SUMMARY

JERRY YOEINTIADI. Performance Improvement Strategy of Trade Finance Division in Bank XYZ. Supervised by RINA OKTAVIANI and KIRBRANDOKO.

Indonesia is one of the countries that experiences relatively high economic growth, one of its indicators can be acknowledged by the international trade activities. Based on data from The Ministry of Trade, since 2010-2014, the trend of import-export volume increased by 3.53%, which was amounted to USD 354 billions in 2014. The amount decreased slightly in 2013, after an increase from USD 293 billions in 2010. The international trade activities involve the exchange of products and services between countries, one of the services involved are banking services, especially Trade Finance products. The development of Trade Finance products in bank is nowadays not only to facilitate international trade but also domestic trade.

Bank XYZ is a foreign private bank founded in 1941 which has a strong commitment to develop the Trade Finance business. Currently, Bank XYZ is a subsidiary of ABC Bank of Singapore with the shareholding of 85.1%. The Trade Finance division as a division which is responsible for managing Trade Finance products are required to always improve its performance through the growth in volume and revenue for the bank. In 2014, the import-export volume of Bank XYZ had decreased by 10%, it was even bigger compared to the decrease of national import-export volume, which was only 4%. At the same year, the volume of bank guarantee transactions had also decreased by 34%. After Trade Finance revenues experienced a significant growth of 48% Year on Year in 2013, at the end of 2014 it was getting slow growth to only have an increase of 10% and it was 2% below the target given by the management.

This research aims to formulate performance improvement strategy of Trade Finance division by using Business Model Canvas (BMC) approach. Through the nine business components, this approach succeeded identifying the logical flow of a company in generating its revenue. BMC identification result shows that Bank XYZ classifies business banking customers based on its business scale, which are Wholesale Banking (WB), Enterprise Banking (EB), Commercial (CmB) and Emerging Business (EmB). From the total of 1,115 customers, EB segment contributes the largest Trade Finance revenues by 58%, then CmB segment by 22%, WB segment by 18%, and EmB segment by 2%, while CmB has the largest number of customers, namely 40%, followed by EmB 30%, EB 21% and WB 9%.

There is a concentration of customer portfolio, that is 80% of the source revenues is concentrated by only 10% of total customers, 68% of revenues came from customers who are located in Jabotabek (Jakarta, Bogor, Tangerang and Bekasi) and 65% of revenue is dominated by imported products, while based on the industrial sector, it spreads across many different industries.

In general, the current Trade Finance products as a solution to the customer needs have quite complete. However, there are still conventional products that can substitute trade loan product, especially which based on open account. In terms of capacity range, all branches that have Business Banking unit throughout Indonesia can perform product selling, but transaction services (post facilities) can only be
done in 4 Trade Processing Centers, 15 Trade Service Centers, 19 PIB/PEB counters and Trade Delivery & Client Service (TDCS) (which is an alternative channel to deliver value proposition through email and phone). Trade Finance division choose dedicated sales in managing its team to serve customers according to the segment. For every customer who does Trade Finance transactions, bank will receive revenue in either Net Interest Income or Fee Based Income. Key activities undertaken by sales and product team with the objectives of realizing the solutions offered and the proper way to reach customers are also identified. All parties involved in this process are those who are identified as key partners. To finance the activities and availability of the infrastructures, this study also analyzes the cost structure so that the business can continue to operate.

Based on a strategic analysis of the company’s internal and external environment using SWOT Analysis, it is revealed factors that affect each component of the current business model. Dangerous internal factors are, such as, concentrated customer portfolio, the existence of substitute products, less supportive operational systems for certain transactions, the high rate of LDR in IDR, less competitive of SBDK rate and the existence of NPL customers. On the other hand, the external factors that have to be mitigated are the slowing growth of Indonesian economic condition, the depreciation of Rupiah exchange rate, and government regulations which obligates using IDR in all domestic transactions.

Internal factors that need to be maximized based on the analysis are complete and various products, longer official service time (longer transaction cut-off time), competitive funding in USD currency, international network of ABC Bank, and management commitment to the development of new systems and channels.

Opportunities from the external factors that should be utilized are the policy of DHE (export proceeds), mandatory of L/C on export of several commodities, the obligation to use Cost Insurance & Freight on Export Goods Report, chances for collaboration with ABC Bank of Singapore, Malaysia & China, as well as the opportunities for cooperation with external key partners, for instance, insurance agencies, business associations, and research institutions/universities.

The result of SWOT analysis above is then used as the basis for the formulation business model improvements that provide managerial implications to the Trade Finance division in order to improve its performance. Managerial implications based on the business model improvements recommend (1) the improvement of business portfolio by diversifying business outside Jabotabek (Jakarta, Bogor, Tangerang and Bekasi), business expansion on export-oriented customers, and business exploration on the 90% of the remaining customers (2) channel development and new systems as business solutions to improve transaction volume, (3) dedicated sales that only apply for WB segment, EB, & CmB High and the improvements of TDCS role to serve customer CmB low and EmB, (4) product development which based on open account and industry solution oriented, (5) increased collaboration with ABC network as an international business channel, and (6) seeking alternative financing in IDR and reducing the outstanding of NPL so that the loss of the revenues may be reduced.

Key words: Bank, Business model canvas, Strategy, SWOT analysis, Trade Finance.