Preparation Assignment

Supply Chain Finance at Procter & Gamble

In preparation for the case, please consider these questions:

1. Why did P&G extend its payment terms for suppliers in April 2013?

2. What was the likely impact of the new payment terms on P&G's financial statements and its funding needs? On Fibria's financial statements and funding needs?

3. Why did P&G simultaneously launch the SCF program in April 2013, along with the new payment terms? How does the SCF program work and who benefits from it? Is the SCF financing rate competitive?

4. P&G claims that SCF is a win-win-win program. Is that true? Does anyone lose?

5. Should Fibria continue to use the SCF program?

6. In general, should large buyers pay smaller suppliers with extended terms?
   What is the argument for having P&G pay their accounts payable (A/P) quickly?