

Collaborate

Innovate

Industrials Casebook
Global Transaction Services



“This Casebook is a testimony to the innovative and creative spirit of our clients. It demonstrates how we work in collaboration with our clients to deliver new solutions to challenges they may not have faced before.”

Michael Guralnick
Global Head, Client Sales Management
Treasury and Trade Solutions
Global Transaction Services, Citi

welcome



Michael Guralnick
Global Head
Client Sales Management
Treasury and Trade Solutions
Global Transaction Services, Citi

It is my pleasure to present our Citi Global Transaction Services Industrials Casebook. This book of client case studies is a compilation of the innovative solutions that we have designed, in partnership with our clients, to help them achieve excellence in meeting their key working capital goals.

Against a backdrop of unrelenting economic challenges and a continued move towards globalization, our clients are focused on achieving operational efficiencies across their businesses and their increasingly complex supply chains. In this global business environment, our clients are also looking to mitigate a wide range of risks, such as operational risk, settlement risk, and transaction risk.

Citi's Global Transaction Services business provides a global platform of innovative solutions that fully utilizes the creative leverage of the

world-class professionals who staff our offices across more than 104 countries.

This Casebook is a testimony to the innovative and creative spirit of our clients. It demonstrates how we work in collaboration with our clients to deliver new solutions to challenges they may not have faced before. It is designed to share global best practices, and to help our clients accelerate the realization of their transaction services goals.

At Citi, we are committed to helping our clients in the industrials sector respond effectively to these challenging times. We are delighted to share with you the insights we have gained from working with businesses like yours. I look forward to hearing from you and welcome the opportunity to continue and expand our successful partnership.

foreword



Brent Flynn

Global Transportation Sector Head
Global Transaction Services, Citi

Welcome to the global Industrials Casebook. I am delighted to present you with this first collection of cases that demonstrate the added value that Citi seeks to bring to our clients in the industrials sector as a whole, and in the transportation sector in particular. The transportation sector encompasses shipping, rail, trucking, aviation and third party logistics providers.

As with other industrials companies, businesses within the transportation sector have been under extreme pressure for an extended period, largely affected by the global recession, volatile fuel costs, and unexpected events such the Icelandic volcano eruption. The headwinds these companies have had to face have demanded that they look for more efficient ways to conduct business. We at Citi Global Transaction Services have been working closely with our clients in the transportation sector to develop solutions to help them

achieve greater control and visibility over their cash, while driving efficiencies and reducing cost.

This casebook begins with an in-depth look at some of the trends that we have observed through our daily engagement with clients across the world. We outline some of the challenges that our clients have been facing, and how transaction banking solutions can help equip companies to navigate a challenging market and mitigate risk. The cases that follow give real and practical examples of how transportation, and other industrials companies, have been working with us to optimize working capital, streamline processes and drive performance.

I hope you are inspired by the cases in this book, and I look forward to exploring further opportunities to collaborate with you.

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driving growth in the
industrials sector

The huge breadth of the industrials sector – it covers automotives, aviation and aerospace, shipping, logistics, paper and packaging, heavy machinery, cement, power technology and construction – means that at first glance the companies covered by it appear to have little in common. However, for CFOs and treasurers of companies from all the sectors contained within industrials, three themes stand out: the need for control, visibility, and efficiency of the systems they use to manage cash.

Indeed, the experience of the financial crisis and tighter liquidity means that this back to basics approach on cash and how it is managed is now a board level concern: not only CFOs and treasurers, but also CEOs, want to know where their company's cash is at any given time, who the company's counterparties are, how their cash is collected, and the risks inherent in the company's processes. There is a huge appetite for information and knowledge that can be used to improve liquidity.

Clear, accessible information – delivered in a timely way using a consistent format – is essential to be able to make informed decisions. As the world moves out of recession and into a new global growth environment dominated by emerging markets such as India,

China, Brazil and the Middle East, information has become ever more important. These markets are often highly regulated and it is crucial to understand the implications of that in terms of moving cash.

Notwithstanding regulatory barriers and exchange controls, developments in technology mean there is now the potential to deliver control and visibility of cash positions located almost anywhere in the world. However, surprisingly many large multinationals still do not have structures in place – outside the developed banking markets of North America and Western Europe – to enable them to oversee and manage their cash globally.

Necessarily the challenges associated with gaining control and visibility of cash in rapidly growing

markets such as Asia, Latin America, the Middle East and Africa are greater than in developed markets with mature banking sectors. Moreover, it is important to understand that these markets are very different – not only from more developed markets where companies have operated centralized cash management structures for decades – but from one another.

New thinking for new markets

Working out what treasury model is most advantageous for a company can be a significant challenge. Often industrial companies are decentralized and have complex corporate structures. For example, in the auto sector, there may be multiple entities in a single country that are involved in manufacturing,

sales, re-selling, franchising and finance. In addition, there may also be scores of companies operating as part of the manufacturing supply chain.

With companies now more global than at any time in the past, many are asking whether they still need people on the ground to manage local regulatory and compliance issues. In emerging markets the answer is invariably yes. Local treasury hubs are essential for many large industrial companies because of time zone concerns and issues associated with trapped cash and the regulatory environment.

Corporates in all industrial sectors need to assess the extent of their business in these new markets in order to understand the scale and growth potential of their operations. They then need to consider whether it is worth investing to gain control of their cash and liquidity in these countries and regions. This process must take into account the potential

regulatory and tax issues, but ultimately must be driven by the potential economic benefits to the company.

“With companies now more global than at any time in the past, many are asking whether they still need people on the ground to manage local regulatory and compliance issues. In emerging markets the answer is invariably yes.”

Companies in industrial sectors are increasingly finding that the scale of their operations in China, for example, warrant the creation of a treasury hub in-country separate to the rest of Asia.

Similarly, depending on the scale of their operations in Brazil, some companies are realising that it makes sense to separate it from the rest of Latin America or that it is appropriate to set up a hub in Dubai covering the Middle East rather than try to manage it from Europe. Essentially, the decision comes down to the importance of visibility in that particular market to the overall group.

This new thinking does not affect existing treasury hub structures in Western Europe and North America, which have developed over many years and are effectively set in stone. However, it does run contrary to common practice over the past decade, which has relentlessly emphasized the importance of centralization through shared service centres and common ERP systems, for example.

What has changed is the focus of many businesses. Strategies focused on centralization were developed to address developed markets in North America and Western Europe. Both of these regions are essentially

homogenous in terms of rules, requirements and operating conditions (in Europe, this process has been driven by integration of the EU economy). In contrast, Asia is far from homogenous.

