

### “Peru with the expected GDP growth rate between 3.5 % and 3.7% for 2016” --An interview with the chief financial officer of a bank in Peru, one of the group companies of the largest retail conglomerates in South America

Peru

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Many business people from abroad including the emerging countries have participated in HIDA training programs. Positions of the targeted audience vary with the programs, and there are some programs aimed for top executives.

This time, we interviewed with a person who runs a bank in Peru, one of the member companies of the largest retail conglomerates in South America.

#### **--Please explain your company profile first.**

Banco Cencosud S. A. is part of one of the largest retail conglomerates in South America. Cencosud S. A. Corporation operates through various outlets, including supermarkets, shopping malls, home improvement stores and department stores. With headquarters located in Chile, it also has operations in Argentina, a market in which Cencosud began and consolidated its leadership position and later expanded to Brazil, Colombia and Peru. Currently, Cencosud Corporation is the second largest in Latin America after Walmart retail.

Banco Cencosud began operations in August 2012 and its main business is retail banking or consumer banking. The main activity is the issuing and management of credit cards, which customers can use at Cencosud outlets and other retail outlets. In addition, the card can be used for cash withdrawals and consumer loans. At the end of June 2016, Banco Cencosud had 850 employees; 180 belonging to the administrative area and the rest of employees working at our network of agencies and branches. At the end of December 2015, the level of income of the Bank amounted to USD 80 million.

#### **--What aspects of corporate management do you put much value on? Please share with us your management philosophy or policy, or something considered important.**

Banco Cencosud is a financial institution regulated by the “Superintendency of Banking and Insurance”, which, with a set of standards and guidelines, places great emphasis on corporate governance of this type of company. Within the Bank there is a board meeting that meets every month, and at which the CEO gives details of the commercial, financial and operational performance of the Bank. There is also much stress on control issues, with areas such as Internal Audit, Prevention of Money Laundering, an Asset and Liability Committee, and a Committee for Risk Management. All these instances help give support to management in decision making.

#### **--Do you think of any challenges that hinder your company business to grow and develop further? What kind of actions do you think need to be taken to address the above-mentioned “challenges”?**

The five most important challenges that the management is focused on in Banco Cencosud are:

1. Consolidating profitability: by launching products (such as encouraging people to obtain loans with a credit card) that generate adequate revenue to costs.

2. **Managing risks:** providing credit cards and loans to people who have no ability to pay which generates high levels of delinquencies and bad debt costs.
3. **Customer satisfaction:** providing customers with a pleasant shopping experience using a card that contributes to retail loyalty. Furthermore, mechanisms and actions are generated for customers to feel closeness and affinity with our credit card.
4. **Generating value for our retail outlets:** encouraging the use of the credit card in supermarkets and department stores of Cencosud Corporation. This allows us to strengthen and increase sales at our retail outlets.
5. **Ensuring funding:** ensuring financing alternatives to ensure sufficient funds to cover consumption loans.

**--How do you view the current status of your business in the global market?**

Banco Cencosud currently operates only in Peru. However, Cencosud Corporation is always looking for opportunities to buy retail companies in countries like Brazil, Mexico, Central America, among others.

**--Please tell us about the current financial situation or economic situation in your country. Also, please give us your foresight about the industries which may be expected to be grown in your country in a future.**

In Peru, GDP grew 2.5% in the month of April 2016. This result was determined by the favorable performance of most sectors, except manufacturing industry and fishing by the extension of the ban on the anchovy catch that caused the fishing sector to contract strongly. The sectors that stood out for their contribution were mining, especially copper and oil, telecommunications, trade (such as textiles), and agriculture.

The favorable development of the country's economy has been mainly influenced by the positive evolution of household consumption, reflected in most retail stores, and was caused by a higher volume of exports, which increased to 29.2%, and increased government consumption expenditure. Over the past 12 months the country's GDP grew 3.7%. The June Macroeconomic Expectations Survey, which is based on a survey of financial analysts, financial system institutions and non-financial companies, indicates that the GDP for 2016 will be between 3.5% - 3.7%. The consumer price index rose 0.1% in June; it had been moderate over previous months. This growth can be explained by the increase in domestic fuel prices, the rising price of cigarettes due to the rise in the excise tax since May, increases in electricity prices and seasonal increases in the prices of textiles and footwear. With the result that in June, annual inflation was 3.3%, still above the target range of the Central Bank in Peru. The June Macroeconomic Expectations Survey indicates that the expected inflation for 2016 is between 3.3% - 3.5% above the inflation target range of the Central Bank.

