

Banking

Facilitating increased trade for a bank by **implementing a trade finance solution to drive growth across Africa**

BSG partnered with a prominent financial institution in South Africa to implement a trade finance solution from China Systems, to position the bank as a leader of working capital solutions in Africa and address the competitive challenge from non-African banks, while improving their supply chain finance capability and the client experience.



Overview of the client's needs

- Replace the open supply chain finance offering with the open account model, as global trade moves away from less flexible and procedural documentary trade finance solutions
- Implement open account trade supply chain finance products with cheaper and more effective treasury funding requirements
- Meet increasing customer needs for working capital facilities, currently not well met through unsecured and expensive overdrafts
- An effective operating model to govern the delivery of the new open account trade solutions to customers



Objectives of the engagement

- The full scope of BSG's engagement included analysis, enablement and training, learning and development:
- Define and implement a customer-centric operating model intended to support the new open account trade solutions
 - Outline and execute an end-to-end training solution for banking employees on how to deliver the new open account trade solutions to customers, from sales through to transacting



Benefits of the change

- Cheaper treasury funding costs to be passed on to bank customers, enabling the bank to be more competitive
- Working capital finance options for the bank's customers and their supply chains - which are appropriately priced, depending on the use of funds, limit utilisation and customers' credit profiles
- Retain customers through a user-centric technology platform, that introduces operational efficiencies for the bank's customers

Enabling **more flexible, open account trade supply chain finance solutions**, as global trade moves away from rigid procedural documentary trade finance solutions.

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Global facts on trade finance

Global trade is undergoing fundamental change, for instance trade within Africa is on the rise – reaching 18% of the region's total exports in 2014, compared with only 10% in 1995¹. The complexity of managing trade, especially global trade, presents an opportunity for banks to add value to their commercial customers beyond simply finance and payment services. Order and delivery cycle times can take as long as 20 days for domestic trade and 40 days for global trade, and the number of parties involved in processing a shipment increases to anywhere from five to 20².

Consequently, banks' corporate customers are demanding more sophisticated trade finance services, to be integrated with their supply chains to provide greater visibility, and control over, their working capital flows^{3,4}. One such shift is a move from documentary credit to open account trade finance services.

Engagement Overview

While competitors offer open account and working capital facilities and innovative trade platforms, due to the absence of functionality, the bank was limited regards product scope. Sales efforts were geared towards overdraft as a working capital platform. Hence, the client asked BSG to assist them in moving from a procedural and opaque trade finance solution (such as overdraft facilities), to open account trade finance solutions - which are more transparent with regard to the use of funds. This also implies cheaper funding from the bank's treasury, to cover banking customers' trade financing and risk management needs. By utilising China Systems' Trade Finance platform and a more sophisticated approach to credit, the bank can streamline processes and provide an innovative and integrated platform for customers to transact on.

An integrated front-end would:

- Enable the bank to be more competitive as customers would have an interface to manage transactions and have visibility of their loans throughout the lifecycle
- Facilitate large volume supplier programmers to upload and select invoices for financing
- Enable the bank's customers to strengthen key supply chain relationships, by helping counter parties in the supply chain gain more favourable pricing, versus trying to do so on their own

By integrating back-end processing, the bank can enable trade-based interest and discount calculations to be managed and booked to core banking, irrespective of which core banking platform is used.

An integral element of this project was the creation of a base in South Africa to drive expansion into Africa by ensuring the reusability of enablement artefacts.

Solution

While BSG didn't have extensive supply chain knowledge, the client chose to work with BSG based on a recommendation from a previous project and how BSG is known for "getting it done with you".

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BSG commenced the partnership by swiftly gaining an in-depth understanding of the programme environment, the various products and the possible opportunities available to make a change. The BSG team were able to build trust with key stakeholders in a very short space of time, resulting in the team being given end-to-end ownership of various analysis, enablement and training activities.

A customer-centric approach ensured the needs of the customer were considered through practical system functionality, while BSG collaborated with multiple sister projects to align functionality and system design principles to a uniform standard, to ensure concise delivery to the development vendor.

Simultaneously, BSG managed the execution of the business enablement activities, ensuring the business units were equipped to fully support the customers throughout the transaction life cycle. The team also worked with the subject matter experts within the operating model to design efficient business processes, that complemented both the complex compliance and due diligence activities required, as well as the system functionality being delivered.

An important element of bringing together all the project deliverables was the end-to-end comprehensive training solution designed by BSG. Using research-driven knowledge, BSG took a blended learning approach to training the users across multiple business units. The easy-to-use training material and the thorough training approach set a new standard for training interventions within the bank.

After a strong baseline for implementation and enablement was established for the South Africa market, BSG contributed to the plan for rolling out the system and processes throughout the rest of Africa. The stellar work BSG delivered in South Africa is now being rolled out by the financial institution across Africa.

BSG making a difference

Interest in and demand for open account supply chain financing is growing globally, including Africa - as trade finance products adapt from being more manual and administrative to becoming more flexible and risk conscious. The new capabilities introduced in the client environment will enable the bank to manage risk management, reduce capital costs and improve client service - while ensuring the bank can competitively position themselves as a provider of working capital solutions in Africa.

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