While it is important to consider the diversity of countries in which a company operates and develop treasury structures accordingly, that should not be at the expense of visibility and control. While day-to-day treasury management might be conducted in China, for example, because it is becoming a core part of the company's global revenues, it is essential to be able to aggregate the information from China with operations elsewhere in the world.

Transportation

The transportation sector, which includes passenger travel, freight and logistics by air, sea or land, is central to the globalized economy. Indeed, its importance was highlighted by the volcanic ash cloud over much of Europe, which grounded flights for weeks. Many

technology and automotive companies struggled to find alternative ways to get components to their factories in order to meet just-in-time manufacturing schedules.

The transportation sector inevitably goes where its customers need it to operate. Consequently, in recent years, customers' supply chains have become ever more complex and disparate, so the operations of transport companies have had to expand to cover ever-larger swathes of the world on a more routine basis. Trade routes have been opened that only a decade ago would have seemed unlikely, if not impossible.

The challenges faced by transport companies are therefore the same as those faced by their clients. As global trade expands, new facilities (such as ports) will be required and they will need capital expenditure. Raising finance for such expansion can be complex and challenging and may involve credit export agencies, which have become increasingly important in the wake of the financial crisis, debt finance from banks or capital markets, or use of internally generated cash.

From a treasury perspective, transport companies also face similar challenges as their clients. As they expand into new markets, they need to consider how they will manage new cash flows from operations. Will a team be required to manage them in-country? If so, will they be local hires or will international expertise be necessary? To what extent will it be possible to take cash out of the country, and if it can be taken out, how will it benefit the group?

One logistics company that effectively addressed the challenges it faced in its invoicing and billing process in order to improve efficiency is Cargo Network Services, a subsidiary of the International Air Transportation Association. It introduced an electronic billing and payments solution that transformed the company's air-freight bill-payment process. The solution shortened days sales outstanding by at least 10 days and reduced air carriers invoice presentment and collection costs by 18%.

Automotive

The complex nature of automotive construction makes it the archetypal industrials sector in terms of highlighting broader trends. For example, a leading global automotive manufacturer has announced plans to open a new plant in China in response to a phenomenal growth in sales: the company expects sales to quadruple over a one year period. Facilitating that growth – and the construction of a new plant – is inevitably a major challenge.

Automotive companies expanding their manufacturing capabilities into China in order to significantly increase capacity, are likely to require funding for capital expenditure and careful consideration of treasury requirements as their businesses grow. Given strict regulations on cash management in China, corporations will need to assess how cash can best be used in-country, and how they can continue to benefit their groups should the funds be required to remain there.

Automotive companies expanding on such a scale should also effectively manage their supply chains. For example, they must be flexible in their approach to sourcing materials. Initially, sourcing components for production may be done both locally (for instance, in China) and from Europe, but as the scale of production in China increases, it may become financially efficient to source a greater proportion of parts domestically. However, an expanding company needs to be aware of the potential implications of such a decision in terms of quality control and consistency.

Similarly, companies will need to consider the credit risks associated with new suppliers: an assessment of the robustness and quality of suppliers must extend beyond the parts they will produce for their cars. Auto manufacturers must also make decisions about costs. Will it aim to source parts at a lower cost to those sourced in other regions? What payment terms will it set for suppliers in China and how do they differ from common market practice?

More generally, automotive manufacturers are under pressure as they expand overseas to continually innovate, especially in relation to environmental performance. Given the financial constraints that many companies in the sector face, such a responsibility can be onerous. Freeing up cash for new investment in plant and model design through more efficient management – and ensuring a cost effective supply chain – is therefore crucial.

Engineering, manufacturing and construction

Many of the world's largest engineering firms are already among the most global of all companies – often operating in more than 100 markets. Nevertheless, the pace of their expansion internationally continues to accelerate. In particular, infrastructure spending in the Middle East – not least associated with the reconstruction of Iraq – and Asia is booming as countries struggle to keep pace with rapid economic growth.

Similarly, in the US, infrastructure spending is a core element of the economic stimulation package designed to re-start the economy following the financial crisis. The American Recovery and Reinvestment Act is thought to be worth \$787 billion and covers roads, bridges, public transport and dams, as well as the electricity grid and investment in alternative power generation: the package is the largest since the 1950s when the inter-state highway system was created.

What is dramatic about this wave of infrastructure spending is the nature of the companies that will be involved in it: six out of the world's top 10 infrastructure companies are now Spanish. Consequentially, some of those companies currently bidding for toll road contracts in Texas will be operating in the US for the first time, and should they be successful in their bid, could see familiar issues of how capital will be raised and how they will manage cash.

In such circumstances, it can be essential to work with a bank that

not only understands the home market of the company expanding but is an integral part of the market it is expanding into. Similarly, expansion overseas – especially in the areas of engineering, manufacturing and construction – may require a joint venture. Understanding and managing the counterparty risk of joint ventures – and ensuring confidence in the associated cash flows – often requires the involvement of a trusted third party, such as a bank.

