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Collaborate

Innovate

Consumer, Retail, and Healthcare Casebook

Global Transaction Services

citi®

“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 Consumer, Retail and Healthcare 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 branded consumer, retail and healthcare sectors 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.

contents

expansion and diversification in the consumer, retail, and healthcare industries

While many companies in the consumer, retail and healthcare sectors have fared better than those in other industries, with many posting strong results recently, the past three years have witnessed unprecedented economic challenges, and companies in these sectors have experienced liquidity, cost and supply chain pressures.

While top line financials at major consumer and retail companies have held strong through the cycle, there has been a need to shore up individual customer budgets through promotions, in turn creating pressures on corporate net income. Similarly, their suppliers and distributors have also felt the pinch, resulting in the need for consumer and retail companies to support and maintain the robustness of their supply chains. Competition in the industry has also intensified — both from developing market players, and from a growing credible threat posed by "private label" brands, which have benefited from improved packaging and consumer perception.

On the other hand, the healthcare industry (comprising pharmaceuticals, consumer hygiene and grooming, and biomedical and medical device industries) has historically been considered "recession-proof" as consumers require medication irrespective of the economic climate. However, in some cases, pharmaceutical companies that diversified into hygiene, personal grooming, and other consumer goods became more vulnerable to the recession as customers' personal incomes decreased.

While the experiences of consumer, retail, and healthcare companies differ to some degree, they are united by their desire to keep the needs of consumers at the heart of their strategies, and their need to adapt these strategies according to consumer confidence and changing priorities

Industry trends and challenges

Consumer and retail

Consumer goods

The past three years have been characterized by constrained credit for corporates and consumers, a reduction in discretionary spending, and a delay in big-ticket purchases. Companies often found themselves with cash locked in excess inventory during the crisis. Even those whose revenues were not seriously affected experienced constricted financing and were forced to prioritize working capital. With consumers moving to "private label" brands as household budgets were squeezed, branded consumer companies responded by introducing "value labels" or lower cost alternatives in their product ranges.

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With consumer demand now beginning to recover in some markets, companies are better able to align inventory with sales turnover once again. However, working capital remains a priority as companies seek to maximize cash available for business investment and expansion, particularly in new high-growth markets.

Supply chains have been put under pressure –both during the economic crisis and as the markets tentatively recover. Supply chains are affected by rising raw material and energy costs and sourcing problems as key suppliers experience their own liquidity constraints. The economics of production are also influenced by a growing recognition for sustainable production and sourcing, and an increased focus on distribution to consumers in growth markets. Understanding changing customer behavior and demand is of critical importance to help refine product and distribution strategies, and maintain customer loyalty. Consequently, consumer goods companies are seeking new ways of attracting, maintaining, and delivering to customers, while gaining insights into their buying behaviors.

Retail

The experience of retailers over recent years has been similar to that of consumer goods companies, with major retailers posting increasingly healthy revenues as economies recover. Large retailers that have always operated on tight margins have balanced out the fluctuations in customer demand through competitive pricing and creative promotions. Product lines are being rationalized to enable higher-volume purchases, and "own-brand" products that can be delivered at a lower cost are becoming more prevalent, especially in Europe and the United States.

Retailers are also challenged to compete with — and embrace — a wider range of retail models, such as online sales, mass retailers and discount clubs, as customers' appetite to seek the best pricing increases.

"Working capital remains a priority as companies seek to maximize cash available for business investment and expansion, particularly in new high-growth markets."

In addition to offering competitive pricing, retailers are seeking to encourage greater customer loyalty in-store and online by enhancing the customer experience. This requires a considerable focus on understanding customer demands and buying patterns, and the use of incentives to encourage and reward repeat business. In the US for example, 53% of beverage and 45% of food were sold on promotion or coupon in 2009.

Healthcare

Hospitals

Whatever the economy, people still require medical care for illness or injury, hence while the number of people taking out private healthcare plans in markets like the US fell during a period of job losses and income vulnerability, hospitals in general have been largely shielded from the crisis. A number of institutions have however been affected by a drop in non-operating revenues, such as endowments, and access to financing and fund acquisition has become more challenging.

Pharmaceuticals

The pharmaceutical industry has been less seriously affected by the crisis than other sectors, but has still experienced a decrease in sales. The industry has found it more challenging to fulfill growth plans, due to lower revenues and constrained borrowing opportunities. But with 4 to 6% growth forecast in the pharmaceutical industry over the next few years, with a projected value of USD975 billion by 2013, the opportunities are substantial as economic fortunes recover.

A major concern, however, is the "patent cliff". Patents on at least 91 "blockbuster" drugs, with a current value of USD150 billion, are due to expire by 2016. This includes nine of the 10 top drugs globally, with serious implications for the originating firms in terms of direct revenue and increasing competition from generic pharmaceutical companies.

To manage the financial impact of patent expiries and to maintain competitiveness, a number of companies are seeking to strengthen their brand positioning and to diversify their revenue sources. The need to quickly develop new revenue streams has also resulted in consolidation in the industry, with pharma companies buying or merging, to either diversify products lines (into biologics or vaccines, for example) or expand research capability.

These are undertakings that will require significant financial investment — which may not be easy to obtain in the continued climate of constrained liquidity.

Medical devices

The medical devices industry has proven the least vulnerable to recession, with a continuous growth rate of around 9% annually, as a result of steady government spending on healthcare and the needs of an aging population. Companies are continuing to invest heavily in research and development to support future innovation and growth.

Responding to the new economic reality

For consumer goods companies, investment in production and distribution, particularly in developing markets, protecting margins through efficient supply chains and customer acquisition and retention will be critical to continued success.

For healthcare companies, the combination of the "patent cliff", an increase in generics, and the economic slowdown may have the potential to create a perfect storm for many companies. Companies are positioning themselves to ride the storm and build future success by reducing their reliance on "blockbuster" drugs and products, expanding their geographical footprint, and reducing production costs.

Evolving corporate strategies among consumer, retail, and healthcare companies require flexible banking solutions from experienced providers to optimize cash flow, enhance efficiency, and increase the resilience and flexibility of the financial supply chain. Citi supports thousands of companies globally across these industries, and has a proven track record of delivering innovative, pragmatic solutions that facilitate customers' business strategies and enable them to achieve their financial goals.

Mergers and acquisitions (M&As)
A striking development since the economic downturn has been the increase in M&As across the consumer, retail, and healthcare sector, reflecting a significant change in companies' business models. This trend is expected to continue or even accelerate as companies seek to create momentum in their expansion plans and capitalise on new market opportunities.

During 2009, for example, the markets saw a number of highly significant acquisitions.

"Working with a banking partner who is experienced in supporting cross-border M&A and who has the tools to facilitate rapid visibility and integration is key to managing the impact of M&A effectively."

In the consumer goods industry, there were important deals in mature and developing markets. Pharmaceuticals also continued to extend their product set and research capabilities via M&A, with some high-profile deals bringing significant biologics and vaccines and a variety of consumer health products to acquiring entities. Larger companies have also been active in acquiring smaller, biomed companies that add significantly to their future revenue opportunities. The medical devices industry has also seen an increase in M&As, growing to well above 200% of 2009 levels.

With the likelihood of continued industry consolidation and demergers as companies realign their business strategies, there is pressure on treasurers and finance managers to integrate new entities quickly into existing account structures to gain visibility and control over cash, and manage risk at a group level. This can be challenging when acquired entities have disparate partner banks and different payments, collections, and treasury technology. Treasurers are playing an increasing role in supporting M&A activities: from arranging acquisition finance through to integrating new assets into the business. This involvement is critical as treasurers need the ability to anticipate and address the significant implications of all M&A activities on liquidity and risk.

Working with a banking partner who is experienced in supporting cross-border M&A and who has the tools to facilitate rapid visibility and integration is key to managing the impact of M&A effectively. For example, establishing centralized financial processes (as demonstrated by Newell Rubbermaid and Minor Group), and leveraging multi-bank electronic banking tools, such as Citi's TreasuryVision®, enables rapid visibility over group balances. Payments can be standardized through CitiDirect® Online Banking, Citi's web-based banking platform. And multi-currency payments can be supported from a single shared service center through Citi's Integrated Payment Services, which includes WorldLink® Payment Services, the bank's cross-currency and cross-border payment tool. WorldLink enables payments to be made in 137 currencies from a single account. For instance, it is used effectively by companies such as DKV Globality, part of the International Health Division of Munich Re, for making claims payments globally.

As the experiences of these companies illustrate, frequent acquisition typically results in the group's customer and supplier base expanding geographically, requiring a banking partner with global reach and extensive experience that can match the company's current and future needs.

Expanding into high growth markets

As purchasing power strengthens, state health insurance expands, and public focus on health increases in developing markets, the Asia Pacific region becomes increasingly important to companies in the consumer goods, retail, and healthcare sectors. For example, China is now the third-largest market for pharmaceuticals after the US and Japan, and is projected to grow at 20% annually. Fast-moving consumer goods companies have opened new bottling plants and other major infrastructure to support new consumer demand.

"Emerging markets such as China and India are not only important as new consumer markets, but companies headquartered in these countries are also expanding rapidly and emerging as significant competitors."

