



## Majid Al Futtaim evolves to grow

Majid Al Futtaim is a leading business across the MENA region. With multiple entities spanning 13 countries, the company embarked on an ambitious project to streamline processes and enhance performance working with SWIFT and BAS.

Headquartered in Dubai, Majid Al Futtaim is one of the largest corporate entities in the UAE with assets just over 12.15 billion US dollars generated from three main business areas, properties, retail and ventures. This year, the organisation is celebrating the 20th anniversary of its iconic brands including its City Centres malls, and 20 years of growth across the region.

### The challenge

As the business continues to grow and expand, it is essential that the internal financial procedures and systems are able to meet the increasing demand. In the treasury area, the team identified an opportunity to improve their financial management systems and become more efficient and effective by moving to a payments factory model.

This would integrate the disparate transaction flows and streamline a process that involves e-banking with multiple proprietary bank platforms. The ultimate goal is to establish an in-house bank that will give greater visibility of cash and better control of liquidity, allowing for flexible management of cash pooling. The focus in this first phase has been the move from the existing manual processing of payments and statements to an automated system for cash management.

### Identifying an expert and getting local support

As one of the first local corporates in the UAE to embark upon this journey, the team at Majid Al Futtaim found it challenging to find adequate industry benchmarking for such a challenging project and one involving SWIFT. The first step was to identify a trusted and proven technology partner which could help identify the most appropriate IT infrastructure to meet Majid Al Futtaim's requirements and provide local support. The company turned to BAS, an experienced team of middleware experts based in Paris, with an excellent reputation in the Middle East region. The company already had a high level of confidence in the fact that they were able to successfully achieve a way to integrate bank statements across 13 countries into the BAS application.

The project not only involved moving from manual to automated processing, but there was the added complication of integrating multiple ERP systems. Each business line had its own system and the project had to ensure the existing process flows – such as the approval procedures – could be maintained. The three incumbent ERP systems were different across each of the three business units.



The central treasury team is based in the Dubai HQ and had for 20 years evolved a reliable policy-driven cash management process. Group Treasury also controlled the administration in terms of bank account/mandate management, and managing changes in signatories, with banks identified as an area of value-addition by migrating to the middleware solution. The other objective of monitoring cash balances, with a central visibility of liquidity, was also made possible only via a centralised middleware. The manual approach was simply not going to be fit for purpose in the long term.

Group Treasury also blue-printed a technical architecture vision that was stress-tested with industry leading banks and experts to get an opinion on the efficiency of the model and an optimal model was then finalised.

## Defining the scope and parameters

The key objectives for this first phase of the project were to:

- Reduce operational risk
- Streamline operations and reduce cost
- Improve cash management control
- Optimise dependency on internal IT
- Improve bank relationships whilst reducing transactional cost to the company
- Internal process re-engineering value-additions e.g.
  - Reap certain other process innovations like 100% soft paperless approvals (by integrating the paper scanning solution with middleware, so that approvers sign payments while verifying support paperwork inside the middleware)
- Better value-added back-office processing in terms of reduced reconciliation time on vendor queries – by having a vendor notification sent from middleware on payment batch invoice breakup

## Evolution not revolution

Pradeep Prakash, Senior Manager Treasury, at Majid Al Futtaim - Holding says: “Our responsibility in treasury is to focus on the efficient financial management of our business and provide a first class service to our business units. We operate in very dynamic sectors spanning property, retail, leisure and entertainment, with many customers, partners and suppliers who demand a high quality of service from us. We have to ensure that our foundation from both a process and technology perspective will support our business so that we can continue to expand and flourish with a scalable model. We expect our investment in technology to deliver on the promise of being faster, cheaper, more secure, and more reliable.”

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**“With the SWIFT Alliance Lite2 aspect of this payments factory project, we have every confidence that the improvements to our payments and statements processing will not only meet our short term cash management objectives, but will give us a strong platform on which to expand to manage our FX confirmations, trade services, intraday statements and much more in the future.”**

Pradeep Prakash, Senior Manager Treasury, at Majid Al Futtaim - Holding

## The project requirements

Majid Al Futtaim already had an established and very reliable process-driven approach to managing its payments and statements. However, as the business grew, there was increasing pressure on the resources used for manual processing. It was recognised that by automating the process so that payments could be prepared and sent directly from the ERP systems across the SWIFT network to the nominated bank, the company would easily be able to cope with higher volumes of payments generated from multiple ERP sources. Importantly, the concern about operational risk that is

inherent with manual processing would be eliminated and efficiencies immediately realised.