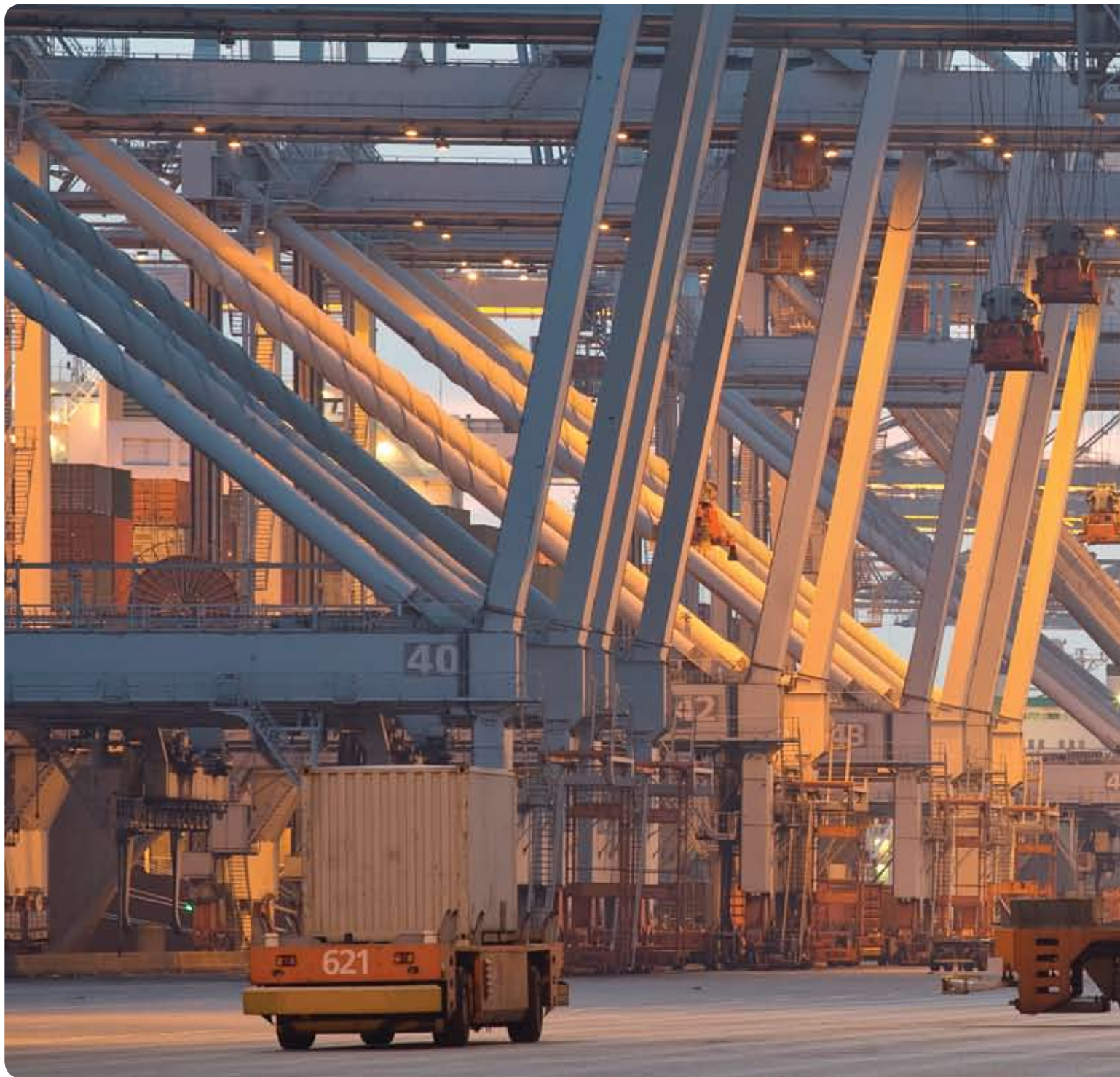
A new globalization

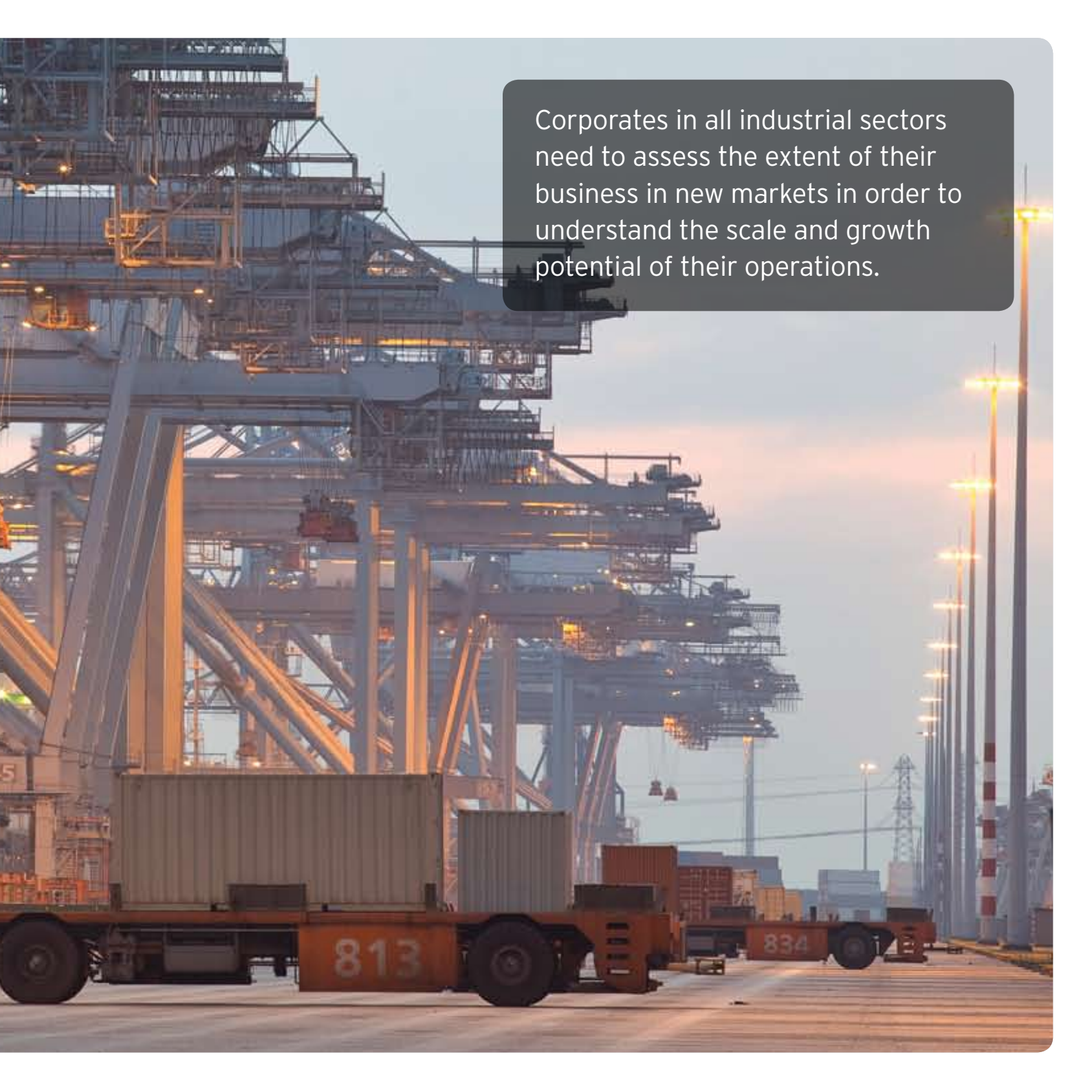
The financial and economic crisis has undoubtedly opened a new chapter in the world's economic growth. The relatively strong growth of major emerging markets such as India, China and Brazil compared to weak growth in the US, and especially in Europe, is rapidly changing the dynamics of world trade. There is a realization among companies in the industrials sector that emerging markets are going to drive global growth for the foreseeable future.

This new era of globalization has resulted in a reassessment of how companies need to operate and manage their cash. Globalization was once perceived to mean that operating conditions would eventually be effectively the same in all countries. In a world where China has overtaken the US as the world's largest automotive market, that is clearly no longer the case. Instead, globalization is about accessing markets and making decisions based on local circumstances.