High growth markets such as China and India are not only important as new consumer markets, but companies headquartered in these countries are also expanding rapidly and emerging as significant competitors. This is due to a high level of investment in research and development, and the ability to seize opportunities to produce generic drugs as patents expire. For example, it is predicted that annual sales of new generics will grow by around 29% to USD10 billion over the coming years.

Growth opportunities are not restricted to Asia Pacific. Brazil has proven largely resilient to the crisis, sustained by high commodity prices and a growing middle class. Already the 10th largest economy in the world, with efficient and automated financial markets, there are high expectations that Brazil's success will continue strongly, with the potential to become the fourth largest market by 2050. Africa is also becoming increasingly significant for sourcing and consumer markets, as is the Middle East. However, Western companies with strong brands and geographic reach cannot take new markets for granted. China has eclipsed the US as Brazil's largest trading partner, and Chinese trade with the Middle East is growing rapidly. Trade between Latin America and Africa is also increasingly significant, such as between Brazil and the rest of South America, so Western multinationals can expect to experience considerable competition from emerging multinationals from these regions.

Not only is there a geographic shift in key growth markets, but demographic changes are having a considerable impact on the consumer goods sector. The percentage of over-60s is expanding by 2.6% annually, more than double the overall population increase and the fastest growing population group. Thirty percent of the population in mature markets will be over 55 by 2030 (UN Population Division), and companies are targeting their product and marketing strategies accordingly. Health and wellbeing are becoming increasingly important, as is the trend towards environmental and ethical sourcing and production. However, within an environment of evolving customer demand and growing competitive pressures, companies are tasked to retain margins and secure customer loyalty.

Companies seeking to extend activities into new territories, either organically or through M&A, need the confidence that their banking partner can steer them through uncharted regulatory complexities and help them maximize the opportunities that new markets present. Working with unfamiliar customers and suppliers in new markets increases the need for trade instruments such as letters of credit. In some countries, using letters of credit for international trade is now an obligation. Supply chain and distributor financing, in new and existing markets, can be a valuable way of strengthening the financial supply chain. Cash and liquidity management solutions enable cash to be mobilized across the group to address local cash-flow requirements without resorting to external financing, pay down debt, and maximize investment opportunities. Citi combines in-depth knowledge and expertise in each market, with the regional and global cash management and trade solutions to mobilize cash successfully.

Optimizing cash and working capital

While the cost of external financing has increased, so too has the need to undertake capital expenditure and business investment to maintain competitive advantage. Consequently, consumer, retail, and healthcare companies are focusing on optimizing working capital. According to REL's Annual Working Capital Survey 2010, some industries such as food and beverages have made considerable improvements in working capital, and these rank among the global leaders. Pharmaceutical companies currently lag behind other industries in working capital metrics such as days payable outstanding (DPO), days sales outstanding (DSO) and days inventory outstanding (DIO), as these factors have not been a priority in the past. With an average days working capital (DWC) of 85 days for European pharmaceuticals, compared with 46.9 days for the top 1,000 European companies, there are significant improvements that can be made. While US companies have fared a little better, according to the same research, US companies alone have USD71.4 billion tied up in working capital, around 30.6% of the overall working capital potential.

Citi has implemented a variety of techniques for its consumer, retail, and healthcare customers that are quickly resulting in major improvements to working capital metrics and the financial health of these customers' businesses.

Efficiency in payments

Large multinational companies have often been successful in enhancing their payments process through shared services or payment factories, and there are a number of benefits that can be derived by implementing an end-to-end procure-to-pay solution. A truly efficient payments cycle requires automation of each stage of the chain, from purchase-order management through e-invoicing to approval and payment. By doing so, companies can reduce costs, enable visibility throughout the process, increase compliance with workflow requirements, enhance reconciliation, and control the timing of payment as part of a wider working capital strategy.

Accelerating collection and reconciliation

Centralizing and mobilizing cash, and making payments, are critical elements to an effective working capital strategy, but arguably, the most important aspect is to collect cash in a timely fashion, and ensure prompt reconciliation. In turn, this enables customer credit lines to be freed up quickly, allowing customers to do more business. Hence, collections is an area that a number of consumer goods companies have been seeking to improve. Citi works closely with customers to create solutions that are highly specific to their needs — such as setting up virtual accounts for Coca-Cola Beverages in India, into which customers make payments — enabling rapid reconciliation and account posting.

Supplier financing

Consumer goods companies often rely on smaller suppliers who may themselves have been experiencing working capital challenges, particularly as their customers seek to extend payment terms or simply delay payment. These suppliers typically find it more difficult and expensive to secure working capital financing, leading to the risk of business disruption to their customers. In the case of key suppliers, this could pose a major risk to a company's supply chain.

Citi has invested heavily in structures and program designs that are approved by major external auditors, enabling companies such as Benetton to support their suppliers by offering invoice discounting at a competitive rate, while maximizing its own days payable outstanding (DPO). Suppliers have the option of discounting invoices when required, and receiving immediate payment from the financing bank. The company providing the program then makes a single payment to the bank on an agreed date for the relevant invoices. Although supplier financing and similar programs such as distributor financing are not new, they have emerged with renewed focus in the new economy, bringing working capital advantages to the buyer and its suppliers, increasing the resilience of the supply chain and strengthening relationships between commercial partners.

Cash visibility and optimization

As consumer, retail, and healthcare companies expand geographically, it becomes vitally important to maintain central visibility and control over cash flows so that cash, risk, and financing decisions are made in the overall interests of the group. This becomes even more challenging, yet essential, when engaging in M&A. Citi has been helping companies to establish regional and global treasury centers and integrate M&A for many years, and enabling treasurers to maintain central visibility of cash balances. Although difficult to achieve when working across multiple regions and with multiple banking partners, it is impossible to make strategic cash-flow decisions and mobilize cash effectively without accurate and timely cash visibility. By using Citi's multi-banking tool, TreasuryVision, as was done by Orascom Hotels and Development, treasurers gain visibility over their global cash balances and enhance their forecasting capability. In-country, regional and global cash pooling solutions then enable treasurers to centralize cash flows to meet the cash-flow needs of their businesses.

This could include inter-company lending (using surpluses in one part of the business to finance deficits in another), paying down debt, or centralizing investment to manage risk and maximize returns.

"Although supplier financing and similar programs such as distributor financing are not new, they have emerged with renewed focus in the new economy."

Card programs

Companies across the consumer, retail, and healthcare industries are becoming increasingly aware of the merits of commercial card solutions as a means of managing travel and entertainment (T&E) expenses and ensuring that procurement spend is performed in line with corporate processes, as illustrated by Astra Zeneca. There are considerable economic benefits to be gained from the use of commercial cards, including rebates, workflow efficiencies, ease of reconciliation, tighter control over costs, and increased buying power with key suppliers. Multiple payments to suppliers with varying payment terms and due dates are replaced by a single payment of a known amount on an agreed date. While most banks promote card programs regionally or in-country, banks with long-standing experience worldwide such as Citi deliver creative and cohesive programs on a global basis.

In addition to purchasing and T&E cards, prepaid cards have proved increasingly attractive to consumer goods companies, such as KitchenAid (part of the Whirlpool Group), that have used local-currency Visa® or MasterCard® prepaid cards as a means of delivering highly attractive incentives for customer acquisition and retention. Prepaid cards also enable companies to pay incentives to staff and distributors without the cost and risk associated with cash or check payments.

Centralization and integration

With companies in the consumer, retail, and healthcare sectors focusing on reducing costs and maximizing cash for investment in R&D, product innovation, and geographic expansion, there is increased focus on centralizing and rationalizing systems and processes to enhance efficiency. There is also a growing focus on using liquidity management techniques to concentrate cash and optimize interest. Citi is supporting clients' efforts with expertise, solutions, and technology that can be integrated closely within their businesses. This includes pioneering proprietary solutions and leading the industry in promoting SWIFT Corporate Access and packaged solutions for companies setting up shared service centers. Comprehensive in-country, regional, and global pooling solutions, physical and notional, enable cash held with multiple banks globally to be centralized, thereby maximizing yield.

By creating bespoke customer solutions that recognize their individual requirements, Citi enables companies to utilize intercompany financing and net cash surpluses and deficits to reduce the need for external financing, respecting local fiscal and tax regulations in each country in the process.

Looking ahead

The consumer, retail, and healthcare industries face challenging times ahead, but a new economic environment also creates new opportunities. The demands on businesses created by changing demographics, evolving consumer behavior and requirements, and geographic diversification pose fresh growth opportunities for companies that are sufficiently equipped. The right banking partner can help these companies to better understand regulatory implications, manage payments and collections requirements, support supplier and customer initiatives, and contribute to business success. Citi has the experience, global footprint, solution breadth, and technological innovation to enable consumer, retail, and healthcare companies to respond to the current challenges and to position their businesses for success now and in the future.

Evolving corporate strategies among consumer, retail, and healthcare companies require flexible banking solutions from experienced providers to optimize cash flow, enhance efficiency, and increase the resilience and flexibility of the financial supply chain.

Citi has the experience, global footprint, solution breadth, and technological innovation to enable consumer, retail, and healthcare companies to respond to current challenges and to position their businesses for success now and in the

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efficiency in payments

In today's increasingly complex global market, making payments efficiently and cost-effectively remains a priority for consumer, retail & healthcare companies. Citi's global network, technology platform and broad-based capabilities help us deliver seamless payment solutions that reduce costs, increase control and improve efficiencies throughout the procure-to-pay cycle.

