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ADB Trade Finance Workshop

Nadi Fiji 27th June 2019

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Agenda

Benefits of Trade Finance How to make Trade a low risk/high return business (Six "S") What are the 3 Critical components of Successful Trade Business Developing a Strategic Plan, Defining Target Market/Customers and identifying requirements/resources to achieve success What gets measured gets done putting right KPIs in place Importance of Coaching Minimum level of Product Knowledge Various Types of LCs & their uses (Basic Commodities Case Study) The Sales Opportunity created by risks Positioning LCs as the preferred Payment Method & their unique Benefits to customers





The Importance of Trade for Emerging Market Economies

UN TRADE FINANCE ESSENTIAL!

WHAT ARE THE BENEFITS OF TRADE FINANCE TO BANKS?





TRADE FINANCE BENEFITS

- Low Risk/High Returns
- Fee Income
- Capital Efficient
- New Customers
- X sell Opportunities (existing clients)
- Build Stronger Customer Relationships
- Reduce Risk of Fraud
- Early Warning Signals



WHAT ARE THE CHARACTERISTICS OF TRADE THAT MAKE IT LOW RISK?

THE SIX 'S'



SIX "S" = Low Risk

- Security
- Short Term
- Self Liquidating
- Selective
- Size/Spread
- Specific

Use Them - Take full advantage of them





OVERDRAFT

- Higher Risk
- More Expensive
- Difficult to Monitor/Can become Hardcore
- No visibility over underlying transaction
- Used in Pacific to Finance Imports
 - Typically Payment in Advance
 - Negative Cash Flow
 - TTs Highly Susceptible to Fraud

SUGAR FRAUD



WHAT IS HOLDING BACK THE PACIFIC FROM USING MORE TRADE PRODUCTS?





CHALLENGES IN THE PACIFIC

ADB WORKSHOP FEBUARY 2017:

- Lack of Correspondent Banks/De-Risking
- Lack of Demand/Knowledge of benefits by Customers
- Lack of local Expertise in Banks/unable to sell/position product with customers





WHAT ARE THE 3 KEY COMPONENTS OF A SUCCESFUL TRADE BUSINESS?



KEY COMPONENTS

- Products & Infrastructure
- Strong Trade Operations
- Effective Sales Model

If you don't have all 3 in place Your Trade Business will Fail.

The 3 legged stool!





Developing a Trade Strategic Plan

- Identify Target Market/Customers
- Double Trade Revenues in 3 years?
- What needs to be in place?
 - Products
 - Resources
 - Credit Support
- Effective Sales Model in place
- Specialist Credit Programs eg Supplier Finance, Industry niche focus

Set appropriate KPIs



Key Performance Indicators

Activity	How to measure?	How Often?
Revenue		
Sales Pipeline		
Client Calling		
Asset Levels		
Transaction Volumes		
Deals Won		
Expenses/Net Income		
Speed of Deal Closure		
Average Deal Size		
Account Plans		
Deal of the Month!		





BREAK





Risks in International Trade





THE IMPORTANCE OF COACHING

Role of Manager/Coach





Coaching Learning from Successful Sporting Teams













An Example



Coaching in Tennis



Specialized coaching in each discipline to be the best!





How does Coaching fit in the Sales Process?

Sales Cycle

PROSPECTING RELATIONSHIP BUILDING

QUESTIONING & ANALYSIS

PACKAGING SOLUTION & PRESENTATION

PRICING MODEL

PRESENTING

NEGOTIATION & CLOSING

Core Skills

 Account Planning

- Targeting key competitor client's
- Targeting deals lost 2-5 yrs ago

Building personal credibility

- Sharing of Best Practices
- Orchestrator of proper resources

Asking the right questions / validating priorities

- Understanding buying influences
- Analysis of decision makers

Writing RFP response

- Articulating clear differentiation & benefits
- Customization to client requirements

 Understanding client pricing sensitivities

- Pricing Strategy
- Pricing Model

 Rehearsing (dry runs)

- Three key themes
- Confident and skillful presentation skills
- Negotiation Skills on Pricing
- Asking for the commitment!
- Leveraging global franchise

Program

Coaching

TBA

Semi-annual update

- Focus on SOW growth
- Target new clients
- Game plan on calling effort

Trusted Advisor

- Runs full course for new hires (semi-annually)
- Runs quarterly half-day refresher course

Action Selling

- Runs full course for new hires (semi-annually)
- Runs quarterly half-day refresher course

RFP Repository

- Professionalism
- Standardization
- Consistency
- Quality

RAROC MODEL

 Top sales leader 'certified' and 'empowered' to negotiate price on the spot **EPI**

- Runs full course for new hires (semi-annually)
- Runs quarterly half-day refresher

TBA

- How to escape the race to the bargain basement.
- How to create value and justify a higher price in the market





The Value of Coaching!

