



## Swiss e-commerce conference 2017

How to finance e-commerce  
growth through working  
capital management?



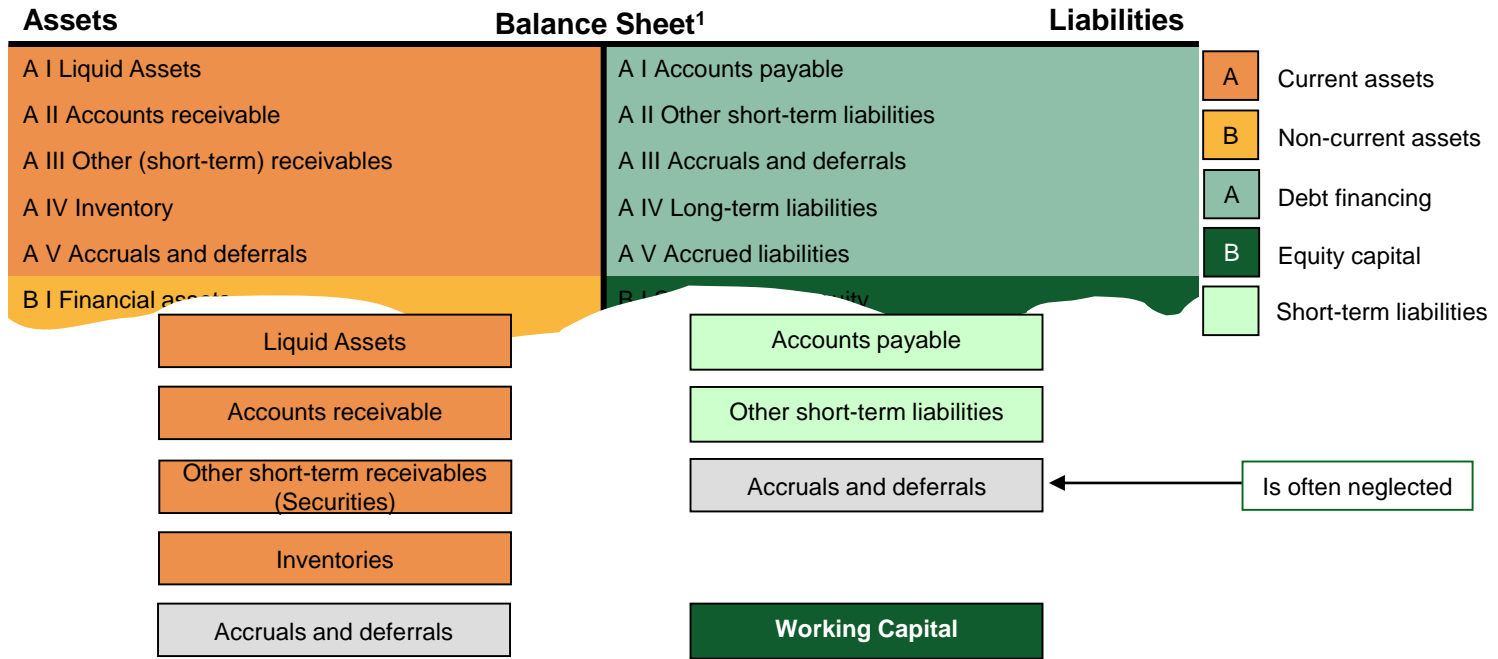
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Baden, November 16th

## 1. E-commerce and working capital management

## 2. Application example: Off-balance-logistics

# Definition of working capital from a balance sheet point of view



$$\text{Working Capital} = \text{Current assets} - \text{short-term, non-interest-bearing debt}$$

▶ Working capital is the part of the current assets, that has to be financed by interest-bearing capital.

# Implications of working capital from a balance sheet perspective

Balance sheet

Assets	Liabilities
Current assets	Short-term debt
Non-current assets	Long-term debt
	Equity capital

**Positive net working capital:**  
Part of the current assets are financed with long-term capital.

Balance sheet

Assets	Liabilities
Current assets	Short-term debt
Non-current assets	Long-term debt
	Equity capital

