

**LIVE WEBINAR**

# True Value of Blockchain in Supply Chain: Data and Finance

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**Presented by:**



**Rebecca Liao**

Co-Founder & COO, Skuchain

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17 Lessons

- Items represent blockchain selection criteria.
- Selection via easy drop-down menus.
- Selection based on project objectives.

# True Value of Blockchain in Supply Chain: Data and Finance

- Find out what difference blockchain makes to an enterprise's data tools and financial health.
- Understand why secure and clean data provided by the blockchain is necessary to drive supply chain performance.
- Learn how blockchain is changing the risk profile of supply chain finance, unlocking new opportunities far more lucrative than mere digitization.

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# A few housekeeping tips

Use the **Q&A** tab to ask your questions







**Get control of your inventory.**



# Key supply chain problems:

- **Visibility:** Where are my goods?
- **Cash Flow:** Positive cash flow cycle, lower COGS, working capital relief
- **Resilience:** Securing the supply of critical stock
- **JIT Flexibility:** On hand, On order qty.





## Why do these problems exist?

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### **Sensitivity of information**

There is an inherent business desire for supply chain participants to not divulge who their vendors are or the prices at which they procure for fear of eroding their margins.

### **No incentive to collaborate**

The cost of sharing information is borne by the suppliers whilst the value accrues to the end buyer. This produces an incentive imbalance.

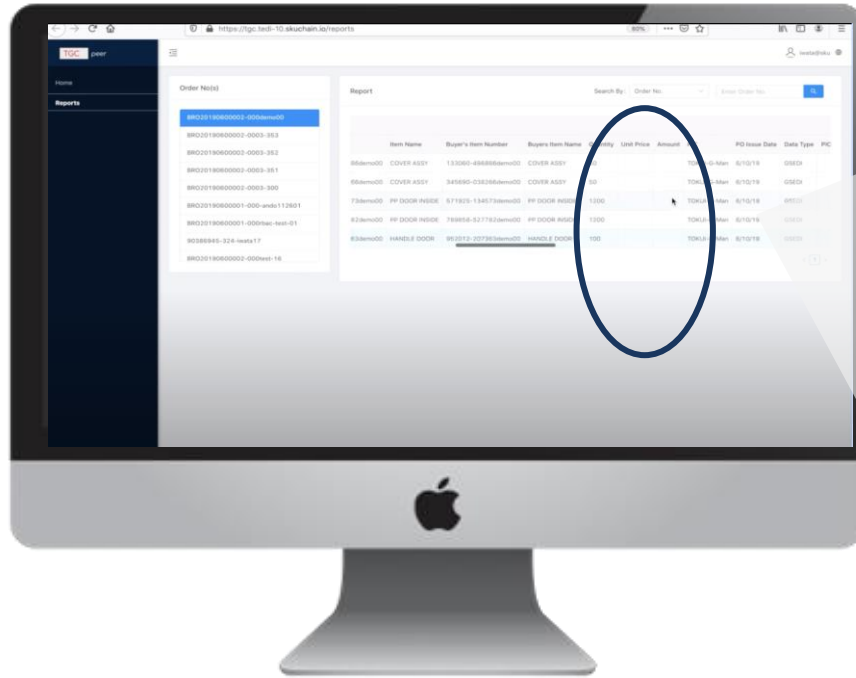
### **Cost of Technology Integration**

Traditional EDI-based ERP systems require time- consuming and expensive efforts to talk with each other.

