



# Supply Chain's Newest Disruptor: The Platform Economy

The Supply Chain - a simple enough concept that grows in complexity depending on suppliers, geographies, and relationships - can either be an accretive asset to a company's balance sheet, or a drag on resources. Getting the right model in place and moving from a cost center to a profit center is at the heart of every Finance team's goals. Citi is applying some new perspectives, harnessing the benefits of a Platform-based strategy, to create partnerships and innovations in the market to translate this vision into reality.



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## The Rise of the Platform Economy

Throughout history, businesses have traditionally fiercely safeguarded their proprietary ideas, products and services from the competition, protecting their intellectual capital from any outside influence to maintain their unique competitive edge.

Take the business model of a traditional mobile phone manufacturer as an example. The manufacturer would offer proprietary features on its phones that it believed its customers wanted most. Any new feature to be developed would go through the development lifecycle at the manufacturer - often limited by resources, prioritization and importantly no real understanding of cross-industry use cases. This resulted in a linear process and a linear output: a phone could be used to make calls, send text messages and offer basic contact list management. Throw in a couple of native games

(remember Snake, anyone?) and the phone model became a luxury. The operating system of the mobile phone was locked down to any third party access.

Fast forward to 2007, the iPhone is launched and breaks the mould. Whilst it basked in the glory of break-through design and use of known technologies in a way not imagined before, an even more ground-breaking concept was taking shape almost behind the scenes - The App Store. The App Store essentially liberated the development of new features from the exclusive confines of the manufacturer itself. Apple opened up its ecosystem for others to build value-added services that increased the utility of the traditional handset. Who would have thought a mobile phone could one day be used to take an electrocardiogram, allow you to set up a family social network or to pay for your coffee! The Platform Economy was born and the world has never looked back.

Another stellar example of Platform Economy is China's Alibaba Group. What started as a small enterprise with 18 employees is now one of the most valuable ecommerce companies in the world serving millions of customers. It has achieved this by leveraging the power of interconnected platforms to build an ecosystem that is truly immersive for its customers. Just a few years ago, who would have thought that a website could spawn everything from a marketplace, to payments, to financial advice, to cloud computing... to pretty much anything you might imagine?

### From Our Living Rooms to Our Workplace...

The Platform Economy is not just a consumer sector phenomenon. It is increasingly becoming relevant in the B2B world as well. For example, if you bought a CRM (Customer Relationship Management) software solution a few years ago, it would have to be physically installed 'on-premises' and operated in isolation to any other systems/applications you might have used elsewhere in the company. It had limited and locked down capabilities of customer contact management and interaction tracking.

Today, most CRM software makers operate on 'cloud-computing' and Software as a Service principles and embrace third parties that build value added features on top of their core infrastructure. A good CRM package today enables companies to run bespoke marketing campaigns, negotiate contracts, engage customers via social media platforms and more. Salesforce.com is one such example. It has more than 4000 third parties registered on its platform that provide value-added services on top of its own core product, increasing the utility of the CRM tool as compared to a standalone software package.

Platform-based business models, like the examples of Apple and Salesforce.com, are becoming more and more predominant as a strategy to drive revenues. As per some analysts' views, companies with aggressive Platform-based business strategies are outperforming their non-platform peers on both revenue growth as well as EBIT margins.<sup>1</sup>

### Leveraging the Platform Economy to Extract Enhanced Value from the Supply Chain

We've so far looked at the value of Platforms for consumers and the applicability of principles of Platform Economy on corporate strategy. However, Platforms can add significant value to supply chains as well. Let's look at a couple of examples:

**Electronic invoicing** is now an established goal for most organizations as the benefits of sending invoices electronically (rather than paper copies) are significant and well-documented for both buyers as well as suppliers. However, the benefits can be extended even further beyond.

Most e-invoicing providers now operate a Platform where buyers can interact with suppliers. In addition to transmitting electronic invoices, the same platform can be used by buyers to send Purchase Orders (POs), suppliers to confirm fulfilment of POs, converting POs to Invoices, performing 3-way reconciliation matching and so on.

All of this is possible because e-invoicing systems now operate as a Platform that allows services which traditionally happen in isolation to be brought within the umbrella of the platform, creating an ecosystem.

Citi is taking the realms of possibilities of the Platform approach a step further. By integrating our real-time virtual cards payments engine with an e-invoicing platform, we have established an end-to-end fully integrated process, right from placing 'POs' to making Payments.

