PalArch's Journal of Archaeology of Egypt / Egyptology

SUPPLY CHAIN FINANCE ANALYSIS IN NESPRESSO CORPORATION OPERATING IN JEDDAH CITY

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Shimaa Habalreah, Shabbir Ahmad. Supply Chain Finance Analysis In Nespresso Corporation Operating In Jeddah City--Palarch's Journal Of Archaeology Of Egypt/Egyptology 18(13), 685-696. ISSN 1567-214x

Keywords: Supply Chain, Finance, Saudi Arabia, Business

ABSTRACT:

The current monetary atmosphere is compelling numerous organizations to manage their financing resources in terms of supply chain finance (SFC). Systems to manage the financial and product movement are very critical and should be tackled meticulously. This study aimed to analyze the effect of the SCF on the performance of Nespresso in the Kingdom of Saudi Arabia. This study has examined the implications of having supply chain finance within the business and issues that arose from the integration of supply chain finance. Data were collected using questionnaire. The questionnaire included closed questions that were asked to managers of the Nespresso Company who were required to complete it. The study found that SCF improved the performance of Nespresso Company. This was one of the major results in the present study. It could also confirm that the SCF significant affects the business models of the company under study. It supported the argument that SCF practices can facilitate higher investment levels, which leads to increased benefits for the integrated supply chain.

INTRODUCTION:

Globalization has caused companies to be on the lookout to affirm their market position [1]. A critical factor that influences the success of the businesses is finance management, and this entails the supply chain finance [2]. With the diversity of the firms that involves different stakeholders such as manufacturers, suppliers, and retailers, many operations and processes are inherent and need to be adjusted and controlled. Systems to manage the financial and product movement are very critical [3]. Companies have continued to face challenges regarding various ways to resolve the held capital that could be used for the business transaction but instead held within the supply chain [4]. Essentially, supply chain finance refers to the arrangement of resolutions that streamline income by enabling the organizations to stretch their installment terms to their suppliers, ensuring that even the smallest, and the large-scale suppliers, have the option of having their payment made earlier [5]. With the supply chain finance, a company can streamline its input resources as the suppliers provide them with some extra operational income as well as making sure that there is the limitation of the dangers that are associated with the supply chain [5].

In any firm involving supply chain, the financial flow involves the processing of payments as well as invoices. Globally, this has been a challenge for companies as it affects how both products flow as there are implications on the cash flow of the company [6].

Apart from improving the processes of invoices and payments, businesses expect some other advantages from the incorporation of the supply chain finance. Over the past few years, both the financial flow and the business information have been treated distinctly [7]. Nevertheless, having creative ways to ensure efficient payment and the financial flow would involve making sure that the information concerning the transactions between the businesses and the suppliers are readily available [8]. This concept would not only reduce the errors from humans and the banks, but it can also be used to ensure that there is a guaranteed automatic integration of the ledger hence supporting the supply chain as well as improving the working cash flow of a business [9].
In addition, several previous works have been reported in analyzing the role of supply chain finance. Longinidis et al. [10] stated that numerical model can be used to organize monetary contemplations with supply chain network structure choices under interest vulnerability. Blome et al. [11] has established a sample of recommendations based on multiple case studies on how organizations oversee supply chances in money related emergencies for the use of supply chain risk management. Li et al. [12] displayed a work on the hypothesis built up in big business data innovation (IT) and supply chain joint effort and related it with synchronization in China-connected supply chain. Thun et al. [13] displayed a work that recognizes supply chain risk by dissecting their probability to happen and their potential effect on the production network in the German car industry. Wagner et al. [14] examined the connection between store network fit, for example, item demand market activity and the budgetary execution of the European assembling firms. Yusuf et al.[15] analyzed the connection between measurements of a swift supply chain network and business execution in the UK North Sea upstream oil and gas industry. Tsolakis [16] demonstrated an exhaustive progressive system and a basic scientific categorization that apply to all partners associated with the structure and the executives of Agrifood Supply Chains management. Silvestro et al. [17] developed a model of physical and monetary Supply Chain Integration, which depends on a procedure see from the two purchasers' and providers' points of view, and investigates the job of banks in empowering the