The only constant across all markets in which a company operates must be information. While cash may not be easily transferable from some emerging markets, timely and accurate data is. Consolidation of that data is the key to success in the new global economy. Without that aggregated information, companies cannot make effective and informed decisions and therefore cannot continue to prosper in what is an ever-more competitive environment.

For CFOs and treasurers of industrials companies, three themes stand out: the need for control, visibility, and efficiency of the systems they use to manage cash.



A photograph of a large industrial port or shipping yard at dusk. In the foreground, a long container truck with a white container and a red chassis is parked. The chassis has the number '813' painted on it. In the background, another similar truck with the number '834' is visible. The port is filled with large, complex metal structures, likely cranes or conveyor systems, which are illuminated by warm lights. A series of tall, thin light poles with multiple lights are visible on the right side of the image. The sky is a mix of blue and orange, suggesting sunset or sunrise.

Corporates in all industrial sectors need to assess the extent of their business in new markets in order to understand the scale and growth potential of their operations.

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controlling cash

Norbulk Shipping

Payment solution frees up company to focus on adding value

Norbulk Shipping is a global leader in ship management and the provision of vessel services.

The challenge

Norbulk Shipping makes payments to suppliers globally in various currencies on behalf of the ships that it manages. Its invoices were paper-based, processed manually, error-prone, costly, and time consuming for Norbulk and its suppliers. The company was eager to use technology to improve efficiency. Moreover, it wanted to eliminate the need for multiple currency accounts. An additional challenge for the company was that ship owners wanted expenses, such as crew salaries and docking fees, to be differentiated for each ship Norbulk managed. However, the ship owners wanted to make only one consolidated transfer of funds each month to minimize costs and complexity. Meeting these two objectives using a traditional paper-based payments system was difficult.

The solution

Norbulk appointed Citi in 1991 on the basis of its flexible payment offerings, including CitiDirect® Online Banking for immediate payments,

its franchise network and its ability to provide a transparent audit trail. In addition, the bank's solution also offered a significant cost advantage for the company due to its fixed-cost structure, which made forecasting easier for Norbulk. Most importantly, Citi's technology, including its proven WorldLink® Payment Services, meant the bank could offer a complete global transaction solution that interfaced seamlessly with Norbulk's ERP system.

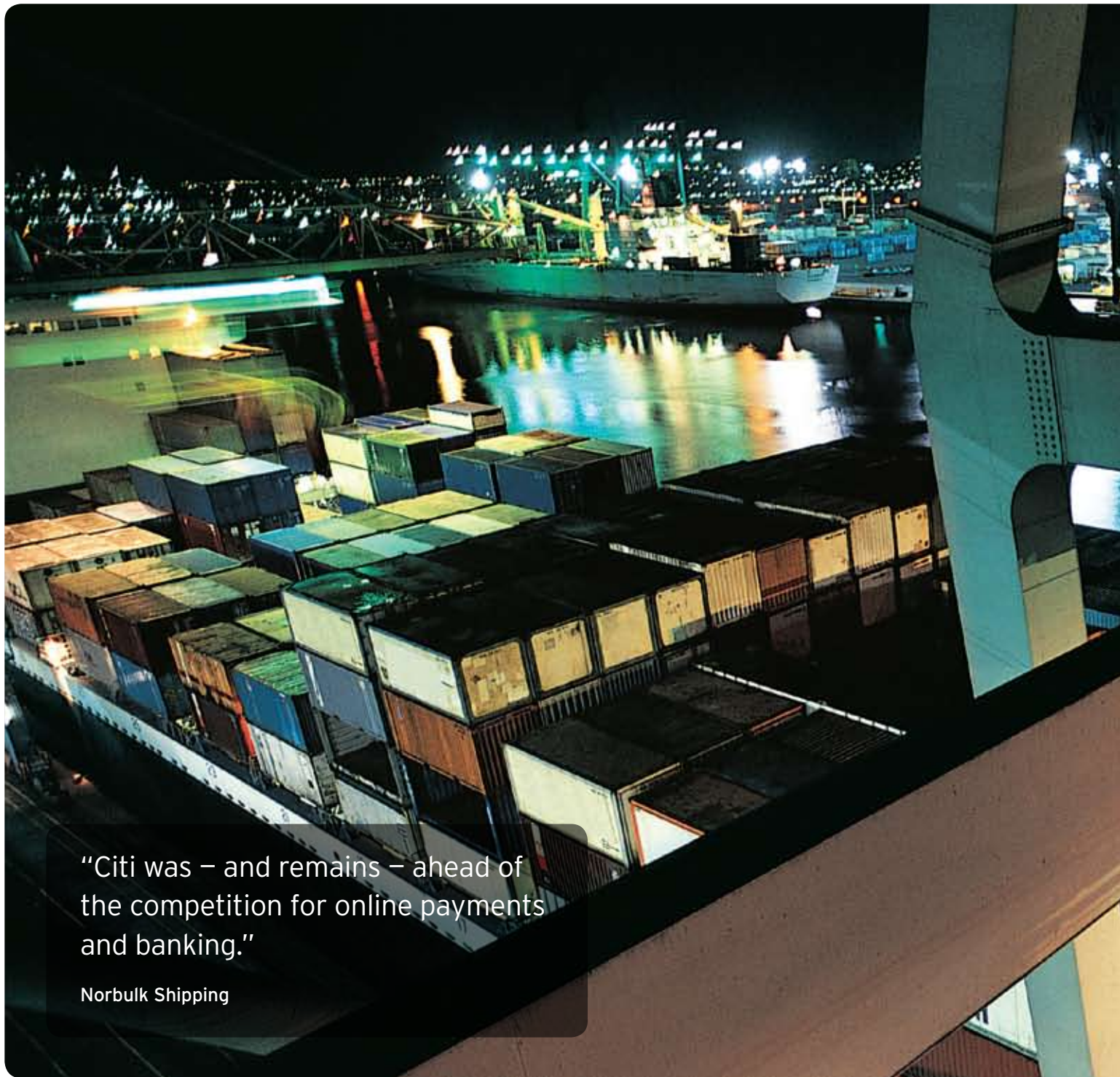
Citi's technology, including its proven WorldLink® Payment Services, meant the bank could offer a complete global transaction solution that interfaced seamlessly with Norbulk's ERP system.

"Citi was – and remains – ahead of the competition for online payments and banking," says Ian Davidson, Finance Director at Norbulk. Citi opened a

header account for each ship owner to enable bulk payments. In addition, each ship got a separate euro or dollar account and WorldLink branch linked to the ship's account. Foreign currency payments would be processed automatically using favorable WorldLink Online bulk rates with an agreed spread.