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DKV Globality

Creating a global payment solution with WorldLink® Payment Services

DKV Globality, established in Luxembourg in 2008, provides private health insurance to expatriates around the world and is part of the International Health Division of Munich Re.

The challenge

DKV Globality's treasury department wanted to set up a cash management function that would run efficiently and at an optimal cost. The function would need to make payments in many currencies to beneficiaries around the world, provide timely and accurate foreign exchange conversion information, control the costs of single transactions, be reliable and secure in all countries, have automated reconciliation processes, and be useable by Munich Re subsidiaries worldwide.

The solution

DKV Globality appointed Citi as its transaction banking partner in 2008 to provide a range of cash management services through WorldLink® Payment Services, a complete international payments solution that allowed its users to make secure, efficient, crossborder payments in more than 135 currencies, without having to maintain multiple currency accounts.

One of WorldLink's biggest attributes is its ability to save costs since it eliminates the need for multiple foreign currency accounts and associated idle balances, as well as the extra charges and time consuming reconciliation that are often required.

WorldLink also facilitates systems integration – it submits payment instructions from the client's ERP system via a Citi® File Xchange host-to-host solution, known as CP2E. Account statements, payment reports, and status updates on the payments are then fed back into the ERP.

Other features of WorldLink are that it minimizes risk by reducing check fraud, counterparty risk, clearing and settlement risk, and currency devaluation; provides competitive foreign exchange rates; streamlines clearing; and allows Munich Re subsidiaries to be added under a new WorldLink identity using the same set-up procedures.

The result

By using WorldLink, DKV Globality's treasury department has cut its international payment costs; integrated its payments systems; and minimized the risk of check fraud, counterparty default, clearing and settlement, and currency fluctuations.

> "By using WorldLink our clients have benefited from greater reliability and a quicker turnaround within the claims settlement process."

Thomas Merten, DKV Globality's Chief Executive Officer, says: "Through WorldLink, we have achieved a transparent and lean

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accelerating collection and reconciliation

A critical component of any working capital strategy is establishing process efficiencies to unlock cash trapped in the order-to-cash cycle. For consumer, retail & healthcare companies, streamlined collections and rapid reconciliation free up credit lines, thus allowing customers to do more business. Citi works closely companies in these sectors to create receivables solutions that improve efficiencies and extract liquidity from their supply chains.

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Hindustan Coca-Cola Beverages

Virtual accounts facilitate electronic funds transfer and auto-reconciliation

The Indian operations of the world's largest non-alcoholic beverage company include 22 bottling operations and eight contract packers.

The challenge

In recent years, the Reserve Bank of India has encouraged corporates to switch from paper-based clearing to electronic payments using the Real Time Gross Settlement (RTGS) and National Electronic Funds Transfer (NEFT) systems. At the same time, Coca-Cola wanted to make the switch to electronic payments from its 5,000 customers in India in order to improve efficiency. However, RTGS and NEFT limit remitter information, making it impossible to identify the source of funds or to reconcile payments. Coca-Cola wanted to resolve this problem with a system that automatically updated and reconciled customer credit information to ensure that goods were dispatched promptly and sales maintained.

The solution

Citi proposed a virtual accounts solution to allow Coca-Cola to realize its receivables in a fast, reliable, and efficient manner. The targeted enrollment was about 5,000 and virtual accounts were created and linked to Coca-Cola's 30 operating units' accounts across India. Customers would remit funds to these virtual accounts allowing their source to be noted and enabling automatic reconciliation in real-time. Once the funds reached Coca-Cola's operating unit accounts, they could be concentrated in a centralized account at Head Office.

The solution included a half-hourly statement sent using a secure web-based protocol and host-to-host connectivity with customer code, customer name, and other information in a comma-separated value format. This enabled the data to be interpreted by Coca-Cola's system as different fields and facilitated auto-updating.

Citi's solution created customized reports provided on a daily and monthly basis for reconciliation at operating units and regional level. In addition, Coca-Cola would receive email alerts at operating unit level when customers remitted funds so that goods could be dispatched.

The result

Citi implemented Coca-Cola's efficient receivables management solution, starting with 50 virtual accounts and reaching 4800 virtual accounts for the company's customer network. The solution has minimized manual reconciliation by providing credit information about customer activities. Coca-Cola's ERP systems can now automatically update and the company will be less dependent on its service channels. Coca-Cola's 50-55% collection is now through virtual accounts.

The system is helping Coca-Cola:

- Be eco-friendly by cutting usage of paper-based instruments and supporting documents, which also saves on courier costs.

- Reduce turnaround times from two days to a couple of hours.
- Lower value-at-risk due to immediate credit.
- Gain a cost-effective alternative to demand draft customers.
- Save costs by lowering collection/ instrument charges for the system.

"The e-collection initiative with Citi has given us tremendous advantages by improving service to our customers, reducing value-at-risk and float-of-funds in the banking system by two to three days, saving on cost of direct debit instruments and bringing in efficiencies to our back-end processing by automating the process from the customer to the books of account," says Gunjan Dhawan, Corporate Treasurer for Hindustan Coca-Cola Beverages.

Citi's solution created customized reports provided on a daily and monthly basis for reconciliation at operating units and regional level.

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PepsiCo India Holdings Private Limited (PIH)

Pooling and E Collect: a comprehensive cash management solution

PIH operates a diverse and extensive distribution model encompassing over 3,000 dealers across India.

The challenge

Historically, PIH's collection and manual reconciliation were primarily paper-based, leading to increased costs and time for managing receivables from dealers.

PIH wanted to move a large part of its receivables to an electronic model that had a strong focus on the availability and visibility of funds, without compromising reconciliation. Complete visibility of remitter information was of prime importance to enable PIH to identify sources of funds. This was supported by a robust MIS to automatically update PIH's system, enabling the reconciliation of customer credit information, and leading to a prompt and timely dispatch of goods.

PIH also wanted to utilize the funds in various bank accounts effectively, with complete visibility and control over them and without manual intervention. It wanted a structure compliant with Indian regulations relating to the intercompany transfer of funds, concentrating the company's cash balances in a single entity in India, thereby reducing external funding costs.

The solution

Citi India proposed an E Collect solution to allow PIH to realize its receivables in a faster, more efficient, and more reliable manner. Citi further proposed a three-tier, automated, zero-balancing cash-pool structure that would ensure funds did not co-mingle.

The E Collect solution involved the assignment of a unique four-digit prefix, followed by a dealer code, to each PIH unit office, both of which remitters would state when sending funds via Real Time Gross Settlement (RTGS) and National Electronic Funds Transfer (NEFT). This ensured the solution would be user friendly as it limited customer input errors and offered the capability to immediately reject transactions failing validation. Importantly, this enabled real-time credit, followed by instant alert and hourly intraday MIS in a format that would enable auto reconciliation in PIH's ERP system. The solution further included daily, weekly, and monthly MIS for analysis and reconciliation at operational and regional levels. It also facilitated real-time remitter notification through SMS and email, ensuring an increase in dealer acceptability.

To address the visibility and effective utilization of funds, Citi structured a three-tier, automated, zero-balancing sweep structure using an operation account at the first tier and an entity-level account and header account in second and third tiers, respectively. The structure was designed with an adherence to government regulations in mind. The biggest challenge was the cumulative tracking of the movement of funds between entities and the confining of fund movements between the parent and subsidiaries as per the limits set by the Indian Companies Act. This meant that the pooling of funds should automatically stop when it reached the level set by the regulations. Furthermore, the solution was designed to take care of interest allocation between the borrowing and lending entities as per the regulations, with a detailed, date-wise MIS for the interest allocation and the movements of funds between entities.

The result

In its first phase, the E Collect solution was implemented, piloted, and moved to production, followed by the cash pool structure. The solution quickly gained customer acceptance, resulting in a substantial increase in PIH's collections. The solution also enabled auto reconciliation as Citi's robust MISs were in PIH's ERP system in an uploadable format. PIH is no longer dependent on the bank to do any kind of preliminary work before rolling in customers under this model. The company also benefited through a reduction in collection costs and improved cash-realization times.

Having centralized its account balance, PIH now enjoys the optimum utilization of cash balances, reduced interest costs, and increased operational efficiencies, without losing focus on regulatory compliance. The solution also facilitates the accounting of inter-entity funds transfers through the development of the MIS, which was uploaded to PIH's ERP system.

PIH now enjoys the optimum utilization of cash balances, reduced interest costs, and increased operational efficiencies, without losing focus on regulatory compliance.

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Diageo Russia

Innovative receivables program shares risk and improves working capital

Diageo is the world's leading premium drinks business and established its presence in Russia in the early 1990s.

The challenge

In 2008, Diageo Russia decided it wanted its 100 distributors to take early delivery of November/December goods (the drinks industry's peak period) in September/October to mitigate some operational challenges. In return, it offered the distributors extended credit. "As the financial environment worsened, the company became unwilling to assume a similar exposure in 2009 and sought an alternative solution to manage the risk while achieving the same operational objectives," explains Selim Baraz, Finance Director for Russia and Eastern Europe Region for Diageo.

