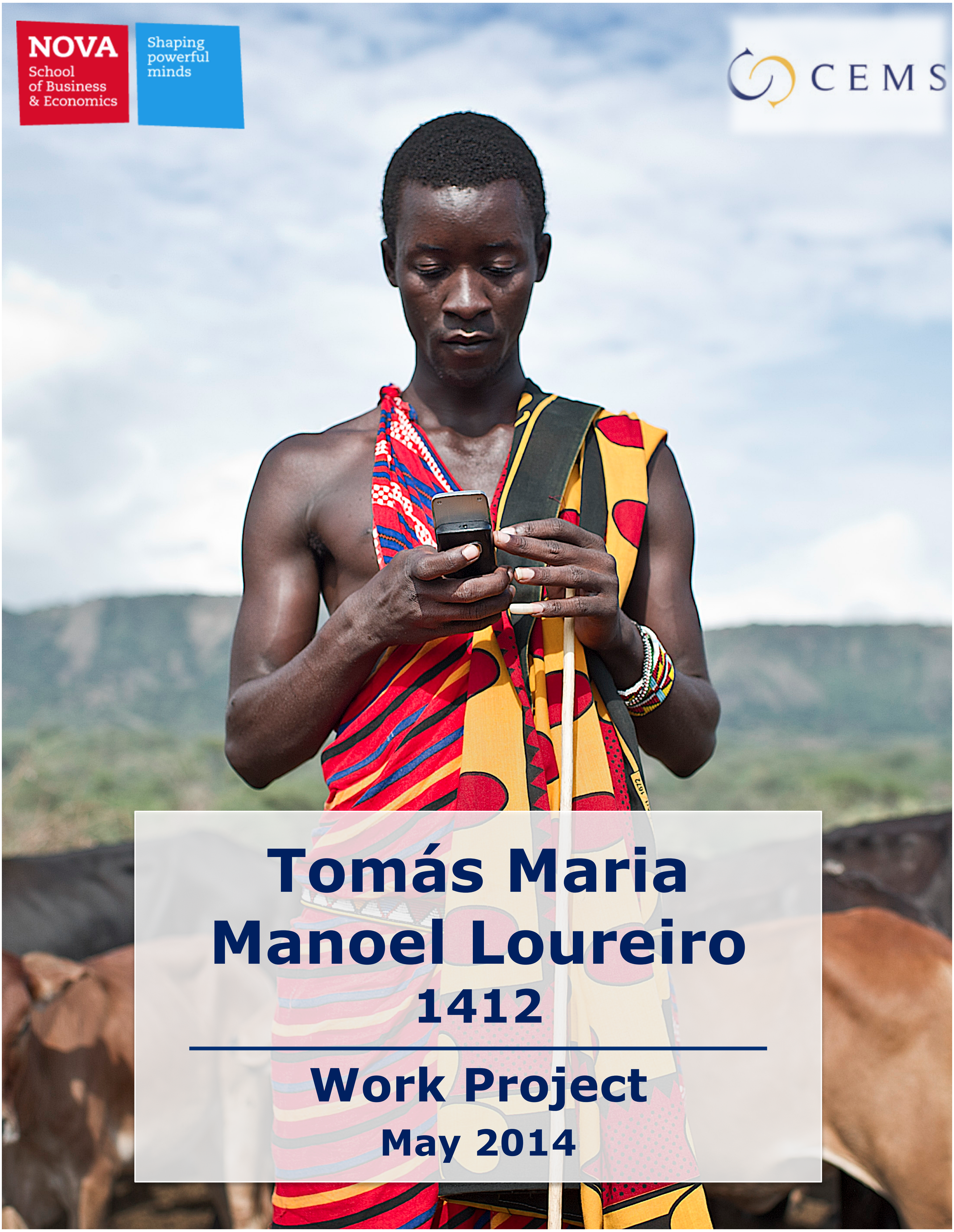

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Work Project

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Citi Group Business Project

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I. Brief context of Citi Group Business Project