The result

Following the completion of the initial paperwork, the implementation of the payment solution was straightforward. As Norbulk gains new clients, it has proven easy to integrate them into its payment system. Norbulk has experienced substantial productivity gains from using Citi's solution. "Our ship accountants can now handle a larger workload and focus on offering value-added services," says Mr Davidson. Norbulk's suppliers have also benefited. "Citi's system allows us to trace payments quickly and send PDF copies to suppliers immediately," explains Victoria Burns at Norbulk. Citi's success in meeting Norbulk's needs is reflected by its 17-year relationship with the bank.



"Citi was – and remains – ahead of the competition for online payments and banking."

Norbulk Shipping



Bamburi Cement Limited

Supplier finance program safeguards supply chain and optimizes working capital

Bamburi is part of the French building materials giant Lafarge, and is the largest cement manufacturing company in East and Central Africa.

The challenge

The objective of the program was to assure continuous supplies to Bamburi by providing working capital support to Bamburi's key suppliers. In addition, the program also aimed to optimize Bamburi's working capital cycle (i.e. stretch the payment period for some suppliers from 15 days to 30 days) without increasing costs to the supply chain, and to improve relationships with its suppliers.

Bamburi has a tightly controlled supply chain designed to reduce borrowing costs. It continued to pay its suppliers and logistics partners on invoice due date, and tried to match payments to logistics partners and suppliers with receipts from customers in an effort to optimize working capital and reduce borrowing costs. As a result, payment to suppliers would only be made on due date and on occasion, would get delayed. Consequently, suppliers had to finance their

operations with borrowing at high costs, given their relatively small size and limited collateral. As a result they faced financial distress and high costs.

Ultimately, the suppliers' additional cost of borrowing (due to increased days outstanding) led to repricing their services to Bamburi.

The solution

Citi proposed a supplier finance solution – the first of its kind in East Africa. Under the program, it paid Bamburi's suppliers on the due date of their invoices by drawing on Bamburi's credit facilities. However, the interest cost was passed onto suppliers.

The financing cost for suppliers was lower due to the substitution of the suppliers' credit risk for that of Bamburi's. The solution therefore enhanced suppliers' loyalty to Bamburi.

Citi committed to providing timely and efficient service to ensure the success of the program. Payment instructions received before 12 p.m. are processed on a same-day basis; payment instructions received after, on a next-day basis.

By supporting its suppliers, Bamburi was able to demand better payment terms and improve the efficiency of its working capital. Bamburi also benefited from improved cash flow; its days payables were effectively increased because the final liquidation of the supplier finance loans were an average 30 days after the due date of invoices.

The benefit of the increased days payables allowed Bamburi to extend enhanced credit terms to its distributors, giving it a competitive advantage.

The result

Citi began a pilot implementation of the supplier finance solution with one supplier in August 2008, after working extensively with the company to identify and eliminate potential implementation problems.

Following due diligence, a further 14 suppliers were added to Bamburi's supplier finance program. Bamburi estimates it will make opportunity cost savings of over USD200,000 a year and it is considering expanding the program to its subsidiary in Uganda.

By supporting its suppliers, Bamburi was able to demand better payment terms and improve the efficiency of its working capital. Bamburi also benefited from improved cash flow.

Cargo Network Services (CNS)

A web-based e-billing and payments solution

The logistical “gatekeeper” for the US air cargo industry.

The challenge

CNS was incorporated in 1985 following the deregulation of the US aviation industry. This subsidiary of the International Air Transportation Association (IATA) is dedicated to the entire air logistics chain and provides a unique set of business solutions that meet the requirements of the air cargo industry in the US. CNS serves as a key gatekeeper by requiring air cargo agents and forwarders (or intermediaries) to meet a set of financial, operational, and compliance standards.

Discussions with CNS and the airlines revealed that the invoicing and billing process was a critical pain point. Carriers were looking for ways to further utilize the technology inherent in the air cargo solution.

To cement its close collaboration with airlines, air cargo agents, and freight forwarders who export

freight from the US, and to take advantage of the growing market demand for a paperless service, CNS wanted to provide these customers with an Internet-based invoicing and payments service.

The solution

CNS and Citi developed an electronic billing and payments solution that significantly enhanced CNS's existing service, CASS-USA.

With the new solution, the airlines transmit their waybills via electronic file delivery to CNS's data center. CNS then consolidates the invoices and sends them to the airlines' customers: cargo agents and other companies consigning goods by air. These companies approve the invoices, with adjustments if necessary, and authorize their banks to pay. Payments are sent to CNS's Citi bank account, either manually via paper checks processed through a lockbox or electronically via wire or ACH transfers. Citi then loads the

remittance information to the e-billing platform and creates payment files. Finally, files are disbursed electronically to the airlines' banks along with remittance details.

There are many benefits of Citi's e-billing and payments solution for CNS. For airlines, invoices are delivered instantly instead of having to spend several days in transit. The increased visibility of approved and paid invoices has improved the predictability of cash flows. In addition, the solution's standardized dispute codes and rebilling capabilities have reduced disputes between airlines and agents. As a result, days sales outstanding (DSO) have been slashed by an average of 10 days, creating dramatic savings for the airlines.

For cargo agents, invoices can be reviewed and approved electronically. Standardized dispute codes and rebilling capabilities have reduced the

number of disputes – and accounts payable staff required – saving an estimated USD13 million a year.

The result

Citi's invoicing and payments solution for CNS has transformed the company's air-freight bill-payment process. The solution has shortened DSO by at least 10 days and reduced air carriers invoice presentment and collection costs by 18%. It has also streamlined freight forwarders' invoice review and approval process. And it has reduced dispute rates by 45%, creating more transparency and trust in the billing process among airlines and forwarders.

The Citi solution was initially deployed in 2003. Since that time, more than 1,200 freight forwarders and 95 airlines have used the system to connect, interface, and settle payments. Over 15 million air waybills/invoices have been settled using this system (over 2.8 million in 2008 alone). And more than USD18 billion in payments have been processed and settled through the system (more than USD5 billion in 2008).

CNS and Citi developed an e-billing and payments solution that significantly enhanced CNS's existing service.

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achieving visibility

While it is important to consider the diversity of countries in which a company operates and develop treasury structures accordingly, that should not be at the expense of visibility and control.

Panalpina

Optimizing working capital management

Panalpina is one of the world's leading forwarding and logistics services providers with 500 branches in over 80 countries. With the emergence of China as a major manufacturing center, Panalpina's substantial business in the Asia Pacific region has been growing at double-digit rates.