The solution

Diageo Russia began negotiations with Russian insurance company ROSNO (which is 97% owned by Allianz/Euler Hermes) to insure some of its exposure to the distributors in summer 2009. "We rapidly recognized that this insurance policy afforded us a greater opportunity than simply managing the risk of our distributors," says Baraz. "In early 2008, we had talked to Citi — our main bank in Russia and a long-time partner domestically and internationally — about receivables finance. However, given the exposure to a number of small domestic distributors, the only possible solution at the time entailed full recourse, which failed to get the risk off our balance sheet, and was consequently rejected. The insurance policy made a non-recourse program possible."

Citi developed an innovative Credit Insurance Account Receivables program that leveraged the cost of Diageo Russia's insurance policy with ROSNO more effectively. "By combining ROSNO's insurance with a factoring program to monetize Diageo Russia's receivables and improve cash flow, the company was able to achieve two objectives at once: managing risk and reducing working capital," says Baraz.

The result

A deal between Citi and Diageo Russia was signed in mid-2009. On 31 December 2009, a first tranche of receivables was financed through the Credit Insurance Account Receivables program. The parties expect the program to be expanded to a wider universe of distributors in 2010.

Although documentation for the program was time-consuming in order to meet the needs of Diageo Russia, ROSNO, and Citi, its implementation went smoothly. Diageo Russia has improved its working capital — and offloaded its receivables from its balance sheet — through a receivables financing program that was feasible only because of Citi's innovative risk-sharing with ROSNO. Diageo Russia is currently considering whether

"By combining ROSNO's insurance with a factoring program to monetize Diageo Russia's receivables and improve cash flow, the company was able to achieve two objectives at once: managing risk and reducing working capital."

Diageo

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Nigerian Bottling Company (NBC)

Two-part solution delivers secure and transparent receivables collection

NBC is the market-leading soft drinks manufacturer in Nigeria. It has 13 bottling facilities and over 75 distribution warehouses located across Nigeria.

The challenge

NBC, a subsidiary of Coca-Cola Hellenic, the producer and distributor of Coca-Cola beverages worldwide, has a vast network of distributors across Nigeria. NBC wanted a convenient, reliable, and secure way of collecting receivables from its customers, and an efficient method of managing its accounts receivables.

NBC wanted to receive credit from distributors immediately and the ability to view distributors' payments in real time. The company required reliable web-based access to detailed account information for control and reconciliation. NBC also needed real-time notification for credits made into its accounts.

The solution

Citi created two integrated solutions — determined by the size of distributors — to meet NBC's requirement to eliminate cash payments and give it an effective accounts receivables process.

For large distributors, a mobile point-of-sale (POS) terminal supported by Interswitch was proposed. This solution offered the same certainty as cash payments, with sales reflected in NBC's operating account immediately following a transaction between a salesperson and merchant.

For around 150 smaller merchants who do not have the volume of business to warrant the POS terminal-based system, an innovative alternative was proposed. Working with three correspondent banks, which had over 600 branches nationwide, smaller merchants were issued with checks that were pre-filled with NBC's payment details. These were collected by NBC's deliverymen. This solution gave NBC the payment security it needed because checks could not be issued on accounts with insufficient funds. Moreover, by using a book transfer between the correspondent banks and Citi, NBC received the value of checks on a same-day basis.

The result

The mobile POS terminal solution for larger distributor-designated key account buyers was implemented in 2008. The solution for smaller merchants, using correspondent banks and checks, is being progressively rolled out with the ultimate objective of completing the implementation across NBC's 13 plants in Nigeria, each of which manages a local dealer network.

NBC has gained the visibility of its payments and balances through Citi's two-part solution. Through Citi's partnership with local banks, many small merchants — previously among Nigeria's 40 million unbanked people — now have the ability to make low-value

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cash visibility and optimization

As consumer, retail & healthcare companies expand globally, it becomes vitally important to maintain central visibility and control over cash flows. Citi's liquidity tools and solutions can help deliver real-time visibility and actionable analytics that improve strategic decision-making and risk management.

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Orascom Hotels and Development (OHD)

TreasuryVision® web-based service increases visibility and control

Egypt-based OHD develops and operates leisure and residential facilities in Egypt, the UAE, and elsewhere in the world.

The challenge

Egypt's OHD, which operates in the real estate, hotel management, and development management markets, has relationships with six local banks and a number of foreign banks, including Citi, in its home market. The multiplicity of bank interfaces associated with these different relationships meant that it was difficult for the company to access closing positions for each account and across its banks as a whole. Moreover, even to obtain imperfect information about bank positions required considerable resources that could be better used on other treasury activities. The absence of reliable information made forecasting and liquidity management difficult.

The solution

Citi was appointed by OHD to implement its web-based service TreasuryVision®. The service increases visibility and control so that treasury organizations can view their overall positions and forecasts and more effectively manage liquidity and risk across multiple corporate entities. Crucially for OHD, TreasuryVision offered multibank connectivity without losing the ability to offer enterprise-wide visibility of global financial information aggregated within a single service.

TreasuryVision offers multibank connectivity without losing the ability to offer enterprise-wide visibility of global financial information aggregated within a single service.

Phase one of the project is complete and targeted OHD's six local banks. Each bank was required to send a SWIFT message to Citi to enable the solution. OHD's accounts were then moved onto TreasuryVision to ensure that they reflected the correct balance — something that had not always occurred in the past when OHD had sought to access account data across different accounts. While the majority of local banks responded efficiently to Citi's requests inevitably a handful proved more difficult to work with.

Phase two of the project, covering international banks, is expected to be complete by the end of 2010.

The result

Already, as a result of phase one, OHD has sharply reduced the amount of treasury employee time spent on retrieving balance information from multiple banks through the use of the single TreasuryVision platform. The solution has consequently freed up resources to focus on higher, value-added treasury tasks. OHD now has clear visibility of its end-of-day positions by the following morning.

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InterContinental Hotels Group (IHG)

Streamlining short-term investments for the global hotel group

InterContinental Hotels Group's estate exceeds 650,000 rooms in 100+ countries.

The challenge

Having moved from an ownership model to managing and franchising hotels, IHG has focused on optimizing working capital, from ensuring efficient collection of revenues from franchisees to streamlining short-term investment management processes. The desire to reward participants in its financing rounds means IHG restricts its short-term investment policy to relationship lenders. But investing in these providers' money market funds directly proved very manual and time-consuming for IHG's small dealing team. Consolidating statements from different fund managers was a further burden on resources.

The solution

During a relationship review meeting with Citi in the first quarter of 2008, the client manager introduced Citibank® Online Investments, a new, easy-to-use module of CitiDirect® Online Banking, which enables clients to invest in a wide range of financial institutions' money market funds and time deposits. Citi's investment portal can automatically settle transactions to client accounts held in 21 different countries and offers investments in 17 currencies including several types of direct investments and over 80 money market funds in the US and offshore. It further supports the streamlining of short-term investments by allowing clients such as IHG to add new fund managers without needing to complete additional documentation.

With an interest in accessing multiple suppliers' funds from a single platform, IHG's dealing team reviewed the capabilities of Citibank® Online Investments via a Citi Online Academy session before completing necessary documentation and beginning to trade within a week.