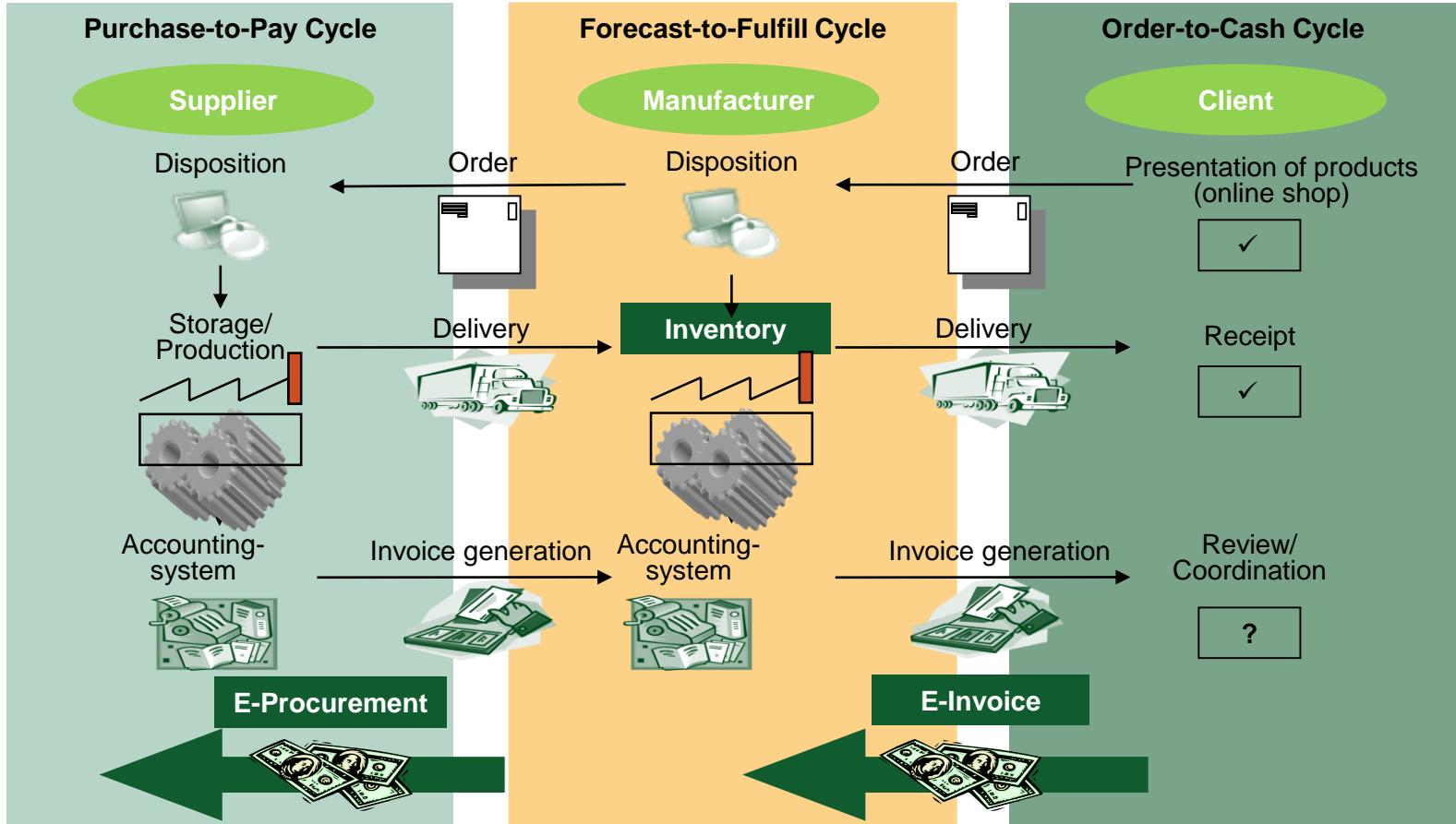
**Negative net working capital:**  
Inventories and accounts receivable are not enough to cover the accounts payable. The company may experience problems of liquidity.

The higher the working capital, the more secure the company's liquidity.