Integration. Hahn et al. [18] gave a far reaching point of view on uses of in-memory investigation in the field of production network the executives (SCM) that utilizes database innovation.Enterprises have demonstrated improvements in supply chain management; there have been various problems about the operational efficiency. It should be noted that impulsive inflows and outflows of the organization's finances necessitates a majority of companies to have an enormous amount of working capital. This when considered collectively, presents some financial flow problems, for example, inconsistency and eccentric flow of the cash. Therefore, the process of supply chains becomes expensive not mentioning the imperfect credit choices that require a higher working capital by businesses for it to be appropriate [6]. If companies could address these challenges, the amount of capital that would have been saved would be enough to be utilized for value addition of the organization.Thus, this study has examined the implications of the implementation of supply chain finance within a business. An analysis of supply chain finance of Nespresso Corporation operating in the Saudi Market was carried out. Throughout the study, different benefits were examined and issues that arise from the integration of supply chain finance were analyzed.

METHODOLOGY

Research Design

For this work, quantitative approach was applied. Furthermore, descriptive design research was applied to explain the influence of supply chain finance on the performance of the organization.

Sample Population and Technique

For this work, the employees and the managers of Nespresso were considered as the population. The samples were taken from Nespresso Corporation operating in the Saudi Market, Jeddah City. It is not possible for the researcher to consider every employee and manager for the representation of the population, so the smaller number is considered and referred as a sample. In this case, 10 employees and 5 managers were chosen through the sampling technique for the survey purpose. The selection of the employees for the sampling was done through simple random probability sampling technique which involved no specific criteria for selection. The managers for the sampling are selected through non-probability sampling technique. The questionnaire was prepared and distributed hand to hand for the survey and the employees were asked for the participation.

Data Collection

In the present work, the primary sources were collected from the interaction sessions with the employees and the managers of Nespresso, Jeddah City. The secondary were collected through both the online and offline sources which include journals, articles, websites, books, and others. The theories, models and previous research thesis on Supply Chain Finance are considered for designing effective questionnaires. The questionnaire was structured based on the Likert scale.

Ethical Consideration

The authors have followed the following ethical considerations for studying the supply chain finance in Nespresso Corporation at Jeddah City. The data collected from studying the SCF in Nespresso are helpful in understanding the application of integration of finance in supply chain management. The commercial use of the collected data was avoided. Hence, the findings of this work were strictly used for academic purpose only. The respondents were not given any kind of internal or external pressure by the authors for getting appropriate results. In addition, the authors encouraged the respondents for participating in this work. The identities of the respondents were kept secret as per the request of the participants.

RESULT AND DISCUSSION

Figure 1 shows the outcome for implementing supply chain finance. Based on Figure 1, according to the responses of the sample population, the majority of the population, 60.0% strongly agrees and 33.4% agrees with the statement that implementing supply chain finance will affect the company's performance in a good way. However, only 6.6% of the respondent neither agreed nor disagreed with the given statement. This survey clarifies that, implementing supply chain finance, positively influence the performance of the organization.

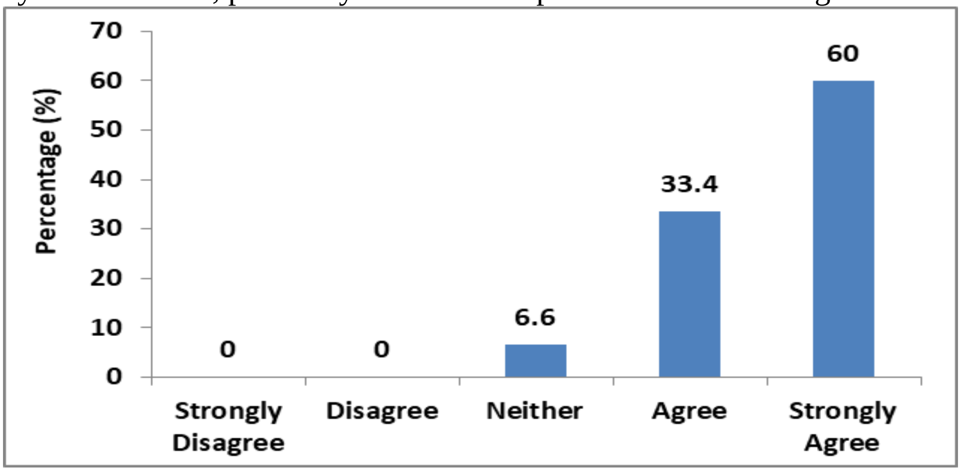

Figure 1: Implementing supply chain finance will it affect the company performance in a good way?