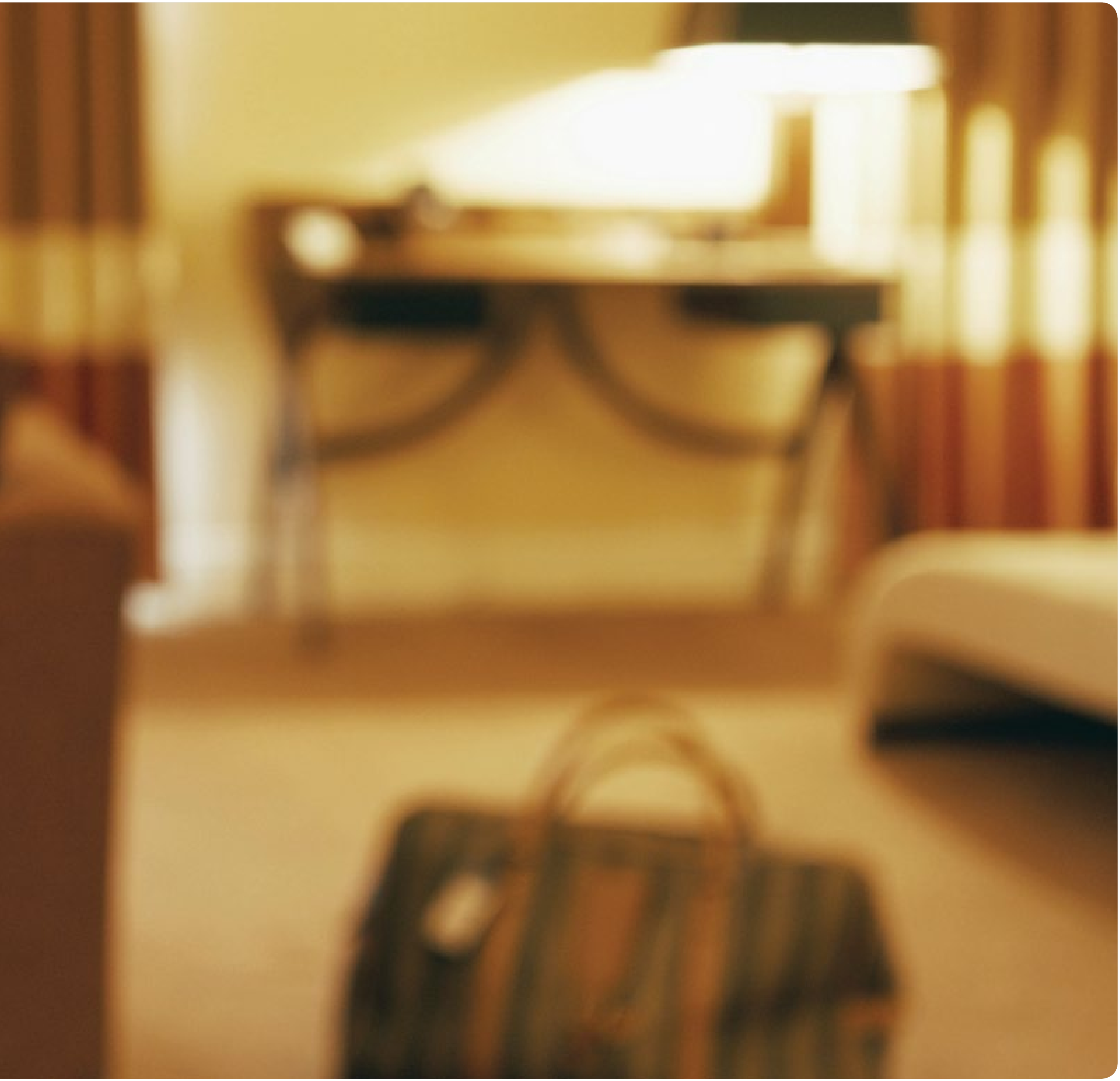
The result

IHG's dealing team now has substantially more time to focus on making short-term investment decisions, rather than deal with the administration of its choices. Moreover, IHG has streamlined its reporting processes and uses Citibank Online Investments to view yield information, dividend accruals, and export reports on holdings.

"Partly because we were already very familiar with CitiDirect, we soon benefited from Citibank Online Investments' ease of use. The ability to book all deals on a single platform has made our investment processes significantly faster," says David Daniels, Assistant Treasurer, IHG. "Citi provides balance reporting to our relationship banks so they can see how much we are investing with them each day. A streamlined approach to investment enables us to deal with multiple relationship banks quickly and effectively supports the group's overall management philosophy

"A streamlined approach to investment enables us to deal with multiple relationship banks quickly and effectively supports the group's overall management philosophy of strong relationships and cost-efficient processes."

InterContinental Hotels Group



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Kimberly-Clark

An integrated approach to financial process outsourcing

Kimberly-Clark is an American company that operates in 35 countries, and sells its products in 150 countries. As a world-leading health and wellness company, Kimberly-Clark delivers products that have become part of people's daily lives. Kimberly-Clark has been present in Brazil since 1996, when it began operating in the country through joint ventures.

The challenge

Citi has established a longstanding relationship with Kimberly-Clark in Latin America, providing local cash management solutions. In the past five years, Citi Brazil has made the cash management relationship more robust. As the relationship developed, Citi started to assist Kimberly-Clark with cash management optimization, which was challenging due to regulatory constraints on investment in Brazil. During this project, it became apparent that the company was carrying very high staffing costs due to the significant manual effort required to conduct core financial processes such as reconciliation. Furthermore, the difficulty with decentralized cash-flow was a major impediment to optimizing liquidity and managing key working-capital metrics.

The solution

Citi experts spent a significant amount of time in Kimberly-Clark's offices to understand in detail Kimberly-Clark's business and financial flows, systems, processes, and customer communications. Based on this analysis and subsequent recommendations, Kimberly-Clark recognized the considerable benefits of Citi's Business Center solution for outsourcing its payments, collections, and foreign exchange back-office activities. A team of 16 professionals is now dedicated to managing Kimberly-Clark's financial processes, supported by the product and operations team. Specific 0800 telephone lines have also been established for Kimberly-Clark's clients and suppliers to enable a highly personalized, professional service.

> "Outsourcing our financial processes to Citi's Business Center has resulted in major improvements in key working-capital metrics as well as cost reductions. Suppliers and customers receive a highly professional service, and by centralizing processes, we are able to manage our cash more efficiently."

The result

Kimberly-Clark has significantly reduced the cost of managing its financial activities for which it pays a fixed monthly fee. Its cash-flow cycle has accelerated considerably, with a reduction in customer overdue ratio from 6% to 4% and a similar improvement in payment efficiency. Besides making improvements to individual processes, outsourcing to Citi's Business Center has enabled Kimberly-Clark to benefit from a fully integrated solution that included people, processes, bank systems, and integration. In doing so, Kimberly-Clark has been able to achieve 80% bank centralization of its cash flow and therefore achieve high visibility and control over its cash.

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supplier financing

A robust and stable global supply chain is critical to the ability of consumer, retail & healthcare companies to meet customer demand and fuel growth. As sourcing capital remains challenging, clients in these sectors have been relying on Citi's supply chain solutions to balance working capital optimization objectives with stabilization needs across their global supply chains.

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Benetton

Facilitating the expansion of trade operations with a bespoke supplier finance solution

A premier clothing retailer with a global presence and extensive distribution structure, Benetton established a manufacturing presence in Tunisia in 1994. Proximity to Europe, low labor costs, a beneficial tax regime, and political stability combined to make Tunisia an attractive base for investment, and operations continue to expand. In Tunisia alone, Benetton has in excess of 600 direct employees and 190 individual suppliers representing around 15,000 indirect employees.

The challenge

Benetton's business model is predicated on a high degree of vertical integration, with goods for manufacturing sourced locally. Key to the effectiveness of this structure is an efficient supply chain; invoices need to be approved and the numerous individual suppliers paid within as short a time frame as possible.

The solution

In the first deal of its type in Africa, Citi radically streamlined Benetton's supply chain through implementation of a centralized financing structure. Benetton now inputs its invoices directly onto CitiConnect℠ (Citi's complete online transactions suite for buyers and sellers). Within 48 hours, suppliers receive payment directly from Citi — a significant improvement on traditional payment timelines. This solution provides suppliers with essential funding while also facilitating Benetton's use of a single credit line and a single interest rate for its Tunisian payments. Citi's service is enhanced by the provision of confirmatory SWIFT messages to suppliers regarding payments, thus enabling suppliers to make immediate use of these funds.

The result

This supply chain solution maximizes the synergy between Citi and Benetton's network and capabilities, allowing Benetton to capitalize on the business, cost and performance efficiencies of the structure. The success of the arrangement is clearly demonstrated by the exponential increase in supplier/transaction numbers and the strengthening of supplier relationships. At inception in November 2006, there were 18 transactions. Within two years, supplier numbers increased to 116. This is expected to reach 193 by the end of 2009. The success has led to further consolidation of the Citi/Benetton relationship, including the addition of salary transfers using CitiDirect® Online Banking (Citi's comprehensive web-based banking platform).

Benetton's contribution to the Tunisian economy was recognized by the Tunisian Prime Minister, who awarded the company the 2008 "Investor of the Year" title. Citi and Benetton's relationship continues to prosper and deepen, providing a successful partnership model for the Tunisian business community.

A representative from Benetton says: "Benetton is committed to its role as a significant business investor in Tunisia. In Citi, we have found a valued partner bank, whose flexible, innovative, and reliable financing solutions have facilitated the successful establishment and expansion of our manufacturing base. We look forward to the continued consolidation and success of this key relationship as we meet the challenges presented by the ever-changing

"In Citi, we have found a valued partner bank, whose flexible, innovative, and reliable financing solutions have facilitated the successful establishment and expansion of our manufacturing base."

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Bosch-Siemens Hausgeraete (BSH) Turkey

Web-based supplier finance supports working capital goals

Germany's BSH is a leading white goods manufacturer in Turkey with annual turnover of more than USD1.4 billion.

The challenge

A benchmarking study in the global white goods market showed that payment terms had lengthened to an average of 60 days. BSH Turkey's standard 30-day payment terms compared unfavorably to this average. The company decided to amend its payment procedures and sought a new banking partner to help it achieve this goal.

The principal criterion for selection was that the solution should be based around an electronic and automated platform to improve efficiency and reduce costs. Specifically, BSH Turkey wanted to simplify its procedures and reduce paper-based practices. A further requirement was that the solution be simple for staff to use.

The solution

The solution structured by Citi enabled the company to extend its payment terms to key strategic suppliers. In addition, it gave those suppliers the opportunity to access cheaper finance than would ordinarily be available, by allowing their invoices to BSH Turkey to be discounted in advance of the revised payment terms.

> The program has strengthened the operational capital of BSH Turkey. It has also deepened its commercial relationship with its suppliers.

CitiDirect® Online Banking, the bank's electronic banking platform, was used as the web-based platform for invoice information for BSH Turkey and its suppliers. Once an invoice to BSH Turkey is uploaded onto CitiDirect, the supplier can make an online application for finance. BSH Turkey uses CitiDirect to approve the payment and Citi then makes a book-to-book transfer in favor of the supplier or initiates an electronic funds transfer to a third-party bank.

