The appliance of science

David Hennah takes a look at how software services and platform providers are coping with the conflicting demands of increased competition and pressure on cost in challenging market conditions.

Albert Einstein once claimed that if he had his life to live over again, he would elect to be a trader of goods rather than a student of science. Nowadays, whatever business interests we may pursue, our daily existence cannot fail to have been touched by an irresistible tidal wave of new technology, enabling us to pursue our business goals and objectives through the appliance of science.

Thanks to the power of new technology, we are facing a paradigm shift in the processing of trade instruments, opening the door to a radical change of culture and business practice. This article reviews the developments at some of the leading vendors who are facing the challenges of working with software solutions to support the automated processing not only of transaction processing but also the evolving world of supply chain finance.

For many, these are exciting yet challenging times. All areas of the global economy have been negatively impacted by difficult market conditions. Widespread cuts have had to be made in operating costs and capital expenditure. No one has emerged unscathed. As a result, some vendors have struggled to sustain adequate levels of investment in key areas such as product development, customer support, quality assurance and professional services. However, as competition from non-traditional players has intensified, there has been a countervailing need for increased productivity in order to accelerate the rollout of new products and services and strengthen customer retention. With GDP continuing to drop across the globe, the outlook for 2013 is more of the same. So how is the market coping with these conflicting pressures?

Getting to grips with risk and regulation

In the established world of traditional trade, market attention is slowly shifting from risk aversion towards risk awareness. The demand to mitigate risk is complemented by an even stronger demand for systems and services that are both smart and simple.

Getting to grips with risk and regulation has become a core competency for banks and corporates alike, presenting vendors with an opportunity to deliver integrated scalable, flexible solutions that can support data enhancement and facilitate greater end-to-end operational efficiency. At the same time, demand for innovative supply chain financing and working capital management solutions has continued to grow, albeit slowly, further fueling opportunities to leverage web-based technologies in order to provide buyers, sellers and banks with strong visibility into the entire purchase-to-pay process. Corporate treasurers are increasingly regarding clear visibility into their supply chains as key to the unlocking of trapped cash.

Trade finance technology

Surecomp

Established in 1987, Surecomp has acquired a reputation for implementing projects on time, on budget and on quality. With a worldwide network of six development centres and additional regional support offices, Surecomp has more than 300 installations in over 80 countries. The service provider prides itself on the quality of its value-added professional services providing integrated consulting, development, implementation, project management and training services. All of these resources are directly controlled by Surecomp with no reliance placed on third party contractors.

One of the more remarkable aspects of the way in which Surecomp's business is organised is the fact that it has no fewer than four back office applications (IMEX, BISnet, dINET and DOKA), available on diverse platforms including mainframe, UNIX, Java and Windows and all served by a single front end, allTRA. Surecomp is fully committed to maintaining all of these solutions.

As Raphael Batiouac, global head, trade finance and supply chain finance, explains: "Our company philosophy is that one size does not fit all."

Given client demand for an off-the-shelf package that can be implemented quickly, Surecomp decided to develop its new supply chain finance offering, SCF-PRO, as an open standalone solution which can be marketed independently of its traditional trade platforms. SCF-PRO has a variety of modules to support a range of value propositions including approved payables finance, distributor finance and inventory finance.

Misys

The March 2012 acquisition of Misys by Vista Equity Partners, led to the merger of Misys’ existing transaction banking business with the risk management and treasury business of Turaz, making the new Misys the biggest name in financial services software (see Figure 1).

The merger has inevitably led to questions being asked about the product strategy of the combined company. Wissam Mahwood, global solutions director for transaction banking, reaffirms Misys’ ongoing commitment to trade and supply chain stating that in the past nine months over 30 new employees had been brought into the research and development organisation.

He goes on to state: “Misys has strong ambitions in this space and will continue to focus on innovation and improving client services.” Certainly, there is strong evidence in the market to support the view that Misys is continuing to expand its footprint in trade. A number of new-name customers have been signed from global and major regional tier two banks across Europe, Europe, the Middle East, Africa, North America and Asia Pacific.

In November 2012 Misys announced the launch of its new TI Plus Global Processing solution, enabling large global banks to centralise local systems on an integrated standardised platform. As of January 2013 this solution had already been licensed by five banks, including ING and QNB. Misys has also invested heavily in channel technology, announcing in March 2013 the launch of the latest version of Misys’ portal providing integrated access to cash, trade, supply chain and FX/MM services, including support for mobile devices.

China Systems

In common with its major competitors, China Systems has invested heavily in technology upgrade, migrating its flagship product Exsbuld to a modern thin client web application, Exsbuld Enterprise; implementing Customer Enterprise as an internet-based front-end, developing support for global processing and offering integrated support for supply chain finance and factoring. Customer Enterprise also supports direct exchanges between buyers and suppliers so that banks can monitor activity and provide services at predefined trigger points or upon request. Solutions director and head of European operations Joel Schevens confirms that “solving the corporate connectivity challenge” is a key strategic area for the coming years.