A. What is Citi WorldLink

Although the business project was done with Citi Group, a worldwide financial institution, we had the chance to work with a specific department of it. WorldLink Payment Services is Citibank's global payment and transaction business that provides corporations, financial institutions and third-party administrators with customized solutions to facilitate cross-boarder payments, making them simple and secure. With over 20 years of experience Citi WorldLink has become a leading global player in the cross boarder payment business and has been successfully issuing cross boarder payments in over 135 countries. (Citibank, 2014)

B. Global Payment Trends – Market Overview

Before explaining in what consisted our task and what was the methodology used, and consequently the output produced, it is important to understand how global payment trends are evolving. According to the BCG report about Global Payments in 2013, the global payment and transaction business has become an increasingly important source of stable revenue for financial institutions, especially in the years following the global financial crisis. Global payment services make up for approximately one quarter of the total global banking turnover and generated more than USD 300 billion in revenue in 2012, figure that is expected to increase to an estimated USD 1,1 trillion by 2022. Although payment businesses face many challenges in the years following the global financial crisis, overall global payment activity is expected to increase in the next few years, especially in the "rapidly developing areas" (RDEs). RDEs are expected to grow at 11% compared with a 4-5% growth in the mature economies, and require adaptation in terms of business model from the banks (Dab et al., 2013) It is also important to notice that the demand for cross-border payments, as consequence of the rising trade flows worldwide, has been increasing consistently and it is expected that cross-border payments increase up to 8% from 2012 to 2022.

C. The Business Project Challenge

The main task of my business project consisted in finding new revenue opportunities, thus prospective clients for Citi WorldLink. The purpose was to identify companies that could potentially be interesting for WorldLink according to several different filters, so that Citi could then approach and turn them into clients.

D. Methodology Used

The key to the success in this particular project was the methodology used, which was formulated in two consecutive steps: firstly identifying the countries where we would search for the opportunities and then obviously identify the potential clients. To the countries, the starting point of our research was to find out where the global payment flows occur, and so we identified both the biggest flows in the world and the biggest importers/exporters in the planet. This first general list, which accounted at the end with 22 countries, was previously complemented with countries identified by the client as being "key corridors". From the 22 countries list, we drilled it down to 10 and then to 4: Malaysia, China, India and Brazil. The criteria we used to narrow down was: size of export and import trade flows, recent trade growth, future potential growth and above of all, currency, since all these 4 countries have "exotic currencies", making it hard for companies to handle payments and therefore representing higher margin opportunities for the client. The second step, the companies one, was divided into 2: "importing companies" and "aggregators" (or third party administrators). The first one consisted in finding companies that are importing goods and services from these countries, have subsidiaries or manufacturing facilities there, all the cases implying cross-border payments into those countries and exposure to FX transactions. As a basis for that, for each of the countries we identified the biggest trading partners in terms of exports volume that were further drilled down into sectors/industries. Aggregators are companies that join/aggregate, among others, financial services for clients in specific industries. Due to the underlying high volume of recurring cross-border payments these companies face, they represent interesting revenue opportunities, that were identified in five different industries: shipping, roaming, travel, royalties and payroll. During our research we also came across companies that did not fit in any of the pillars of our methodology but were still "companies with high international exposure" and vulnerable to FX transactions and cross-border payments. We gave special attention to "infrastructure companies" because they engage in international projects of this type, usually in a limited time frame, which usually means they do not set local accounts but instead pay their expats, subcontractors, etc, in local currencies.

E. Summary of Conclusions

As output of the business project, we suggested and presented 118 new revenue opportunities for WorldLink. Obviously not all of them represent the same degree of interest, reason why we classified about 30 companies as being of "high priority". We do not know if they are or not WorldLink's clients already, but if that is the case I believe our findings can still be used by WorldLink to assess if further engagement with those clients can be ensured. We also concluded that are still many opportunities to be explored and that the methodology developed can be used not only to further investigate these key corridors, but also to explore different ones we did not cover.