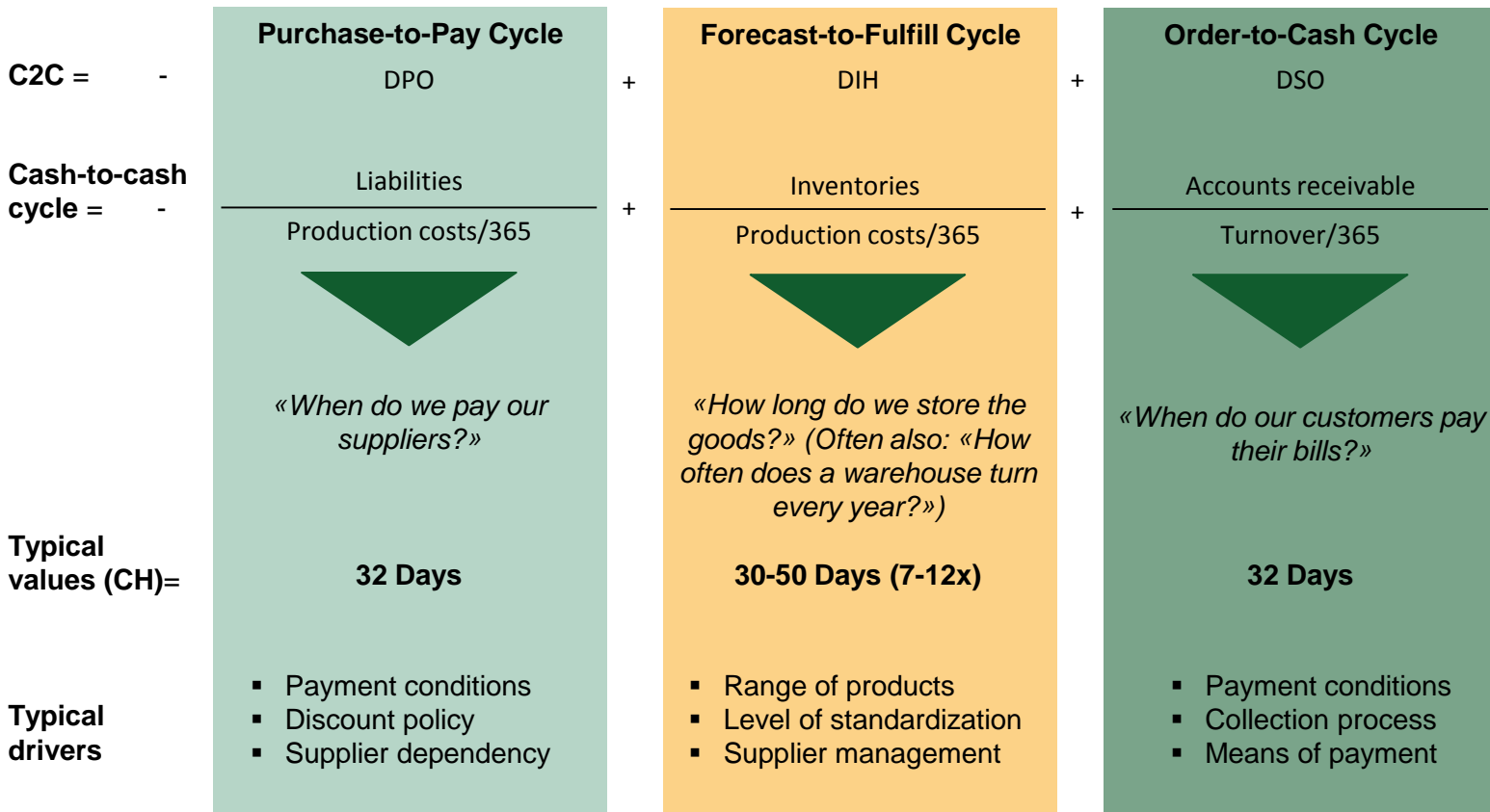
*But:*  
Excessive working capital creates additional, avoidable storage and commitment costs.

The management of the net working capital fluctuates between a too high and a too low value. Furthermore, specific success impacts have to be considered.

