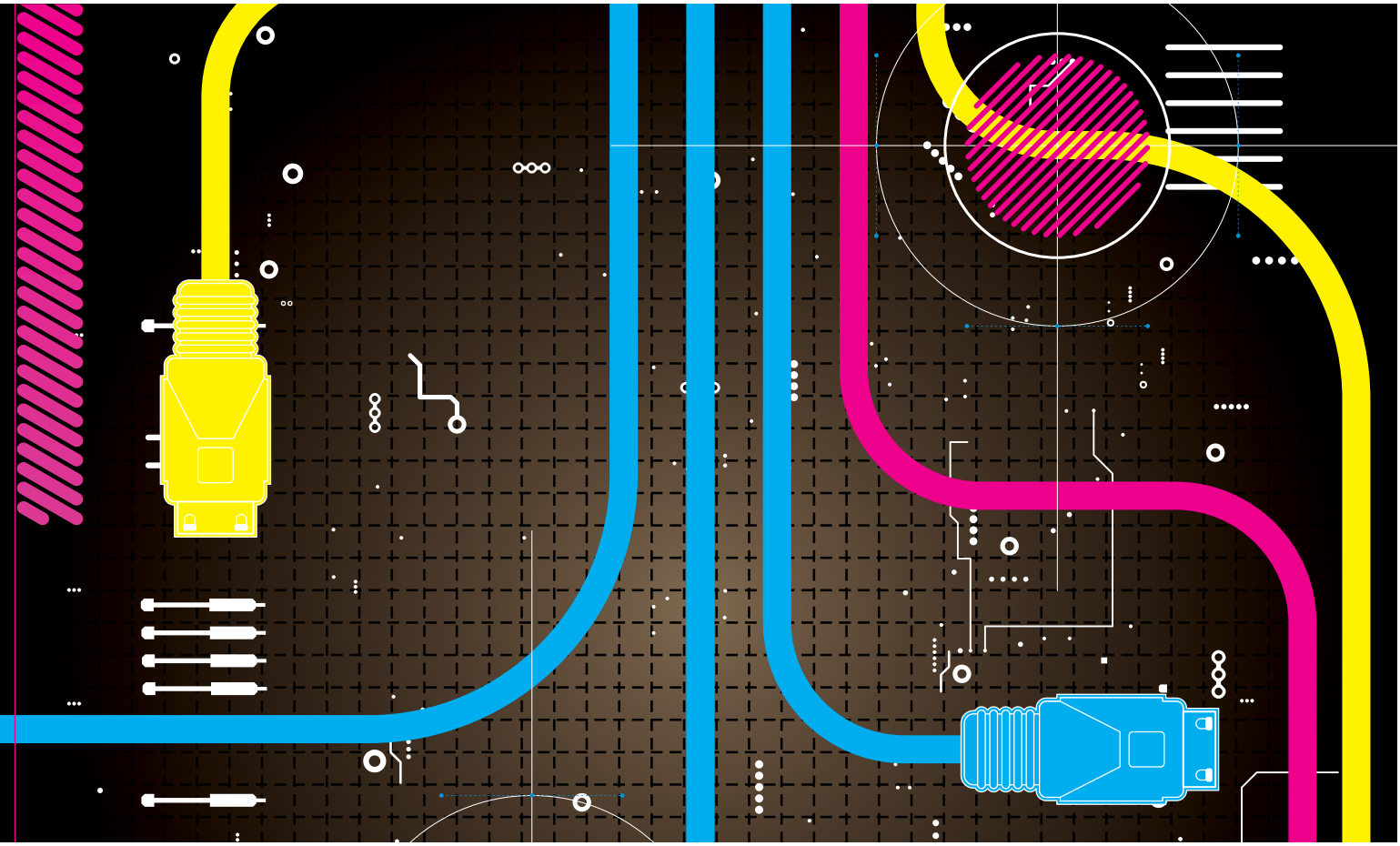
WHITE PAPER

BRADY'S QUICK START PHYSICAL TRADING SOLUTION



BRADY.