II. Further Development of a specific topic – Payments in Africa

The business project had a very specific time frame so, obviously, in order to fulfil the project, we had to make choices, therefore there were other countries that could potential represent interesting revenue opportunities as well, and that is precisely what I want to further explore in this section. Between the 22 countries identified as being interesting there were some African ones included that I would have liked to approach during the project. Having said that, I would like to, during this section, explore Africa has a revenue opportunity for WorldLink. I will provide an overview of the African continent; explain why I consider it is a huge revenue opportunity for the client and why it was not approached during the business project. I will finish recommending Citi WorldLink a specific service, mobile payments, that should be further developed so that success in Africa can be fully accomplished.

A. Africa – Overview

Africa is usually associated as being "3rd World Continent" or "Developing" one, and the truth is that is not particularly wrong to state that. In fact, according to the World Bank, there are still too many poor people in Africa, despite the decrease in this number during the last couple of years. In fact, according to the World Bank, poverty in Sub-Saharan Africa has declined. An estimated 58 percent of people in the region were living on less than US$1.25-day around the turn of the Millennium but by 2010, the poverty headcount ratio declined by almost 10 percentage points to an estimated 48.5 percent. Furthermore, the World Bank expects that most African countries will reach "middle income" status by 2025. Africa is changing, and so is business with and in there, and it is no surprise more companies are investing a lot in projects in this continent. The importance of Africa, nowadays characterized by having plenty of resources, growing population and GDP, cannot be ignored by developed countries anymore. In fact, while some countries are still undecided in what to do in Africa, India and China already developed strong cooperation relationships with African Countries, and are being a huge help in the rise of the African Lions, as McKinsey denominated them (MGI, 2010), especially in Sub-Saharan Africa, region where I want to focus my approach.

In terms of **population**, according to 2013 World Population Data Sheet (Population Reference Bureau, 2013), Africa had about 1,1 Billion people in 2013 and it is expected that this number rises to about 2,4 Billion in 2050, representing a huge growth driven by the birth rates and the decrease in the mortality rate, especially the child one, consequence of the improvement of medical treatments in the poorest countries. In the Sub-Saharan Africa, United Nations estimates (Jasper Grosskurth, 2010)[1] that Sub-Saharan Africa's population will more than double from 820 million to 1,7 Billion by 2050. As a consequence of the on-going strong population growth, Africa has an extremely young population and population pyramid that still looks like one. According to McKinsey, in 2040 the number of Africans (including North Africa) of working age is expected to be around 1,1 Billion, overtaking China's or India's, which can represent the support needed for the rise for African Lions. According to the consultancy company, "If Africa can provide its young people with the education and skills they need, this large workforce could account for a significant share of both consumption and production". In terms of geographic distribution, the population is also likely to change, being expected that 50% of Africans will be living in cities by 2030, reality that, again, represents both a challenge and an opportunity. As main downside, Africa will approach, slowly, the reality lived in the developed countries, being harder to feed, house, educate and employ, but also represent a high potential opportunity for companies to lead the change and provide the infrastructures and services it requires.

In terms of **GDP** Africa has also been facing considerable increases. Again, according to World Bank, in 2013 Africa was the world's fastest growing continent at 5,6% a year, and GDP is expected to rise by an average of over 6% a year until 2023, in a collective GDP that will reach the $2,6 trillion in 2020. In this year, according to McKinsey (MGI, 2010) it is also expected that there will be about $128 million of African households with discretionary income (more than 5.000 dollars). As a consequence, the consumption will also boost to $1,4 trillion, representing a growth of about 60% from 2008. In Sub-Saharan Africa the GDP, between 1995 and 2013, rose at an average annual rate of 4,5%, values that match or surpass global rates. A growing GDP not only may imply an increase in the consumption, which actually verified, but also is both a cause and a consequence for an increasing foreign direct investment and diversification of the economy. Actually, African countries have been managing to diversify their economies quite considerably, allowing different flows and industries to gain weight in overall GDP when compared to what was previously almost exclusively due to oil and gas, that are still the main drivers for countries like Angola and Nigeria. According to McKinsey (MGI, 2010), in 2008 (I here assume this number is even higher now) the manufacturing and services sectors such as construction, banking, telecom and retail represented about 65% of the GDP in countries like Kenya, Ghana, Mozambique,

