, Philips is one of the largest technology companies in the world and leads in the area of health technology.

Inspired by its purpose to improve people's health and well-being through meaningful innovation, [Philips aims to improve the lives of 2.5 billion people per year by 2030](#). Today its growing portfolio of innovative health technology solutions supports value-based care across the health continuum.

As a purpose-driven company, Philips' acute focus on its responsibility towards society has propelled it to embed sustainability in every aspect of its business. Most recently, the company stepped up its acclaimed supplier sustainability programme with the goal of at least 50% of its suppliers committing to science-based targets for carbon dioxide (CO₂) emissions reduction by 2025.

Recognising the importance of financial health for suppliers in its supply chain, Philips implemented a solution to support suppliers' unique cash needs by offering them fair and affordable access to liquidity on demand.



The Challenge

With innovation a core value, Philips was one of the first companies to implement a supply chain finance (SCF) programme in 2009.

"Given the growth of dynamic discounting and the need to support all our suppliers, we felt we were lagging behind the industry in terms of innovation," said Alexander Visser, Philips CFO of Global Procurement. "Therefore, after an in-depth review of the market, we chose to implement the C2FO platform, which has evolved traditional dynamic discounting to a stronger market-based model."

Philips' existing SCF programme was a bank-led reverse factoring scheme, leveraging Philips' balance sheet for its strategic suppliers. Because traditional SCF programmes require extensive paperwork, burdensome setups and are often available only to select tier-one vendors, Philips was looking for a new solution that engaged suppliers of all sizes – from small to mid-sized enterprises (SMEs) to large companies.

In seeking a new finance programme for its suppliers, Philips had the following goals:

- Create a working capital solution that allows suppliers to select invoices they wish to accelerate and determine the discounts offered on each one.
- Increase access to and participation in its early payment programme.
- Support various government initiatives promoting access to liquidity for SMEs.
- Deliver a solution that covers its global spend, increasing EBITDA and generating higher returns on short-term cash.
- Find a programme with zero integration work for enterprise resource planning software, minimal resourcing requirements and full alignment with other long-term strategic initiatives.
- Support and de-risk its supply chain to create a sustainable ecosystem.

The Solution

By implementing a true dynamic discounting programme through C2FO, Philips supported its suppliers through C2FO's innovative solutions that give suppliers access to low-cost early payment when they need it, at rates that work for them.

The Philips Early Payment Programme went live in July 2018 across 133 countries and has improved the financial stability of thousands of Philips' suppliers worldwide. In the first 60 days after launch, the programme delivered more than €15 million of accelerated payments to suppliers across 60 countries.



Through this programme, Philips was honoured for its Supplier Sustainability Performance (SSP) programme with the prestigious 2018 Supplier Engagement Award by the Sustainable Purchasing Leadership Council (SPLC).

In addition, Philips received the SCF Forum's 2018 SCF Technology & Telecoms Award for delivering impressive results in its supply chain and was the winner of the Best Supply Chain Finance Solution by the Adam Smith Awards in 2019 – both in partnership with C2FO.

C2FO's Early Payment platform helps Philips fulfil its goal of maintaining the long-term sustainability of its supplier network. In addition, it supports government-backed initiatives that promote access to liquidity for SMEs, such as the Netherlands' Betaalme.nu scheme, the European Union's Late Payment Directive and the United Kingdom's Prompt Payment Code.

The programme reflects the company's commitment to collaboration, innovation and social responsibility.

At the height of the pandemic, Philips created a special rate market for supply chains supporting the COVID-19 response. With help from C2FO, Philips set up an early payment platform for producers of medical equipment so they could be paid earlier and at preferential rates to meet the increase in demand for medical equipment.

The Results

10

Weeks to Launch

C2FO executed the implementation in less than three months, requiring only a simple file exchange from Philips.

30

Days to ROI

Philips saw a return on investment within the first month of launching the early payment programme.

19,750

Supplier Participation

Since launch, more than 19,750 suppliers have had accounts payable loaded onto the platform.

"At first, I was skeptical about the platform because it sounded too good to be true. I have decided to try it once, and I never stopped using it. The faster-than-usual receipt of the payment helps me build a stronger and more reliable team. One sentence that [a C2FO team member] told me on the phone got stuck in my head in particular: 'Philips wants you to have a strong company. It wants its partners to be strong and healthy.' And that is really rare. Most of the other companies use us as a free loan facility. This way, I am even more motivated to provide extra service and quality to Philips."

Zeljko Susljic, Owner, Little Shop of Translations



About C2FO

C2FO is the world's on-demand working capital platform, providing fast, flexible and equitable access to low-cost capital to nearly 2 million businesses worldwide. Using patented Name Your Rate[®] technology and a suite of working capital solutions, companies can get paid sooner by the world's largest enterprises – unlocking billions in risk-free capital. C2FO's mission is to ensure that every business has the capital needed to thrive and has delivered more than \$220 billion in funding around the world. Founded in 2008 and headquartered in Kansas City, USA, with offices around the globe, C2FO is working to build a better, more inclusive financial system every day.

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