# Working capital management and its e-commerce potential

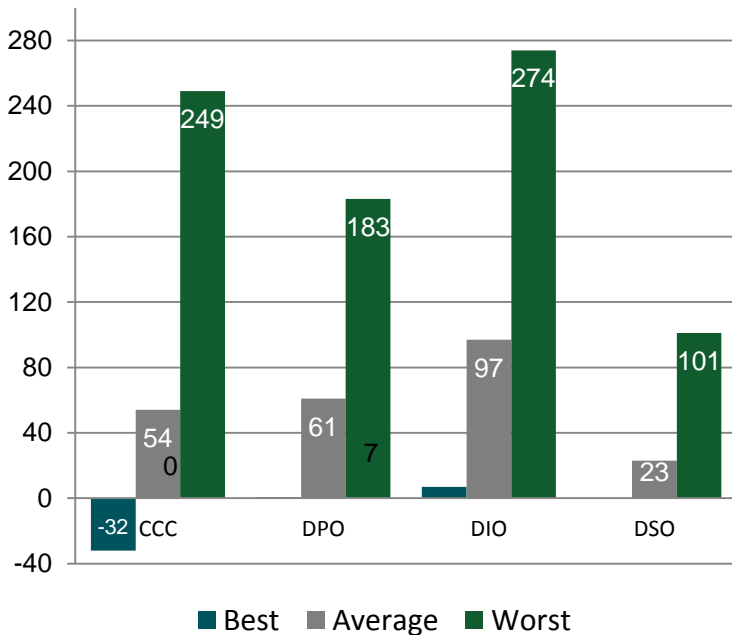


# The cash conversion cycle



# Working capital management performance across the retail sector

**Average Cash conversion cycle by selected retail sub-sectors**



**Average Cash conversion cycle by selected retail sub-sectors**



Retail is typically characterised by low DSO-values. However, inventory performance (DIO) is the most widespread (almost 180 days) and therefore the most likely key performance differentiator for retail companies.

## E-commerce and Working Capital Management

### 1. Application example: Off-balance-logistics



# An agile inventory management system is the backbone of each e-commerce business

## Challenges

### Capital tied up in warehouses

High percentage of procurement in turnover  
Long storage duration (DIH > 45 d)

### Cost pressure

Cost of storage  
(relative to stock value > 20%)  
Cost of transport  
(Share of turnover > 1.2%)  
Cost of capital (WACC > 6%)

### Logistics requirements

Market-driven: faster delivery,  
E-Commerce, CO<sub>2</sub>-neutral  
Internal: limited storage capacity,  
fixed-step cost of storage

## OFF-BALANCE LOGISTICS



### End-to-end logistics removed from your balance sheet

You sell your stocks to Swiss Post, we take them on physically and on our balance sheet

You sell to your customers – we deliver the goods

Swiss Post also assumes all related payments on your behalf.