[1] Appendix 1 – United Nations population prospects 2010-2050 in Africa
[2] Appendix 2 – The GDP of the ten largest econonomies in Sub-Saharan Africa

Zambia and Cameroon[2]. This diversification not only allows different type of companies to rise and to invest, but also develops a sustainable economy less dependent on only one industry. Currently, South Africa is the largest economy, but it is expected Nigeria to take the lead before 2050. As for **foreign direct investment** (FDI), it continued to flow to the region; inflows grew from $37 billion in 2012 to $43 billion in 2013. In many countries, governments launched ambitious investment programs to alleviate infrastructure bottlenecks and increase export capacity. Relative to GDP, it almost equals the investment flow into China (MGI, 2010), which demonstrates the growing interest of Africa for business. Finally, in order to master the current trends of the African country so that we can understand why this would be and excellent further approach for the client, it is essential, particularly for this project for the reasons already explained in the overview section, to understand the trade growth and currency in Africa. One of the main drivers of the recent growth registered in Africa is **trade**, especially with China and India. According to IMF, 12,5% of Africa's exports are to China and 4% are to India, representing 5% and 8% of the partner country's imports, respectively. Indonesia, Malaysia, Saudi Arabia, Thailand and United Arab Emirates are also important trading partners. From those trading partners it is important to stand out China, since the trade between Africa and this country was about $166 billion in 2011 (UNECA, 2013). The main exporting products are still oil, minerals, merchandising and services and although recent economic crisis has been decreasing the commodity prices due to weaker demand and increased supply, the prices are expected to remain favourable. Different regions are developing different industries that already present potential high importance exports for the development of the region. Increase of the investment in agriculture, many large infrastructures on the way, huge development of financial services in Africa, mobile payments, car manufacturing and electronic manufacturing are some of the realities spread along Sub-Saharan Africa. In terms of **currency**, there are about 40 different ones in Africa, but there are two unions associated with central banks that use CFA Franc as currency, which represents the most used.

B. Why Africa?

Even before highlighting why specifically WorldLink should further investigate the revenue opportunities Africa has to offer, it is immediately obvious that for any type of company Africa is the future, and that it represents not only a new supplier, but above of all a whole new consumer market to be fed in the next few years. It is also important to keep in mind the

