

Case Study

Cytec Industries Inc.

Citi® Integrated Payables Solutions: A strategic approach to achieving process efficiencies and working capital optimization

Citi® Integrated Payables Solutions is a holistic suite of leading-edge analytics, core and emerging payment services, supplier onboarding and other capabilities that collectively help optimize working capital and maximize efficiencies across an organization's complete supply chain.

The Company

Cytec Industries Inc. is a global specialty materials and chemicals company that serves a diverse range of end markets, including aerospace and industrial materials, mining and plastics. Headquartered in Woodland Park, NJ, Cytec was formed as a result of a spin-off from American Cyanamid Co.

The Challenge

In April 2013, Cytec divested parts of its business to align with the company's long-term corporate strategy. With smaller, yet more-concentrated operations, Cytec examined its treasury flows for areas that could be made more efficient and to optimize working capital via digitizing paper transactions and extending Days Payable Outstanding (DPO).

The Solution

Cytec turned to Citi, its trusted treasury services and banking advisor, to help develop a data-driven approach to addressing these goals. Citi's approach centered on helping Cytec identify and execute on a payables optimization strategy that would streamline payment processes, optimize working capital, and obtain cost efficiencies and sustainability across the company's full supply chain.

Cytec leveraged Citi's multiple capabilities and services that

collectively comprise Citi® Integrated Payables Solutions, a holistic suite of leading-edge analytics, payment capabilities and related services that can help optimize working capital and maximize efficiencies across an organization's complete supply chain.

Citi® Working Capital Analytics

As a starting point, Cytec leveraged Citi Working Capital Analytics, a leading-edge proprietary diagnostic tool, which enabled Citi experts to segment and match Cytec's Account Payable (A/P) data against Citi's B2B Supplier Network and other sources. This analysis helped quantify opportunities for Cytec to obtain working capital benefits through payment-term extension, process improvements through payment digitization, and increased Commercial Card rebate opportunities. Citi analyzed over \$1Bn of Cytec's spend spanning 75,000+ transactions across some 4,500 suppliers.

With this analysis in hand, Citi partnered with Cytec teams in Procurement, A/P, Supply Chain Management and Treasury. These teams leveraged the powerful analytics produced by Citi to build the business case needed to secure resources and support the roll-out of key payment solutions to help address the firm's goals in the most effective way possible.

B2B Citi Commercial Cards

The Working Capital analysis highlighted approximately \$64MM worth of check payments – nearly 10,000 transactions – eligible for conversion to a Purchasing Card (P-Card). Citi partnered with Cytec to expand use of its existing Citi P-Card program to include those smaller-value payments – particularly to suppliers of indirect goods and services such as maintenance, repair, operation (MRO), janitorial, training, catering, and office and IT supplies. As a result of its North America Cards Program, Cytec benefited from a 2014 annual rebate in excess of \$400,000, as well as increased process efficiencies and reduced transaction processing costs.

Citi Supplier Finance

In addition to the focus on driving process improvements via payment digitization, Citi's analytics experts uncovered opportunities for Cytec to leverage Citi's leading-edge Supplier Finance solution to reduce working capital via payment term. By extending DPO by 30 days and leveraging Citi's balance sheet to offer key strategic suppliers the option of early payment, Cytec unlocked \$1MM in working capital. At the same time, Cytec provided an enhanced payment experience, reduced supply chain risk and decreased Days Sales Outstanding for key strategic suppliers participating in the program.

Given the success of the company's Supplier Finance program in North America, Cytec has engaged Citi to discuss expansion of the program into Europe.

Citi® Supplier Enrollment Services

To support the roll-out of these payables optimization solutions, Citi developed and executed a targeted enrollment strategy to help ensure a seamless supplier on-boarding process. Citi's dedicated enrollment teams worked closely with Cytec to design and implement customized outreach campaigns, and to effectively manage the end-to-end supplier outreach effort. Additionally, Citi created marketing and educational materials to highlight the value of the program to suppliers.

Cytec is close to fully on-boarding suppliers in the US and Europe for its Supplier Finance program. During the on-boarding process, Citi helped Cytec gain visibility into the enrollment campaign by providing robust reporting and status updates.

The Result

By leveraging Citi's strategic approach to payables optimization, Cytec successfully generated process efficiencies and working capital optimization to deliver the following benefits:

- Unlocked some \$1MM in working capital by extending DPO, while creating stability within its supply chain via Citi's Supplier Finance solution
- Converted approximately \$64MM worth of check-based payments to Citi's P-Card program, generating process efficiencies and transaction-cost reductions
 - 2014 annual Cards rebate in excess of \$400,000 allocated to the firm
- Reduced potential payment risk and fraud exposure by shifting nearly 10,000 transactions from check to more secure card-based electronic payments
- Reduced payment errors and streamlined the payment experience for suppliers
- Obtained sustainability and process efficiencies within the company

Citi Integrated Payables Solutions is helping forward-looking organizations like Cytec take a more strategic approach to payables optimization to drive working capital benefits and maximize efficiencies across their end-to-end supply chain. For further information on Citi Integrated Payables Solutions or other Citi Treasury and Trade Solutions capabilities, please contact your Citi representative or visit us at www.citi.com/tts.

"Citibank was, and continues to be, a strong partner for rolling out new payment solutions that help Cytec meet its working capital and efficiency goals."

Tony Osentoski
Cytec Industries
Director, EMEA and Asia
Pacific Treasury