## Benefits

### Enhanced liquidity

Reduction of capital tied up in warehouse inventories



### Cost reduction

Reduced cost of storage / logistics through outsourcing to specialists



Reduced cost of capital

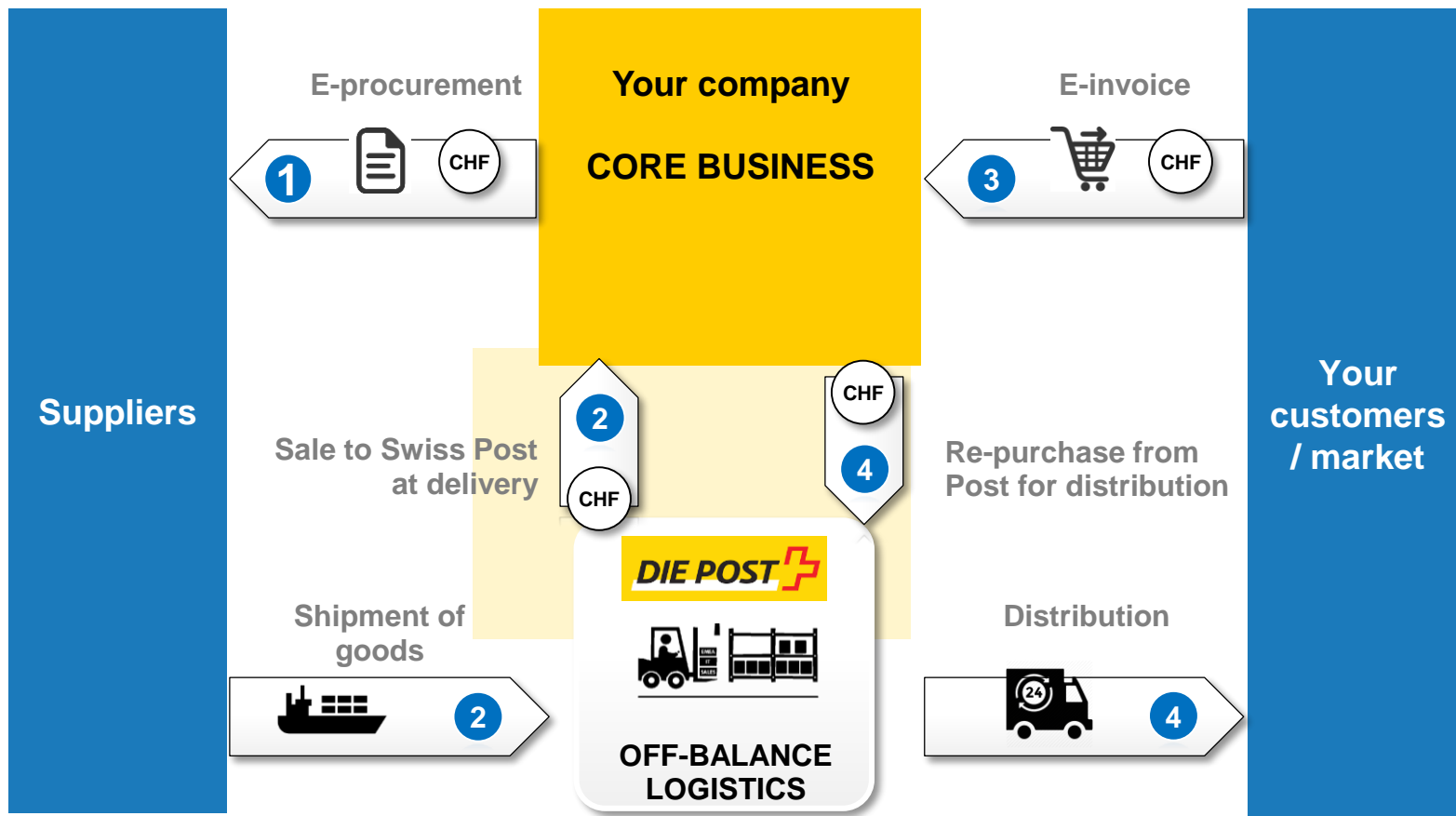
Rigorous use of cash discounts

### Requirements fulfilled

Without additional investment in internal logistics



# PostFinance & Swiss Post offer logistics and E-Commerce services in one stop



# Comprehensive effects on liquidity and costs

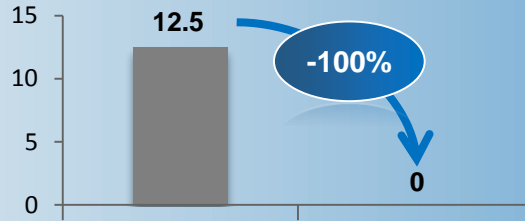
## EXAMPLE: PROCUREMENT VALUE CHF 100 Mio. p.a.

## BENEFITS OFF-BALANCE LOGISTICS

### Tied-up capital:

DIH: 45 d

Value of stocks MCHF 12.5  
 (MCHF 100 / 360 d \* 45 d)



### Additional liquidity:

DIH: 0 d

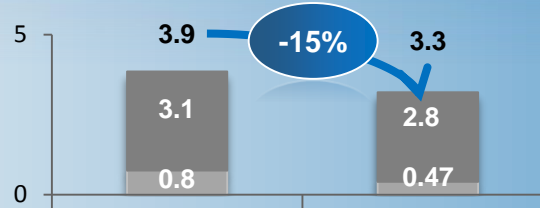
Stocks removed from balance sheet and MCHF 12.5 additional liquidity



### Cost:

Cost of storage MCHF 3.1  
 (MCHF 12.5 \* 25% storage cost)

Cost of financing MCHF 0.8  
 (MCHF 12.5 stocks \* 6% WACC\*)



### Cost reduction:

10% reduction on logistics

Reduced cost of financing  
 6% to 3.75%



### New requirements:

E-Commerce



E-Commerce possible without additional investment



### Off-Balance Logistics advantageous if:

Stock value > MCHF 3    WACC > 6%    Equity ratio < 20%    Liquidity needed to finance growth



# Our broad range of E-Commerce services and solutions create value from marketing to ordering through to logistics

**PostFinance** Digital & mobile payments combined ....

...with mail and logistics services. **SWISS POST**



## Future modular offering PostFinance / Swiss Post



### Information Management / Liquidity-Planning



### Liquidity Optimization

E-Procurement  
Services

Payments

**Off-Balance Logistics**

Sales Services

Cash  
Collection

Reverse  
Factoring

Online transaction processing

Billing  
Services

E-Invoice,  
Factoring



### Risk Management

Guarantees,  
Letter of credit

Guarantee of fulfilment

Guarantees,  
Letter of credit

Hedging (interest, currency)

Chair of Logistics Management



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