The result

Implementation required detailed work to meet the accounting treatments required by BSH Turkey's auditors. At the same time, it was essential to keep documentation for suppliers to a minimum. Following meetings with stakeholders at BSH Turkey, suppliers, and Citi, the program was initially rolled out to 10 key suppliers. Following a successful launch it has subsequently been extended.

The program has strengthened the operational capital of BSH Turkey. It has also deepened its commercial relationship with its suppliers, which now have access to a discounting system that is easy to use and offers low-cost financing and additional credit

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cards programs

Innovative consumer, retail & healthcare companies have been utilizing commercial and prepaid card solutions to respond to increased competitive pressure. Citi's commercial card solutions enable companies to enhance workflow efficiencies, reduce costs and leverage purchasing power. Citi's prepaid cards offer businesses customized programs that engage and reward customers, increase brand loyalty, and enhance the customer experience.

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AstraZeneca

Close collaboration delivers best-in-class T&E program

AstraZeneca is a global, innovation-driven, integrated biopharmaceutical company with over 62,000 employees and sales of USD32.8 billion in 2009.

The challenge

In 2004, AstraZeneca was working with multiple card providers and had no standard expense management system. Consequently, the company required a high number of full-time equivalent resources to manage travel and entertainment (T&E) and suffered from a lack of visibility. In addition, AstraZeneca's compliance tracking was weak and its supplier usage tracking limited. The company decided it needed a single T&E card program across the 15 European countries, financed out of its regional hub plus the UK and Switzerland.

The solution

Citi was appointed to implement a T&E card program in 2005 to meet AstraZeneca's goals of reducing costs through increased transactional efficiency, eliminating local resource requirements, improving rebates, and enhancing compliance and the tracking of benefits.

Full implementation occurred in four phases. Firstly, Citi became the sole card provider, significantly lowering costs. Secondly, AstraZeneca migrated from individually-billed program to a centrally billed program. This reduced the time that its highly skilled workforce spent on expenses, ensured timely payment, maximized rebates, and increased control over reconciliation of credit card spend versus approved expenses.

In 2009, the third phase was implemented, integrating a standard expense management system and weekly transaction files from Citi. These were mapped onto a single standard file, allowing the automated population of expenses into expense and finance systems, with a consequent increase in spending visibility through global reporting. These phases were implemented in three years and delivered the expected results.

The fourth and most important phase of the program was optimization. AstraZeneca switched to direct debit payments to remove the need for manual payment processing each month and reduce the risk of late payment charges. Previously handled by program administrators in each country, the administration of the program was centralized and standardized in Manchester in the UK. At the same time, key controls were implemented.

In addition, an analysis of each country's spending and expenses was undertaken and problems in individual countries revealed by key performance indicators were addressed (such as a lack of compliance highlighted by high levels of out-of-pocket spending).

The result

AstraZeneca now has a best-in-class T&E card program that spans multiple countries and continues to grow with plans to implement additional countries, such as Greece, the Czech Republic, Slovakia and Hungary. It is fully integrated into the company's travel management company and expense management system, and is sufficiently streamlined to a low-cost provider.

The solution provides improved, consistent management information to help identify category management value opportunities and deliver a line of sight of T&E expenses back to budgets. It has resulted in substantially reduced T&E card operating costs and has also improved the level of rebates received.

The visibility and control afforded by the T&E program has given AstraZeneca improved financial transactional efficiency and management and enhanced compliance and tracking of benefits relating to preferred suppliers. Moreover, it has improved employee satisfaction and productivity.

AstraZeneca now has a best-in-class T&E card program that spans multiple countries and continues to grow with plans to implement additional countries.

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KitchenAid

The perfect blend of consumer incentives

A division of Whirlpool Corporation, KitchenAid has been a leading manufacturer of cooking and cleaning products for over 90 years with a focus on quality craftsmanship, versatile technology, and timeless style. With a strong focus on its customers, KitchenAid turned to Citi Prepaid Services to cook up the perfect solution for distributing consumer rebates.

The challenge

As a leader in cooking and cleaning products, KitchenAid is focused on the experience of its customers. The company was looking for a more convenient, effective and ultimately economical solution for the disbursement of its consumer product rebates. The traditional method of paper checks proved to be a challenging process to manage for the organization and cumbersome for customers. The cost and effort to produce, distribute, and reconcile these rebate checks was unreasonable and the delivery delays and inconvenience of having to go to the bank to get the rebate funds was not aligned with the overall focus KitchenAid places on its customers.

The solution

KitchenAid wanted a rebate delivery solution designed to provide a strong customer experience with faster payment delivery, greater convenience, and immediate rebate fund access. KitchenAid was also looking for a program that would allow it to streamline its rebate payment processes with fewer administrative resources and ultimately reduce the costs required to manage and distribute paper rebate checks.

Citi® Prepaid Services rapidly implemented a comprehensive, custom solution that quickly eliminated paper rebate checks and transitioned 100% of the company's rebate payments to electronic delivery loaded directly onto KitchenAid Visa® Rebate Cards. This automated solution facilitated easier and faster rebate delivery through a single, streamlined file process and created a better overall customer rebate experience. Even greater, the customized program packaging delivered a strong brand extension. The fully branded KitchenAid Rebate Card created a more positive and lasting impression on its consumer base than paper checks did, and provided a compelling marketing tool for its retail distribution partners.

The result

The Citi Prepaid Services' enhanced rebate program for KitchenAid, launched in August 2008, quickly eliminated the need to produce, distribute, reconcile, and reissue paper rebate checks, making KitchenAid's internal operations more streamlined and efficient, while outsourcing program management and customer service to Citi Prepaid Services.

More importantly, the rebate solution aligns with KitchenAid's strong focus on its customer experience, providing rebate payments that are delivered three times faster than traditional paper rebate checks. To date, KitchenAid has issued over USD3 million in rebates to over 80,000 consumer cards. These consumers enjoy instant fund access and purchasing power everywhere in the world where Visa debit cards are accepted immediately upon arrival.

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Men’s Wearhouse

Tailored paperless payroll

A leading provider of quality menswear, Men’s Wearhouse has been honored multiple times as one of the Fortune 100 Best Companies to Work For.

The challenge

Men's Wearhouse places a strong focus on its employees, one that has earned the company the honor of Best Company to Work For by Fortune 100. As part of this approach, Men's Wearhouse continually looks to enhance its employee experience. As Gulya Belchuk, Treasury Manager for Men's Wearhouse explains: "Our company is extremely employee focused, and we are constantly on the lookout for new benefits and innovations to improve our employees' experience with us." Men's Wearhouse was in need of a solution that would helped resolve payroll delivery delays and consistently provided on-time payments to their employees. The company was also looking to decrease costs related to the production, distribution, and management of paper paychecks.

The solution

"The opportunity to provide all of our employees with guaranteed, on-time, and immediate access to their pay was one we couldn't pass up. We wanted to help our employees without bank accounts. Those using check-cashing services and paying up to 5% of their pay to cash their checks would then gain easy, free, access to their pay. The Citi® Prepaid Services Payroll Choices Program enables us to do that." This solution delivered the tools to easily and quickly convert the company's employee base to a completely paperless and electronic payroll. The cornerstone of this program was Citi's Prepaid Payroll Card, a prepaid Visa card that allowed Men's Wearhouse to easily deliver electronic payments to its entire workforce, eliminating hassles associated with traditional paper checks for its Payroll Department and its employees.

"With Citi Prepaid, we are able to get our employees their pay, guaranteed on payday morning, regardless of whether they are in-store on payday," said Belchuk. "Because of the nature of our business, many of our employees are not on location on payday — this can cause a huge strain for our employee base as well as distribution headaches in-store. This gives our employees peace of mind."

The result

With the Citi Prepaid electronic Payroll Choices solution, Men's Wearhouse quickly eliminated paper checks and the high cost and hassles associated with them. This solution also provided electronic paystubs, compliance tools, and easy technology integration (with no technology investment), together with a strategy and team of consultative experts to help the business achieve its corporate objectives. "We have significantly reduced our costs with the Citi Prepaid Payroll Choices Program — we went from delivering 15,000 documents, mostly via express delivery, on a weekly basis," stated Renea Levine, Payroll Manager, Men's Wearhouse. "Now with Citi Prepaid, we have eliminated 80%

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Tractor Supply Company

Pulling together a paperless payroll

Founded in Minot, North Dakota, in 1938, Tractor Supply Company is today the largest retail farm and ranch store chain in the United States. Publicly traded with over 900 retail stores in 44 states across America, Tractor Supply employs nearly 14,000 team members.

The challenge

As a leader in providing farm and ranch equipment across the United States, Tractor Supply was looking for a way to deliver payroll payments to its team members around the country — on-time and without the frustrations of bank trips to deposit cash checks and regular fees so team members to access their funds. The company was also looking to cut down its own corporate costs related to the production and distribution of paper payroll checks. According to Johnson West, Tractor Supply Payroll Supervisor, "We have a payroll processing vendor that charges us [a variety] of fees for live checks. We're trying to eliminate all of these costs." Tractor Supply was also focused on "staying green" with a paperless payroll solution to help preserve the environment its customers work with everyday.