Figure 2 shows the outcome for allowing suppliers access to perform early payment. According to the survey questionnaire, the majority 46.6% of the sample population strongly agreed and 33.4% of the sample population agreed with the condition that implementing supply chain finance help suppliers to access early payment of the receivables. 13.4% of the participants are undecided and 6.6% of the population disagrees with the statement. From the survey, it becomes clear that implementation of supply chain finance helps suppliers to access early payment.

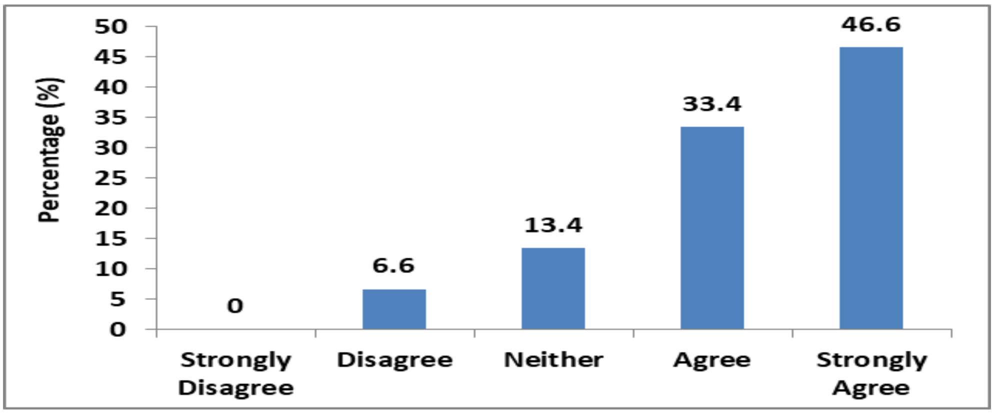

Figure 2: Is supply chain finance seen as a way to allow suppliers access to early payment on their

Figure 3 shows the outcome for supply chain finance (SCF) is helpful in managing supplier diversity program. Based on Figure 3, when the sample population is asked whether does supply chain finance helps in managing the supplier diversity program, 46.6% agreed and 26.8% strongly agreed with the condition. 6.6% of the sample population neither agreed nor disagreed with the given statement. 20.0% of the respondents disagreed with the given statement. As the majority of the sample population responded, it can be stated that supply chain finance implementation can effectively assist in managing supplier diversity program in an organization.

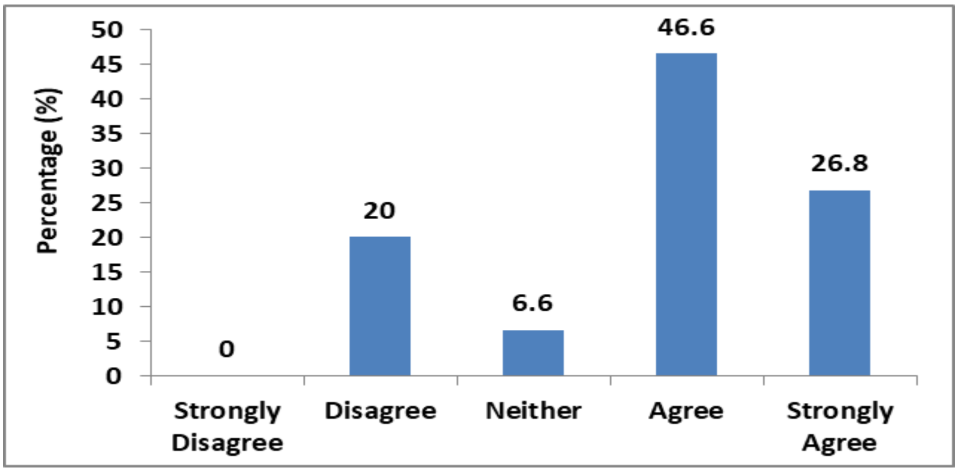

Figure 3: Supply chain finance (SCF) helpful in managing supplier diversity program?

Figure 4 shows the outcome for reduce cost of goods. Based on Figure 4, according to the survey, 60.0% of the sample population strongly agreed and 13.4% agreed with the condition that supply chain finance is a cost effective affair for the suppliers. 26.6% of the sample population was undecided. This shows that SCF reduced cost of goods sold by providing suppliers cheaper funding than alternatives.