This confluence of Procurement, Invoicing, Accounts Payable and Payments in a single online ecosystem of interconnected platforms challenges a number of established norms whilst delivering unparalleled operational efficiency for Procurement & Accounts Payable functions and financial efficiency for Treasury Management.

**Meetings & Events** is another area where the Platform based approach is disrupting the traditional model. Meetings & Events are an important tool to enable organizations to grow their business, develop strategy, further R&D and promote stakeholder and customer engagement. However, the execution of such events is a complex undertaking: Meeting planners often need to engage with a myriad of suppliers with whom the organization has no prior relationship - a new hotel or resort chosen as the meeting venue, a local caterer to provide food and beverage for the event, a native A/V equipment company, all outside of their typical geography.

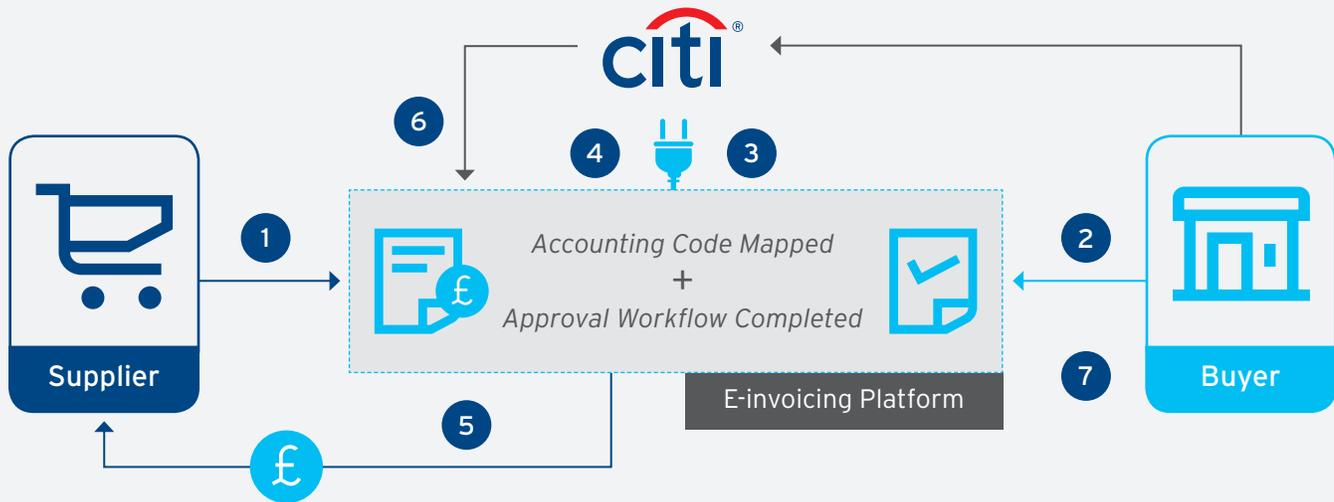
Consider the supplier on-boarding process in any firm: it can often take weeks or even months to establish a new supplier within a company's ERP system. When it comes to the fast-paced meeting planning space there is no time for such lengthy processes, as meeting planners often need to make immediate payments to these new suppliers, for example, to secure the meeting venue.

Catering to the unique requirements of meeting planners is highly challenging for Procurement and Treasury teams as their needs don't easily fit into regular organizational processes. However, a platform-based approach promises to solve this tricky challenge.

By using the principles of a Platform model, Citi has embedded its virtual card capability in a market-leading meetings management system.

<sup>1</sup> <https://www.mckinsey.com/business-functions/digital-mckinsey/our-insights/new-evidence-for-the-power-of-digital-platforms>

