Content and the cloud
The bankers and analysts that cover the Technology, Media and Telecom (TMT) sector maintain that the velocity of change in the industry today far surpasses that witnessed in the dotcom era. The move from analogue to digital generated tremendous preoccupation with market capitalization, but now, in the era of physical to virtual content distribution, set alongside heightened geopolitical risk and macroeconomic malaise, the focus is overwhelmingly on net income.

The competitive pressures and business model upheavals are profound, triggering continuous revalidation of roles and sales models (channel partnerships) for ecosystem participants. At a simplified hemisphere level in Tech, we have intellectual property, software and service in the “West” with hardware manufacturing in the “East,” with all parties targeting increased emerging market “exposure” and differentiated developed market value propositions. Furthermore, strong risk insulation and operating efficiency to redress...
operating leverage concerns have equal weight in corporate considerations.

Citi is well placed to assist all parties, from the content owners (music, gaming, publishing, film and entertainment) through to the device manufacturers, distributors (mobile operators, cable companies, ISPs, etc.) and advertisers. With a presence in more than 100 markets, a culture of relationship-driven corporate banking built over 200 years, a comprehensive transaction services platform and a deep TMT commitment and understanding, Citi is working with the key stakeholders in the industry and helping them to address the challenges of the present day.

There are a number of examples among the same companies who are advancing the next generation of professional and consumer service models, where the treasury team and their banks have come together to further the cloud computing and software-as-a-service agenda. In what amounts to something of a role-reversal, in such cases the leading transaction banks are providing technical advisory services with system, connectivity and process standardization recommendations, set alongside ongoing transaction management.

In real terms, while major technology companies focus more on business-to-business (B2B) services, third-party outsourcing and enshrining repeatable process in code, the very same companies are leveraging the strength of their banking partners in EMEA (through rigorous Shared Service Center electronic banking reviews) and e-workflow re-engineering (for example, with Letters of Credit) to provide IT bank connectivity simplification alongside outsourced documentary collections.

On this point, Dell has achieved significant improvements in their international trade cycle by “electronifying” Letters of Credit (LC) submissions to increase the speed, accuracy and efficiency of preparing export documentation. By decreasing the frequency of discrepancies in its export documents, increasing the confirming bank’s pace of turning around transactions and consequent realization of export receivables, Dell has achieved an overall working capital enhancement through reduced Days Sales Outstanding (DSO).

This example is particularly noteworthy at a time when we are seeing increased market risk perceptions and a “back-to-basics” shift as companies seek more protection, as consumption
In any fast changing environment, a key need for all is strength in controls and a strong risk management discipline.

Global Transaction Services

falls and supply chain pressures increase. The result is that companies are increasing LC usage to confirm that their trade proceeds will be realized.

**Content owners: Driving the case for standardization and XML**

Many TMT companies are leading the move to harmonized platforms, SWIFT corporate access and file transmission (connectivity and security). Citi recognizes that many clients will wish to maintain a “multi-bank” environment and, as such, is working hard with the wider banking industry to facilitate workshops (at a client level) to agree on ISO XML rules between banks so as to ease implementation costs and complexity. With representation on the Common Global implementation group and 75 global clients now live with XML connectivity across 90 plus countries, Citi has been driving adoption of this new industry message set.

As executives in media position their business to benefit from changing revenue streams and content consumption habits (adding online streaming and cloud based rentals to cinematic release, DVD home ownership and cable distribution), many far-sighted treasuries are future-proofing their connections to financial institutions and clearing houses by embracing SWIFT.

UMG, part of the Vivendi group, and a marquee recorded music and publishing house, is a good example of another leading company pulling together its bank group to drive homogeneity of inbound file code protocols.

**The cloud: Risks and reward considerations of international growth**

Whether it is film or music, content owners are seeing tremendous value in the cloud. In a digital world where the end consumer expects low disc space utilization, back-up in the event of loss and multi device usability/inter-connectedness, copyright owners are harnessing the power of those cloud enthusiasts with substantial device and online store market share. Apple, whose iPod MP3 celebrated its 10th anniversary in late 2011, has made its intentions clear in this space with successive device launches that are geared up for transportable media, and the 2011 launch of the iCloud, which will enable the sharing of music and programs across devices, wirelessly and automatically.

Ultimately, however, the digitization agenda is just one of three megatrends that Citi and many of our key clients are focused on, the other two being urbanization and globalization. To take full advantage of these three forces
shaping our times, Citi, like its customers, is placing great emphasis on building a durable and scalable foundation in the fast growing emerging market mega cities. To this end, demand from clients has grown markedly this year for local market solutions across Asia, the Middle East, the Commonwealth of Independent States region, Central/Eastern Europe and Africa. With clients looking for the best of local clearing, service and market knowledge alongside the comfort of having a reliable global partner, Citi is seen as a trusted advisor in navigating the complexities of currency controls, documentations and regulatory conformity.

Cisco, a good example of a company which designs, manufactures and sells internet-protocol based networking services, is focused on achieving market share in the rapidly growing developing markets. As the company has grown, through a USD invoice model, to operate in excess of 100 markets, select clients in the emerging markets are requesting invoicing in local currencies.

“Citi’s contribution to the Universal Music SWIFTNET XML project has been instrumental,” says Olivier Chasseau, Treasurer, Universal Music Group, Vivendi. Citi’s involvement was key in the success of the harmonization process we have initiated. Through one working session largely driven by Citi’s expert, we have been able to harmonize the XML message with our nine core banks across 52 territories,” he explains. “The agreed template represents around 99% alignment.”

“In this respect, our objective has been achieved: no doubt in our mind that it was the right way to improve efficiency, better control and speed up the SWIFTNET roll out across our organization and countries in scope. Citi consultancy support goes far beyond the introduction to ISO XML messaging,” adds Chasseau.