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INTRODUCTION

In order to deal with the complexities of trading and managing multiple commodities, the software solutions devised and offered by vendors are usually designed to be highly configurable. This is particularly so when the scope of functionality includes the management of the commodity through the supply chain (usually a mandatory requirement for customers trading in physical agricultural, softs, metal ores, and other bulk commodity markets). By offering extensive configurability and personalization of their CTRM and/or Commodity Management (CM) solutions, the vendor can service a larger group of customers with differing requirements and hence, extend the potential market for it, ensuring that it can be a financial and commercial success – as it has to be to be considered a true software product as opposed to a custom solution.

Configurability and personalization have become key features of CTRM and CM software and have helped to ensure widespread use of vendor supplied and supported solutions (a global market estimated at $1.5 billion per year). Providing customers with the ability to configure the solution to meet their individual company needs, and the user to personalize their screens, has allowed the same solution to be deployed and used successfully in many different markets, industry segments and geographies - all using the same code base and ensuring more cost-effective vendor supplied support. Unfortunately, providing these capabilities has also naturally added to the complexity of implementation, as it requires significant forethought and planning in order to set up the solutions in a way that truly supports the business processes now and into the future. This complexity invariably adds cost, time and risk to both the implementation effort and future product upgrades.

As buyers have become more savvy about the software category generally and more cost sensitive (catalyzed in part by the promise of cheaper cloud deployment), vendors have begun to recognize the need to reduce the complexity and costs related to configuration by providing tools and processes users can leverage to more quickly configure the software to meet their requirements, reducing implementation time, effort and costs. This paper will look at Brady's Physical trading solution Quick Start program as an example of such an approach.

THE NEED FOR CONFIGURABILITY

Wholesale commodity trading and risk management can include any number of business processes and strategies, from brokered trades in which the buyer purchases some quantity of commodity and then immediately resells it at the same point for (hopefully) a profit having never physically handled that commodity – to multi-commodity transactions involving global movements via complex supply chains, transformations, and complex financial hedging strategies.

Vendor-provided software to service this wide-ranging market will often attempt to model and provide the widest-ranging functional coverage for all possible commodity classes and the unique physical operations associated with each and every possible combination in between. At the same time, the markets these products serve are continually impacted by rapidly shifting requirements such as regulatory changes, shifting economic/trade patterns, industrial technology advances and geo-political conflict. With each change, new functional requirements are established, and new demands are thrust upon existing vendors and their solutions, increasing product complexity and costs, and ultimately, providing an opportunity for new vendors to enter the markets with the "latest and greatest" products. Changes and innovation in software technologies has also heavily impacted the category, such as the earlier migration to client/server architectures - and now to web-enabled, cloud delivered solutions.

Besides building in capabilities to configure the way the software works and what functionality it includes via set up options, many vendors provide users the ability to personalize screens and functions or have added extensibility options that allow users to add fields and data capture capabilities beyond those supplied with the solution. In recent years, workflow has also been added to many products - generally configurable to better model the client's business processes. While these features add flexibility and usability to the solution, their use will almost certainly impact the implementation effort and on-going support by making both more complex, time consuming and expensive. While users seek out this flexibility, they are often unwilling to spend the time and make the required preparations necessary to properly exploit them.

In an effort to meet the rapidly shifting and changing requirements of users across a large enough marketplace to make it an effort economically viable, the vendors have often sought to develop a singular comprehensive solution - one that covers all (or at least the most common) commodities, geographies, supply chains, and assets. Again, this is often achieved using configuration at set up time as well and via tools like workflow. Although perhaps the trend has now shifted away from this approach to some degree, any solution that supports complex commodities through the supply chain will remain complex and will require a degree of set up and configuration.

CONTROLLING IMPLEMENTATION AND SUPPORT COSTS

As previously noted, although often required and demanded by users, configurability will almost invariably lead to increased implementation timescales and costs. In part because the users simply cannot know the true capabilities and flexibilities of the solution at the outset of the project and, the software consultants and specialists cannot know the true complexity of the customer's business.