**Result: Suppliers are reluctant to share data**



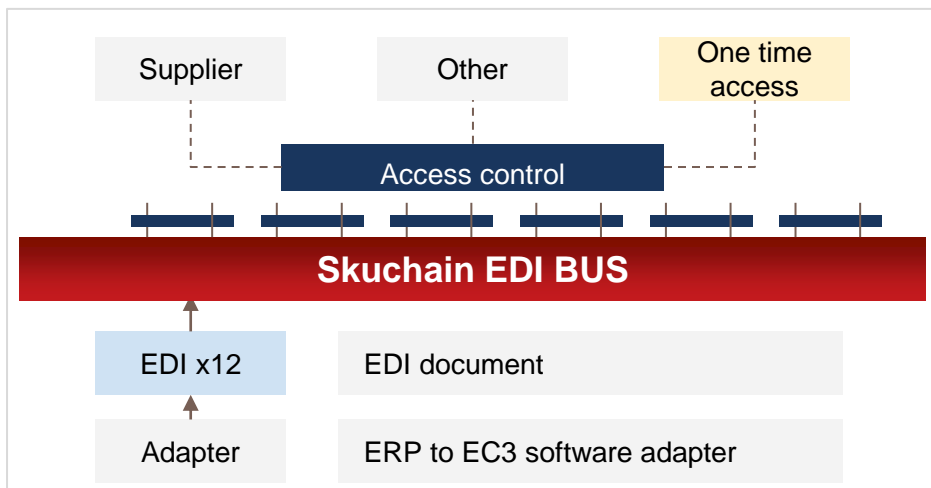
# Secure Data Sharing with Field-Level Encryption



**Granular data privacy controls mean suppliers are far more comfortable sharing sensitive commercial information, such as Unit Price and Amount, for financial transactions.**

Skuchain's EDIBUS allows you to:

- Publish EDI and other supply chain transaction documents to the EDIBUS with cryptographic security
- Associate a blockchain controlled access control layer to each document
- Attach smart contract to trigger events when specific conditions are met



Makes Supplier Onboarding easy

- Integrate once and you are done.

# Inventory Control & Finance (ICF)

## Supplier:

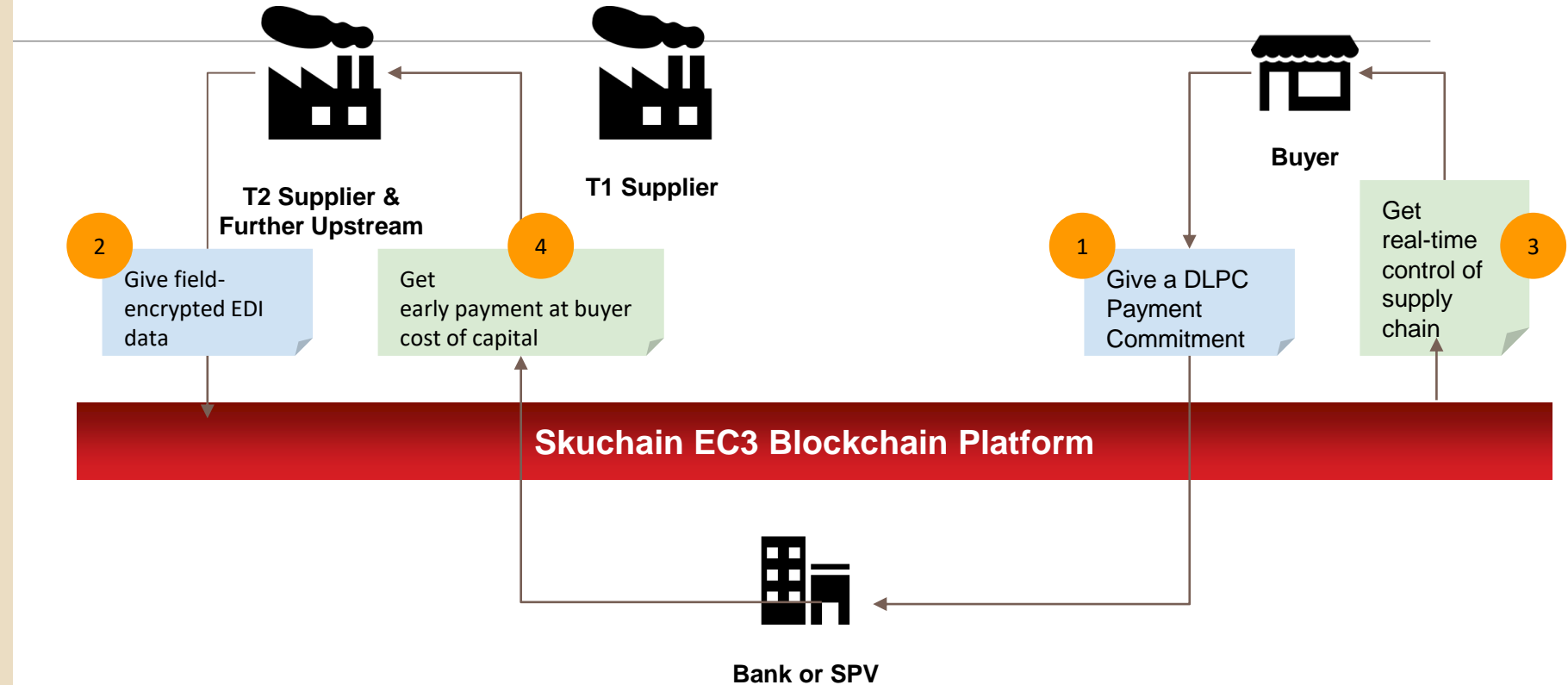
Encrypts each field of EDI documents such as PO, ASN & Invoice, and chooses which fields the buyer gets to see.

