



Australian Small Business and Family Enterprise Ombudsman Supply Chain Finance Review

Thank you for the opportunity to make a submission to the Australian Small Business and Family Enterprise Ombudsman's Review of Supply Chain Finance. We are restricting our submission to those 'questions for comment' in the ASBFEO Supply Chain Finance Review position paper, dated February 2020, where we can comment knowledgeably. Specifically, this submission will focus on **Supply Chain Finance as a real choice**. In summary, it is our experience that Supply Chain Finance can deliver benefits to suppliers, **if** combined with fair supplier payment practices.

About Lion

Lion Group is a leading adult beverages company in Australasia, with fast-growing operations in North America, the UK and Asia. We produce, sell, market and distribute alcoholic and non-alcoholic drinks and operate microbreweries worldwide.

In Australia and New Zealand, our contribution to local and national economies is significant, at around \$4.9 billion¹. It is through the employment of our people, sourcing and other investments, as well as indirectly through the immense value we generate in the agricultural, retail, tourism, hospitality and transport industries. We also make a major investment in sports and the arts through our sponsorship and marketing activities and pay well over a billion dollars in taxes to governments each year.

Lion's Payments Practice

Lion is proud to have been one of the first signatories to the Australian Supplier Payments Code, launched by the Business Council of Australia in 2017. As part of our Code commitment we rolled out 30-day payment terms from 1 January 2018, not only to all our small business partners but to all those other suppliers who are subject to our standard terms and conditions. Lion voluntarily completed this roll-out a year ahead of schedule.

Lion's days payable outstanding (DPO) is measured and reported monthly across all our business units. For example, Lion's Australian beer business has an average DPO of 24.9 days. Currently, 95 per cent of all our suppliers, not just small businesses, are paid within 30 days. The outstanding five per cent are suppliers whose payment terms are negotiated as part of their contracts with Lion.

We remain committed to paying all eligible suppliers within 30 days of receipt of a correct invoice and we are committed to supporting small business operators to implement new technologies and practices to make the invoicing and payment process faster and more efficient.

Lion's approach to Supply Chain Finance (SCF)

We believe that SCF can be beneficial to suppliers, particularly small businesses, **if it is offered in addition to - rather than as an alternative to - fair payment terms**. Suppliers, particularly small suppliers, should have total choice and control over whether to opt in to SCF.

Lion has chosen an Australian technology platform Earlytrade to provide that choice and flexibility to its suppliers. It offers suppliers invoice tracking, which gives them better visibility of their future cash flow. The Earlytrade network has over 36,000 suppliers actively using the platform to support their cash flow options.

Through Earlytrade, Lion's suppliers determine the discount they may be willing to offer for guaranteed payment earlier than the standard 30 days. The platform is also utilised by the remaining

¹ Contribution for year ending December 2018, *Deloitte Access Economics*



five per cent of Lion suppliers which are on different payment terms as part of their contracts. In this way, Earlytrade can also be of use to larger vendors seeking to secure earlier payments than their contracted terms to align with major cash flow events or strategic objectives.

What makes Earlytrade's offering unique is that customers like Lion, not third-party financiers, fund the early payments. The discount rates available through this platform are significantly less than those offered via bank financing or credit cards, and this is particularly true in the case of small businesses. RBA figures show that average small business interest rates are between 6.09 per cent to 7.92 per cent (depending on loan type), while average interest rates on revolving personal credit range from 13.03 per cent to 19.94 per cent².

While Lion doesn't have visibility over which of our suppliers are using Earlytrade, we understand that of those signed up to Earlytrade, 62 per cent are using invoice tracking each month and 36 per cent have used the early payments function at some stage. **On average, in any given month, nine per cent of our suppliers opt to request early payments via Earlytrade. This is comprised of different suppliers each month, based on the individual requirements of each business.** The Earlytrade network has over 36,000 suppliers actively using the platform to support their cash flow options. Importantly, the Earlytrade platform does not allow customers to earn discounts on overdue invoices.

Furthermore, Earlytrade employs ethical data collection and disclosure practices. Further details on how the Earlytrade platform operates are available [here](#).

The steady and consistent uptake of the services offered by the Earlytrade platform by these businesses supports Lion's contention that ethical supply chain finance can benefit suppliers when offered in addition to payment terms of 30 days or less.

Lion believes faster supplier payments yield a range of benefits, such as an increase in vendors' capacities to innovate, greater efficiency, and ultimately superior products and services to stimulate growth in the Australian economy. It is also an important step towards improving transparency and trust with our supplier base – and this applies to businesses of all sizes.

Lion is confident that platforms like Earlytrade can bring significant benefit to small businesses - and hence the Australian economy more broadly.

For further information, please contact Elizabeth Bold, Media and Communications Manager, Lion.

Yours sincerely,

Stuart Irvine

CEO

Lion Group

² RBA Indicator Lending Rates: <https://www.rba.gov.au/statistics/tables/>