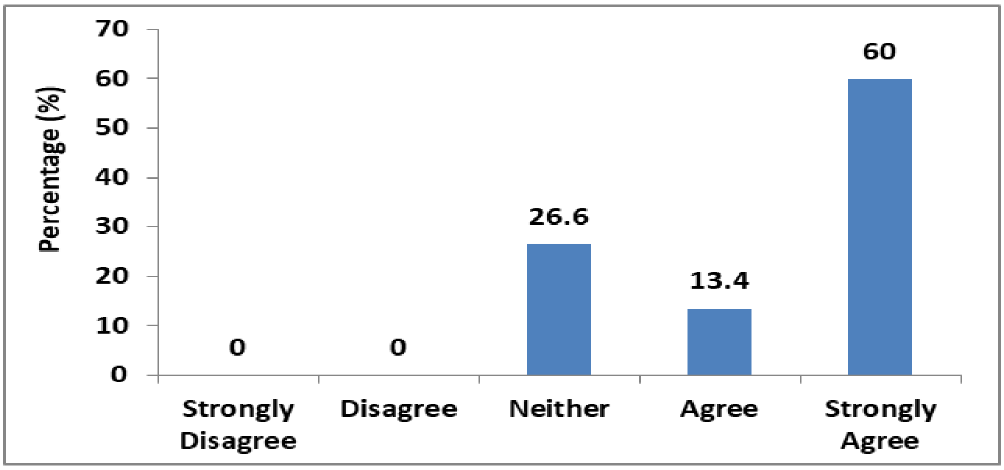

Figure 4: Reduce cost of goods

Figure 5 shows the outcome for organizational structure of Nespresso is perfect for implementing SCF. Based on Figure 5, 46.6% of the sample population agreed and 26.8% of the sample population agreed with a statement given that the organizational structure of Nespresso is perfect when implementing supply chain finance. However, only 6.6% of the sample population strongly disagree that Nespresso organizational structure is perfect in implementing the supply chain finance.

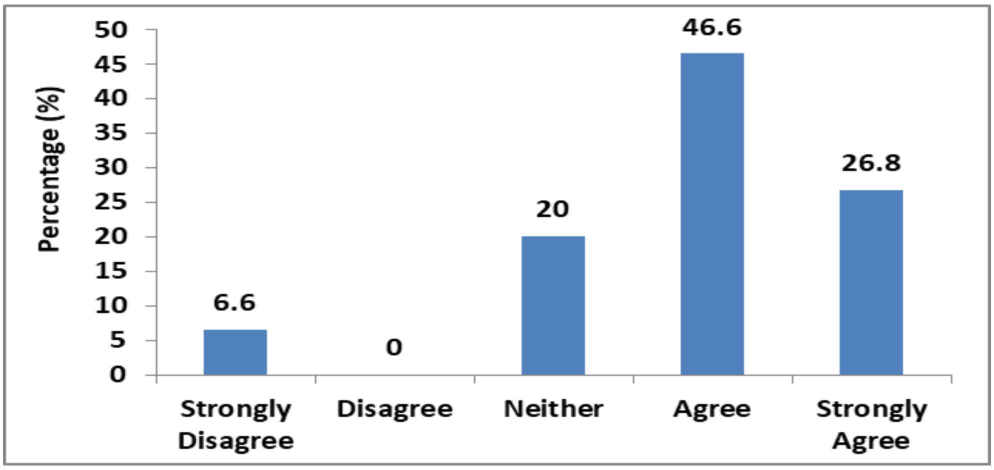

Figure 5: Organizational structure of Nespresso is perfect when implementing supply chain finance

Figure 6 shows the outcome for high level efficiency in supply chain. Based on Figure 6, 66.8% of the sample population agreed and 20.0% strongly agreed with the condition that a high level of business efficiency in the supply chain can be achieved in implementing supply chain finance. Along with 6.6% of the respondent disagreed with the statement. This clarifies that, implementing supply chain finance is essential for acquiring higher level of efficiency in the supply chain.

