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Seizing the opportunities

Indeed, the acceleration of global trade, while posing a constant challenge to keep up, promises significant overall benefits for businesses. Through faster trade processing it is possible to convert trade assets to liquidity (cash) more efficiently. The result is an improved working capital position, with funds freed up for investment or to support growth.

Meanwhile, the new trade technologies and increasing harmonisation of transaction terms are making it easier for businesses to exploit new export markets or expand their network of supplier relationships. With the right technology, it is simply a case of hooking up a new market or supplier to your existing infrastructure.

As the volume of transactions grows, online trade facilities are helping businesses gain better visibility than ever over those payments. Transactions and documentation can be initiated and tracked online, giving an up-to-the-minute view of group liquidity and enabling faster, more informed decision-making. That improved visibility also helps to reduce corporate risk and offers the prospect of lower financing costs.

Speed is everything in the new world of global trade. That undoubtedly creates pressures, but the technologies and solutions exist to help businesses enjoy the huge potential benefits too. ■

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How Can Banks Help Their SME Clients Go Global?

Export Entreprises

Providing overseas business development services to small and medium enterprise clients (SMEs) has been a difficult issue for banks: it is complex, time consuming, marginally profitable, and still SME clients expect their bank to help them go global, not only through efficient banking services, but also through marketing and regulation expertise which SMEs often lack. The trade development services that banks offer to their mid sized or large companies are difficult to offer for SME clients, as their number is too large and their needs even wider.

But to be able to provide such services is a key issue, as international banking services tend to look alike from one bank to the other, thus focusing the competition on prices, which is never a good thing in the end. It is also strategic when one considers the budget cuts for the Department of Commerce and the growing need from even small companies to buy or sell overseas — there might be a resources crunch at some point, and new players such as banks could step in...

The internet has brought new solutions for banks to help their SME clients go international, which are now becoming more and more popular among banks in Europe:

- Editorial websites, in which SME clients can find country profiles, market surveys, detailed import export flows, customs duties, shipment documents, etc.
- Collaborative websites, in which the clients of a multinational bank can buy and sell knowledge and introductions from and to each other, thus, creating a global community of the clients of the bank worldwide.

These are two different ways to find international trade related information and contacts; one looks more like a “focused Google”, the other looks like a “Yahoo! Answers for global trade professionals”. One is adapted to any bank, even small; the others only suit multinational banks.

A French company named Export Entreprises SA has imposed itself on this market in Europe; with state-of-the-art English content (it provides most of the content at fita.org, the website of the US Federation of International Trade Associations). It has developed white label platforms that it offers to banks, professional associations, etc. It now runs 30 editorial websites for banks and other organizations, including Crédit Agricole (Fr), Crédit Lyonnais (Fr), Intesa Sanpaolo (It), the Spanish savings banks (Sp), Emporiki bank (Gr), BMCE Bank (Mo), etc. It has gained the highest investment capacity in new content and technologies, as it is now able to split the cost of its investments among its 30 clients: semantic search engines, new databases, frequent updates, alert services, multilingual content, etc.

One of the last websites released by Export Entreprises is emporikitrade.com, a platform developed for Emporiki Bank in Greece. It is actually the second ver-

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sion of this website that has been online for three years now. It is an internet platform with 4 sections: international trends, country trading profiles, a business intelligence service and on line trade question and answers services. Emporiki Bank has developed a specific marketing policy for this ser-

vice, with different levels of access for clients and non-clients. Now thousands of Greek companies use this website which has become the first international trade tool in Greece and allows Emporiki Bank to help SMEs, and of course promote its financial and banking solutions, both in a very

cost effective way. ■

Export Entreprises has just become a member of BAFT. After a deal with a major Canadian bank they are now introducing their services to US banks. Etienne Vauchez, head of the company, is often in the U.S. so he is available for presentations in your office. Do contact him at e.vauchez@export-entreprises.com. <http://www.export-entreprises.com>

Financing the Global Supply Chain

John Ladany, Director and Trade Services Product Manager, Global Transaction Services, Citi

The finance officers of your corporate clients are well advised to carefully monitor their supply chain financing; after all, investors are tracking this closely. Analysts have long known that scrutinizing a corporation's operating metrics — especially the cash conversion cycle — (days sales outstanding plus days inventory outstanding minus days payables outstanding) — can yield insights to a company's health. Accordingly, CFOs are increasingly judged by their performance in this area.

Further underscoring the importance of supply chain financing, a recent UPS study showed that corporations identified as having best-in-class supply chain management practices manifested market cap growth 7% - 26% above the industry average, while companies identified as having poor supply chain operations experienced market cap growth 2% - 25% below their peers. Other research has shown that corporates can suffer 33% - 40% below-benchmark stock returns over a three-year period because of disruptions in their supply chains.¹

While stock price is important to your corporate clients, a more enticing motive for exploring new supply chain financing solutions is the economic gain to be achieved. Recently, several

major apparel companies working with Citi have each reduced their cost of goods sold by tens of millions of dollars after revamping their financing.

Integrated Physical, Financial Supply Chain

How do corporates achieve these results? The answer is simple: by tightly integrating their physical and financial supply chains. Through technology enhancements, banks like yours can now obtain access to the flow of information between an anchor client and its suppliers and vendors, then use this information to structure special financing terms specific to the client's operational and strategic needs.

For example, a supplier finance system can take in information on approved invoices from a procuring client and push out over the Web the opportunity for suppliers to discount their related receivables at attractive rates on a non-recourse basis. The client can potentially move its suppliers from letters of credit to open account or lengthen its open account terms (subject to proper accounting treatment), while the electronic disbursement service reduces its expenses for transaction processing and vendor management. Suppliers, in turn, receive a liquidity management tool

“Recently, several major apparel companies working with Citi have each reduced their cost of goods sold by tens of millions of dollars after revamping their financing.”

that frees up borrowing capacity at their lenders while increasing cash flow, reducing accounts receivable, and reducing days sales outstanding.

Similarly, a distributor financing arrangement can inject liquidity into your corporate client's sales channels, allowing for inventory accumulation that drives greater sales growth in emerging markets. The risk structure typically utilizes a combination of securitization and small- and medium-sized lending concepts. It is linked to a global technology platform that monitors credit limits, facilitates EDI messaging between all parties, reminds/tracks/reconciles payments, and provides various reporting and account and portfolio analytics. Your customers enjoy accelerated cash flow,

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