Developing this understanding on both sides only comes with time and familiarity despite the best and most careful project planning...and without it, the implementation effort can become elongated and/or derailed as previously undisclosed factors are uncovered and false starts occur. Once implemented, on-going support can be increasingly problematic as well depending upon the implementation decisions that have been taken. In other instances, the user has selected the software for a specific purpose or commodity and does not need a lot of the built-in functionality. In this instance, care must be taken to ensure a clean and focused implementation...though perhaps leaving room for use of some of the provided but currently unneeded functionality in the future. The conundrum then becomes how to implement the solution to meet the requirements in a way that is most expeditious and yet does not close the door on future modification of the initial configuration and available functionality.

In order to provide a comprehensive solution that can grow with the user's business and yet one that can be implemented in relatively short time frames, vendors have proposed various approaches. Most often, these approaches utilize "use cases" that define a fixed scope of processes and functionality at the outset in order to implement faster and with reduced risk of time slippage. Brady's Physical trading solution Quick Start program is one such approach.

BRADY QUICK START

The premise behind this innovative methodology is to allow trading companies to set up and start using a market-leading physical trading solution as quickly as possible – minimizing implementation time by providing a base solution with the key functionality and a standardized configuration that allows customers to gain rapid benefit from using the system. Brady's Physical trading solution is a multi-commodity solution that covers metals, ags and softs and bulk fuels not just for trading and risk management but throughout much of the relevant supply chains. It has been designed and built to offer maximum flexibility through configuration. It has a wide installed base across the globe.

The Quick Start approach is built around a number of key principles that target many areas in which experience has shown that implementations can go awry:

- Brady defines standard reports and workflow – Oftentimes, implementation projects become bogged down in 'report mode' where the customer requests multiple specific report formats – in some cases hundreds, and possibly even thousands, of non-standard reports. Unfortunately, experience has demonstrated that often many of these highly specific reports were not, after all, essential nor frequently used despite the fact that someone, somewhere believed that they must have them.
- Data load tools are standard, facilitating more rapid data cleansing and formatting – The software comes ready to use - however, it does require data to work and usually a degree of historical data at that. Without fully defined requirements, this effort of identifying, cleansing and transforming data to load into the new system can be very time-consuming. Utilizing standardized data loading tools allows the customer to be able to address this issue early and be ready with its data for loading. The vendor usually assists the users in configuring the data in the system and in uploading all data necessary to use the system.
- Typical static data is pre-loaded – Similarly, static data loading is required prior to system use and is a critical part of any implementation project. Provisioning the system with such data from the outset saves both time and effort.
- No software changes – Many projects start out with the development of numerous enhancements or changes targeting the perfect fit from day one. The issue with this is that delivery of these changes has to be phased into the project and can result in extra complexity and delays.
- Customer adopts business processes to work with the solution – By adopting common or standard business processes, configuration of the system becomes more simple reducing complexity, time and risks with the project, rather than trying to adapt the system to meet a specific client's workflow.

- Hosted by vendor – Removes the need for the customer to acquire, deploy and configure complex hardware and places the onus on the vendor smoothing the project plan. Additionally, users gain access to the system from day one of the project.
- Project scope focuses on Brady presenting the solution and ensuring that the customer understands what it provides and how it is used. – This means that those who understand the software the best take responsibility for the project scope, ideally eliminating issues associated with not fully understanding the system's capabilities as previously mentioned above. It further places the emphasis and responsibility for understanding the business requirements on the vendor as well. In which case it is also very important for the customer to be confident in the vendor's business knowledge. The vendor also provides training of the users (up to 6) – ideally the core team who will then train other users on how to use the system.

