


The white stuff

SOCIETE GENERALE CASH MANAGEMENT CONSULTANTS **LAURENT AYAT** AND **CHRISTOPHE DENIAU** EXPLAIN HOW EUROPE'S BIGGEST DAIRY BUSINESS ACHIEVED AN EFFECTIVE CASH CONCENTRATION OPERATION ACROSS THE CONTINENT.

Executive summary

Corporates need to show flexibility in adapting to existing processes while remaining focused on the target. Choosing the right banking partner is a key factor in success.



Accordingly, cross-border end-of-day cash concentration was first implemented across Europe, encompassing the company's non-French operations in continental Europe: Belgium, Germany, Italy, Luxembourg and Spain.

The scheme was then extended to the UK, where a significant part of the operations is euro-denominated. In Germany, a domestic pooling structure was soon added to complete the existing cross-border system.

Six months later, Lactalis extended cash concentration to Spain and decided to use Société Générale's new Intraday Sweeping service for its Portuguese subsidiaries.

Intraday Sweeping allowed Lactalis to integrate its Portuguese subsidiaries without changing the local banking arrangements and without the day-to-day burden of managing an overlay structure.

The cash concentration project was eventually completed by including around 60 French subsidiaries, which were still managed on a standalone basis.

To reduce the administration of inter-company loans and interest, Lactalis also decided to outsource the tracking and reporting of these loans to Société Générale.

With 80% of the Lactalis group's turnover deriving from Europe – the company has major operations in France, Spain, Italy, Germany and the UK – its group treasury had two clear priorities. First, it wanted visibility on the cash that it had sitting in various accounts across Europe, and, second, it wanted access to that cash.

The consolidation of the group's euro cash position was a particularly high priority given its geographical customer-base, and the goal was to concentrate the local subsidiaries' positions into a header account to be held in Laval, France.

The department's preference was for cash concentration using a zero balance account; replacing all local banking relationships with just one bank was favoured but not deemed absolutely necessary.

Following discussions across the business, Stephane Aubril, who was in charge of the project for Lactalis group treasury, eventually decided to roll out the new cash management system in stages.

The treasury decided to start with international rather than domestic poolings because it was the cash that was sitting abroad that was mostly outside its control.

Box 1: Cheese whizz!

On 19 October 1933 André Besnier collected 35 litres of milk out of which he made his first 17 camembert cheeses. The Laitière Besnier dairy group that he founded renamed itself Lactalis in 1999 and now processes 9 billion litres of milk a year. Europe's biggest dairy company produces the Président brand of camembert, as well as brie, emmental, butter and cream.

Passionate about cheese, Lactalis nurtures, protects and invests in local cheese production facilities to maintain the traditions and heritage of French cheesemaking. The company has 127 production facilities, employs more than 38,000 people worldwide and turns over €9.3bn a year. Clearly a change from Besnier's first day at work!



To get visibility on the account, the group selected the bank's web-based platform, which could be used at a local as well as at a central level. Accounts were added as they joined the pooling structure and the two projects were run in parallel.

An inclusive project team was set up that included the key players on both sides.

Obviously, a project co-ordinator and facilitator with a good view of the goals was required, but local players were also needed to recommend local adjustments and work on communication and change management.

KEYS TO SUCCESS Setting the project objectives and keeping the focus on those objectives was probably the number one priority for the internal sponsor of the Lactalis project. In any project that runs over several months or years it can be only too easy to get distracted by the technicalities or to get lost in the details.

On the other hand, permitting flexibility on the way to achieving these targets is probably the best way to ensure faster completion of the project by involving all the players and winning their commitment.

Flexibility can easily lead to disorder, so it is paramount that control of the project is maintained through appropriate and timely reporting.

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While it is important to ensure that your chosen banking partner has all the necessary technical capabilities, what counts even more is the bank's experience and track record in delivering a cash concentration project and supporting its development.

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