



Supply Chain Financing Unlocks the Middle Market



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Popular Brands Venture, Ltd, has a successful business, supplying packaged foods to Nakumatt, Tusky's, and Uchumi, the leading supermarket chains in Kenya. Expanding their product line to include Soya beverages, required the company to accept a 90-day payment cycle. They needed access to short-term working capital to make the move. That's where supply chain finance can unlock the middle market.

In July, an AGC article about the **Missing Middle** identified a \$1 trillion gap in credit financing for SMEs in developing countries.* The gap exists in part because small businesses cannot meet the requirements for traditional longer-term bank loans. Supply chain financing relies on the buyers' credit worthiness to make short-term financing available to their suppliers upon confirmed delivery of goods and services.

When a Confirmed Invoice is Enough

Advance Global Capital (AGC) works with local financial institutions (factors) to bring **supply chain financing** to small and medium-sized enterprises (SMEs) in emerging markets. AGC provides flexible revolvers, business development expertise, and an online platform to unlock new markets. Our partners work directly with buyers and suppliers to purchase invoices, track approvals, and make and collect payments.

When the founders of Popular Brands Venture, Lawrence Waiyaki Njau (Oliver), his wife Catherine Wanjiku, and his brother Lauren, sought to expand, they looked to a local factor, funded by AGC, for help. The factor reached out to Nakumatt to establish supply chain financing, buying their supplier invoices at a discount. Now, suppliers like Popular Brands can decide when to be paid—immediately, at a discount, if they want to put the money back to work or at the end of the 90-day payment term. "SMEs are used to being mistreated in this market," said a factor executive director. "There are lots of delays. Buyers and banks don't treat you well. We make them feel like they are doing a great business. Their invoices are good enough."

Reliable Funding Enables Growth

AGC carefully selects the factors we work with, based on their potential to develop a large scale working capital solution in their markets—uncovering opportunity and responding to the unique challenges of their customers. The ability to convert confirmed invoices into cash is particularly useful to women—who often lack title to property or other collateral required for a bank loan.

Juliet Wanjiku Mukui is the sole proprietor of Juwamu Designers, a clothing designer and manufacturer that also sells to several of the largest supermarket chains in Kenya. Juliet initially sold clothes tailored in her workshop. Responding to market demand, she used discount invoicing to import some ready-made items from China. The reliability of funding from AGC to the local factor, has given Juliet the confidence to pursue her dreams. Juwamu Designers has doubled their business, employs 12 full-time people, and is opening a bigger store. She hopes to add Nakumatt to her customer base.



When Margaret Wangui Kimani, the sole proprietor of Kienyeji Poultry, went quiet, her factor's CEO gave her a call. Margaret, the sole supplier of organic eggs to Nakumatt, sources eggs from the Rift Valley to augment her own supply. She was having trouble at home, and felt discouraged about her business. Funding for Nakumatt invoices improved her position with her own suppliers and at home.

Invoice discounting makes it possible for small business to say “yes” to opportunity.

Streamlining Business to Enable Growth

Eldoville Dairy is a majority family-owned, mid-sized enterprise founded in 1995 by Lucy Karuga with headquarters in Nairobi, Kenya. She began making hard cream for her family and neighbors after returning from Geneva, Switzerland, with her husband, a Kenyan diplomat. Today, her company processes 6,000 to 7,000 liters of milk a day, sourced from suppliers

throughout the region. She sells cheese, cream, and fresh produce to hotels and airlines.

A supply chain finance solution from an AGC-backed local factor helps Eldoville manage their cash flow. Suppliers—small businesses and microenterprises—request payment through an award-winning mobile app rather than calling Eldoville when a crisis comes up. According to the factor CEO: “The operations manager used to say that his phone would ring hundreds of times a day from suppliers. Now they call just to say hi.”

Building up Businesses

Invoice discounting—the transaction at the heart of supply chain financing—makes it possible for small businesses to say “yes” to opportunity. The structure is flexible. And the terms don't entail onerous collateral which, at times, puts even homes and personal property at risk. Buyers in emerging markets are beginning to understand that better financing for their suppliers builds a stronger supply chain. And they are turning to local factors to get the job done.

*Access to Credit among Micro, Small, and Medium Enterprises, International Finance Corporation (IFC), Aug 2013.
<http://financegap.smefinanceforum.org/documents/Factsheet.pdf>

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