HARNESSING THE POWER OF THE DIGITAL

THE TECHNOLOGICAL TRANSFORMATION TAKING PLACE ACROSS THE MENAPT REGION IS CREATING TOUGH TIMES FOR MANY CORPORATES. BUT BY EMBRACING DIGITAL, COMPANIES CAN NOT ONLY OVERCOME THEIR CHALLENGES, BUT CREATE NEW OPPORTUNITIES, WRITES EMRE KARTER

Companies across the Middle East, North Africa, Pakistan and Turkey (MENAPT) region face myriad challenges, all of which compel them to find ways to improve efficiency in their business and treasury. Some countries in the region suffer from sluggish economic growth and an unsettled geopolitical situation, and the prospects of a trade war between some of the world’s largest economies – the US and China – are creating further headwinds. At the same time, regulatory pressure continues unabated, increasing compliance costs. Perhaps most significantly, technological disruption and increased competition challenge companies across multiple sectors in MENAPT; innovation is key to growing and prospering in this dynamic environment.

Innovations such as the cloud, big data, artificial intelligence (AI) and machine learning offer huge opportunities for all companies. From a business perspective, digital can be used to preserve margins by automating back-end processes, digitising sales processes, enhancing collaboration across business silos, such as between manufacturing and sales, and improving decision-making (by leveraging data that already exists in the organisation via analytics).

If companies need to investigate the potential of such technologies and invest in appropriate solutions in order to protect their business and lay the foundations for future growth. Corporates also need to be aware that while digital brings new opportunities, it also creates risks: cyber threats are multiplying rapidly in both number and sophistication. Given the potential damage they can do to a company and its reputation, pre-emptive security and rapid-response capabilities should be a priority.

The implications of digital are as wide ranging for treasury as they are for the business. Technological innovations can provide new tools for reporting and faster payments, for example, and accelerate centralisation to improve efficiency and control. Application programming interfaces (APIs) will revolutionise the speed of many treasury functions, such as payments and collections, and facilitate seamless integration with enterprise resource planning (ERP) and other systems. APIs can also deliver benefits to areas that have previously been impervious to innovation, such as the supply chain.

Working capital is the lifeblood of treasury: by leveraging enhanced information flows from ERP systems, treasury can make better-informed decisions about working capital, supply chain management or risk management, and then execute effective strategies by leveraging existing products. Crucially, these solutions, which together form the building blocks of a digital treasury, are not hi-tech concepts – they are already possible using today’s technology.

Transforming trade

Over the past few years, there has been a move by banks towards greater digitisation and automation of trade products, such as letters of credit (LCs), that have traditionally been manually intensive, and which increase the risk of fraud and the potential for errors. The move towards digital platforms will mitigate risk and help lower transaction costs.

Citi is a part of a consortium of global banks, major commodity traders and large commodity producers that has created a blockchain-based platform for financing commodity trade called komgo. This platform will digitise contracts, invoices, LCs and other documents to accelerate transactions and improve security. Buyers, sellers and other parties have unique IDs to access documentation, any attempt to change records is visible to all participants in the blockchain. Activity on komgo, which is due to go live next year, will initially focus on energy, but will later include other commodities, including agriculture and metals.

Similarly, Citi is working on the automation of shipping information, to facilitate the tracking of containers or vessels. The goal of the project is to prevent delays caused by lack of clarity regarding the whereabouts of cargoes.

Leveraging banks’ investment

Global banks invest heavily in new technology; corporate clients should seek to leverage where possible in order to optimise their returns on investment and free up investment budget for other projects. Banks’ technology investments can play a major role in enhancing companies’ own value propositions, especially in payments and collections. For example, banks can provide real-time information and omnichannel access to improve productivity and efficiency.

In an era when information is king, banks can provide insights by combining data and AI to discover how banks can improve their day-to-day activities and functions. For example, analysis might reveal potential fee savings, and visibility gains might reveal potential fee savings, and visibility gains are multiplying rapidly in both number and sophistication. Given the potential damage they can do to a company and its reputation, pre-emptive security and rapid-response capabilities should be priorities. The implications of digital are as wide ranging for

and new business models have levelled the playing field for new entrants. In many instances, established companies are playing catch-up – with a consequent need to invest significantly in new technology – at the same time as these leaner and more nimble players erode their margins and market share.

Embracing digital is key to growing and prospering in MENAPT to go live with RTP, followed by Jordan, Pakistan, Turkey and Egypt by the end of 2019.

For treasury, RTP – along with other new e-commerce ecosystems, which are rapidly taking hold across MENAPT – promises to not only improve payment and collection efficiency and lower costs, but it can also positively impact the entire working capital management cycle. Automating and allocating cash faster, companies gain better visibility of cash, improving forecasting capabilities and, ultimately, potentially lowering funding costs.

Working with the right partner

There are enormous opportunities available to corporates as a result of digital.

Companies should embrace the many tools available to drive growth and manage risk in the new e-commerce ecosystems environment of new business models, such as platforms and apps. Digital is the only way corporates can put themselves at the heart of emerging business ecosystems and take advantage of new ways of engaging with buyers and suppliers.

To succeed, companies need an experienced partner that understands their business priorities and can help them make the most of digital.