China Systems is a pioneer in the ‘toolkit technology’, an approach which enables modifications in workflow and functionality without manipulating the source code. This is likely to gain in popularity in light of demand to increase speed to market and adaptability over time, especially for those users who are able to limit vendor dependency by using the toolkit independently.

ACI

One example is ACI Worldwide, whose Global Trade Manager product comprises three modules for traditional trade, open account and client access. “There is an increasing interest in banks offering supply chain financing and corporate online banking providing a single sign-on across cash, payments, FX and trade,” comments ACI’s Chris Principe. These requirements are driving ACI to work on the tight integration of its three modules into one end-to-end solution, while still allowing each module to be delivered standalone.

The acquisition of S1 Corporation in February 2012 has expanded ACI's...
MIT, an independent Swiss company whose back office processing system CREDOC exists today in both a Web-based version for multi-branch deployment and a Windows-based version for single department implementations.

Shunning the popular trend to invest in supply chain finance, MIT decided instead to diversify by launching in 2010 Trade Risk Active Control (TRAC), a collateral management system which enables trade commodity finance relationship managers to keep track of risk and monitor transactions. By tracking the movement of goods in the physical supply chain, TRAC can also be used to support propositions for pre-shipment and post-shipping finance.

TRAC is the first thin-client Web-based application specifically designed for commodity finance. It can be sold as an independently of CREDOC or as a fully integrated module.

Paul Cohn-Dumani, general manager of MIT believes that TRAC is targeting a real gap in the market, a notion that is backed by the fact that MIT has succeeded in extending its reach beyond its traditional home markets in Europe, acquiring new business in the Middle East and Asia and with strong prospects for growth in North America.

A global deal with French bank, Crédit Agricole, is today the world’s largest multi-bank implementation, $5 billion worth of business is based on the successful implementation of a supply chain finance solution, according to Jacob Katsman, GTC’s CEO. Companies with interest growing in other sectors of the market, including pharmaceuticals, telecoms and food and beverages.

Government announcements, such as the one made by the British Prime Minister promoting supply chain finance as a valid means of injecting liquidity into the economy, has further enhanced market profile and fuelled increased interest and demand. One of the critical success factors in the successful implementation of a supply chain finance programme is the onboarding of suppliers, PrimeRevenue has invested heavily in putting processes in place to reduce the time and cost of supplier onboarding. In addition, the company has leveraged its expertise to help clients achieve their working capital objectives.

Figure 3: PrimeRevenue introduced its OpenSCiTM architecture in 2011 with specialist spend analysis tools and programme design solutions for its supply chain finance programmes.

In October 2012 PrimeRevenue announced a strategic partnership with Tradeshift, designed to take advantage of the symbiotic relationship between supply chain finance and e-invoicing, reinforcing the business case for adoption of both.

ASYX, another niche player in the supply chain finance field is Demica whose Citadel platform is a real-time reporting solution designed to monitor and report on invoice based transactions. Citadel SCF enables parties in a supply chain finance to track invoices, offering suppliers and lenders the option to select eligible invoices for funding and applying the relevant eligible criteria for selection to each invoice processed.

CITAFID is an additional risk management solution providing invoice-level control for all related transactions. Although it is difficult to obtain good statistical data in the trade receivables market, Demica considers the continued flourishing of the factoring market as indicative of a promising outlook globally.

On this basis, Demica anticipates a good year ahead.

Senior vice-president Avrani Miller says “Trade receivables are an attractive asset and a good base for finance in a difficult financing environment”.

**What lies ahead?**

While it is clear that the established vendors of trade finance software will continue to invest in their flagship products, including the rationalisation of implementation processes, it is also clear that a good deal of investment is already being channelled into the broad range of supply chain services and corporate connectivity.

There is a widespread anticipation that the April 2013 ICC adoption of the Uniform Rules for BPO will accelerate market demand for BPO-backed supply chains.

That being so, it may be foreseen that 2013/14 will see more new players entering the market and more investment being made in new technology to support the continued evolution of a new generation of financial supply chain solutions.

**References**

1. See ‘Misys merges with Turaz – at last’ www.tfreview.com/node/7830

2. See ‘Scratching the surface: TFP’s pre- sident on how supply chain finance is set for unprecedented growth’ at www.tfreview.com/node/8280

3. But see Dan Taylor’s words of caution in TFR’s 60-second interview at www.tfreview.com/node/8843

David Hannah is a freelance technology journalist and former senior product manager at SWIFT.

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