

# Global Business Environment Calls for Integrated Financial Solutions

Chris Duggan has worked in corporate finance, trade finance and international banking for 30 years. But he doesn't need inside knowledge to sense how the industry has changed. He can just gaze out his 34th floor window on West Georgia Street in Vancouver, overlooking the Port of Vancouver. There, the size of the cranes now used to unload ships, the volume of activity, and the expansion of the facility remind him of a basic reality of the industry.

"International business is rapidly evolving," says Duggan, who works for RBC Royal Bank as Director, B.C., Global Transactions Solutions (GTS). "There's a shift in supply chains, with companies going overseas for not just simple goods but complex, high-end goods."

But are we seeing a similar shift in how importers and exporters are assessing their financial opportunities, to take advantage of today's international trade environment?

Banks like RBC are certainly thinking about those opportunities. There are GTS offices in Vancouver, Calgary, Toronto and Montreal, as well as representation in the Prairies and Atlantic Canada. Until a year ago, the three functions that make up GTS - trade finance, foreign exchange, and cash management - worked independently. Clients who needed these services had to deal with these areas separately. Now, they're all under one roof, offering clients the integrated solutions they're seeking.

Duggan points to several trends that have transformed the field of trade, and affected the financial solutions required by clients.

At one point, the push was for just-in-time inventory, to minimize the supply chain and associated costs. Then, those savings were outpaced by the cost savings of overseas manufacturing. "Now, in the last three or four years," he says, "we've seen very sophisticated goods moving to offshore manufacturing, which has caused a lengthening of company supply chains, and an increasing reliance on those suppliers."

Major importers and their suppliers have also gone from an arm's length relationship to an integrated one.

Increasingly, notes Duggan, suppliers are responsible not only for providing goods to specification, but for quality and warranty issues.

"We've also seen an increasing interest in importers creating joint ventures, and building plants in countries they've come to depend upon for supply."

He mentions a consumer goods company that was once constrained to selling mainly in Canada, due largely to their high manufacturing costs. Initially, they moved the making of their low-end goods to China, keeping their high-end operations at home. Eventually, the company moved the equipment for their high-end goods offshore as well. The result - cost savings that enabled them to export and be competitive on a global scale.

Companies of all sizes are now embracing these processes. While their financial rewards are clear, the financial considerations can be complex.

"Many smaller importers don't realize that letters of credit, for instance, can have such an impact on their working capital," says Duggan. "We work with them to change the terms of trade. Instead of paying for goods on a sight basis, they put a term in an L/C to, for example, extend the payment out 30 or 60 days."

That can reduce risk, with companies being assured of not only when they will be paid, but that they will be paid at all.

For FX, meanwhile, depending on a client's view of possible exchange rate movements, going with forward contracts that are electronically integrated with the L/C could be beneficial. That way, when the draw is required, the cost is known.

"We can put the details of the forward contract on a web-based system, so the client always knows the rate they will receive, and can lock in their profit margin," says Duggan. "If a forward contract isn't used, we can ensure that a client receives the benefit of a competitive exchange rate on each draw down."

Many trading clients today also require efficient systems to send and receive money. RBC offers the means to allow companies of any size to manage their cash flow from the comfort of their own office.

His group may provide the right financial products and services, but Duggan emphasizes that its name is Global Transaction Solutions - and solutions are what trading clients need the most these days.

"Often, clients are so driven to achieve sales that they haven't fully addressed their risks. We can gradually move clients through the risk spectrum of payment methods, from an L/C to open an account with partners that are integrated with their operations."

RBC is also adept at helping clients to link with local banking services in countries where they might be involved in a joint venture or building a plant, to structure the transaction to meet the company's individual requirements.

In providing customized solutions, Duggan says that his group helps clients to mitigate risk, achieve better credit terms as well as give better terms to get more sales, and ultimately to grow. As he looks out his window to see a port that just gets busier and busier, he knows that solutions like these are becoming more valuable than ever.



**For more information on how RBC can help you take your business around the world with confidence, please contact one of our regional directors of Global Transaction Solutions:**

**Eastern Canada:**  
Claude-Jean Dumas  
514-874-5565

**Ontario:**  
Vincent Barboza  
416-974-4961

**BC:**  
Christopher Duggan  
604-606-3925

**Prairies:**  
Peter Berry  
403-292-3364

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