

BY CAROLINE VAN HASSELT



Dump LC Headaches Overboard

Thanks to Web-based trade finance, treasurers may finally be able to reduce the inefficiencies that make trade a cash management nightmare

No one hates letters of credit (LCs) more than treasurer Tom Durso of Burton Snowboards. The privately held company, based in Burlington, Vt., has had its share of them, since it sources and ships its chic clothing and avant-garde snowboarding

equipment throughout the world. The many varieties of LCs can take an average of 15 days to complete, as bankers pore over a transaction's minutia looking for indiscernible discrepancies. To Durso, they simply tie up business deals and disrupt one's ability to manage the company's working capital. "Letters of credit have long been the bane of my existence," says Durso. "It is truly an archaic way of doing business with pieces of paper shuffling around the globe."

It's not surprising then that he took steps earlier this year to automate LCs out of his life—or at least, eliminate them as much as possible—through more efficient management of Burton's financial supply chain. Durso's first step: move five of the company's key vendors onto TradeCard Inc., a New York-based, one-stop, global trade finance shop. The treasurer of the world's leading

maker of snowboards hopes to have everyone onboard next year.

Durso expects to reduce his costs by one-third to one-half this year alone. "It allows me to plan more precisely," he says. "I don't have cash around that I don't really need. With the LC process, I'd have to keep a fair amount of cash around, available for that unforeseen LC hit. With TradeCard we have the visibility of being able to find these transactions anywhere in the system and knowing when the cash flows are

coming in. It helps cash management substantially.”

This kind of technology could prove the kiss of death for LCs. And while these instruments are just one factor that makes trade a cash management nightmare for most treasuries and finance departments—they represent perhaps 15% of global trade—treasurers like Durso are grateful for the prospect of life without LCs. What’s better, Web-based order-to-payment trade solutions, like TradeCard, begin the process of moving trade finance out of its arcane, paper-logged corner of treasury and into the mainstream of cash management.

How? It’s all about creating a continuous supply chain of product, information and payments by connecting buyers, sellers, their bankers, insurers, shippers and, most recently, vendor financiers to each other. These online platforms store documentation electronically from purchase orders to electronic invoices. No phones, faxes or overnight shipping are needed to complete a deal. The relevant parties can view and amend documents as the transaction progresses in real time.

PING AND YOU’RE FINANCED

Primarily targeting footwear, apparel, toy and electronics manufacturers, TradeCard has more than 700 customers in 22 countries and expects to process several billion dollars this year in procurement transactions. Companies that work with TradeCard become members of its network and must agree to a set of rules before joining. In return, TradeCard will automatically offer members pre- and post-export financing through bank partners like Taiwan’s Cathay United Bank and Hong Kong’s Dah Sing Bank. Members can apply online and if the financing bank approves the request, TradeCard facilitates payment directly to the financing bank at time of settlement. The company has also teamed up with companies such as General Electric Capital Corp. to offer its members online vendor financing. “If they want free export financing at the appropriate point in the life cycle of the transaction, we’ll ping the seller and say, ‘Do you want export financing?’ and if he’s in Taiwan, we’ll drop down all the banks in Taiwan that offer export financing on TradeCard. ‘Which one would you like to apply to?’ and if you pick China Trust, we’ll ping China Trust with an e-mail alert: Do you want to approve this trade financing transaction? If they say ‘yes,’ then they come into the loop and stay in the loop through the balance of the transaction,” says Lois Bruu, TradeCard’s vice president of market development.

In May, TradeCard formed an alliance with New Generation Computing Inc., a Miami-based provider of physical supply chain software used extensively in the apparel and sewn products industries, to enable customers to link their physical and financial supply chains. Dallas-based Hagggar Clothing Co. is among the first using their integrated system.

TradeCard is one of two best-of-breed, order-to-payment

providers. The other is San Mateo, Calif.-based TradeBeam Inc., which offers 21 applications to link physical and financial components of global trade. By delivering an end-to-end solution that addresses order, logistics and settlement, TradeBeam says it can improve a company’s cash flow by 12 or more days.

BANKS HOP ONBOARD

TradeBeam has more than 3,000 customers, including the Neiman Marcus Group, Dell and Liz Claiborne, according to Duncan Jackson, vice president of business development and marketing. “We track 1% of the physical goods entering the U.S.,” says Jackson. In a move similar to TradeCard’s New Generation partnership, TradeBeam recently bought Southfield, Mich.-based SupplySolution Inc., an automotive-business software provider known for its i-Supply application.

Global bankers also provide order-to-payment online trade solutions through either white label versions of vendors like TradeCard or internally developed ASPs. According to Axel Pierron, an analyst working in Paris for Boston-based consultants Celent Communications, JPMorgan Chase has been a leader in the area, assembling an array of proprietary and white label Web-based trade finance products to streamline the trade process. The bank has linked its electronic trade finance features to a centralized platform, called the Global Trade Processing System, which is in turn connected to the bank’s internal systems. This enables the bank to exchange data with clients and vice versa. “JPMorgan’s approach is to provide a working capital solution, not just trade finance,” says Pierron.

Other standout banks include Deutsche Bank and ABN Amro, both of which have provided customers with extensive online offerings to expedite trade transactions, Pierron says. Deutsche Bank’s latest state-of-the-art tool is known as InfoTr@ck, a module within dbDirect—a Web-enabled product that provides a seamless platform for all trade finance and cash management products. InfoTr@ck helps bank customers prepare and deliver online trade documents and sends e-mails to alert and notify customers and bank staff about critical events. For its part, ABN Amro launched MaxTrad, a suite of trade document preparation services, and has partnered with Rockville, Md.-based NextLinx Corp., a global trade management solutions provider, and Redwood City, Calif.-based Tumbleweed Communications Corp. (formerly ValiCert), a provider of secure solutions for paperless e-business, to create AllTrade, an e-commerce application to create electronic purchase orders, invoices, shipping notifications and packing lists.

Durso is so enthusiastic about TradeCard’s service that he hopes by next year LCs will be history at Burton. “I’m hopeful,” he says. “TradeCard has built a closer working relationship between the product and procurement people.” And, why not? They are all working with the same tool and are now part of a continuous supply chain.