

Stanley Black & Decker taps into fintech solution to improve cash conversion cycles by 50 percent



Adam Smith Awards Asia

Highly Commended Winner - Best Fintech Solution

About

Headquartered in Connecticut, USA, Stanley Black & Decker Inc. (SBD) is a Fortune 500 company and one of the largest American manufacturers of industrial tools and household hardware, and a provider of security products. The company has more than 58,000 employees in over 60 markets and generated \$14.4 billion in revenues at the end of 2019.

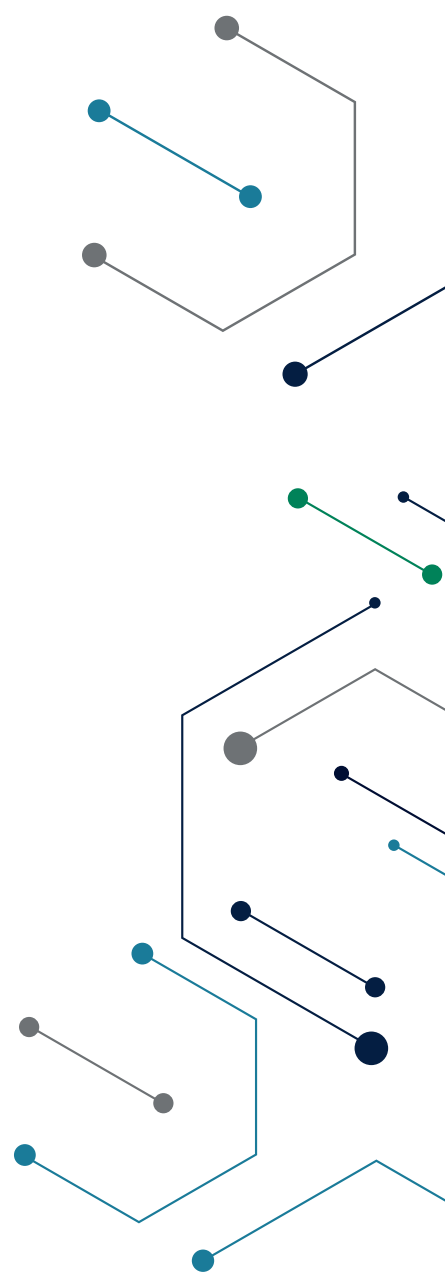
Its subsidiary, Stanley Black & Decker India has over 500 employees and has been operating in India for the last 10 years.

The challenge

Over the years, SBD has developed a wide network of local dealers in India to distribute its broad range of industrial tools and household hardware across the country. However, with a growing network of over 550 active dealers, its Accounts Receivables (AR) teams struggled to manage the large volume of invoices and payments.

With highly manual treasury workflows, its AR teams spent a significant amount of time making calls and emailing dealers to inform them of new product incentives, follow up on payments and reconciling them against paper invoices using traditional excel spreadsheets. In addition, with dealers paying via a combination of cheques and cash as well as electronic transfers across banks in India, SBD also faced challenges in reconciling its cash flows across the various channels and bank file formats, resulting in delays in collecting payments that lengthened its days sales outstanding and impacted overall working capital efficiencies.

To improve its sales collection cycle, SBD needed a compelling solution to encourage its dealers to make payments earlier, while automating its AR processes to optimize overall liquidity. The company also planned to roll out a more systematic incentive program via a digital platform to provide its dealers with attractive offers to sell SBD products, and replace its existing offline-based incentive scheme.



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The solution

SBD collaborated with J.P. Morgan to implement a comprehensive cash management solution, leveraging on fintech provider Global PayEX's FreePay service to digitize invoice presentment to SBD's dealers while automating its collections and reconciliation processes at the backend.

The solution leverages a web portal and a mobile application where SBD's network of dealers can now directly view invoices digitally, select and make payments through a range of electronic channels. Dealers can now also track payment status, view partially paid and outstanding invoices and access applicable incentives digitally via the FreePay tool in real time, and apply a range of attractive cash and credit offers available to them when making early payments.

The use of electronic payment channels also allows SBD to automate and streamline the reconciliation process, including using virtual reference numbers (VRN) for bank wires to easily identify and automatically match payments against invoices, while obtaining granularity of the reconciliation reporting at the invoice level.

By further connecting to J.P. Morgan through application programming interface (API) technology, SBD now receives a single bank statement reporting that captures dealer payments made across different channels, directly on its own internal treasury platform in real time.