The challenge

Working capital made up the biggest component of Panalpina's balance sheet. Any improvement to the management of liquidity and integrating payments would provide the largest potential to deliver gains for Panalpina.

Panalpina wanted to optimize internal funding by allowing local subsidiary surpluses to offset local deficits on a region-by-region basis and concentrate surplus cash in two currency pools: euros and US dollars. It also sought to streamline in-house processes by introducing automated processing and moving away from check-based to electronic payments. Panalpina also wanted to leverage its volumes for better pricing from a reduced number of banking partners.

The solution

Panalpina chose Citi as its cash management provider in Europe, Asia Pacific, Latin America and the

US through separate public tenders. In each region, Citi proposed a single bank solution that would allow Panalpina to centralize its treasury management through the concentration of surplus cash, the streamlining and automation of in-house processes, and the provision of an Internet-based e-banking platform to support its payment factory.

With implementation in Europe and Asia Pacific complete, some 16 local Panalpina entities in Europe now maintain euro and US dollar accounts with Citi that are zero balanced at the end of each day, and surpluses are swept into the two cash concentration accounts. Surplus dollar balances from Asia Pacific are also swept into the same dollar account.

The accounts payable/account receivable process was streamlined to accommodate electronic funds transfer, automated data upload and auto-matching. Panalpina chose Citi® File Xchange to be the

file delivery backbone of its cash payments network and CitiDirect® Online Banking for information. Transactions were handled by Citi's back-end international Mass Payments System.

Panalpina's Group Treasurer, Marcel Kellerhals, notes: "Citi is a global bank that has always been committed to cash management. The IT part of its solution was very competitive. It gave us the possibility to do a lot of things without having a completely new set-up everywhere in the world. Citi keeps investing money and upgrading its software. We could not have done what we did without such a partner."

"We deal with Citi through a parent account relationship manager in Zurich. Citi assisted us in our project with clear planning and weekly conference calls. We had the right methodology and maintained momentum – which can easily be lost in a large project like this."

The result

Panalpina succeeded in migrating the majority of its payments in Asia Pacific and elsewhere to full automation. Panalpina achieved considerable annual savings with Asia Pacific accounting for a significant portion of this. The company managed to leverage its relationship with Citi on a global basis. "Citi is our main supplier in terms of bank services. We have a mutual interest in having the relationship working in the proper way. Citi can help us with risk management, trade finance, and capital markets. Just as our customers see Panalpina as a 'one-stop shop' for logistics solutions, so we see Citi as a 'one-stop shop' for banking solutions. Citi is well positioned to be a partner for Panalpina in the long-term," says Mr Kellerhals.

Citi helped Panalpina centralize cash management, concentrate surplus cash, streamline receivables and payables, and develop an Asia Pacific payments factory.

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Turkish Airlines

Target-balancing structure launches visibility and cost benefits

Turkish Airlines flies 20 million passengers annually to 138 cities in 69 countries.

The challenge

Following a period of ongoing business growth, cash flow visibility at Turkish Airlines' head-office treasury department was severely restricted. Turkish Airlines held 250 bank accounts with 91 banks in 69 countries and commonly used manual processes to transfer cash between its 107 offices. Cash reporting relied heavily on phone communication and faxed spreadsheets. But following its stock listing, Turkish Airlines conducted a company-wide cost-control drive that led the company to issue a tender for its global cash management business aimed at improving payment process efficiency, increasing visibility through real-time electronic reporting, and reducing transaction charges.

The solution

Citi was awarded the tender on the basis of its matching geographic footprint and its combination of

global and regional capabilities and expertise. To improve the efficiency of Turkish Airlines' cash flows, Citi began a phased implementation of a regional cross-border target-balancing structure that would sweep the vast majority of the firm's balances into Citi London.

Because most of Turkish Airlines' sales were euro-denominated, these were centralized in phase one, with euro balances swept automatically from Citi or third-party accounts.

In phase two, selected additional currencies, including US dollars, were introduced to the structure.

Phase three saw the rationalization of currency balances that could not participate for legal or other practical reasons. In addition to implementing CitiDirect® Online Banking, Citi's electronic banking system, to eliminate manual payment initiation, Turkish Airlines also became the first Turkish customer to install Citi's

transaction flow analysis tool, TreasuryVision®, which provided real-time balance information on accounts across the world in customized formats. At the client's specific request, the new structure was supported on a 24/7 basis by a customer service team based in Istanbul in coordination with staff across Citi's global branch network.

The result

Turkish Airlines has benefited from a streamlined account structure and reduced banking costs, an elimination of manual payment processes, and significantly enhanced visibility and control over its cash flows. Though many of the benefits accrued from being the first Turkish multinational to implement a regional, cross-border target balancing structure, balances in currencies that remained outside the structure have also achieved improved investment rates.

Turkish Airlines has benefited from a streamlined account structure and reduced banking costs, an elimination of manual payment processes, and significantly enhanced visibility and control over its cash flows.

Turkish Airlines Case Study





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driving efficiency

Corporates in all industrial sectors need to assess the extent of their business in these new markets in order to understand the scale and growth potential of their operations.

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Air New Zealand

Integrating ERP with offshore payments

Air New Zealand is New Zealand's national airline and a member of StarAlliance. It has a fleet size of 100 aircraft and flies to 52 destinations in Australasia and the Pacific, Europe, Asia and North America.

The challenge

With business spanning the globe, Air New Zealand makes thousands of payments annually to its international suppliers. Payments vary in size from USD10 million to below USD10.

Air New Zealand was keen to look for new payables solutions that could help it reduce costs and increase efficiencies in its offshore payment processes.

The crux of the issue was obvious: Air New Zealand could streamline its payment process by integrating its ERP system (PeopleSoft®) with a global payments supplier. In doing so, Air New Zealand would obtain access to a straight-through payment capacity that would enable it to make payments to its many offshore suppliers at a lower cost.

The solution

Citi's team provided a low-cost solution, using a single file format to deliver payment transactions

into the local clearing system in almost every country in which Air New Zealand operated. The solution involved a combination of Citi® File Xchange (CFX), GXS Enrichment, CitiDirect® Online Banking, WorldLink® ACH, WorldLink® Wires, WorldLink® Remote Check and, in Asia, PayLinkSM. Wires and remote checks are required in countries where an automated clearing house (ACH) infrastructure is not available and for more exotic payments requiring the use of intermediary banks.

