FOOD FOR THOUGHT

Following a period of vast economic transition in its primary market, Angola, Dubai-based food distributor Webcor Group needed better visibility over its cash flow and liquidity. CFO **FREDERIC MARRET** opted for a fresh treasury management system which is due to bring untold benefits to the firm.

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For Webcor Group, visibility has become its bread and butter. With 3,500 employees in the firm, and with operations stretching across Europe, Africa and Asia – whilst being headquartered centrally in the UAE – keeping track of its finance supply chain and dealings with banks is crucial for the finance team.

Founded in 1992 in Congo, the family-owned firm expanded its operations to Angola, Mozambique and various other African locations over the course of a decade, initially focusing on its food business, and the distribution of rice, sugar, flour, vegetable oil and FMCG products.

Webcor’s business now focuses on supplying a variety of consumers these FMCG products. “We sell our product to the last procurer in the process before it touches the consumer,” CFO Frederic Marret says. “This includes supermarkets, wholesalers and even local traders for markets.”

Their business, however, is being affected by a shift in consumer preference to different products. “Yoghurt, cheese and packed rice are becoming much more popular.” With this in mind, Webcor has introduced four new supermarkets in Angola, as well as opening an industrial flour mill, and is beginning the process of importing vinegar to the country, before diluting it to be sold on.

As the company’s operations have grown, Marret and his team have focused more on optimising their supply chain in order to accommodate international buying processes. “We need to ensure that processes have the best possible transparency, from the unloading of boats to our customers,” he says.

The breadth and complexity of Webcor’s operations have put extra strain on its treasury department. After joining the firm in December 2013, Marret appointed a global treasury head to give them an enhanced understanding of cash flow. With finance departments in each operating country needing better visibility over this, Marret sought a new solution that could ensure a swift exchange of information for transparency.

“An important part of our strategy is being able to fund our business from trade finance activity to long-term financing,” he says. Against this backdrop, Marret had faced a major challenge, in the form of local, regional and international banks having no clear channels of communication between one another. At the same time, there was an expectation that Webcor could increase its compliance and regulatory processes. “Failure to adhere to these demands can result in blocked transactions or worse,” Marret says. “You’ll be exposed if you don’t do your homework. Banks in Africa have become more cautious of late; investors are there for low risk ventures.”

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What's more, Angola, Webcor's primary market, is in the midst of economic transition. Although it has been one of the world's fastest-growing economies in the last 20 years – with capital Luanda having boasted the world's highest cost of living, its GDP decelerated by 3.8 percent last year. The oil-exporting nation has suffered as a result of the drop in prices, prompting the government to tighten the process of clearing imported goods before their arrival, while its currency, the Angolan Kwanza, has depreciated by 60 percent in the last year. Meanwhile, the country is one of many in Africa to have halted a series of large infrastructure projects, with local demand and housing costs decreasing.

"We need to secure our payments abroad so as to avoid the risk of defaulting," Marret says. "Everything that has happened in Angola necessitates greater visibility and less margin for error."

The series of obstacles faced by Webcor in Angola served as a timely incentive to refresh its relationships with investors. "We needed a stronger grip on our operations, cash and liquidity," Marret says, "as well as reviewing our trade finance structures." Together with Webcor's senior management, Marret decided that a new treasury management system (TMS) was in order.

At the start of 2015, Marret and his team began a rigorous POC process, meeting with seven different service providers to determine whose solution could best suit their needs. "We were keen to know exactly how they could help us manage whatever we installed," Marret says. Eventually opting for the Kyriba solution, Marret highlights the vendor's "flexibility" as being their USP. "They seemed to understand how we work, and how their system could solve our issues," he says.

While work on getting the solution completely up-and-running is still ongoing, the team at Webcor has already begun to notice the impact that awaits. Over time, Marret began to realise that the solution could bring more benefits to Webcor than he had initially envisaged. "It's already evident that the TMS can bring new features to us that can help in a way we hadn't expected," he says. "What's also very important is its user-friendliness; it's very easy to navigate for non-finance users." This was even more important, given Marret's description of Webcor's IT team as lacking in TMS exposure. "It has certainly been a learning curve for them," he says. "Detailed RFPs certainly made this process much smoother."

Although Webcor is still in the midst of completing the final phases of the project, Marret is enthused by the progress has been made, and says that being based in the Middle East has brought its unique challenges. "We're still getting there in terms of our final stages," he says. "For our previous implementation, there was no local functional consultant, while a lot of TMS forms are not set up for the Middle East. Most service providers want to sell you the whole package, but Kyriba were very understanding in terms of our needs."

Nonetheless, Marret has high expectations for the changes. "I certainly expect it to give us full visibility over our cash flow, which is obviously a huge benefit," he says. "Once we have full visibility over bank charges, that will give us much greater leverage in negotiating them, will reduce time lag, as well as improving reconciliation with banks." Marret plans to establish a "two-way" treasury, with in and out flows. ■