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**A: Young, Deutsche Bank:** Deutsche Bank is a leading center of competence within the financial services industry for assisting its clients in realizing the benefits presented by the harmonized European payments landscape. Deutsche Bank executives hold key leadership positions in both the European Banking Association and the EPC — the two bodies driving the harmonization initiatives. We regularly offer our clients the expertise, advice and information such committed participation allows us to develop.

This leadership in providing the intellectual capital behind these efforts is complemented by a market leading array of product and service capabilities — euro clearing access supported by tailored pricing, reference pattern matching, automated repair and network management functionality. We lead the effort to offer indirect TARGET2 participation to banks outside of the euro zone, and with an equally robust set of USD and GBP clearing capabilities, offer consolidation and concentration benefits that extend beyond a single region or currency. More information about Deutsche Bank's payment offering can be found at <http://www.dbgcm.db.com/dbgcm/fiClearing.jsp>

**Q: What are the benefits of moving to a single payments provider, or if not a single provider, to reducing the overall number?**

**A: Young, Deutsche Bank:** The benefits extend from the obvious opportunities of improving liquidity management, and reducing the expensive and time-consuming practice of multiple clearing relationships across the euro zone, to efficiencies gained in staging payment execution and subsequent reconciliation and inquiry resolution. Deutsche Bank offers services that begin with front-end client interface systems and extend through the payments processing chain. They can be offered to correspondent banks in such a manner that the bank can use them to augment the products and services they offer to their own clients. Deutsche Bank takes seriously its commitment to provide services that bring efficiencies to the bank-to-bank processing arena while also allowing our correspondent partners to better serve their clients.

**Q: Is there a risk to consolidating Euro payments?**

**A: Young, Deutsche Bank:** The risks to banks resides in not leveraging the cost and execution benefits the consolidation opportunity presents — in terms of the economics of the business and the ability to compete effectively in attracting and retaining local market share. ■

## Global Trade Management: Solutions for the Financial Supply Chain

*Alex Thompson, VP Product Management and Manoj Narayan, Product Manager at TradeBeam*

**W**ith nearly 30 percent of the world's GDP currently now crossing borders, it is clear that global trade is an integral and growing part of business. As a result of this globalization, businesses have created a new concept to define the challenges and opportunities unique to the new highly globalized business environment — Global Trade Management (GTM). While savvy executives are wise to be wary of potentially short-lived buzzwords, there is no questioning the powerful trends that have made GTM such a topic of interest to forward-thinking businesses. These trends include:

- The volume of global trade is substantial, and will only increase with time
- Global trade is significantly more complex and risky than domestic trade
- There are dramatic operational and cash flow benefits to be gained by businesses that implement and efficiently execute global trade

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Enterprises have made progress improving aspects of their Financial Supply Chains through the implementation of ERP financial applications such as Accounts Receivable, General Ledger, and Accounts Payable. However, global trade requires a roster of additional mission-critical functions that are frequently absent from domestic trade, including functions like Letter of Credit Management, Trade Financing, Landed Cost Calculation, Country, Product and Party Risk Assessment, Payables Discounting and Data Reconciliation. Proper management of these specialized functions requires Financial Supply Chain (FSC) Solutions that give organizations greater visibility and control over their international business partners, receivables, payables, working capital needs and overall financial position.

Leading FSC solutions are comprised of software applications and outsourced services that integrate and synchronize the end-to-end global trading process for importers, exporters, banks, and other trading partners. Based on new web-based, security and data management systems and technologies, FSC Solutions automate traditional financial processes such as Letters of Credit and enable corporations to engage in new business strategies, such as customized Open Account alternative payment mechanisms, Payables Financing and Asset-based lending.

### The Appeal of GTM FSC Solutions

GTM FSC solutions are primarily concerned with creating services to provide access and visibility to order, logistics, and payment information. They accomplish this by connecting

importers, exporters, banks, cargo and credit insurers, transportation providers, inspection agencies, as well as third party financial institutions. The services span the breadth of an international transaction from purchase order processing to closing-out payments.

