



We happy band

Keeping suppliers content is central to Virgin Media's investment programme

Using supply chain finance

(SCF) is a good idea – and not for the suppliers, James Marshall, head of treasury at Virgin Media, told delegates. It is a measure that makes good sense for Virgin Media against a complex backdrop of capital-intensive investment.

Virgin Media suppliers are, said Marshall, integral to the customer experience. They go into customers' homes, represent Virgin Media in its retail outlets or over the phone via contact centres, and they contribute to service levels that keep the network running. "By investing in those suppliers, it gives us an opportunity to focus on stuff that we think we're good at – specialist products and customer experience. Suppliers are very important to us as a business," he said.

By investment, Marshall means long-term contracts, giving greater certainty in contract terms and SCF facilities that allow payment flexibility. "By outsourcing a lot of work and embedding that trust and introducing long-term contracts, it does mean that we can get considerable leverage out of those relationships, and that's important when you are mid-capital investment."

The group's biggest initiative currently is its network expansion. By extending its network parameters by 20 metres, it can reach a potential four million customers. It's a £3bn investment over five years and opens up a large gap between outlay and return.

"Working with our suppliers and engaging SCF where we delay payment of invoices by factoring them with the banks, does mean that we can get over the first hurdle of trying to invest in the groundwork to put the cable in place," said Marshall. "You have an opportunity to start selling to the new premises that you've connected up at a time when you have to start settling these invoices. It narrows the investment gap and the risk cycle."

Virgin Media has an established programme for SCF with dedicated staff for on-boarding suppliers with banks and Virgin Media's P2P section. "The message that we have is consistent. I'd like to think that if my boss were here he'd sell it in exactly the same way that I would because we do go about it in a very simple, structured fashion," he added. ♦

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