

Arrow ECS uses inventory financing to develop its channel

Overview

The need

Cash is a critical resource for the IT channel to fund inventories and Days Sales Outstanding. When a partner is growing, demands on their cash are growing too.

The solution

Arrow ECS uses IBM Global Financing to offer inventory financing to its channel partners as a way to differentiate and develop its value added services.

The benefit

IBM Global Financing's inventory financing gives Arrow ECS's channel the financial strength to grow securely, knowing there is sufficient credit to meet their business needs. It also provides a financial management tool to Arrow ECS itself.

As an IT distributor, Arrow Enterprise Computing Solutions specializes in solutions to optimize the efficiency with which organizations can store, manage, protect and deploy their data. As a value added distributor, their business philosophy is to provide excellent support to their channel partners so they sell more, install smoothly, and grow profitably.

The service they offer partners has been built around advanced optimization solutions and technologies with training, planning, design and technical support. Channel partners use Arrow ECS support to provide a leading edge solution which works well for a satisfied end user client. Inventory financing gave Arrow ECS an opportunity to enhance their service even further.

For any business, cash is a critical resource, and it's no different for the IT channel. Cash funds inventories, and cash funds Days Sales Outstanding. When a partner is growing, demands on their cash are growing too. Grahame Benson, Arrow ECS Chief Financial Officer, was instrumental in the decision to offer the new service: "We decided to offer inventory financing as a new way to add value to our channel. I saw it could really be extremely valuable to our channel partners, and at the same time it would help us manage the risk in our business too."



“I look at it from a CFO perspective and this is a great combination for our partners: A generous free credit period, followed by immediately available extended credit, with no arrangement fees at a reasonable cost. It gives our partners the flexibility to structure funding and payments to fit their cash flow. Feedback from business partners who have signed up to inventory financing has been very positive.”

—Grahame Benson, Arrow ECS Chief
Financial Officer

Arrow ECS decided to use IBM Global Financing to provide this service. Working with a financier who already had an intimate understanding of the IT industry, Arrow ECS could use their inventory financing programme to relieve channel pressures to pay on standard terms. With less financial stress and increased working capital, their partners would be able to grow and handle greater volumes, increasing profits for both parties.

IBM Global Financing runs the programme and contracts individually with Arrow ECS’ partners. Up to an agreed limit, typically higher than offered by industry insurers, it provides credit tuned to a partner’s individual trading needs. Financing rises and falls to match the partner’s volume of trading at any point in time. Beyond this automated variable financing a reseller can tailor the programme to negotiate an increased credit limit to accommodate special stocking requirements or to extend terms up to 90 days at a reasonable cost to the partner.

A partner’s account is settled by direct debit to coincide with their free financing period. For additional flexibility, the partner can negotiate an extended period for the automated settlement date with IBM Global Financing and still choose to pay on time or use the extended period whenever it’s needed.

Grahame is very enthusiastic about the offer “I look at it from a CFO perspective and this is a great combination for our partners: A generous free credit period followed by immediately available extended credit, with no arrangement fees at a reasonable cost. It gives our Partners the flexibility to structure funding and payments to fit their cash flow, and they can handle all the administration with online tools. Feedback from business partners who have signed up to inventory financing has been

Solution components

Software

-

Servers

-

Services

- Financing

IBM Business Partner

- Arrow ECS
-

very positive. If I've a frustration with the programme it's simply that we haven't yet convinced more of our partners to use the program: We're still making progress."

Beyond adding value to their channel and helping to finance its expansion, the programme has advantages for Arrow ECS too: It removes the credit risk from their receivables and, with the flexibility to draw down at the end of the quarter, helps to manage working capital. "As a financial management tool for Arrow ECS" says Grahame "this IBM Global Financing program provides a convenient source of funding, a responsive tool to allow me to manage the cash receipts in to my business."

In routine use, inventory financing offers another benefit: Arrow ECS can separate credit negotiations from logistics and support to focus on their core business, providing an excellent service to their channel. The clear distinction between technology distribution and commercial negotiations helps to improve the IT solution partnership.

"When our partners have particular credit requirements we find that IBM Global Financing IBM Global Financing, as a specialist IT financier, has understood the need for extra credit from time to time and usefully applies the additional dimension of their own relationships when making credit judgments. This separation works well and provides credit capacity beyond the partner and Arrow ECS' expectations to accommodate large orders.

When we started working with this programme we wanted to extend asset financing as a financial management tool and at the same time improve our value add for the channel. It has worked well as a financial tool and has definitely helped our channel to grow, resulting in Arrow ECS' own growth too. Together, Arrow ECS, our channel partners & IBM Global Financing, are building a better, stronger more cost effective business."

For more information

To learn more about IBM Global Financing, please contact your IBM Global Financing representative or IBM Business Partner, or visit the following website: ibm.com/financing

To learn more about products, services and solutions from Arrow ECS UK, visit: <http://www.arrowecs.co.uk/>



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