Importers, exporters, and banks understand the great appeal of GTM FSC solutions. As a category of corporate projects, the combined top line and bottom line gains derived from establishing the corporate infrastructure to take advantage of globalization far exceed any purely domestic-focused projects, other than new product development. The benefit categories driving this dynamic include:

- Increased revenues through new global sales markets
- Decreased operating costs through low cost material sourcing, business process outsourcing, and globally distributed organizations
- Lower costs through improved working capital management
- New business strategies, such as open account mechanisms linked to trade financing
- Greater visibility and control of international receivables and payables

### Organizational Challenges

In spite of the gains to be had, there are obstacles preventing many companies from taking advantage of FSC solutions. The foremost obstacles are organizational in nature. Companies are structured in functional silos, and these silos impact decision-making, such as the case where a CFO sees the significant benefits of improved working capital, but does not have the budget, authority or personal incentive to bring about change

within the organization. Successful implementation of FSC solutions requires companies to integrate their physical and financial supply chains in varying degrees and across multiple dimensions. To do this, companies must transcend these organizational obstacles so that they can share data and collaborate across functional silos and external business partners.

In addition to organizational obstacles, global trade poses a number of challenges, including significant variation in technological sophistication, geographic distribution, regulatory requirements, language and company size for the trading partners within a global supply chain. Because of this variation, it is important that companies have a vision to deploy an integrated GTM solution, while offering flexible deployment alternatives that cater to the complexities and specific requirements of Global 2000 organizations. Deployment flexibility involves not only offering convenient manual and electronic interfacing capabilities, and accommodating multiple technologies for exchanging data, but also offering solutions that can be deployed by individual functional module, and which can be rolled out in waves by division or geography.

Not only enterprises, but banks, freight forwarders and third party logistics providers (3PLs) also have the opportunity to assist their clients in optimizing working capital management. GTM FSC solutions can serve as the single front office interface to enterprises for banks, forwarders or 3PLs, and can be integrated with bank, forwarder or 3PL back office systems. This flexible deployment model enables enterprise participants, for example, to leverage the bank network for trade finance, take advantage

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of expedited processing of transactions, and enjoy improved accuracy and security.

Typical Physical Supply Chain Solutions that enterprises, banks, forwarders and 3PLs may deploy include:

- Supply Chain Event Management
- Global Parts Catalog and Product Classification
- Landed Cost Management
- Origin Determination
- Free Trade Agreement Management
- Trade Regulatory Compliance

Example Financial Supply Chain Solutions include:

- Letter of Credit Management and Document Preparation
- Letter of Credit Alternative Management
- Open Account Management
- Electronic Invoice Presentment and Payment
- Payables Financing

## Managing Physical and Financial Supply Chains Is Critical

Global trade involves two interrelated supply chains: the physical and financial. Both typically begin with the ordering process. The management of the physical supply chain has evolved from an emphasis on individual logistics functions like transportation and tracking shipments through delivery, to a new unified approach. In doing so, corporations have realized such benefits as shorter time to market, reduced production costs and lower inventory costs.

What have been missing from enterprise processes to date are solutions for managing financial data and services across the global supply chain. GTM FSC Solutions are designed to help companies achieve this integration of the physical and financial supply chain and take full advantage of the many gains of global trade.

## GTM FSC Solutions Value

More and more companies are realizing the potential for FSC solutions to enable businesses to grow top line revenue, reduce operational costs, and improve working capital. According to Killen and Associates, by optimizing their FSC, companies can:

- Reduce their working capital needs by as much as 25%, using better inventory control and cash flow management
- Lower financing rates on required working capital
- Gain early warning into problems with any document in a commercial transaction that will likely cause invoice payment to be delayed
- Realize their prior investments in automating financial systems savings

The benefits from GTM FSC solutions vary greatly depending on the solution, but common to all GTM FSC solutions is the ability to deliver benefits:

- across the entire international transaction
- to multiple trading partners within the supply chain
- to multiple functional roles within each trading partner organization

By having access to a unified physical and financial supply chain management system that provides exception-based management for different functional roles within a single organization, enterprises and their trading partners can efficiently manage their operations and working capital against key performance indicators in real-time.

## Conclusion

Global Trade Management streamlines the entire lifecycle of a global trade across order, logistics and settlement activities to significantly improve operating efficiencies and cash flows. Automating the activities provides a clear opportunity to optimize the procure-to-pay and order-to-cash cycles for global sourcing and distribution.

GTM solutions dramatically reduce the challenges and costs associated with ensuring the order, shipment, and settlement aspects of global trade flow smoothly across the multiple players, multiple systems, and the regulatory and documentary requirements inherent in doing business on a global scale. Connecting and optimizing these processes can significantly improve an organization's bottom line and cash flow.

Early ventures in GTM FSC solutions are underway in many organizations via PO processing, document preparation, and open account or trade financing projects. However, these projects remain piecemeal unless created and managed as part of a broader GTM solution. To be effective, companies require solutions that give organizations greater visibility and control over their international business partners, receivables, payables, working capital needs and overall financial position. ■