

# SUPPLY & DEMAND

The trade finance needs of corporate banking clients now reflect the challenges of global markets, stretched supply chains and working capital constraints. Banks that recognise and understand these needs have a rich market to tap, but so far none have staked their claim.

- Supply chains are increasingly stretched
- Working capital constraints are prevalent
- Pressure on both sides to optimise capital efficiency

In their efforts to move closer to their customers and focus on service, banks must understand the challenges their clients face. In a world where these supply chains are increasingly stretched, clients are looking to their banks to help free up working capital and develop sophisticated supply chain finance services.

There is tremendous pressure on both sellers and buyers to optimise capital efficiency, and while banks could play a major role in this, so far their varied approaches to facilitating the financial supply chain have produced no clear concept of what that role should be.

"I have not seen a consistent strategy among banks. Some are targeting the open account space to assist with transactions and finance. Others are looking at specific areas like purchase order and invoice matching. Some, like JPMorgan Chase, have taken a broader view covering the whole gamut of services including logistics," observes Steve Starace, Director of Trade Services, Banking and Investments at CGI.

Banks are growing into supply chain finance through acquisitions and partnerships with service providers, but these are not the only options.

"We view trade a little differently. We recognise a broader definition, one that includes a wide variety of services that banks need to provide in order to fully support their corporate customers in the buying and selling of goods. Supply chain finance is a major part of that," comments Starace.

Technology obviously plays an important role in enabling this approach, and CGI's proven web-based global trade platform Proponix, was developed to do exactly that, and to enable banks to transform their business. CGI is a premier provider of trade services and supply chain finance solutions to financial institutions in Europe, North America, and Australia.

Starace is keen to point out, however, that technology alone is not the answer. Banks, he believes, must look more broadly

at organisational transformation and partnering with technology and service providers.

"Technology is an enabler, but you need to align that technology with business strategy and corresponding processes. That is why we spent a great deal of time and effort to enable our Proponix platform to adapt to each bank's business strategy, and operational and service models. It is essential that the bank is free to evolve its business without technology constraints," he remarks.

## No time like the present

No market leaders in supply chain finance have emerged yet, partly because of the scale of changes that banks may have to make to their structure, systems, technology and processes to claim the market, but many advantages await those who bite the bullet.

"Due to the size and complexity of their organisations, banks have a daunting task to transform their business model and processes, and they tend to be slow in acting. But they must adapt in order to prevent being left behind by bank and non-bank competitors, which are quickly moving into the supply chain finance arena," notes Starace.

"The unfortunate reality is that many large and mid-level banks are mired in a quagmire of customer demands, tight investment climates, and divided opinions on the direction of the business. This is where we can assist," he adds. External advisors like CGI can give direction to transformation projects, acting as a strategic provider of complex technical solutions.

"Our solutions are transformational because the trade world is changing. The technology must mirror the market. There are great opportunities to redefine trade finance and fundamentally change the way banks operate. But it requires thought leadership, rapid technical evolution, and readiness for organisational change from the top down. Supply chain finance is on the forefront of that battleground," continues Starace.

Banks have a great opportunity in supply chain finance, but need partners who understand the industry and the technology, and who can help them define a winning business strategy.



Processes need to change first, then technology, and perhaps the organisation's culture.