[2] Appendix 2 – The GDP of the ten largest econonomies in Sub-Saharan Africa

methodology we used in the business project, since if we follow or test Africa into the several steps of the same methodology, we will find evidence of the continent's potential. First of all, in the business project, we chose China, India and Brazil, the so-called BRICs, due to its recent and future potential growth, as well as for its "exotic currency". Well, the African growth was already highlighted and some of the most promising countries called the Lions of Africa and naturally new emerging economies after the BRICs. That being said, the current growth, but above of all future growth, allied with all the consequences it brings, which will now be explained, it is the first reason why Africa should be approached. Nevertheless, growth is not sufficient for stating that Africa represents a good revenue opportunity. In order for it to be, it has to imply multiple cross boarder payments, which is what Citi WorldLink is looking for, being necessary a process similar, in terms of methodology, of the one done in the business project. Going from general to more particular reasons, **foreign direct investment** is one of the main drivers of cross boarder payments into and from countries. This happens because whenever a country is investing on the other, then it means that directly or indirectly it is making payments into that country, which have to be done, naturally, in local currency, representing an opportunity for WorldLink to explore. In the case of Africa, the recent growth of FDI and future prospects of it is being used to develop the structures and the conditions required to make African economies more competitive in the international landscape. As an example of the growing international payments being made into Africa is the $7 billion plan announced by Barack Obama to develop infrastructure and work more intensively with African heads of state. This investment, once is transformed into services and structure development, will have to be done in local currency, and it is in the need for that change that the true potential relies. Moreover, the growing foreign direct investment, along with investment done by the government, has been responsible for developments in different industries. The most important one is **infrastructure**. This not only involves a lot of high volume payments, but also cross boarder ones. Installing electrical power, paved highways, railways, airports are projects usually done by infrastructure companies working usually under project finance contracts, therefore needing to constantly make payments involving FX effects. These companies are precisely the companies we identified as being very interesting in the third pillar of our research. Just like the infrastructure companies, in our business project we also identified other companies with strong international exposure that can obviously represent interesting opportunities for WorldLink, since they constantly face cross boarder payments. Besides infrastructure, some other industries have been growing enough to create **clusters** in some of the African countries, accelerating the entrance of **multinational companies** in there. As examples, Namibia has attracted industrial investments recently and South Africa has been offering tax benefits to attract these multinationals. Nevertheless, Nigeria is the country where this reality is more obvious. Nissan has recently decided to build a manufacturing facility in Nigeria, contributing to the growth of the country and to the creation of employment. A company like Nissan will obviously have to constantly make payments to all these people working there, but also buy components there from all around the globe, being cross boarder payments vital for this process. This type of companies will appear more frequently and are the type of clients WorldLink is looking for. Nigeria is just one example, but we could have others, like in mobile payments in Kenya. Furthermore, Nigeria not only is the largest manufacturer of cement in Sub-Saharan Africa, but also has already and international Nigerian electronic manufacturer and a vehicle one, Innoson Motors, that are starting to export. Africa is turning more and more an exporting continent with influence internationally, making a process similar to the one China, Brazil and India did. In fact, and keeping in mind the first pillar of our research, the **"importing companies"**, if Africa is exporting, than it means there are companies importing from there, and those companies are precisely the most interesting for my client and are essentially in China and India. This means that if we chose to go to China, India and Brazil because they are growing and supplying the biggest countries in the world and therefore is the best way to find new revenue opportunities within their trading partners, and if wee analyse the upcoming trends of the BRICs being the leading countries in the world, than the **logical step would be finding the main growing supplier of these countries, and that would be Africa** (Africa and China already have a solid trade relationship), which validates my suggestion and classifies it as a logical next step in terms of which countries should be approached. This all means that a lot of cross boarder payments will be done into and from Africa, in African currencies, from different countries in the world with equally "exotic" currencies like China. That not being enough, according to Bain & Company (David Dolan, 2011), banking services are expected to grow at a compound annual rate of 15% until 2020, outpacing domestic product growth, allowing WorldLink and CitiGroup in general to, if wanted and needed, provide other services there. Concluding, the recent growth in consumption, the rising of multinational companies, the need for infrastructure investment, the natural resources, the growing the FDI, the relationship with the BRICs and the growing interest in the African exports are some reasons that confirm my argument on why I would have wanted to also approach Africa, because it would allow us to not only find revenue opportunities for the upcoming years, but also maybe for the upcoming decades. As in Africa, I would probably go first to the more developed countries, like Nigeria, South Africa, Kenya, Ghana and Angola.

C. Why it was not approached?

The major reason why we did not approach Africa was because the client had its key corridors and priorities, which matched our research, making it an easy decision. Nevertheless, there are some reasons why I consider there was not a great interest by the client yet, and therefore why we did not approach. First of all, and although Citi Group has presence in some Sub-Saharan African countries, its presence is not sufficiently recognized a consolidated in the region. Secondly, Citi Group prides itself for its reliability and high quality service, and actively working and seeking opportunities in a continent still marked by instability was not something they were particularly interested. Furthermore, WorldLink tries to avoid proving services in payments involving gambling, diamonds, precious metals or other activities that could possibly damage the brand image of the bank. Finally, and obviously apart from time constraints, currencies in Africa are still hard to master and the continent is still more a promise than a confirmation. All these reasons led us to focus on different corridors, which are more interesting at the moment.