The challenge went beyond manually prepared payments. Each day, statements were generated and the payments manually matched and reconciled (for majority of the businesses) to create a daily cash position. This became a time consuming process as volumes increased. With the move to automated transaction processing of payments, and having access to automatically generated statements, intraday cash reporting would be easy in the future – something that the treasury team felt essential for timely decision making.

E-banking with multiple institutions created further challenges. These included managing multiple passwords and tokens, as each bank has its own secure login requirements. Also, each bank has its own specific format in which they want to receive payment information (if a traditional H2H proposition was contemplated) and any errors in keying or rekeying information only added cost and delayed processing. Naturally, single payments processing is much too cumbersome to process manually, so Majid Al Futtaim moved to pre-authorised payment files and processed in batches. However, there was still the issue of meeting individual bank payment formatting requirements. The creation and formatting of payment files was creating a real challenge for the team.

## Where Majid Al Futtaim are today

By adopting the payment factory model Majid Al Futtaim now provides a centralised hub to handle the execution of payments to banking partners, facilitated by decentralised accounts payable processes.

The IT infrastructure the company underpins this approach by using middleware technology provided by BAS and the interbank connectivity channel is SWIFT, with Alliance Lite2 as the interface between the company and its multiple bank partners. The inherent flexibility of SWIFT’s solution allows for additional banks and other entities to be added over time, which is important to any growing business.

The benefits for Majid Al Futtaim of using the payment factory and SWIFT model include:

- Full automation of payments processing
- Ease of tracking payments through the payment lifecycle
- Ability to monitor payments and provide “on demand” responses to queries
- Secure and dependable connectivity between the treasury and nominated banks
- Improved and cost-efficient bank relationships
- Ability to meet changing regulatory requirements
- The model can easily scale to meet growing business demands

Over the course of this project, the streamlining of the payment processing activities has driven down bank transaction fees by more than 75%. These are tangible and significant cost savings applied on monthly message volumes currently running at 1,500 payments and set to grow. In addition to monetary savings, reduction of duplication in workflow, and the inherent reduction in manual errors, attributed to inputting the same ERP payment data into e-banking channels also is an efficiency resulting from the project.

Sido Bestani, Head of MENA & Turkey, SWIFT, says that SWIFT has been present in the MENA region for some time and that the benefits that SWIFT can offer are increasingly better known in the community. “As SWIFT connectivity projects like the one with Majid Al Futtaim come to fruition, we can demonstrate the value to the banks of using SWIFT as their business-to-bank connectivity channel. The benefits speak for themselves and the growth of industry standards will help to keep costs down, deliver reliability and security and ensure that the processing of transactions between banks and their customers delivers a high quality of customer service, leading to retention of valued customers.”

## Lessons learned

In today’s dynamic business world, the emphasis is always on reducing operational risk, streamlining operations and ensuring that costs are carefully controlled. The careful and timely management of cash flows, providing reliable data for decision making and maintaining “business as usual” during the process of any IT project that would touch many different areas of the organisation requires careful consideration and planning.

“It cannot be emphasised enough that projects of this magnitude benefit from identifying all of the internal beneficiaries at the very beginning and this is not as easy as it may seem. These projects touch many people in our organisation at many different levels. We believe that ensuring all teams are engaged and their commitment and responsibilities to the project are included as part of their overall objectives is the key to success. The project can take many months, so making regular communication to keep everyone who is involved fully informed along the way is vital. Anyone embarking on this journey should be aware that there are many “unknown unknowns”, as there are bound to be plenty of challenges and surprises that crop-up along the way no matter how much preparation one does, and due provision for these should be made in terms of cost and time,” says Prakash.

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**“This move has been the right decision for Majid Al Futtaim and whilst we might do some things differently given the lessons we have learned, the payment factory and SWIFT combination is clearly a winning one for our business.”**

Pradeep Prakash, Senior Manager Treasury, at Majid Al Futtaim - Holding  
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