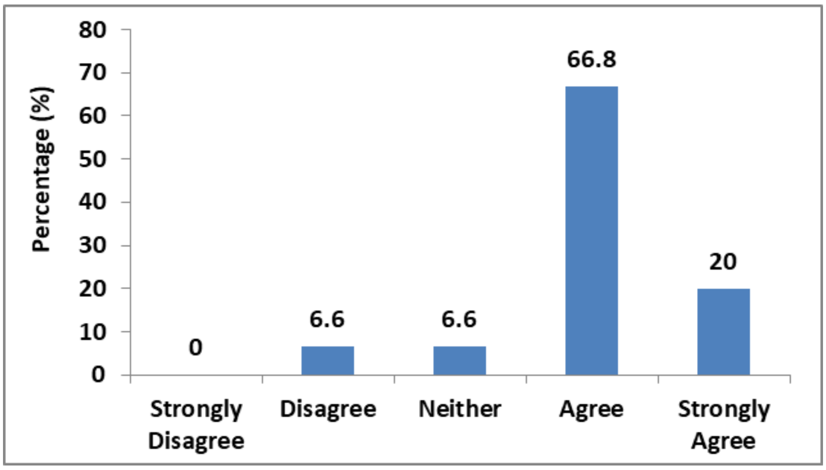

Figure 6: High level efficiency in supply Chain

Figure 7 shows the outcome for overall supply chain efficiency. Based on Figure 7, the majority of the population, 53.4% agrees with the statement that by implementing supply chain finance, it affect the overall efficiency. However, only 20.0% of the respondent neither agreed nor disagreed with the given statement and 6.6% disagreed with the condition. This survey clarifies that, implementing supply chain finance, positively influence the overall supply chain efficiency of an organization.

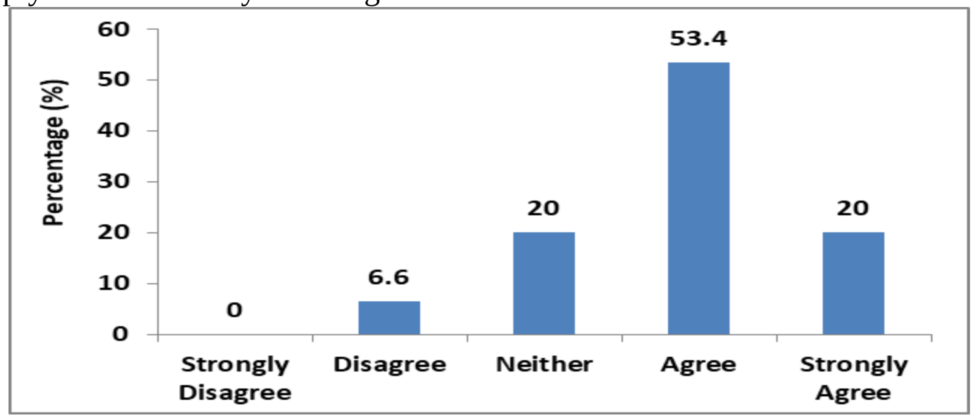

Figure 7: Overall supply chain efficiency

Figure 8 shows the outcome for supply chain finance implementation is a good use of scarce credit. Based on Figure 8, 46.8% agreed and 6.6% strongly agreed with the condition. 40.0% of the sample population neither agreed nor disagreed with the given statement. 6.6% of the respondents disagreed with the given statement. As the majority of the sample population responded, it can be stated that supply chain finance implementation is a good use of scarce credit in an organization.

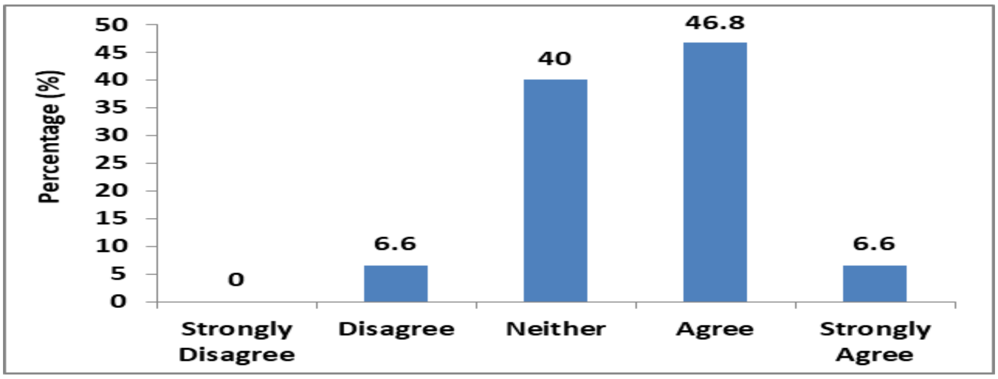

Figure 8: Supply chain finance implementation is a good use of scarce credit

Figure 9 shows the outcome for improve supplier's cash flow to lower supplier's financial risk. Based on Figure 9, 40.0% of the sample population strongly agreed and 33.4% of the sample population agreed with a given statement that implementing supply chain finance improves supplier's cash flow to lower supplier's financial risk. However, only 26.6% of the respondents strongly disagreed with the statement.