D. Mobile Payments

I decided to include this brief recommendation in terms of diversification of service because I think this represents both a huge opportunity and a requisite to be successful in Africa. According to the World Bank, 24% of the adult population in Sub-Saharan Africa had a bank account in 2011, which demonstrates the evolution registered in financial services in Africa. More than in volume, financial access to financial services has become broader and deeper, with more diversified products. On of those products is mobile money, which is not more than paying with mobile phones. According to the Economist three-quarters of the countries that use mobile money most frequently are in Africa, and there are 15 African countries where more than 10% of the population using it. Although mobile payments are a consumer solution, not corporate, the truth is that in some countries it is absolutely vital. For example in Kenya, it is used by more than 17M people (68% of the population) and more than 25% of the countries GDP flows through it, and this tendency is spreading all over Africa. For WorldLink this can be an opportunity for consolidation, to provide a service that can catch a significant portion of the flows (for example rural farmers are paid this way and it could be explored by multinationals; remittances from abroad are sent this way) and approach the telecommunication companies responsible for these services.

III. Reflection on Learning

A. Overall Appreciation

Overall, and although it was a very hard and demanding project, I feel that this business project was a huge, constant, very steep learning curve for me and I am very happy I had the chance to do it. From the first moment until I handed in the final report and made the final presentation, I was constantly challenged, which allowed me not only to no learn from the project's content itself, but also from the company and the people in my team. Nevertheless, lets start by the beginning. Honestly, the scope of this business project was completely out of my comfort zone. Although this project was all about strategy and finding new revenue opportunities and consequently prospective clients, it was a lot financially specific and related with banking issues, which is out of the subjects I learned during my management masters, and this was exactly the reason why I chose it. I felt in this project I could learn and challenge myself, and that is exactly what happened.

B. Previous knowledge applied

Taking in consideration what I previously wrote, working with WorldLink was, for me, more about acquiring new knowledge than particularly applying knowledge previously acquired during my masters. However, in my opinion I was successful during the project thanks to some experiences I had during the masters program. First of all, the key to the success was the group, was the ability of all the members to work in and with a team, and that is something we learn with practice. The business project was the clear example of that: due to the fact I had already worked a lot in teams and with other international people at NOVA SBE, the cultural differences and the challenges typical of this type of teams were not a surprise and consequently not a problem, allowing the team to focus on what was more important. Furthermore, during these months I found out that the financial management class I had was actually more important than I though, since it gave me the basis needed to more easily understand how WorldLink actually works and how I could more easily manage all the financial information available for some companies and the lack of it for other ones. Finally, I honestly think the previously acquired knowledge that I used the most was the one acquired in internships, which confirmed my suspicions on the importance of complementing the academic background with professional and extracurricular ones.

C. New knowledge acquired

If the previously acquired knowledge was not extensively used during the project, the same cannot be said about the one acquired for the project and during the length of it. First of all the knowledge acquired about WorldLink, its business model and the market where it competes. I clearly did not master the subject before and it was very insightful to learn something out of my comfort zone. Secondly, I had to learn how to specifically ask the right questions in order to develop the methodology. In fact, our first approach, "exporting companies", was wrong, and only after we learn how to ask the right questions, we could "follow the flows", as one of the clients said, and understand the reverse thinking that was required, the shift of mindset from exporting to importing and from clients to suppliers. Finally, I learned how to read between the lines, how to analyze data from annual reports, how to easily look for the most important information and how to extract conclusions from it, something that due to the nature of my masters, I haven't done so intensively before.