In return, they get early payment based on the buyer's cost of capital.

## Buyer:

Gets real time visibility & control over inventory in the deep-tier for an agile, efficient supply chain.

In return, they provide a **DLPC (Distributed Ledger Payment Commitment)** that becomes effective after QA & removal of performance risk.



# What is the DLPC?

The Distributed Ledger Payment Commitment (DLPC) is:

- A standardized format for a payment commitment on a blockchain network. Since it has 1) legal backing and 2) represents monetary value based on a negotiable instrument, it can be assigned and distributed to third parties and is sufficient to trigger payment.
- The “approved” best practice ( [document](#) ) of BAFT and ICC for blockchain-based payment commitments ( [announcement](#) ). Skuchain has chaired the DLPC Working Group at BAFT since its inception.

The four ways for a Buyer to originate a DLPC asset:

1. A Buyer could **attach a DLPC to a Purchase Order** (+ a Bill of Materials for deep-tier financing) and associate a set of smart contract governed conditions that trigger the commitment.
1. Once a Buyer **approves an invoice** with a Tier 1 Supplier, this approval can be turned into a DLPC on the blockchain that provides a liquidity pool for the deep-tier.
1. A Buyer could **provide a Take or Pay contractual guarantee** that will backstop a specific purchasing line, turning all its POs for that line into DLPCs.
1. A Buyer can ask its bank to **issue a DLPC in lieu of a traditional Letter of Credit**.