The solution had many attractive features. A single file format for all payment types would allow a one-time interface with Air New Zealand's PeopleSoft platform. High-volume payments in USD, AUD, CAD, GBP, EUR and HKD would be handled at low cost through an ACH. For time-sensitive payments, Citi provided a gateway that enabled Air New Zealand to achieve same-day payments. For countries that did not support ACH infrastructure,

payments could still be made via other means included in the same payment file. Through CFX and CitiDirect, Air New Zealand was able to investigate the progress and details of payments. Moreover, CitiDirect provided Air New Zealand with comprehensive reporting and reconciliation ability at country and head office level.

Many aspects of this groundbreaking solution had to be negotiated from scratch, where Citi customized the solution for Air New Zealand. Paul Kelway, Treasurer of Air New Zealand, notes: "The whole process has been a huge success. Once we had done the hard yards – setting up the unified file format – it became relatively easy to bring on new currencies. Citi had the technical ability and the coverage of currencies and countries. They offered low-cost per transaction and capacity to handle strong growth in volumes."

The result

By working with Citi, Air New Zealand has achieved savings in reconciliation and processing costs. Mr Kelway says: "It took around three months to get the new system up and running. We have gotten to the point now where virtually all payments, i.e. 99.9% by value, are paid electronically. We know precisely what our cashflows are from the payables side. Recs are done almost in a flash. The benefits are significant."

Air New Zealand was very impressed with the solution that had been designed and implemented for it. The airline has implemented the solution for its Engineering Division – a separate organization with similar requirements that uses SAP as its ERP.

By working with Citi,
Air New Zealand has achieved
savings in reconciliation and
processing costs.

Bombardier Recreational Products (BRP)

Revving up purchase incentives with a prepaid card solution

A world leader in motorized recreational vehicles and powersports equipment, with brands like Sea-Doo, Ski-Doo and Can-Am ATV, BRP provides recreational products to several dealers and distributors in over 70 countries.

The challenge

Bombardier Recreational Products (BRP) found it challenging to design consumer payment promotions owing to complex and often slow payment issuance processes. Lacking direct channels to its consumers, BRP had the choice of either relying on its North American network of over 2,500 dealers to deliver incentive payments or issuing incentive payments by paper checks directly to the retail consumer.

Although using checks was the more acceptable choice, it required burdensome levels of approvals, starting with a qualifier process at dealer level and often elevating to management level in finance. This process delayed productivity across the organization and required lengthy timeframes to complete, with the average incentive payment taking eight weeks to reach the hands of the retail consumer. Faced with this challenge, BRP needed to find a faster, more efficient way of delivering incentive payments directly to the consumer to enhance user experience and ultimately, boost sales.

The solution

Citi® Prepaid Services enables a paperless, electronic payment to deliver consumer incentives. BRP adopted this program to eliminate the traditional paper check from its processes and replace the check with a Visa® prepaid card. The fully customized program, which included a branded Fuel Card, marketing collateral, and customer service support, eliminated BRP's reliance on checks by establishing a payment channel directly with the consumer.

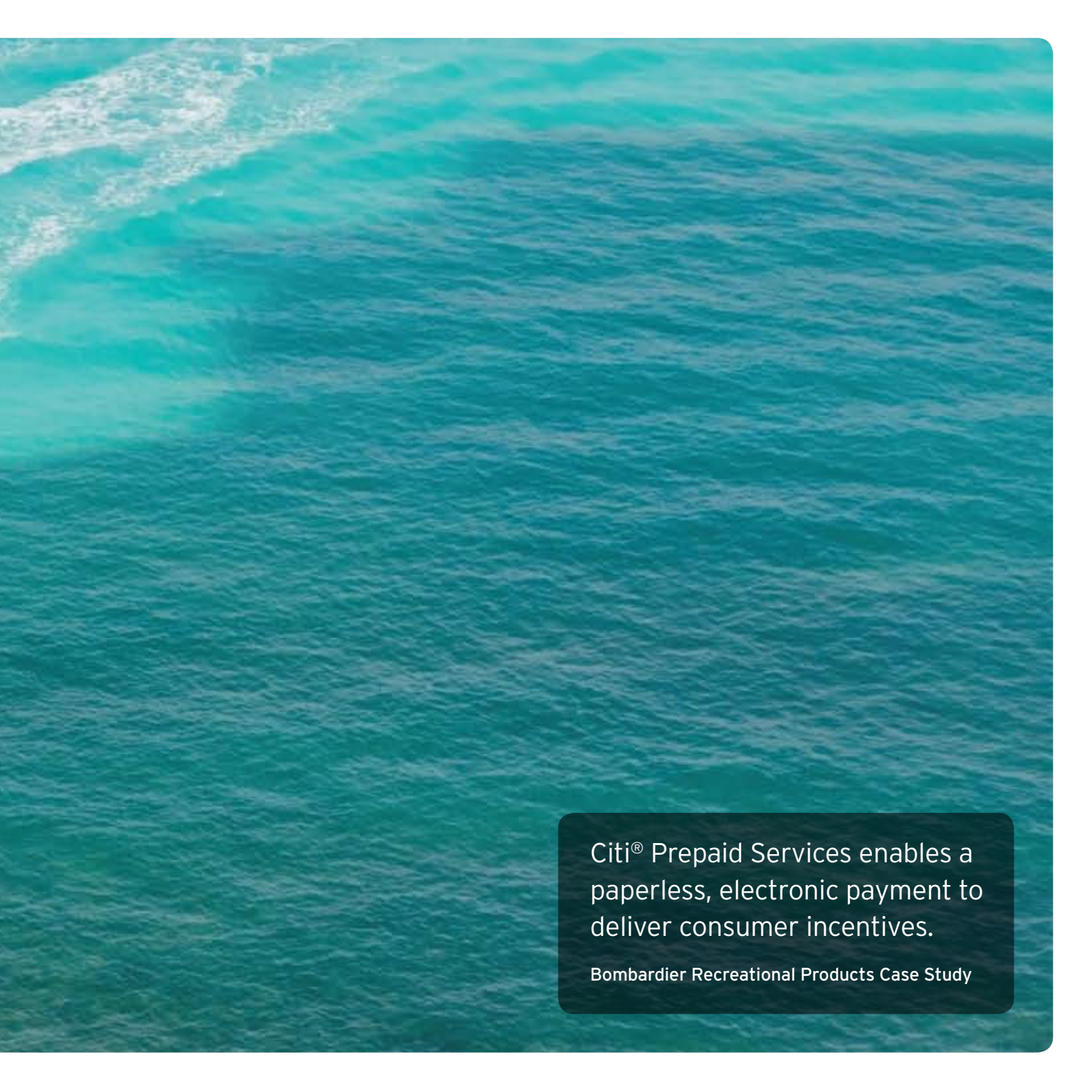
Using the Citi Prepaid Services solution, upon purchase of a BRP product, the dealer enters the consumer's information into BRP's electronic system. That information is automatically uploaded to a database, bypassing traditional approval steps and procedures. Within days, the consumer receives a personalized Visa prepaid card, loaded with the incentive payment, allowing immediate access to funds. The Fuel Card incentive not only motivates consumer purchases, but aligns extremely well with BRP's products, like Sea-Doo Watercraft.