D. Personal Experience

I have to admit this project was a challenge for me. I think my biggest weakness was the lack of motivation during the first 2/3 weeks. I was demotivated and I was feeling we were going nowhere, and I think that at some point I passed this pessimism to the rest of the group during the first weeks. Nevertheless, after that I felt I had to do something and my strengths appeared. I motivated the group, I started taking over the project and lead it in a positive way, we settle deadlines and weekly meetings, we defined methodology and we scheduled the weeks each one of us would be more relaxed so that we could welcome guests in Ireland. That moment, after the presentation of Malaysia, when we were going the wrong way and the situation had to be reversed, was the game changer. I started enjoying the group, the project, we understood the methodology, and that was the basis for an output I consider to be very insightful. As key takeaway for the future and above of all for my personal development, I would point out organization, planning, method. I tend to not like to plan things much ahead, and to not like to have many deadlines, but I found out during this project that planning can be a way of motivating and challenging ourselves, as well as to work in a more balanced way.

E. Benefit of Hindsight

As a conclusion, I honestly believe the client was very happy with the output of the project. As main drivers of the success I would point out the excellent team I had the chance to work with, as well as the weekly meetings with the client, which allowed us to keep challenged and on track. In terms of what could have been done better, I would probably have spent more time in the beginning understanding what we should do and not starting immediately as we did. Doing that would probably avoid us to make a wrong approach in the first place. Nevertheless, we managed to reverse the situation and deliver an excellent project that, above of all, allowed me to grow as a person and as a professional.