# How is ICF different from (and better than) Supply Chain Finance?

**SCF:** Supplier discounts the invoice at their cost of capital

**ICF:** Supplier discounts based on the end Buyer's lower cost of capital

**SCF:** Bank personnel perform transaction execution

**ICF:** Smart contracts perform transaction execution

**SCF:** Banks finance a Buyer's direct Suppliers.

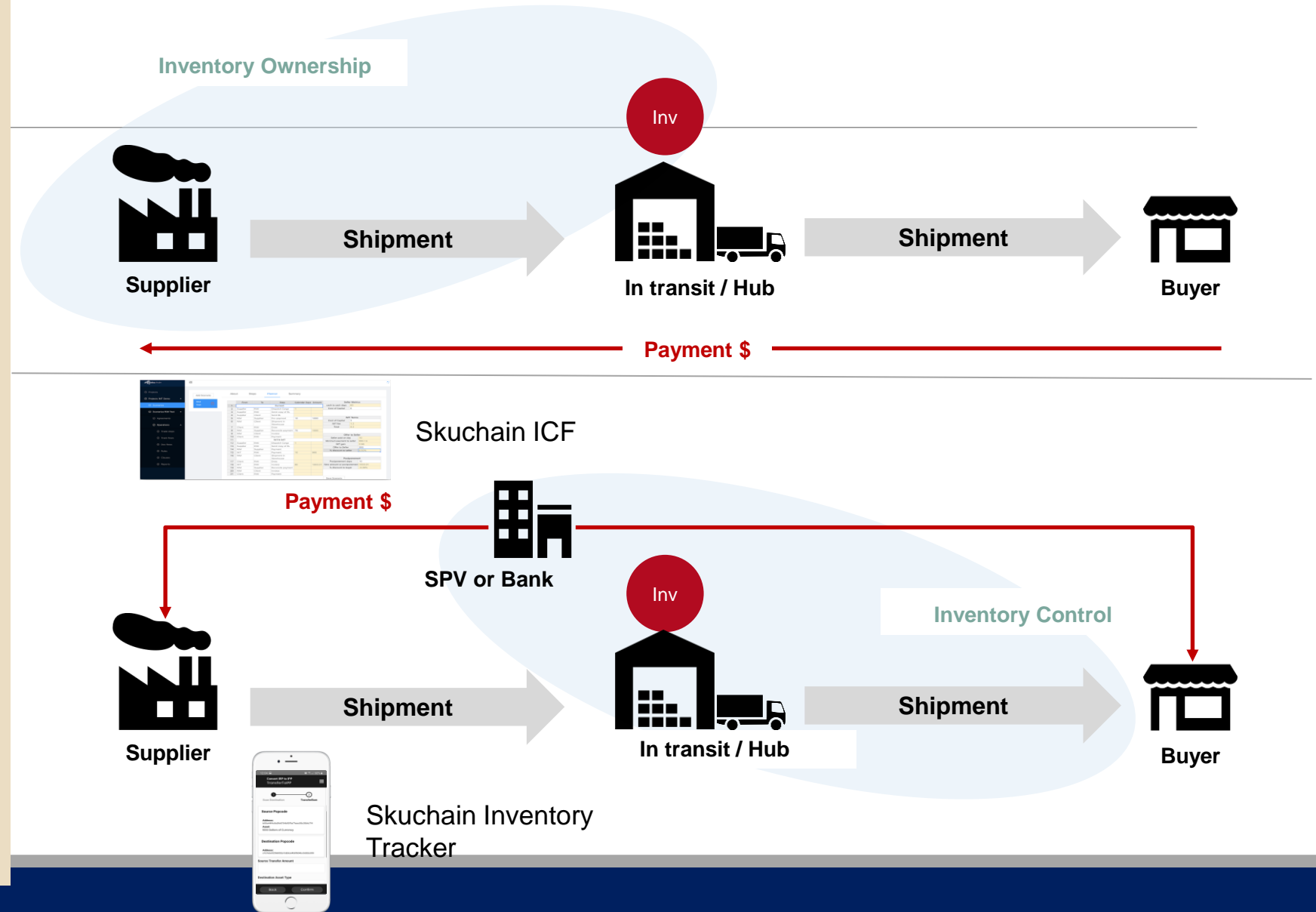
**ICF:** Platform finances across multiple tiers of a supply chain.

Inventory Buy-Sell Only:

**SCF:** Supplier controls inventory

**ICF:** SPV controls inventory, mitigating risk of Supplier bankruptcy/nonperformance disrupting supply chain

**Save at least 0.50% to 2.50% annually on open account transactions and 50% on LC transactions**



# X Port

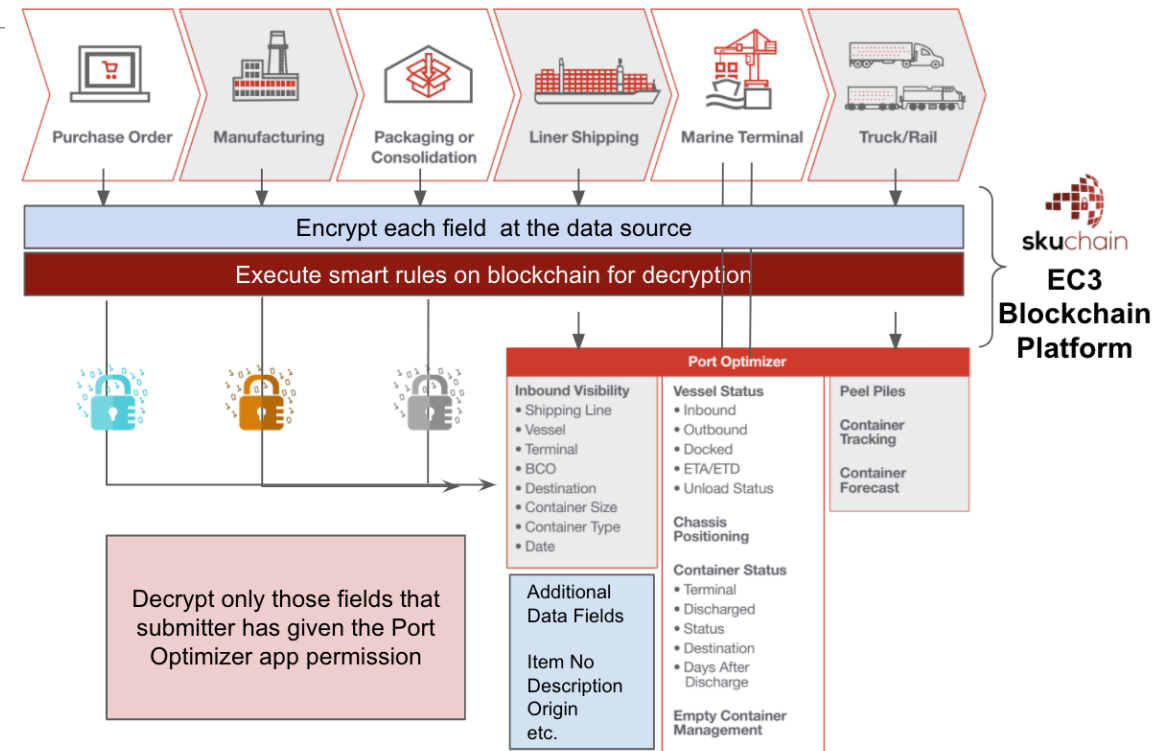
**Pain Point:** Few suppliers are willing to integrate their EDI systems with the X Port's Port Optimizer, which means that X Port has very limited visibility into the inventory of its cargo owners. For greater visibility in the supply chain, EDI documents should be distributed to multiple parties at once, with sensitive data fields encrypted.

**Solution:** Secure data sharing with field-level encryption, using Skuchain's EDIBUS. This solution has also been piloted with an automotive company.

**Initial Parties:** X Port, City of X, COVID-19 PPE suppliers, X hospital system (77 hospitals)

**Future Roadmap:** Once the COVID-19 crisis is beyond the immediate lockdown, EDIBUS will remain in place for future medical supply chains and supply chains that will support the economic recovery effort.

Optimizing the Global Supply Chain



# Large Apparel Retailer

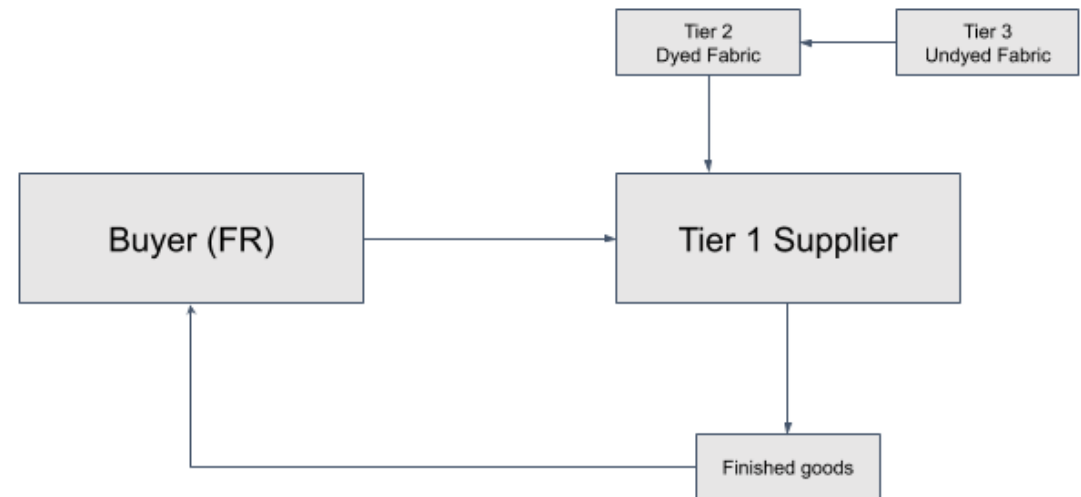
**Pain Point:** Large Apparel Retailer has no visibility into their supply chain beyond Tier 1 suppliers. They are therefore 1) unable to adjust production and procurement according to demand signals and supply chain disruption and 2) cannot attest to the sustainability of their garments.

