



# The TradeCard Financial Supply Chain Solution

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## EXECUTIVE SUMMARY

*TradeCard is a US-based online financial supply chain provider, founded in 1997. The online compliance and financial settlement engine was launched in 2000. TradeCard incorporated a number of partners into its service network: financial institutions, credit insurance, inspection and logistics companies. TradeCard quickly grasped market share in footwear and textile industries. TradeCard mainly serves buyers in the US and suppliers in Asia, but is expanding in Europe and transactions are supported worldwide. During the years 2000-2005 TradeCard's business has been growing exponentially. TradeCard platform connects buyers, sellers, and service providers in an online environment, where they can manage the whole documentary process of international trade transaction quickly, visibly, and cost-effectively. In other words, TradeCard is changing the international trade practices. Traditionally companies use banks' services—letter of credit or open account—but TradeCard solution is replacing these services. Although TradeCard is more a substitutor than a complementor to banks' international trade departments, some banks are now trying to use Web-based solutions to gain their customers back. In other words, for survival and growth the banks are adopting e-commerce solutions to letter of credit and open account transactions in order to stay in the financing business. Accordingly, how TradeCard retains its edge in the provision of a financial supply chain solution while expanding the reach of new markets becomes an important question to tackle. This case is a study of the TradeCard system, electronic solution development in international trade, and the relationship between TradeCard and banks.*

*Keywords: B2B E-commerce; supply chain management; financial services industry; strategic alliances*

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## FINANCIAL SUPPLY CHAIN

A supply chain is a network of partners that produces raw materials, subassemblies, and finished products, then distributes them via various sales channels

to customers. This is the physical supply chain that manages the movement of materials and goods from outside the factory, through the factory floor and the manufacturing process, and then, finally, to the consumer's hands.

On the other hand, the financial supply chain is the movement of money that flows in the opposite direction. As each entity in the chain receives goods, they are compensated with money that moves the other way to who distributed or produced the goods. A financial supply chain includes purchase orders and terms, credit and financing, document preparation and collection, matching and payment. The financial flow in a typical supply chain may involve thousands of invoices and payments in a given year. The scale of this problem is challenging corporations to find ways of streamlining their processing.

Moreover, in the 1990's and the change of millennium, the online business-to-business market was exploding and Forrester Research projected that this sector would grow to \$1.3 trillion by 2003. The most significant obstacle to meeting this projection was the lack of a payment mechanism for large dollar, cross-border transactions. Credit cards made the tremendous growth in the business-to-consumer sector possible; however, there was no comparable payment method for the business-to-business market. In the context of international trade, processes have not evolved and continue to be nearly as labor and paper-intensive today as they were hundreds of years ago.

In other words, traditional payment mechanisms treated information and financial flows separately. However, innovative payment solutions can now include detailed transaction information such as date and time of receipt, supplier name, quantity received, purchase order (P.O.) number, and so forth. Having both financial and detailed product information available electronically can minimize human errors, reduce reconciliation time, and create a more tightly integrated supply chain. In other words, the financial services supply chain integrates that "last mile," helping enhance operational performance and increase profitability, by having the same control and visibility over the financial processes in your transaction as you do over the physical movement of goods (i.e., from procurement to payment, as shown in Figure 1).

TradeCard provides such a payment mechanism connecting trading partners and routes and stores their trade documentation electronically—from P.O.s to commercial invoices. All parties have appropriate access to view and amend documents as the transaction progresses.

### **TradeCard: 1994-2005**

TradeCard, Inc. is headquartered in New York City with offices in the San Francisco Bay Area, Hong Kong, Taipei, Seoul, and Tokyo. TradeCard can support transactions worldwide among the following countries: Australia, Austria, Bel-

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