Retail & Corporate Banking

CIB DIVISIONS NEED TO LAUNCH NEW PRODUCT FOR SMES

The financial crisis is bringing deep repercussions for the SME sector (small and medium enterprises) resulting in shrinking revenues with reduced strategic vision and low investment capability. This challenge is common across the EU region, but Italy, given the weight of its SME sector (>95% of total companies) is significantly under pressure.

The primary effect of the crisis is the weakening of the balance sheet for SME companies and the subsequent difficulty in accessing credit via traditional bank lending products.

In this difficult scenario, new alternative financing forms are being developed which allow SME's to evolve their relationship with banks and buyers, leveraging the whole supply chain to gain easier and cheaper access to credit.

Be has been engaged by a leading European bank to support the strategy definition of a new Supply Chain Finance offer for Corporate Banking, which will put us in a favorable position should the offer be implemented.

Supply Chain Finance is a set of services (financial and non) that allows suppliers and buyers to manage the whole production and distribution chain, reducing financial costs and increasing the efficiency from origination to destination of goods exchanged.

The key competitive advantage deriving from the SCF (the aforementioned set of products) is that is enables SME's which supply a Large Corporate to finance their own working capital at a significant discount as, they can benefit from the credit rating of the Buyer. At the same time, Buyers are able to negotiate a better price for goods with their suppliers.

The relationship between Buyer and Seller is strengthened by an SCF solution, encouraging both companies to prepare a common, mid-long term plan.

Banks are increasingly entering this market, which is growing 30% y-o-y. Although they appear to lose revenues by providing loans at lower price, they grow overall revenues through new customer acquisition not otherwise achievable due to restrictions in terms of Risk Appetite. The Banks also grow margins by reducing the cost of risk (impairment) thanks to the better quality of their SME portfolio.

SCF is therefore a win-win product, where Buyer, Seller and Banks all benefit from an innovative way to exchange new information (strategy, production plans, commercial targets) progressing from using only "old" balance sheet information to access finance.