**Solution:**

- Allow suppliers to share data with granular privacy controls through Skuchain's EDIBUS
- Incentivize suppliers with Skuchain's Inventory Control & Finance

**Initial Parties:** Asian Development Bank as the financier (85% coverage on name and first loss), Tier 1 and 2 suppliers in China

**Future Roadmap:** Tier 2 suppliers in Bangladesh and Vietnam



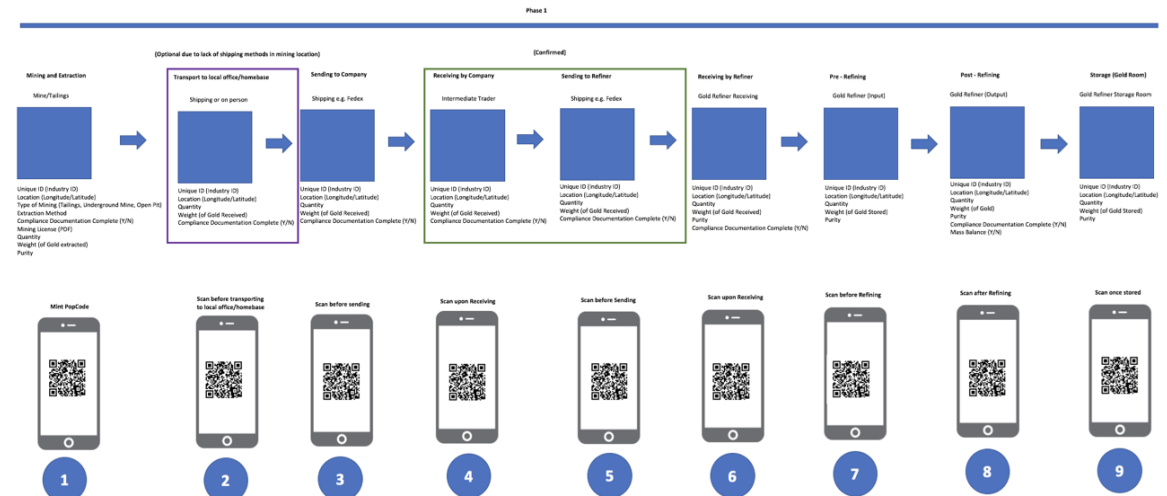
# Acme

**Pain Point:** Acme is unable to certify that it does not use conflict minerals in the production of its electronic devices. Acme also lacks control over sourcing in its deep-tier supply chain.

**Solution:** Gain visibility into raw materials through Inventory Tracker. Incentivize suppliers using Countables and Inventory Control & Finance.

