

Link enhances trade flows Jardine Logistics adds TradeCard payment power and wide customer base

Russell Barling

Last week's Jardine Logistics link-up with online financial services provider TradeCard is a high-powered example of the growing need for specialisation within supply-chain management.

More and more bricks-and-mortar logistics service providers (LSPs) are realising that the supply chain no longer ends with product fulfilment. Financial settlement is a crucial part of that chain, and the need for this value-added service is pushing some LSPs into an area which may be beyond their traditional fields of expertise.

It is one of the reasons why Jardines Logistics, with its US\$200 million turnover, negotiated a partnership with TradeCard, says Jardines director Robert Wong.

"We realised this was not our core competency and the TradeCard product was more ready than others," Mr Wong said.

"We are offering this to our customers as a solution to their financial settlement needs. It is a sort of bricks and clicks approach to total supply-chain management."

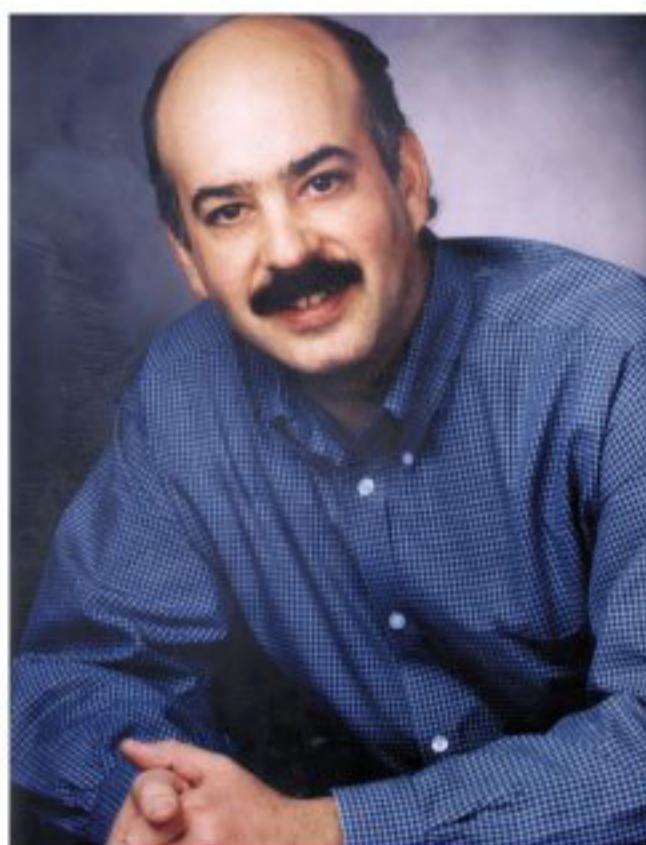
On the surface, it appears a good fit. TradeCard needs Jardines and its import-export customers to provide the electronic financial transactions that are its business. Jardines needs TradeCard to add value to its supply-chain services.

TradeCard, established in 1997, also brings 40 existing LSPs to the table, who could procure Jardines' physical services using TradeCard's online network.

TradeCard's mission is to simplify the process of business-to-business transactions,

according to chairman and chief executive Kurt Cavano.

"Since we started, the biggest part of our progress is cross-border transactions," Mr Cavano said.



"We are bringing automation to the financial aspects of international trade transactions, something that has not been done before."

TradeCard has automated the process which used to see purchase orders and letters of credit bouncing back and forth between buyers, sellers and their banks.

If there was a discrepancy, which happened to 80 per cent of the documents presented, the whole manual process was repeated until a settlement could be reached, at additional cost. And that was only the front end of the financial-settlement process.

"The average transaction fees for a US\$50,000 shipment - by the time opening fees, advising fees, negotiating fees, and discrepancy fees are

paid - ends up costing the buyer 0.75 per cent to 1.5 per cent of the shipment's value just in bank fees," Mr Cavano said.

TradeCard automates the process. Its computer examines the purchase order, the invoice, the packing list and the freight cargo receipt, and matches them. If there is no discrepancy, it creates a payment file under the agreed terms.

If any part does not match, it notifies the participants electronically, and they negotiate online to reach a new agreement, instantly.

"We are a good old process-improvement company, except that we use the Internet as a delivery vehicle," Mr Cavano said.

"This is not an incremental product. It is something that is fundamentally altering the landscape."

Initially, all data from the Jardines link-up will be entered manually into TradeCard's network over a browser until such time that the volumes require an integration of their systems.

"Our success will rest on the TradeCard name. If companies don't register with TradeCard they will not come to us.

We do not know how quickly everyone will move online," Mr Wong said.

Mr Cavano, however, expects volume growth will lead to the two systems being integrated later this year, or early next year.

"Hong Kong's business is trade, and Jardines is one of the big players in that market," said Mr Cavano.

"So we are talking millions of dollars in transactions very shortly and, hopefully billions of dollars sometime soon - within 18 months to two years," he said of the future.

*For further information on TradeCard visit www.tradecard.com