Informita News

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10 Years of Informita

A big thank you to all our supporters

When we started Informita 10 years ago we set out to disrupt the consulting business model by bringing a new offering to market that would expand the range of solutions available to companies trying to manage working capital. To quote Sun Tzu: "Great results can be achieved with small forces." And that has been the case in the last 10 years. The traditional consulting model spent the last 100 years charging day rates and those day rates have increased in order to pay for an expensive army of consulting students, some of whom will rise to the top and become experts. We observed more than a decade ago that many companies had become tired of paying large consulting fees on big projects that may or may not provide a decent return for the investment. We ran with a subscription model that lowered client cost, increased flexibility and destroyed the artificial timescales that are usually imposed by a traditional project. This allows us to flex around the natural constraints that are usual in any corporate environment. There is no-one behind our backs being greedy for more fees that are not in the client's interest. This has allowed us to build deep bonds of trust with our clients based on advice that is 100% in their interests and not of a large consulting organisation that has its own objectives. But we have also used the opportunity to expand our offerings. The first big advance was TermsCheck.com. It started with the simple idea that it would be useful to collect our data so that we could compare payment terms at a customer and supplier level. Our first client thought this was a great idea, but wanted to do the comparison on 20,000 suppliers. It was then time to scale up the offering that has become TermsCheck.com with customers ranging from our usual clients, companies that only want to buy data and other major consulting firms across Europe and North America. We have also developed solutions specific to short term cashflow forecasting and spare parts inventory management. We have had the opportunity to work with many technology partners. These partnerships have improved their offerings while delivering best in class solutions to Informita clients. We have developed a series of remote offerings that seek to expand our footprint beyond major global corporates. We continue to innovate and that is thanks to the support of our clients and partners. Thank you!

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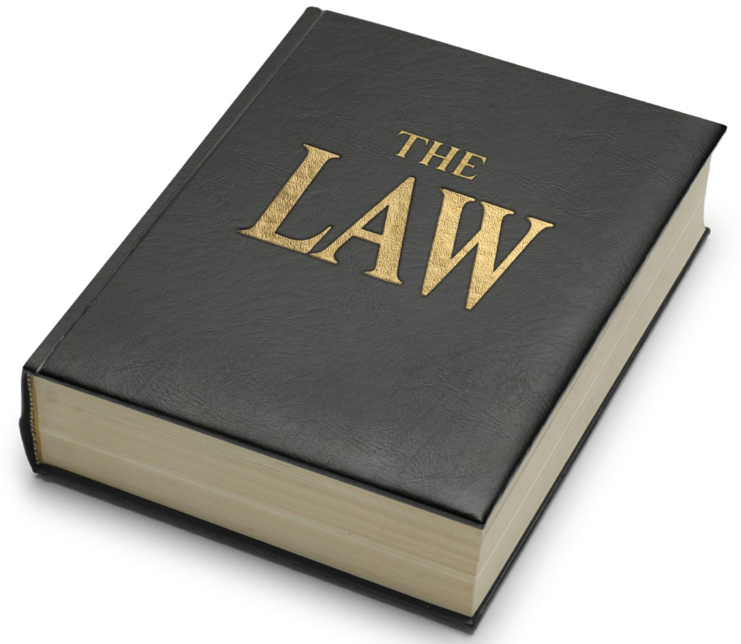


More payment term laws

A recent law passed in The Netherlands means that from 1 July 2022 all new SME suppliers will have a maximum payment term of 30 days and all existing SME suppliers must have their payment term at a maximum of 30 days from 1 July 2023. Another law in Germany that took effect earlier this year forces a maximum payment term of 30 days on all suppliers of perishable goods that have revenues below a certain value. Politicians in various European countries have got a taste for protecting, as they see it, smaller suppliers from the big guys who are constantly accused of being serial late-payers. The problem is that these laws are full of practical holes that make them unmanageable for the majority of companies, even those who want to comply. Large companies all have ERP systems that hold master data about a supplier. This data will include such things as the supplier name and address, bank account details, VAT numbers and the like. But these same systems usually do not hold much more information than that. In the Dutch case, you need to know the revenues, net assets and the number of employees that the supplier reported in the previous two years. Otherwise, the customer company does not know who is an SME supplier and who is not. This means that large companies need to figure out a new process to deal with all this and this needs to be paid for. As cost pressures increase in a time of geopolitical uncertainty and inflation, it makes it more likely that cuts will be made elsewhere to cover these costs. The German law is an example of a law that is not properly thought through. What happens if you have a supplier that supplies both perishable and non-perishable goods? It is likely on one vendor record, so that will force all the supplies to be on 30-day terms. So please, lawmakers, speak to people who know how these things work before you pass any more unworkable pieces of legislation.

Treasury Management Systems

In a basic form, a TMS is a fairly basic animal. It simply connects all your bank accounts to a central database so that you can instantly understand your cash balances. This has the great advantage of doing away with the need to constantly download and upload data relating to your bank accounts and minimise the potential for human error. For some of the world's largest corporations which may have thousands of bank accounts, this is a very important piece of functionality that allows for speedy movement of cash across the globe. Many TMS's do many other things as well such as cash hedging, foreign exchange handling, liquidity and regulatory reporting. But the more of these things that are added the more complex a beast it can become. And that complexity can make such systems harder to implement and manage. Our experience says that simplicity is good and to avoid unnecessary complexity.