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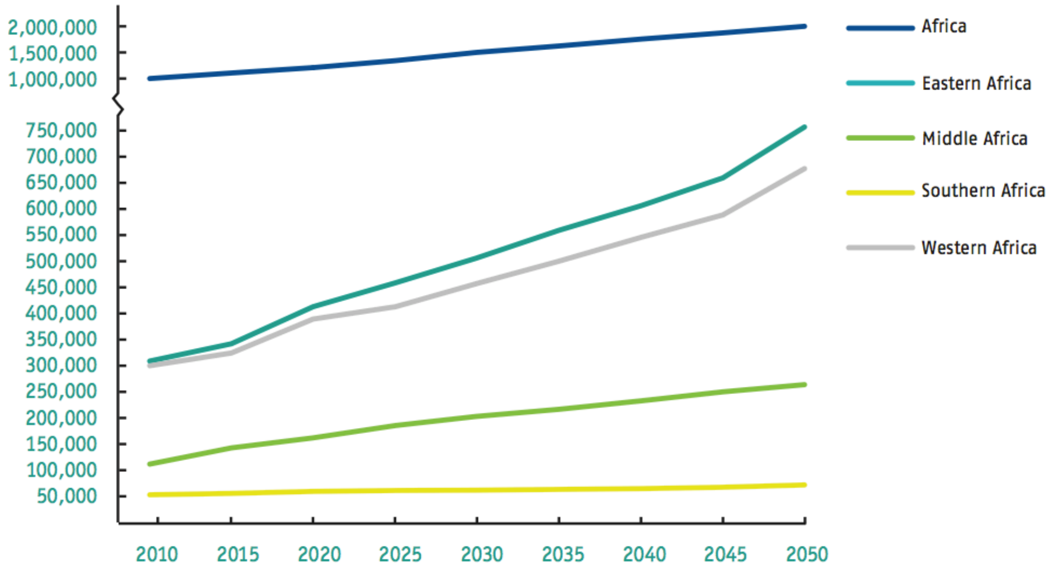
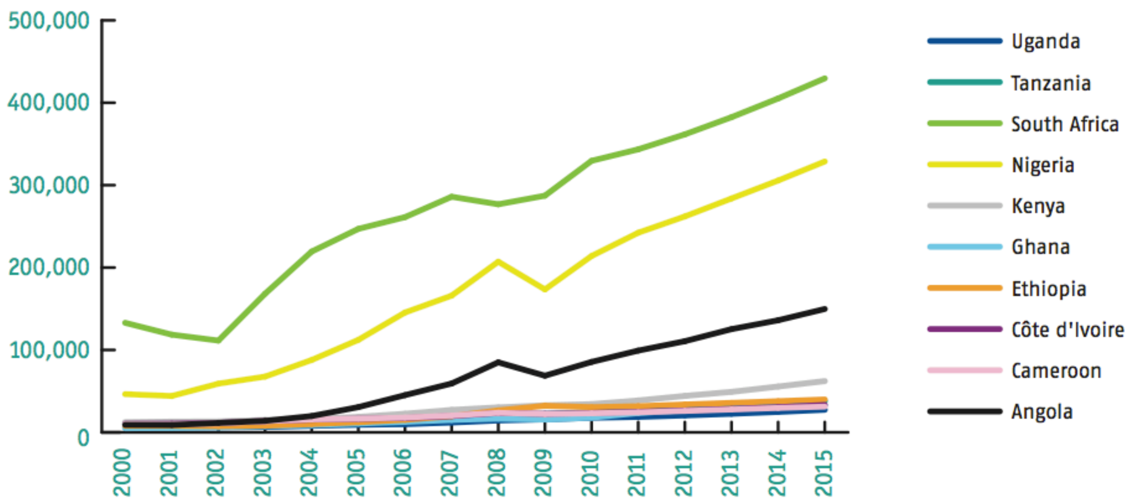
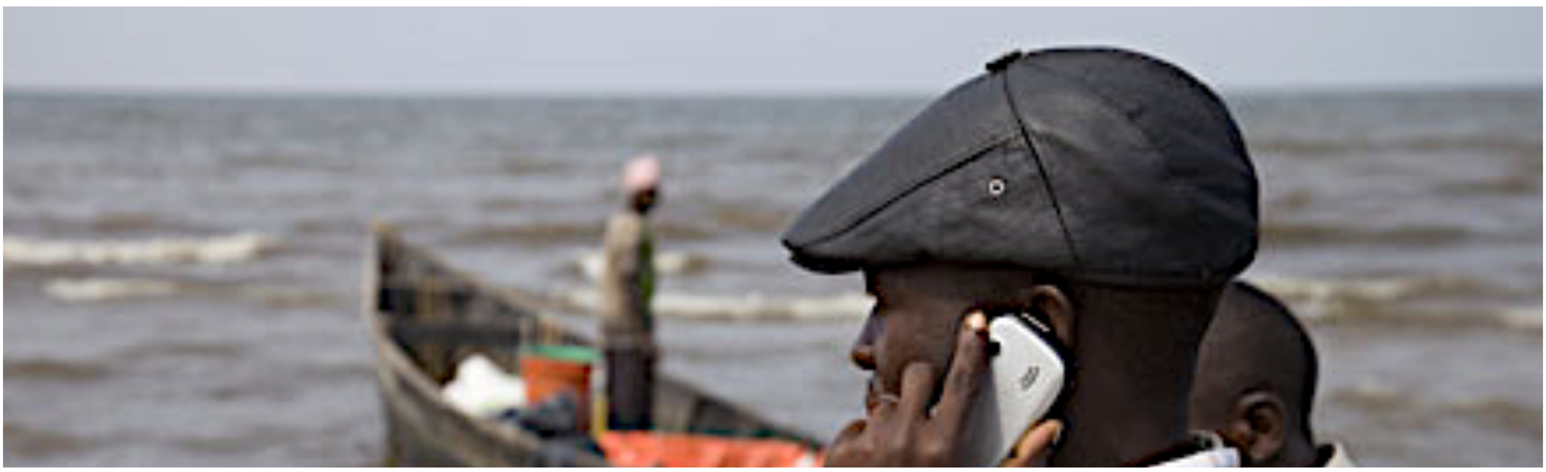
V. Appendix

1. United Nations Population Prospects 2010-2050, in thousands (Jasper Groskurth , 2010)



2. The GDP at current prices in millions of US dollars of the ten largest economies in Sub-Saharan Africa (Jasper Groskurth , 2010)





3. Mobile Money Users in Africa (World Bank)