On June 30, the average selling exchange rate was Sol 3.292 to the dollar, lower than the end of the first quarter of 2016, when the Sol stood at 3.328 to the dollar. However, the exchange rate reached Sol 3.25 to the dollar in mid-April. This was partly due to the good mood of foreign investors after the presidential elections, and on the inside, reducing dollar deposits. According to the International Monetary Fund (IMF), the situation in Peru, given the presidential election, is that economic activity is expected to continue to accelerate in 2016 and 2017, while inflation is expected to decline.

Peru, the second largest producer of silver, third in copper and fifth in gold, faces a complex external scenario after the continuous fall of metal prices since 2011, which has hurt exports, investment and tax revenues. But the mining industry is now recovering, according to the IMF, and an expected increase in mining exports with a surge in public investment will give a strong boost to growth, which should not affect sectors relating to commodities. Peru is able to grow faster in the next two years, as mining output reaches its maximum capacity and advance large infrastructure projects.

**--Business customs of your country may differ from those of other countries including Japan. Please use a few episodes to explain your distinctive differences from them in terms of the mindset for working, business culture, and national characters.**

In Peru, having information is synonymous with power. The flow of information in Japan may tend to be very flexible; that is, information runs everywhere to meet the target group which does not include power for the individual, which does not always happen in Peru. For example: confidential information. The people are more concerned about their own goals, needs and interests, while in Japan, the collective goal is more important than the individual goal, even though the sacrifice is promoted for the good of the community. On the other hand, in Peru the social relationships and affiliations tend not to be permanent. Hierarchies (rank, age, status, gender and age) in Peru are respected but not very marked.

Also decisions can be taken under scenarios that are not entirely clear or with limited information, and Peruvians are comfortable with this. In Japan, however, they prefer to have a safe environment, which is clear and defined, and decisions are made after careful evaluations with comprehensive information, and the change is done by careful measurements and gently and gradually.

In Peru there is gender equality, women are increasingly taking key roles in business and holding senior positions within organizations with broad decision-making powers. Although there are some differences, there is still gender

balance, and guidance is sought to achieve this because it emphasizes competitiveness and assertiveness. While in Japan greater weight or power is given to men. It offers a view over the short term and immediate gratification while in Japan the guidance is on long-term decisions, providing for savings and investment. The level of formality and communication based on protocol is high in Japan. Also teamwork, consensus, family and group identity were and where work, individual and group loyalty, strategic thinking and leadership are used to help in attaining a global goal. While in Peru most of these issues were contemplated with the onset of globalization.

**--What are the points that you have kept in mind to develop human resources in your company? In other words, how do you wish to improve your engagement with the matter in the future?**

Actually we are working on the work environment: How to gain the sense that the company belongs to workers and that they should feel proud to work at Bank Cencosud. Currently we are one of the best banks to work for in Peru. This year we are applying to the assessment of Great Place to Work. This assessment measures and ranks the quality of the working environment with the best companies in a given sector and country.

**--What is your impression about Japan and Japanese companies? Please share with us an episode or experience that surprised or touched you.**

Some of the aspects that surprised me in the study tour are:

1. The family harmony and feelings: The “WA” concept. The company is considered a family whose members help each other and give their loyalty to the company.
2. Respect for all workers of the companies and acting with integrity to develop the potential of all its members.
3. The social responsibility of the companies. The commitment to the environment, nature, agriculture, even to disabled people, is quite remarkable.
4. Wisdom from the older leaders. Despite their age they are still present as advisers to the company.
5. The line of succession of the companies from parents to children. First, sons must train throughout the company before they take over.

The conclusion of all this is that to succeed companies need three things: human resources, culture and respect.

Thank you very much for your cooperation.