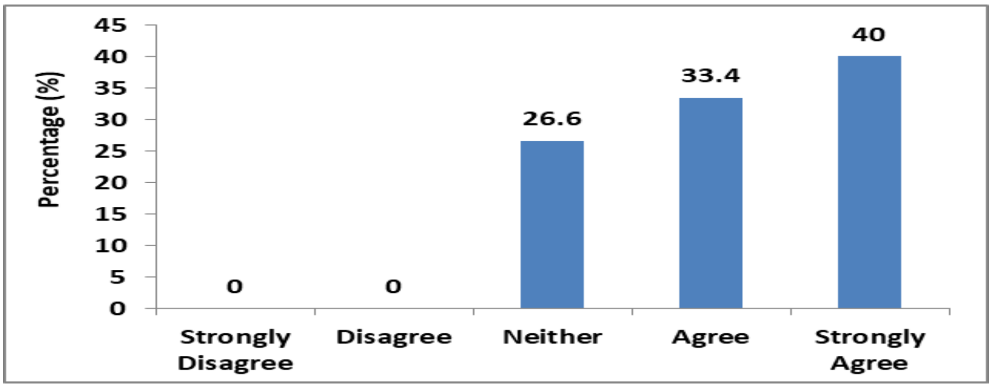

Figure 9: Supply chain finance implementation is a good use of my scarce credit

Figure 10 shows the outcome to contribute in providing tools to the suppliers in order to enhance their cash flow. Based on Figure 10, 26.6% of the population strongly agree and 33.4% agree with the statement that implementing supply chain finance will contribute in providing tools to the suppliers in order to enhance their cash flow forecasting. However, only 40% of the respondent neither agreed nor disagreed with the given statement. This survey clarifies that, implementing supply chain finance, positively influence the cash flow of the company.

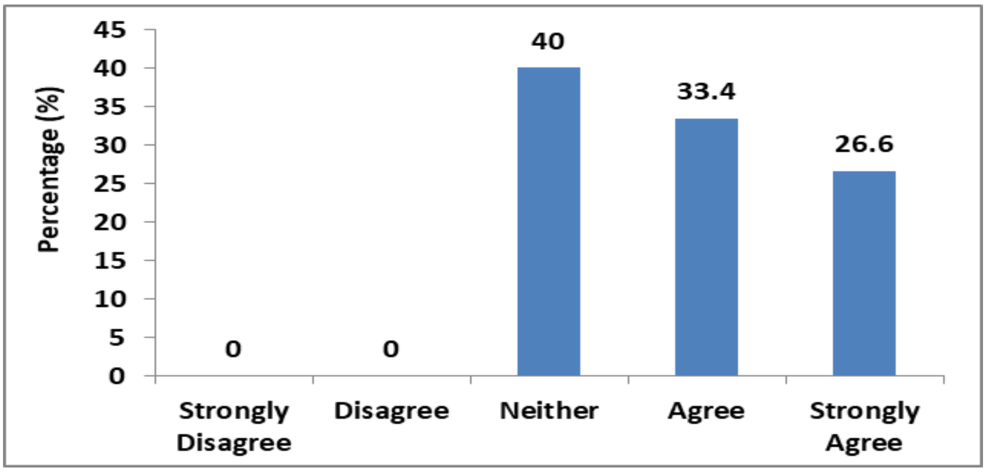

Figure 10: Contribute in providing tools to the suppliers in order to enhance their cash flow

Figure 11 shows the outcome of implementation of SCF. Based on Figure 11, the majority of the population, 60.0% strongly agrees and 26.8% agrees with the statement that implementing supply chain finance will improve the performance quality. However, only 6.6%of the respondent neither agreed nor disagreed with the given statement, and 6.6 % disagreed with the condition.

