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Brazilian banks benefit from consumers with buying power

SAY “CHARGE IT!” FOR CHEWING GUM

SVEN HEITKAMP

Day or night, this city never sleeps: São Paulo is at the hub of Brazil's flourishing banking community—one of the most successful financial centers the world over.

Patricia Barra rarely takes cash along for her shopping expeditions in São Paulo. That is what credit cards and cell phones are for—and installment plans. Six months to pay for shoes, twelve months for plane tickets. “That’s perfectly usual in Brazil,” says the consultant from Porsche Consulting Brasil. “People even buy groceries on credit and pay for chewing gum with plastic.” You do not buy only what you can afford; first and foremost, you reach for whatever is currently “in”—from smartphones to fashion and furnishings. Brazil is on a roll.

As was the case in Europe in the 1960s, for some years the Latin American giant has been experiencing its own fascinating economic miracle. Experts estimate that 50 million of Brazil’s 190 million inhabitants have joined the ranks of the middle class; the domestic mar-

ket is booming, and shopping centers are full. The host of the 2014 FIFA World Cup and the 2016 Olympic Games has one of the world’s most vibrant emerging economies.

Banks are both a driving force behind this economic upswing—and beneficiaries. The banks offer extremely flexible and fast payment systems, while simultaneously profiting from consumers on spending sprees. In comparison with the losses suffered by Northern Hemisphere countries as a result of the ongoing financial crisis, the banking community of this South American economic power is a veritable isle of bliss. The domestic credit market has been posting double-digit rates of growth; not one of these financial institutions has gone bankrupt. Thus Brazil is viewed as one of the most stable, profitable, and attractive financial centers in the world. And no wonder: With its two-digit prime rate, Brazil sits firmly at the top worldwide, attracting international investors and finance companies. →



Openness and transparency at Cetip, the Brazilian banking service provider based in São Paulo, enable colleagues to consult one another quickly and concisely. Porsche Consulting assisted the financial firm in optimizing its communication processes and the course of projects as well as eliminating sources of error.

Brazil's government is seeking to use its high-interest policy to curb inflation and control economic growth. Thus far, this policy has been a success. Brazilian banks earn their income within the country; high-risk foreign bonds and non-performing loans are the exception. Rather than exporting funds, Brazil prefers to export something tangible: Over the years, exports of iron ore and agricultural products such as soy, meat, sugar, and coffee have been on the rise. "Products are sold in the USA and Europe that were manufactured in China—using natural resources from Brazil," says Jürgen Lochner, CEO of Porsche Consulting Brasil in São Paulo.

The fifth-largest nation on the planet has learned from the past. In the wake of heavy financial dependence—in particular on the IMF (International Monetary Fund) and the USA—

high foreign debts, and great currency fluctuations in the 1980s and 1990s, this emerging market has lessened its dependence on external influences. Risky derivative actions are strictly regulated, and financial institutions are subject to provisions regarding minimum balance requirements, equity capital requirements, and financial reporting compliance. "Bank transfers for amounts greater than 5,000 reais—equivalent to somewhat more than 2,000 euros—can only be carried out between 8 a.m. and 4 p.m. This is to verify the transfers and to prevent money laundering," explains Jürgen Lochner. Such strict regulation is no surprise: The young democracy, which replaced Brazil's military dictatorship in 1985, has had a powerful bureaucracy from the start. Companies and banking institutions have only gradually been granted more freedoms.

However, from a technical standpoint, Brazil's ultra-modern banking system is already on a faster track than its European counterparts: Bank transfers are always carried out either online or by cell phone, so that they are received within minutes. People can put their capital to work while they go shopping—on credit, and interest-free. Such high speed can also be traced back to the bitter experiences of hyperinflation through the mid-90s, a period in which monthly wages were devaluated before families had a chance to take care of their shopping needs. But that's all history now. These days, proud members of Brazil's new middle class are investing in apartments, automobiles, and expensive television sets. On the installment plan, of course. ←

BETTER PROJECT ORGANIZATION AT FINANCIAL INSTITUTIONS

TRAFFIC LIGHTS FOR THE BANK

Building number 1663 on Avenida Brigadeiro Faria Lima is a top address in São Paulo, Brazil's most important commercial and financial center. This modern high-rise made of glass and concrete houses Cetip, one of the nerve centers of the Brazilian financial system. It is the largest service provider for banks and central depositories of securities and derivatives. Cetip's systems solutions ensure that transactions on Brazil's flourishing financial markets run smoothly.

Listed on the stock market and with 400 employees, the company has an enormous volume of business with 15,000 customers, including the largest banks in the country. But it has occasionally needed too much time to put new ideas into practice on the dynamic financial market. Potential customers were looking elsewhere, and deals were falling through.

This was reason enough for Cetip to seek support from the experts at Porsche Consulting Brazil, who have had an office in São Paulo since 2010.

Their analysis showed that in developing new offers, not all the relevant departments and customers were promptly involved. Mistakes were creeping in, and products were not usable. "When financial products were ready, the clients weren't always ready to apply them," says Senior Project Manager Rüdiger Leutz. "We were able to provide assistance in this virtual world with our expertise and with concrete examples from the automotive industry."

Just as one gear must mesh with another in the genesis of a Porsche, so too do planners, financial experts, legal consultants, and technical experts have to work very closely together in developing banking products. Porsche Consulting introduced this communication process at Cetip in two pilot projects. Since then, trans-divisional teams have been formed in each department, and these are involved in the projects from start to finish. Their members go through all the product development stations and timelines together at set intervals. Specially developed software serves a roadmap function, providing a continuous overview of the upcoming steps and featuring a traffic-light system that evaluates interim results and weak spots with red, yellow, or green.

"What it ultimately boils down to," says Leutz, "is quality and punctuality."