The solution

Citi Prepaid rapidly implemented a fully customized Payroll Choices Program, which featured a variety of convenient access points for Tractor Supply team members, including paper checks and a personalized Tractor Supply Visa® Payroll Card. With this program, Citi Prepaid would also provide comprehensive support to the Tractor Supply payroll department and cardholders, giving the organization a full, dedicated client support team to assist with file processing, reporting, and the strategic structure of the program. Tractor Supply Payroll Cardholders also received 24/7 toll-free, multilingual support to answer questions on accessing payroll funds.

The result

The Citi Prepaid Services' Payroll Choices Program for Tractor Supply immediately eliminated the need for paper payroll checks and the costs associated with producing and distributing them. "This program cuts our costs," according to West. The solution was also aligned with Tractor Supply's environmental initiatives. As West explains, "We're doing our part in staying green. We want to be as paperless as possible and this Citi Prepaid program helps a lot."

For Tractor Supply team members, the program now provides convenience, security, and speed of payroll delivery with no more reliance on the mail and no need for team members to return to Tractor Supply stores on payday to pick up their checks. Plus, the program eliminates the need for a personal bank account.

The program also allows Tractor Supply to deliver its payroll on-time with immediate fee-free accessibility for every team member, eliminating any check-cashing fees they may have had to pay previously. According to Tractor Supply Team Member Catarina Kitzmiller, "I haven't had any fees on the card whatsoever. It's just straight money coming from your account, money you've worked for, and you get all of


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"We're doing our part in staying green. We want to be as paperless as possible and this Citi Prepaid program helps a lot."

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centralization and integration

With companies in the consumer, retail & healthcare sectors focused on reducing costs and maximizing cash for investment in innovation, research & development and market expansion, it has become crucial for them to transform their operations to enhance efficiency, mitigate risk and unlock liquidity. Citi's global network, robust technology and seamless connectivity help companies automate, standardize, centralize and integrate information flows.

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Minor Group

Overcoming organizational complexity to deliver best-in-class processing efficiency

Thailand-based Minor Group operates over 80 food, hospitality, apparel, and cosmetics entities. Minor International Pcl. and Minor Corporation Pcl. in aggregate had a turnover of USD540 million in 2009.

The challenge

Minor Group's complex structure comprises over 80 companies in Thailand, Singapore, China, the Maldives, and the United Arab Emirates, among others. Having grown rapidly by acquisition, the company wanted to rationalize its internal processes and payments (which included checks, RTGS, ACH, and e-payments) and improve its liquidity management.

Minor Group's goal was to create a best-in-class standardization, automation, and outsourcing solution, while minimizing changes to its existing legal and account structure. In addition, the company wanted to complete the project within the shortest possible time without substantially increasing the burden on its resources. The Thai payments system provided a further challenge as it was (and still is) paper-based and had (and still has) complex withholding-tax arrangements that required precise reconciliation.

The solution

Citi won an RFP with a solution using PayLink for supplier payments and CitiConnect℠ for tax and utilities payments — effectively outsourcing the end-to-end payments process. In order to streamline Minor Group's processes, Citi devised an innovative solution involving digital capture and management of paper-based invoice data.

"Minor Group has reduced risks, lowered costs, and improved operational efficiency – without large-scale investment in new resources."

For liquidity management, a cross-bank pooling structure was created to physically sweep funds from local bank accounts to Citi at day-end where a zero balance structure managed liquidity. The solution was integrated with Minor Group's ERP system and CitiDirect® Online Banking, through which a Shared Service Center functionality was achieved. This allows the company to investigate payments and receive comprehensive reporting and reconciliation, without any associated cost.

The result

The solution — which included the first payment outsourcing in Thailand — went live in a record five months. Citi now processes over 20,000 payment transactions a month from Minor Group.

"The solution is not commoditized but an innovative answer to Minor Group's payments and liquidity needs. As a result, Minor Group has reduced risks, lowered costs, and improved operational efficiency — without large-scale investment in new resources," said Kajondej Lenavat, Group Finance Director, Minor Group.

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Roche

Regional in-house bank solution

Roche is one of the world's leading healthcare companies. Globally, its turnover in 2009 was over CHF49 billion.

The challenge

Roche sought to implement one of the largest and most comprehensive cash management solutions ever undertaken in Asia Pacific. The solution had to cover 17 of the 18 countries in which Roche operates. The solution had to recognize the scope and complexity of the Asian regulatory environment. It had to embrace payables, receivables, and liquidity management. Finally, the solution had to accommodate Roche's own corporate structure: the company had two operating divisions — Pharmaceuticals and Diagnostics — which, in most countries, operated as separate legal entities, each with its own organizations and regional IT infrastructure.

The size and scope of the project was such that the potential gains in efficiency — and savings — were substantial. Roche wanted to reduce the number of banks with which it worked across the region to one or two. It aimed to improve liquidity management. It desired a regional pricing scheme for all payment, collection liquidity management, and account services fees. It wanted improved payments and collections, foreign exchange services, and overdraft/credit/guarantee facilities. Finally, Roche required working capital facilities

in a variety of countries.

The solution

Roche engaged Citi to support its In-House Bank (IHB) in 17 countries across Asia Pacific. Citi's solution provided local currency Zero Balance Account (ZBA) structures in six countries. Where possible, the IHB itself was the header account and held the balances. Citi maintained USD domestic ZBAs in Singapore and Hong Kong. There were several Cross-Border Sweeps. Cash was moved from the Hong Kong header account to Singapore. Another cross-regional sweep linked the Singapore header account with a global USD header account with Citi in New York.

Citi® File Xchange was used to send payment files from Roche to Citi and for reports in the opposite direction. Citi can accept SAP iDoc payment files in each country, providing Roche the opportunity to use a single file format for the entire region. Citi can also send daily SWIFT MT940 bank statement reports to Roche's outsourced aggregation service.

Regionally standardized SWIFT transaction codes ensured that debits and credits to the accounts could be automatically reconciled. Roche selected Citi as its IHB support partner because of a number of key strengths. Citi has a strong presence across the region, in countries which Roche operates. Citi has the widest network of clearing memberships of any bank in Asia Pacific. Services from Citi are standardized across countries, to the extent that local regulations permit. Similarly, liquidity management platforms and ZBA documentation are standardized across the region.

Martin Schlageter, Head of Treasury Operations with Roche's Group Treasury, says: "Citi has a most experienced implementation and operational support structure. Citi's senior management gives us very strong assurances in relation to support."

The result

Roche now has the benefits of a sophisticated IHB solution across the region. Roche is utilizing Citi's strong and consistent technology backbone and Citi's standardized SAP integration and pooling capabilities. "To us, what really stood out in the implementation was Citi's strength in supporting a technologically complex project like SAP integration. We were also impressed by the proactive communication of the Citi people involved, and by the knowledge and experience of the Citi staff," says Mr Schlageter.

Citi has the widest network of clearing memberships of any bank in Asia Pacific.

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Amgen

A new treasury structure for Amgen

Amgen is a human therapeutics company based in California, providing medicines to fight many different illnesses around the world. It has operations in more than 30 countries and, in 2008, generated global revenues of USD15 billion.

The challenge

The company's treasury operations outside the US are run by Amgen Global Finance BV, its in-house bank in The Netherlands. Citi has been Amgen Global Finance's main international banking partner since 2003.

In 2007, the company's treasury department began to face several problems, chief of which was a fragmented treasury model. Cash pooling, global netting, intercompany lending and the payments factory were all on stand-alone systems that required separate interfaces with the ERP system.

Another problem was a complex and inefficient reconciliation structure that required the creation of extra bank accounts for cash pooling administration, the payments factory and global netting.

To cap it all off, there was a scarcity of qualified treasury professionals in the local labor market. The company decided to restructure its treasury management function and enlisted Citi's support.