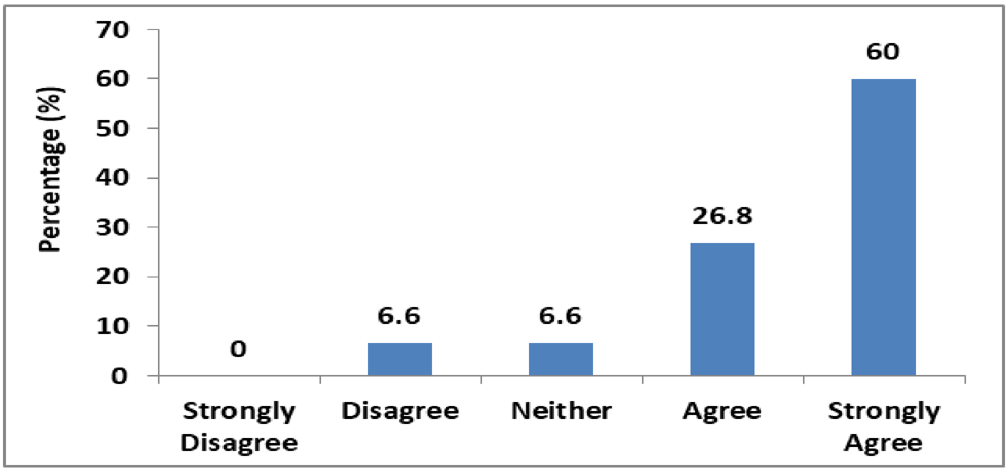

Figure 11: Implementation of SCF improves quality

Overall, supply chains are complex ecosystems consisting of all parties that are either directly or indirectly, involved in delivering goods and services to end consumers [9]. The survival of a supply chain is dependent on the coordination of physical, information, and financial flows facilitating the value-adding activities performed by members of the supply chain [12]. Earlier supply chain management practices had focused on improving the efficiency of physical flows and increasing information sharing across organizational boundaries. Innovative practices such as continuous replenishment, quick response, vendor management, inventory, collaborative planning, forecasting, and replenishment have found applications in various industries [19]. While working capital has always been critical to every business, supply chain professionals' active engagement in coordinating financing and supply chain took off only in the last decade, partly due to the increasing globalization of the economy, the scarcity of capital in the wake of the 2008 financial crisis, and the maturing of technology [19].

Based on the result of this work, supplier-based finance, also known as trade credit, is a common financing scheme that has existed for a long time. Under this financing scheme, an upstream supplier allows the downstream buyer to delay payment to a date after the invoice date. This is where supply chain researchers can contribute to better understanding of the rationale and motivation of supplier-based finance in the context of the supply chain [18].

The global distribution of supply chains has given opportunities to suppliers in developing economies to become supply chain partners of well reputed companies. The emergence of e-commerce platforms has provided opportunities for entrepreneurs to reach end customers [19]. Suppliers in developing economies and small and medium sized suppliers in developing economies have all faced challenges in accessing capital markets. Innovative financing schemes, often initiated by large, creditworthy buyers, have emerged to address those challenges [5, 6].

Relative to the firm’s first-best stocking levels, a bank financed firm favors products of lower salvage value, higher profit margin, or the ones representing a more substantial proportion of total inventory. Under the trade credit financing, with some assumptions, the firm chooses the first best inventory levels. The two important assumptions are: suppliers are competitive (price takers and offer credit terms to break even on expectation), and the retailer buys multiple items from the same supplier [20]. Trade credit financing enables the manufacturing firm to build credit history and improve access to banking finance in future periods. The supplier has to make a buyer-specific capacity investment before to resolving demand uncertainty. After the uncertainty has been resolved, the firms decide whether or not to trade with each other [20].

CONCLUSION

This work has examined the effect of the supply chain finance (SCF) on the performance of Nespresso in the Kingdom of Saudi Arabia. The outcome of this work has showed that SCF has enhanced the functioning of Nespresso Company. In addition, SCF has significant influence on the business models of the company. Furthermore, higher investment level is assisted by the implementation of SCF that augments the benefits for the integrated supply chain. Nevertheless, the field of supply chain finance has attracted practitioners from various functional areas: banks, sellers, buyers, logistics providers, e-commerce platforms, and technology platforms. Their participation creates opportunities for more integrated and innovative solutions to supply chain challenges. Those practices generate interesting topics for future research.

ACKNOWLEDGMENTS

The authors are very grateful for the participation of Nespresso Corporation, Jeddah City and unconditional support given by the College of Business, Effat University.

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