The result

With Citi's prepaid electronic payment solution, the complexity, bureaucracy, and time delay associated with cutting checks was eliminated, easing the distribution process and removing the burden on BRP's operation. Its custom Fuel Card incentive was delivered over 10 times faster than the traditional paper check (check: nine weeks vs. card: six days), which was significantly more effective in motivating consumers. Additionally, the 24/7/365 toll-free customer service support made it easier for consumers to access their account information from anywhere, further relieving BRP and dealers of having to provide incentive payment and balance updates on request.

The Citi Prepaid solution not only streamlined BRP's incentive payment process, but dramatically increased consumer satisfaction, winning "rave reviews" according to the BRP team.



An aerial photograph of a vast ocean with vibrant turquoise water. In the upper left corner, white foam from a breaking wave is visible, creating a textured contrast against the smoother water. The rest of the image shows the rhythmic patterns of ocean waves under bright, natural light.

Citi® Prepaid Services enables a
paperless, electronic payment to
deliver consumer incentives.

Bombardier Recreational Products Case Study

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Michelin North America, Inc.

Consumer incentives drive performance

For over a century, Michelin has utilized its technological leadership, capacity for innovation, high-quality products and services, and powerful brands to enhance the mobility of its customers. As a global leader in the car and light truck tire market, Michelin produces over 150 million tires annually.

The challenge

Michelin was in need of an innovative consumer incentive payment solution that was user-friendly and easy to understand for its consumer population. Michelin also wanted the program to mirror the quality of its tires in terms of technology, safety, and performance. This solution was needed to provide payments for consumer incentives that would drive purchases of Michelin tires. Initially suggested by its Purchasing Department, Michelin's Marketing Group decided to investigate delivering its consumer incentive payments via prepaid cards given the payment speed, flexible fund access, consumer protection and unique brand communications it provides.

The solution

Citi® Prepaid Services rapidly implemented a fully customized, consumer incentive program for Michelin, which delivered a focus on quality through innovative technology. It allowed its customers immediate access to their incentive

funds with online and point-of-sale purchasing capabilities, fund security with continuous fraud monitoring, "Zero Liability" and FDIC fund protection for consumers and overall performance with rapid delivery, comprehensive 24/7 multilingual cardholder support, and unique brand extension for Michelin. The solution also provided streamlined payment delivery operations, with a dedicated Citi Prepaid support team overseeing the file processing and financial operations of the program.


This Citi Prepaid Services consumer incentive solution eliminated the need for paper rebate checks, replacing them with immediate electronic payments delivered directly to personalized Michelin Prepaid Visa® Cards.

The result

This Citi Prepaid Services consumer incentive solution eliminated the need for paper rebate checks, replacing them with immediate electronic payments delivered directly to personalized Michelin Prepaid Visa® Cards. This solution allowed funds to be instantly accessed by the cardholder and gave Michelin a unique opportunity to extend its brand in providing true "wallet share" by placing the "Michelin Man" directly in cardholders' wallets, reminding them of the Michelin brand every time they use their card.

Also, the Citi Prepaid Team provided comprehensive, dedicated marketing, creative, and operational program support for Michelin. According to Mitzi Cooley, Promotions Manager for Michelin: "The prepaid card program Citi Prepaid provides for Michelin continues to improve significantly and meet the payment needs of our organization and customers. I have been pleased."





"The prepaid card program Citi Prepaid provides for Michelin continues to improve significantly and meet the payment needs of our organization and customers. I have been pleased."

Michelin North America, Inc.

Toyota Motor Sales USA

Driving sales with paperless incentives

Known globally for progressive, efficient products, Toyota's decision to adopt paperless payments aligned with its efficient, clean solutions that make an environmental impact.

The challenge

With thousands of sales professionals at over 1,400 dealers across the US, Toyota faced a major challenge on the production and distribution of its sales incentive payments. For years, paper checks seemed like the only legitimate payment method on which it could rely. Yet despite its simplicity in concept, the use of paper proved to be incredibly complex, expensive, and inefficient for Toyota. The company had to produce the checks, purchasing large volumes of paper, ink, and envelopes, and also had to establish a dedicated infrastructure of printers, computers, and software; all major costs to continually produce upwards of around 150,000 checks annually. Finally, Toyota had to distribute these checks, typically batched for priority shipment, which cost around USD10-12. So, the distribution costs alone topped USD180,000 annually.

The solution

Toyota realized it had to find a solution that would free up its team, reduce and even eliminate its costs, and get it out of the check-writing business. The answer came with a program that quickly and effectively transitioned every incentive payment from the inefficient paper check to seamless, electronic delivery. For the solution, the company turned to Citi® Prepaid Services, which helped design a fully custom-branded Toyota program that immediately eliminated its burdensome checks. At the heart of the program is the customized and personalized Toyota Visa® Prepaid Card, which every qualified sales professional received. Sales incentives could be automatically placed directly onto the card, cutting payment delivery time from weeks to days. Within weeks, Toyota launched and was delivering paperless payments nationwide, at a dramatically faster rate and at a fraction of the cost.

The result

Toyota quickly eliminated the need to purchase and inventory paper, ink, and envelopes. Its hardware costs to run the check process were also eliminated, requiring less space and personnel to manage. Toyota also saved countless hours producing, sorting, packaging, and shipping checks, not to mention the required post-distribution management and research for inbound payment questions. The program also gave the company a unique and direct communication channel to its sales professionals, who were usually employees of the dealership rather than Toyota.

The program's impact can be best illustrated with Toyota's most recent new market entry. When it launched the program, Toyota was entering the US truck market, a challenging segment traditionally dominated by a few select manufacturers. "When we launched our program, we decided

to utilize the unique channel it gave us by putting the newly introduced Tacoma truck on the program website and materials, and even on our Toyota Card," said Warren Keckeisen, Incentives Administration Director, Toyota Motor Sales USA. "Our Citi Prepaid program allowed us to communicate directly with our individual sales professionals to educate them on our new truck line, and it also allowed us to dynamically reallocate our incentive structure and enhance their performance. It was a solution that came at the right time for us."

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