

Preface—Why This Book?

One of the most important factors of successful supply chain finance (SCF) programmes is the improvement of software and technology solutions that allow businesses to come together in partnership and speed up cash flows throughout the supply chain. Blockchain technology (BCT) promises to change the way individuals and corporations exchange value and information over the Internet, and it seems to thus be perfectly positioned to enable new levels of collaboration among supply chain actors. The first commercial application projects are already gaining traction, as technology giant IBM recently announced that it is teaming with one of the largest logistics service providers in the world—Maersk Line—to create a new solution to digitise the global, cross-border supply chain through BCT; China-based Dianrong and FnConn (a Foxconn subsidiary) have also announced the creation of a blockchain platform for SCF. These solutions aim to reduce complexity and make data sharing secure, accurate and efficient. Several start-ups are engaged in the area of blockchain-based letters of credit, bills of lading, factoring and reverse factoring to target the ‘trillion-dollar’ SCF market. Quite known are the start-ups Skuchain (<https://www.skuchain.com/>), Gatechain (<http://gatechain.com/>), Wave (<http://wavebl.com/>) and Hijro (<https://hijro.com/>). In the traditional letter of credit and factoring or reverse factoring, processing the compliance check is often still done manually by comparing the different paper-based trade finance documents, which causes cognitive exhaustion and high labour costs. Contrarily, string comparison in a digital document or cross-referencing entries (e.g. destination of the bill of lading is referenced in the letter of credit) based on smart contracts would reduce costs. This is where BCT comes into play.

This book aims to discover possible opportunities from the application of this fascinating new technology to SCF financing solutions, particularly in approved payables financing. In the first step, the principal barriers and pain points in delivering the financing solutions are identified. Then, a possible blockchain-driven supply chain model is defined. This framework will provide a basis for discussion on the relevant uses of the technology that could open up opportunities in the SCF space. The findings indicate that the blockchain and distributed ledgers technologies could deliver substantial benefits for all parties involved in an SCF transaction,

promising to expedite the processes and lower the overall costs of financing programmes. Furthermore, this book contributes suggestions for future research on the topic of SCF and blockchain.

St. Gallen, Switzerland
Munich, Germany
Origgio, Switzerland
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Erik Hofmann
Urs Magnus Strewe
Nicola Bosia



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Hofmann, E.; Strewe, U.M.; Bosia, N.

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