Supply Chain Finance

New disclosure requirements

It looks like there will be new FASB and IFRS rules on disclosures relating to supply chain finance and specifically on reverse factoring. Whether reverse factoring should increase payables or increase debt is an old argument with firmly entrenched proponents of both positions. What looks likely is that the classification as payables will stay but there will need to be a specific disclosure detailing the size of the facility and its impact on the balance sheet. This is very similar to the disclosure requirements for receivables securitisations. This all seems fairly innocent until you realise that many major corporations, especially in the US, have bloated their payables balance using reverse factoring. We expect that many investors may be shocked at the size of these facilities.

Solomon Islands: Instability has a big price

Many people are unaware of a small island nation in the South West Pacific called the Solomon Islands. Before independence the most important thing that ever happen in the area was the World War II battle of Guadalcanal between Japan and the forces of the United States, Britain and Australia. Solomon Islands remains today as one of the poorest and politically unstable nations in the world. The political instability has been fuelled by ethnic tensions between different island groups, a weak political system and the occasional interference of outsiders. Without significant aid from Australia, New Zealand, the European Union and Japan the government could not function. More than 75% of the population are focused on subsistence agriculture and fishing. There is gold mining on a fairly small scale and geologists are aware of undeveloped deposits of lead, zinc, nickel and yet more gold. The long term political instability tends to keep foreign investors away. An education system where 40% of children do not receive primary education does help the situation. More recently, China has made an agreement that would allow an ongoing Chinese military and naval presence in the Solomons. The US and Australia are less than happy with this arrangement. All this continues to help stoke the factional rivalries that are at the core of the country's problems.

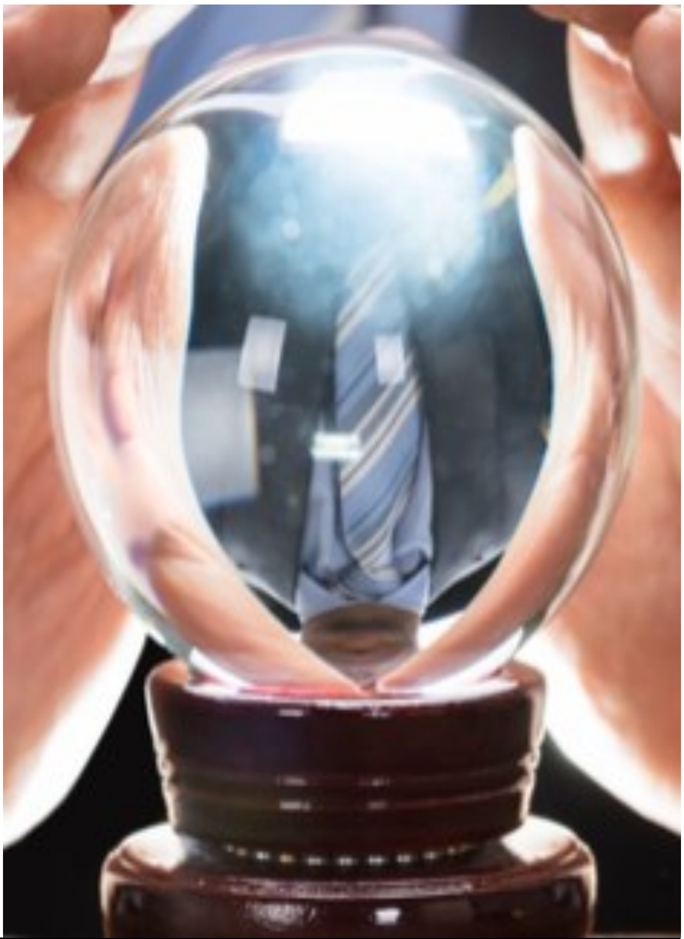
Greenwashing?

Back in May, HSBC's global head of responsible investing at the bank's asset management division delivered a presentation called "Why investors need not worry about climate risk". Swiftly, the head of HSBC announced that he did not agree at all with any comments that were made in the presentation. So what was going on? There is, of course, the official story that not caring about climate risk is not the public policy of the bank. But maybe it exposed the dichotomy of the public policy of the bank which is aimed at promoting end consumers to deposit with the bank and corporate bankers who are trying to deal in a real world where many investments still fly in the face of global warming. To be fair HSBC are not the only ones caught in this trap of being pure as the driven snow to consumers and investors and being dragged into environmentally dirty investments driven by the need for a profitable return. Recently, major oil companies have been unveiling "green" strategies to somehow cover over the fact that they are some of the major extractive companies on the planet. George Orwell once wrote that "if thought corrupts language, language can also corrupt thought." Now we seem to be watching many corporate communications departments trying to do exactly that. There is no doubt that our economies are getting greener, but maybe not as green as most people had thought. In the meantime, learn your double-speak well.

Get Ready for 2023

More supply chain disruption is on the way

Getting grain out of Ukraine in the last couple of months has been great news for many across the world, but it is only a small contribution to straightening out the various supply chain issues that began with Covid back in early 2020. Several pieces of evidence suggest that the various disruptions will continue for some time to come. Let's start with grain in Ukraine. The ships coming out now are shipping the winter harvest that was largely sown before the Russian invasion. Due to military activities, the sowing season will be heavily disrupted and that means that next year’s crop will be impacted more than this year's. This is also true for the many countries that were importing fertilizer from Russia before the war. Although Russian fertilizer is not subject to sanctions, getting insurance for the ship to get it out of Russia is banned. So many crops around the world will have reduced yields in 2023. Lastly, we are not yet done with Covid. The continuing lockdown policy in China is continuing to cause chaos across global manufacturing and logistical supply chains. So even assuming that no more unexpected events happen across the world, all these issues will take some time to unwind before we have a sense of normality in world trade again.



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