By following these principles, Brady is able to offer a fixed price and fixed duration for the implementation project, at a lower cost and over a shorter duration than would otherwise be possible. The whole idea behind Quick Start is to get into production quickly with a standard product deferring any changes or other complexities to post-implementation once the users have gained real-world experience and truly understand the capabilities of that standard configuration. Often users will discover that the core product provides capabilities they had not fully appreciated at the outset and can, via small business process adjustments, forgo any code changes or functional extensions, allowing the vendor to better support the product going forward. In essence, the approach is to implement ready to use software following a series of tightly scoped and controlled steps that are designed to ensure that the solution is used and understood correctly by the users.

Following a successful go-live, any configuration additions or changes can be defined based on a much better understanding of how the core product and default configuration work – ensuring that time is only spent where it will really make a difference.

The Brady Quick Start approach ensures that the users gain a working system that covers the basics for Base Metals. This naturally includes a lot of functionality from physical contracts and derivatives to invoicing. "Out of the box" the system is complete with standard reports and more than sufficient functionality to run the business from day one.

SUMMARY

While configuration, personalization and workflow are key capabilities in meeting the industry's broadest requirements with a single solution, these very same features can add complexity, delay implementations and making post-implementation support more difficult. Quick Start initiatives, such as Brady's, can help minimize project risks, reduce implementation times and costs by getting a working solution up and running quickly. This requires good planning on the part of the project team, some preparatory work by the users and a willingness to standardize. However, by following the basics of the Quick Start approach, users can accrue the benefits of the system more quickly and then build on an uncluttered solution later as the business grows and/or expands.

ABOUT BRADY PLC

Brady is the largest European-headquartered provider of trading and risk management solutions for the energy and commodities industries. With over 30 years' experience, Brady products are used by over 200 companies globally, including some of the largest trading companies, brokers, financial institutions, producers, mining corporations and industrial companies.

Brady solutions support a full trade lifecycle including pre-trade pricing, trade booking, confirmations, and contract generation, logistics, nominations and balancing, lifecycle management, invoicing and settlement, comprehensive valuation and P&L reporting, market and credit risk management. The solution manages physical and derivative trading and can be deployed as part of an integrated, stand-alone solution or using selected stand-alone components or services to complement existing solution architecture.

Brady's solutions cover: ferrous, non-ferrous and precious metals; agricultural/soft commodities; raw materials and concentrates; oil complex and coal; power and gas.

Brady's solutions allow clients to:

- Manage and optimise contracts and contract fulfilment from start to finish, improving efficiency and reducing operational risk
- Manage, analyse and report on physical, raw material and derivative trades, P&L, positions and risk in an integrated and consistent manner
- Ensure complete visibility of commodity price, volatility, currency, physical premium and spread risks using a range of sophisticated analytic tools such as VaR and stress testing
- Control and improve costs incurred throughout the supply chain
- Implement effective risk control processes and minimise operational risk
- Streamline operations through fully integrated accounting processes

Brady's solutions allow businesses to automate many of their operational processes, improving efficiency and reducing cost per transaction, and provides open and automated interfacing into external applications to allow seamless integration with other systems.

Reporting and data extraction is based on a rich data service layer, allowing rapid and flexible construction of reports and BI dashboards providing management with real-time information on trading performance, metrics and risks.

Brady solutions can be delivered from its Cloud environment, offering turnkey solution that reduces cost of ownership, improves business agility and competitive advantage. The solution may be implemented as a "quick start" with standardised functionality or a more tailored system configured to meet client-specific requirements. The Brady Cloud delivers the highest levels of availability, security and is managed by Brady's technical and product experts.

For more information, visit bradyplc.com

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ABOUT

Commodity **Tech**nology **Advisory LLC**

Commodity Technology Advisory is the leading analyst organization covering the ETRM and CTRM markets. We provide the invaluable insights into the issues and trends affecting the users and providers of the technologies that are crucial for success in the constantly evolving global commodities markets.

Patrick Reames and Gary Vasey head our team, whose combined 60-plus years in the energy and commodities markets, provides depth of understanding of the market and its issues that is unmatched and unrivaled by any analyst group.

For more information, please visit:
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