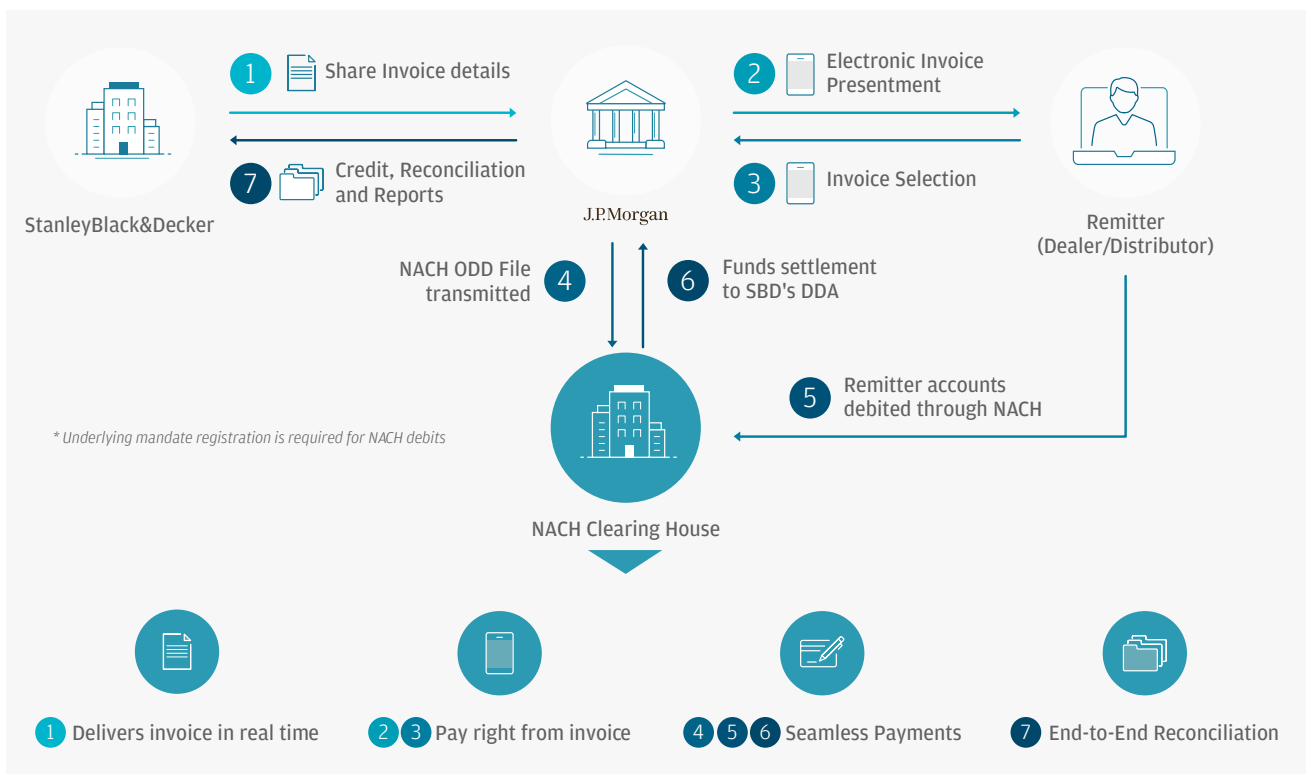
Since launching the solution in June 2019, more than 80 percent of SBD's dealers have signed up to the fintech-powered solution, with the use of electronic payments and reconciliation speeding up SBD's sales collection cycle by approximately 50 percent. By digitizing the manual invoice matching process, the solution is also expected to help SBD save over 1,500 man-hours per year. The firm can now also access sophisticated analytics and detailed insights into its collections, allowing the company to identify payment trends and behaviors to better optimize working capital and improve its overall cash management approach in India.

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The solution

J.P.Morgan

Electronic invoice presentment and reconciliation solution (FreePay)



“The fintech-powered solution has fully digitized our workflows in India, alleviating our treasury team from traditional manual practices to better focus on core strategy planning, to further grow the business.”

- Jessica Chan, Director of Treasury APAC, Stanley Black & Decker

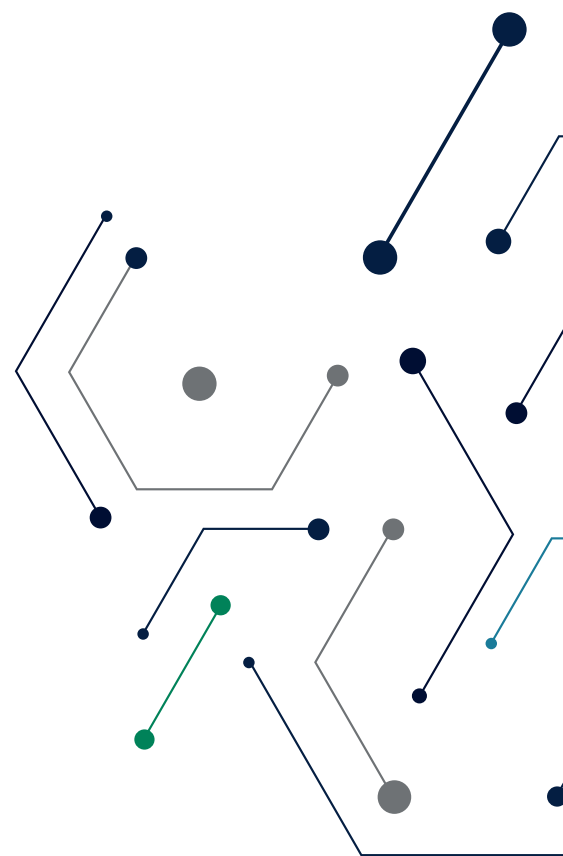
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The results

- 50 percent improvement in the cash conversion cycle by accelerating the collection of payments from dealers and reducing the days sales outstanding.
- Unlocking approximately \$1.1 million in working capital through quicker cash conversion.
- An estimated 1,566 man-hour savings per annum by automating the end-to-end invoice reconciliation process.
- Reduction in operational risk by eliminating manual paper-based processes for reconciliation and billing adjustments.
- Using data analytics to improve working capital management, cash forecasting and implementing better dealer management strategies.
- Improved relationships by offering dealers a better sales experience and more attractive incentive schemes.

“J.P. Morgan, in collaboration with fintech partner Global PayEX’s FreePay solution, continues to work closely with Stanley Black & Decker to explore innovative digital solutions for the firm to improve its sales collection cycles, while continuing to strengthen its relationships with dealers in India.”

- Rohit Khatri, Head of India Multinational Corporate Sales for Corporate Banking, J.P. Morgan





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