## Platform Approach for a Truly Integrated 'Procure-to-Pay' Experience



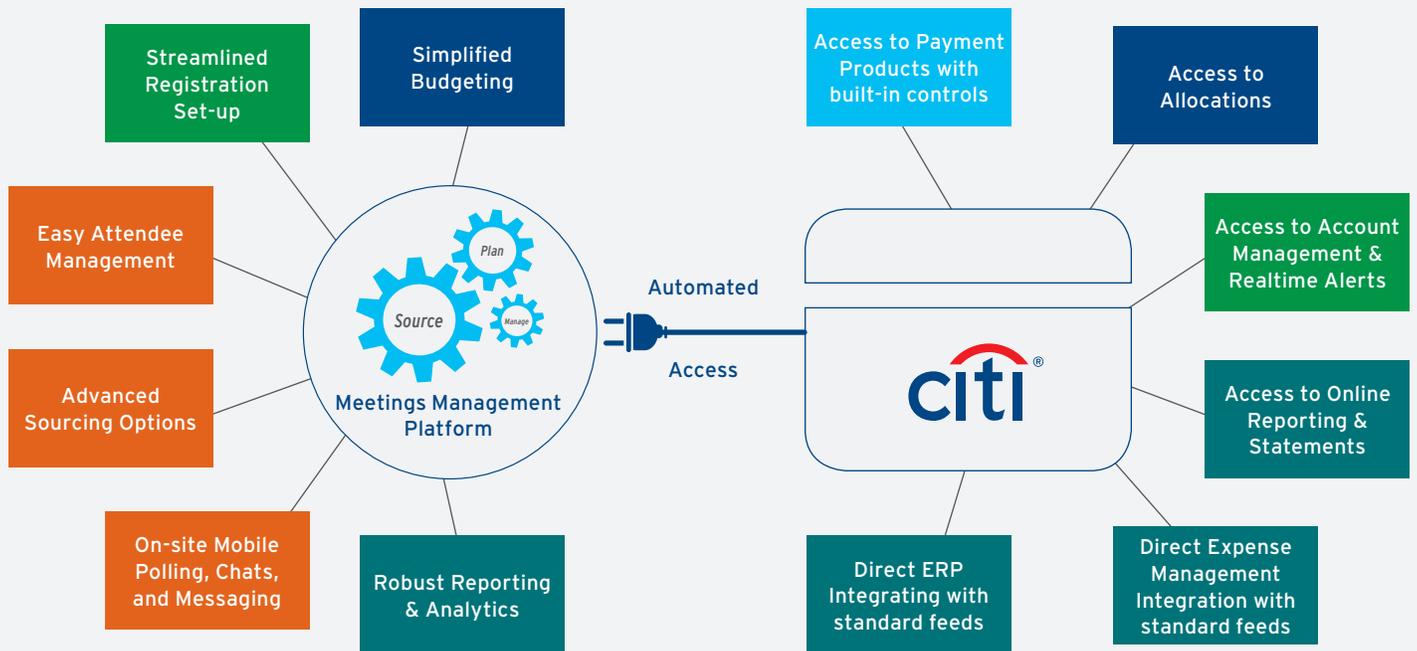
- 1 Supplier sends invoice to the e-invoicing platform.
- 2 Invoice mapped to correct accounting codes automatically. Buyer approves the invoice for payment.
- 3 E-invoicing Platform sends electronic message to Citi to create a Virtual Card (VCA).
- 4 Citi creates a VCA and transmits it back to E-invoicing Platform in real-time.
- 5 E-invoicing Platform charges the card on suppliers behalf and transmits funds to Supplier's bank account.
- 6 Citi transmits monthly card transaction file to E-invoicing Platform – it is auto reconciled against invoice data and sent to Buyer.
- 7 Buyer makes a single monthly payment to Citi.

A case study example of the above diagram can be [read here](#).

The benefit? Meeting Planners can now pay new suppliers 24X7, in real-time, sending funds cross-border, around the globe with a fully auditable approval process from within the meetings management platform. By de-linking payment capability from the confines of the ERP, it overcomes the need to undertake cumbersome supplier onboarding exercise for one-off suppliers. In addition, expensive and slow wire transfers can be replaced by real-time payments, budgets tracked, overpayments avoided and reconciliation automated. It brings the entire meetings organization practice within

the policies and guidelines established by a company's Procurement and Treasury management functions, whilst still enabling the Meeting Planning function the flexibility required to operate efficiently.

## Platform Model: Disrupting the Traditional Approach of Managing Large-Scale Meeting



Winner of the 2018 Adam Smith Award for Best Card Solution, [here is an example](#) of the Platform Model to automate the Event Management supply chain

### Platform Business Models Can Transform the Supply Chain

In summary, a platform-based approach can have transformative impact within the supply chain of organizations. By lowering costs, improving efficiency, enhancing visibility and control, and overall; delivering greater value to the business. Platform strategy is also breaking down traditional organizational silos by fostering new ways of collaboration that are bringing Treasury Management and Procurement practices ever closer.

By connecting seemingly disparate processes using real-time and collaborative technology, breaking down age-old organizational barriers, challenging convention and harnessing the power of platforms, we are entering an ecosystem in which the sum of parts will be greater than the whole.

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