**Initial Parties:** Refiner, logistics company, handful of small mining companies

**Future Roadmap:** Acme recycling suppliers, Acme contract manufacturers





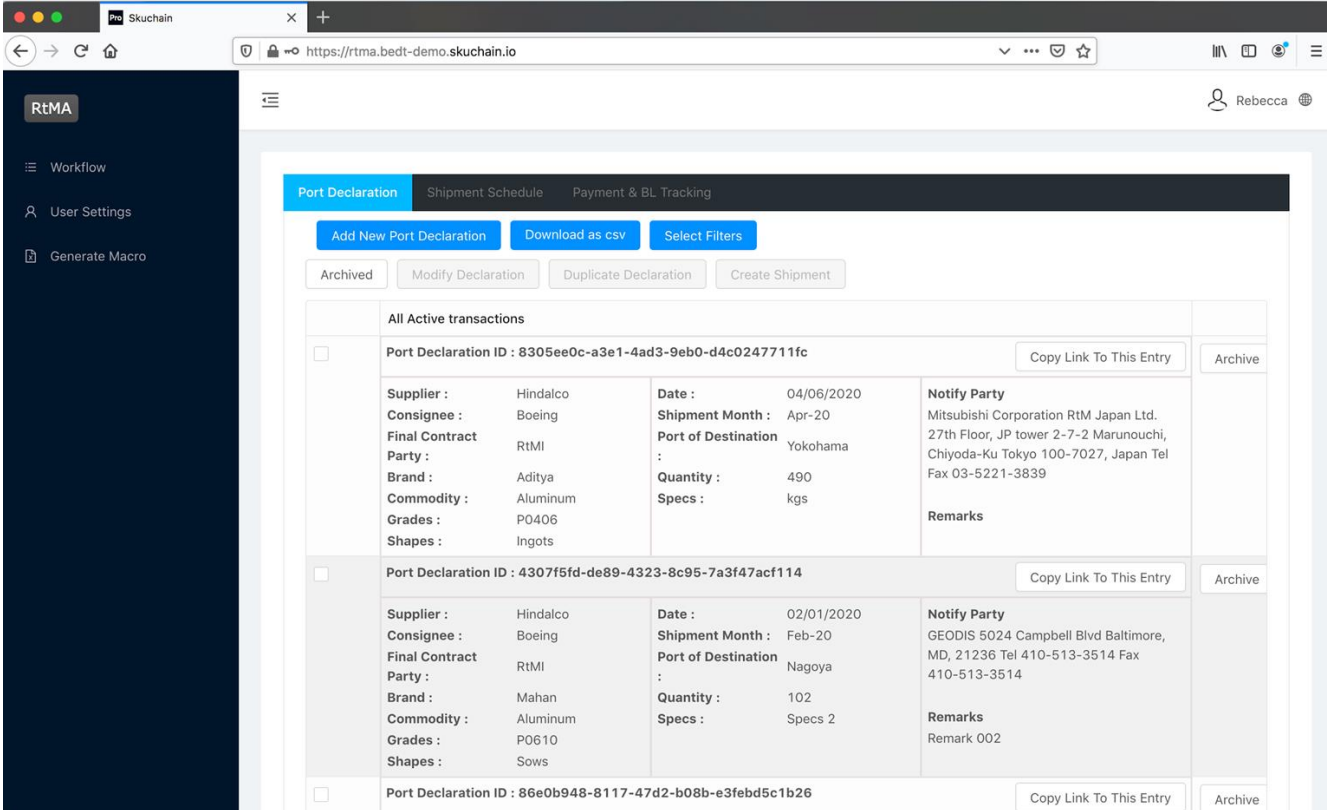
# Large Trading Company

**Pain Point:** Large Trading Company needs visibility into its trade transactions and would like to increase trading capacity while managing risk.

**Solution:** Track trade documentation, including the Bill of Lading, on the blockchain using the Blockchain Export Document Tracker. Use ICF and the DLPC as an alternative to a Letter of Credit to finance trade, reducing basis points paid to banks by 50%.

**Initial Parties:** Large Trading Company, Partner Bank, Overseas Buyer and Supplier

**Future Roadmap:** Use ICF and the DLPC for Large Trading Company Mineral Resources Group, with rollout to other divisions.



The screenshot displays the Skuchain RtMA web application. The browser address bar shows the URL <https://rtma.bedt-demo.skuchain.io>. The application has a dark blue sidebar with navigation options: RtMA, Workflow, User Settings, and Generate Macro. The main content area features a 'Port Declaration' tab, with sub-tabs for 'Shipment Schedule' and 'Payment & BL Tracking'. Below these are buttons for 'Add New Port Declaration', 'Download as csv', and 'Select Filters'. A table titled 'All Active transactions' lists three entries. Each entry includes a 'Port Declaration ID', a 'Copy Link To This Entry' button, and an 'Archive' button. The table columns are: Supplier, Consignee, Final Contract Party, Brand, Commodity, Grades, Shapes, Date, Shipment Month, Port of Destination, Quantity, Specs, Notify Party, and Remarks.

Port Declaration ID	Copy Link To This Entry	Archive
8305ee0c-a3e1-4ad3-9eb0-d4c0247711fc	<a href="#">Copy Link To This Entry</a>	<a href="#">Archive</a>
4307f5fd-de89-4323-8c95-7a3f47ac1114	<a href="#">Copy Link To This Entry</a>	<a href="#">Archive</a>
86e0b948-8117-47d2-b08b-e3fbd5c1b26	<a href="#">Copy Link To This Entry</a>	<a href="#">Archive</a>





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# Q&A time

Use the **Q&A** tab to ask your questions



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