Coaching is a key component of any world class organization

 A commitment to coaching will provide a competitive edge in developing people to be the best in every discipline and help attract/retain the best people

 A dynamic coaching culture will provide long term financial success



Product Knowledge Different Types of LCs & their most common uses

- Stand-by LC
- Red Clause LC
- Revolving LC
- Transferable LC
- Back to Back LC

Minimum knowledge level





STANDBY LETTER OF CREDIT

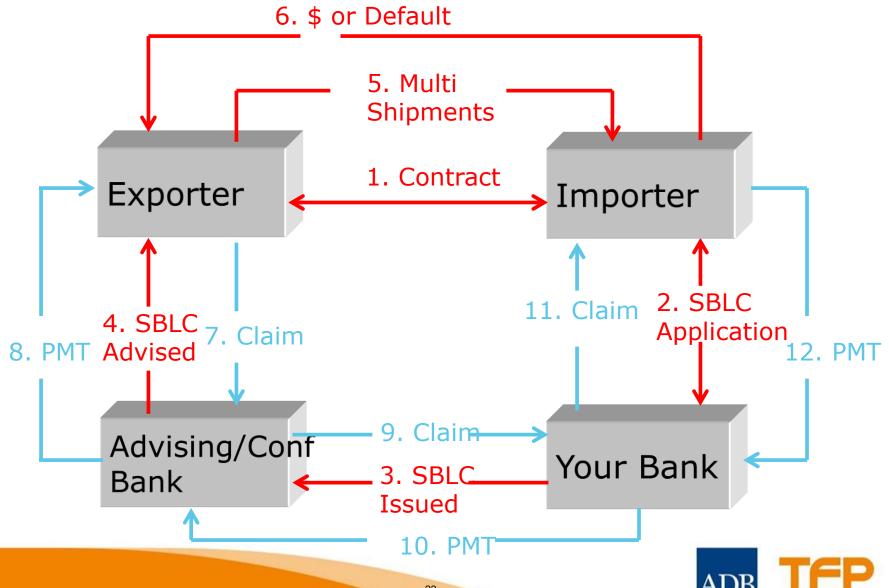
Common uses of SBLCs:

- guarantee facilities
- bid/performance bonds
- support open account trading.





SBLC supporting open account trade



Trade Finance Product Knowledge. Adding value!

- Transport Documents (Security over Goods)
- Incoterms. Who is insuring the goods?
- With or Without Recourse Finance
- Generating positive cash flow
- Reducing Risks
- Reducing Costs

Need to demonstrate benefits to clients!





Risks in International Trade





Basic Types of Risks

- 1. Country Risk
- 2. Industry Risk
- 3. Bank Risk
- 4. Risk of Fraud
- 5. Transportation Risk (Control of Goods)

Helping Customers manage Risks creates Sales Opportunities!





Fraud

- Email Hacking
- Insurance Fraud, over-insured
- Scuttling
 - sinking of vessel by owner for insurance claims
- Charter Party Fraud. Large high value cargoes
- Documentary Fraud





Prevention of Trade Fraud

Some Mitigating Practices

- KYCustomer and his customer
- Use only reliable vendors
 - Shipping Companies, Freight Forwarders
 - Insurance Companies
- Use Pre-Shipment Inspections
 - reputable: SGS, Bureau Veritas
- Be aware of high risk businesses
 - Commodities with high price volatilities
- Maintain control of goods/avoid payment in advance
- Use secure communication channels





Why LCs are Best for the Customer

Incredibly flexible, can be used in so many different situations

Improves Cash Flow Management especially if Usance LC terms are used

Lower Borrowing Costs especially if borrowing in FCY

Reduces Risks especially Fraud

Opens Up New Markets when using LCs

A WIN/WIN SOLUTION!



Advantages of this Approach

High Visibility
Requires less Capital

Priced below Overdraft

Opportunity to borrow in FCY

As Sales Increase Facility Increases

More Disciplined Approach

Bank should have more Credit Appetite

For Customer more Working Capital/More Trade/

Grow Sales/More Profits

Reduces Risk of Fraud