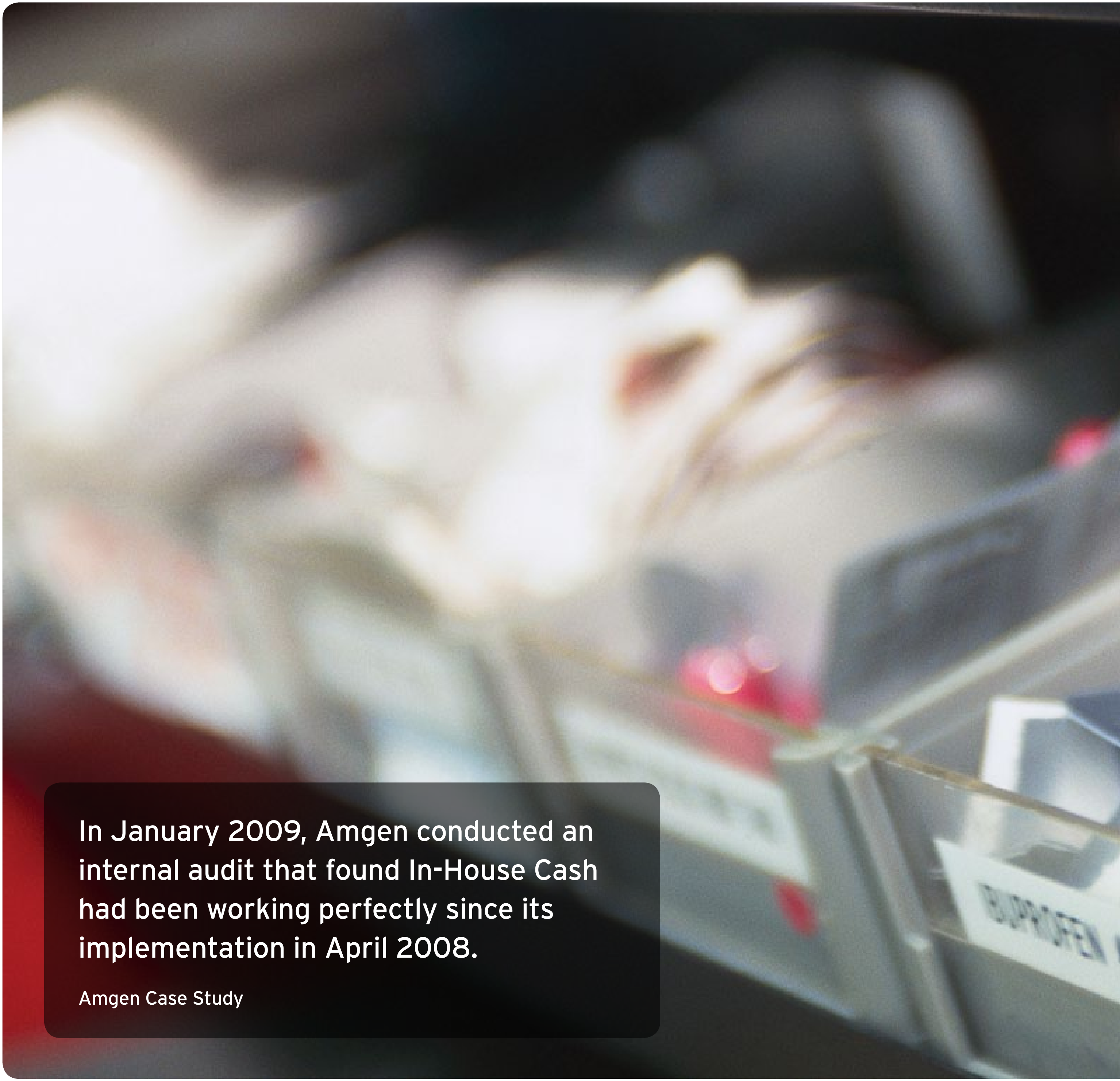
The solution

Amgen, Citi and software company SAP collaborated to develop and implement a solution that centered on the creation of a sub-ledger in Amgen's core ERP system that would allow Amgen to maintain all aspects of in-house banking, such as cash pooling, and the building of an interface with Citi to facilitate the creation of a payments factory. The number of interfaces was reduced to just one, namely Amgen's core ERP application, which its treasury department used for all processes.

The result

The benefits now include a reduction in the number of bank accounts; converting cross-border payments to ACH payments; executing internal cash settlements using accounting entries rather than external cash flows; aligning netting timelines and hedging timelines; and cost savings of USD1 million a year.

The sub-ledger solution is called In-House Cash (IHC), provided by SAP as part of its ERP software. In January 2009, Amgen conducted an internal audit that found IHC had been working perfectly since its implementation in April 2008. IHC is a perfect example of how a banking partner like Citi can help a corporate client harness the power of technology to improve the efficiency of its treasury function.



In January 2009, Amgen conducted an internal audit that found In-House Cash had been working perfectly since its implementation in April 2008.

Amgen Case Study

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Newell Rubbermaid

Centralized payments and collections improves visibility and efficiency

S&P 500-constituent Newell Rubbermaid is a global marketer of leading consumer and commercial products with sales of around USD5.6 billion in 2009.

The challenge

Following a series of mergers and acquisitions, Newell Rubbermaid maintained 190 accounts with 22 different banks, resulting in a large number of manual processes, few economies of scale, and limited control. The company decided to centralize its accounts payable, accounts receivable, and general ledger functions into a Shared Service Center (SSC) in The Netherlands.
In order to benefit from economies of scale, it recognized that it needed to rationalize its bank structure.

In the first quarter of 2007, Newell Rubbermaid issued a Request For Proposal with the objective to find a single banking partner for payments and collections across 22 countries in EMEA (excluding the UK). One of the company's most important criteria for selecting a partner was the bank's capability to manage local collections, especially domestic instruments, and payments in each market. "Accounts receivables were a key consideration because while Newell Rubbermaid can determine how it pays its suppliers, customers inevitably determine local collection methods," explains Jérôme Miara, European Treasurer at Newell Rubbermaid.

The solution

Citi's proposal envisaged that starting in 2007 and finishing in mid-2009, 126 Citi accounts would be opened for Newell Rubbermaid's 54 different legal entities across EMEA.

Payments would be made using Citi's state-of-the-art platform for file transmission and translation, Citi® File Xchange, and the bank's web-based banking platform, CitiDirect® Online Banking. Domestic solutions would be implemented in each country to support the local entities' requirements, including the use of instruments such as LCRs, RIBAs and Pagares. A pan-European lockbox for checks would be established.

The result

Citi was selected to become Newell Rubbermaid's partner in the second quarter of 2007. "The bank's geographic footprint is unique and is made up of fully owned branches – we didn't want to introduce complexity arising from additional local partners," says Miara.

Timing for implementation was driven by migration to the SSC. The first phase – the opening of Citi accounts in Italy, Spain, and Portugal – took place in the fourth quarter of 2007. The fifth and last phase of account opening, in the Czech Republic, Hungary, Poland, Slovakia, and Russia, finished in the second quarter of 2009. Those entities that were created (for example, Turkey and Romania) or acquired over the period (Teutonia, Aprica, and Technical Concepts) also opened Citi accounts, integrating into Newell Rubbermaid's standard model. In parallel, Newell Rubbermaid closed 148 legacy bank accounts and exited 17 non-strategic bank relationships.

The simplification of Newell Rubbermaid's bank structure in EMEA has delivered a wide range of benefits. "We have gained control and visibility through the use of a single, centrally controlled Internet banking platform," says Miara. Increased visibility of its order-to-cash cycle processes has helped the company to improve decision-making, reduce credit risk, and enhance working capital management. Problem-solving was also made easier: Newell Rubbermaid now has only one relationship team for the escalation and timely resolution of banking queries.

Newell Rubbermaid has gained numerous benefits from increased automation: a single interface was set-up with the company's Movex ERP, from which payment and collection files could be submitted directly. Now it uses one inbound file for the upload and automated cash application of its accounts receivable balances, using GetPaid software. Consequently, manual processes have been reduced and treasury staff redeployed to value-added tasks.

Newell Rubbermaid has saved from a single negotiated pricing structure (based on its European transactions volume), making it possible to monitor and reconcile bank fees on a monthly basis. It also now manages a single cash position per currency, following the implementation of regional (EUR, USD and JPY) and domestic (DKK, NOK and SEK) cash-pools – resulting in a USD10 million reduction in idle cash balances.

At the same time, the rationalized bank structure has helped Newell Rubbermaid gain efficiencies in the order-to-cash cycle, which have contributed to an improvement in Days Sales Outstanding.
The company has used the project as an opportunity to harmonize its banking processes, enabling the migration of accounts payable and receivable and general ledger processes to its European SSC –

The bank's geographic footprint is unique and is made up of fully owned branches – we didn't want to introduce complexity arising from additional local partners.

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Arcos Dorados

"One-bank" strategy centralizes banking activities across Latin America for vast restaurant operations

The largest McDonald´s franchisee in the world in terms of sales and number of restaurants, Arcos Dorados is also the largest restaurant chain in Latin America.

The challenge

Arcos Dorados started operating in August 2007 with the purchase of McDonald´s operation in most of Latin America´s countries. Before this, McDonald´s maintained a decentralized model, with cash management, borrowing, and investment conducted locally in each country. In 2009, Arcos Dorados made the decision to centralize its transaction banking activities to reduce internal and external costs, achieve greater process efficiency, and establish synergies across payables, receivables, and liquidity management. To support this treasury strategy, Arcos Dorados currently operates a Shared Service Center for the region in Argentina for all back-office processes.

The solution

Arcos Dorados issued a Request For Proposal (RFP) to over 10 banks. Following an extensive review, the company appointed Citi as its primary regional bank for transaction banking, which also included payroll, foreign exchange, and short-term lending. This decision was based on the scope and strength of Citi's geographic footprint, the bank's ability to deliver consistent solutions and service levels across the region, and the quality of support at an in-country and regional level.

Citi was already a banking partner for Arcos Dorados in many countries, but moved from an in-country to a regional relationship with a standardized approach to pricing, products and service delivery. Citi is also extending its services to Arcos Dorados in countries such as Brazil and Mexico, and adding new countries to the relationship, including Costa Rica, Ecuador, Panama, and Peru.

The result

Arcos Dorados and Citi are currently mid-way through the implementation of the "one-bank" model in Latin America, and have progressed substantially towards achieving the company's objectives. Arcos Dorados will be using Citi's TreasuryVision℠ as its cash management platform for the region, including reporting and cash forecasting, providing a high level of visibility and control over cash flow, and enabling borrowing and

"We appointed Citi as part of our "one-bank" strategy in recognition of the bank's ability to understand and respond to our wish to enhance our financial efficiency and reduce our transaction costs. We are rapidly achieving our objective to demonstrate best-in-class processes, with visibility and control over cash flow across the region using TreasuryVision."

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