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SPECIAL FEATURE_**GCEL**

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DIGITIZING SMEs IS A MUST

The G20 Citizens - Defining the Digital Economy

Across the world, Small and Medium Enterprises (SMEs) are the main drivers of the global economy, providing up to 80% of employment in countries and comprising nearly 50% of the world's GDP. Yet, these businesses are faced with numerous challenges to stay competitive, reduce costs, secure finance and insurance, as well as reach new markets.

In Germany alone, 99% of German businesses are SMEs providing nearly 60% of all jobs. These companies form a dynamic group providing products and services across all kinds of sectors. Therefore, if we are to strengthen and grow the economic base in Germany, and in the rest of the world, we have to support SMEs with innovative policies and tools to ensure their prosperity.

While globalization during the past 30 years has lifted many people out of extreme poverty, we still have much work ahead of us to create greater economic prosperity at every level of society. It is our responsibility to find new innovative ways to generate the 600 million jobs needed over the next 15 years. This sentiment is shared today by the G20 leaders through the establishment of the Digital Economy as a key policy directive towards achieving greater sustainable economic growth.

Hon. Dr. h.c. Dirk Niebel
Federal Minister of Economic Cooperation & Development, Germany (2009-2013)

During the past few years, numerous experts have provided their definition of the Digital Economy. From their own experiences and perspectives, they have devised several promising innovations towards creating greater efficiency and productivity capturing the headlines in the media we view every day. These innovations include Artificial Intelligence, Blockchain, and Robotics. While these themes within today's digital era are important, we must focus our efforts in the areas where we can deliver the greatest positive impact.

It is now an imperative for public and private sector leaders around the world to re-envision the future of our global economy and to work together by embracing the Digital Economy to transform it into one that truly connects and serves us all.

Therefore, we must ask ourselves the following question: Where can we apply today's technology in a holistic manner to deliver the required sustainable economic growth benefiting organizations of all types and sizes in today's interdependent global economy?

To answer this question and address the ongoing economic challenges, we must focus our efforts on the tremendous global B2B marketplace in order to maximize on the power of today's technology, delivering greater economic prosperity for all nations. This immense marketplace encompasses the real economy of manufacturing and agriculture, as well as the services industries that support them.

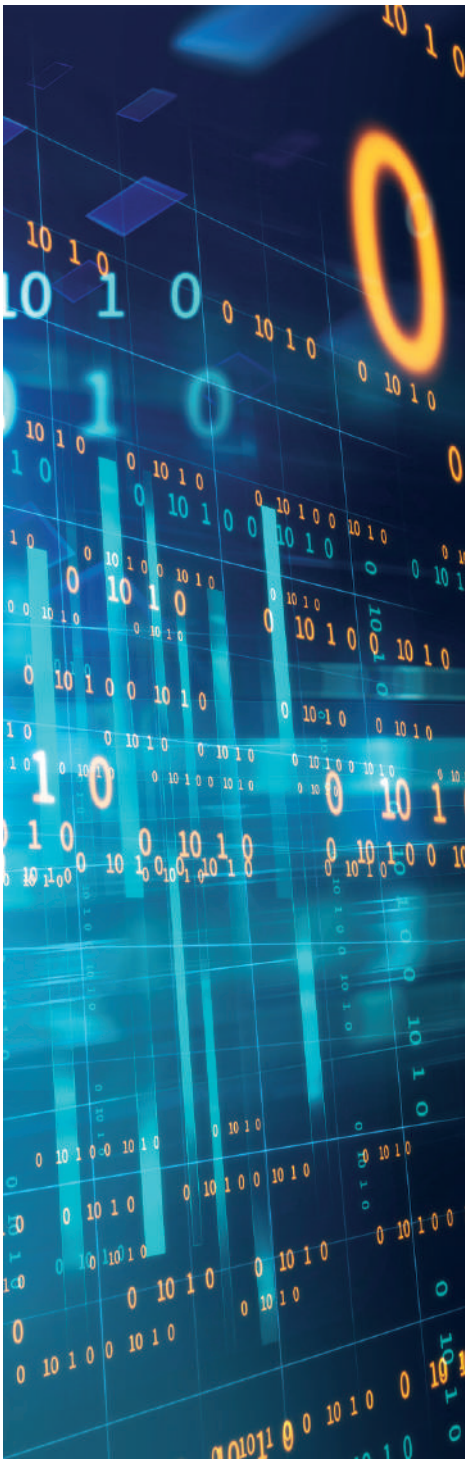
While the public sector aims to do what is best for their citizens, the real economy participants know best what kind of tools they need to be more competitive. Give entrepreneurs the right resources and they will create productive communities committed to business excellence, setting the foundation for a secure and prosperous future.

WE MUST FOCUS OUR EFFORTS TO DIGITIZE THE GLOBAL USD 150 TRILLION B2B MARKETPLACE.

The first step has begun. More than 90 G20 ministries, industry associations, academia and private sector experts have conducted the G20 Nations Case Study, known as the "Voice of the G20 Citizens". This Case Study, involving comprehensive trade efficiency assessments based on what technology makes possible today, collected nearly 1.2 million data points through face to face interviews across 19 B2B industry clusters. The Case Study results concluded that the use of new digital tools within the B2B marketplace can produce a paragdim shift in the growth and efficiency of the G20 nations' domestic and international trade, while creating millions of new jobs. Furthermore, 94.5% of the G20 real economy participants surveyed have defined and demand the Digital Economy Platform - providing new digital tools for use within their global value chains, available at no cost to the end-user, to improve competitiveness at the ground level.

In Germany alone, the Case Study findings revealed that by digitizing its global value chains, Germany can reduce annual excess trade costs, increase trade and create millions of jobs by 2030. This will further strengthen Germany's perennial top world ranking in trade efficiency and leadership as one of the largest exporters among the G20 Nations. Recognizing the importance of a Digital Economy Platform, Germany's largest SME association has committed to deploy the digital tools defined by its members in order to achieve greater economic integration among Germany's trade partners.

The world's leaders have long recognized the importance of "economic integration" ›



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› as a foundation to sustain global economic growth when rebalancing the world economy. Historically, the approach to economic integration has been dominated by preferential trade agreements, free trade areas, customs unions, common markets, and economic and monetary unions.

However, for real economic integration to achieve sustainable growth, the B2B participants that conduct commerce must play a central role. The more integrated our economies become, greater coordination is required between the respective B2B participants. In today's fast-paced world, the B2B participants need to find each other quickly, make proper decisions to conduct transactions, secure financing and insurance, as well as implement efficient logistics to execute business transactions for the benefit of all parties.

Technology is a great conduit for connecting our government and business communities together, but by itself, it will not do the job. Otherwise, the Internet would have been sufficient, as it does provide a form of integration. The Internet has changed the face of entertainment, communications, and business for consumer trade, but it has not yet created the necessary economic integration environment connecting business-to-business and business-to-government that the world requires.

So where does real economic integration start? Real economic integration starts with matching the needs of buyers and sellers of products and services, where this matching is predicated on the quality of information available to them, as well as its proper use for businesses to make the right decision at the right time.

Today's world of information technology has moved forward to harness high quality big data, but the results have had their limitations. There are two extremes of data quality; the lower extreme is the Non-Validated Data (NVD), provided by a single source without validation, and with a high degree of dependency on unsubstantiated behavior. More than 90% of data in use today is based on NVD. The other extreme is information with Ultimate Data Quality (UDQ), generated from data entered into a system to perform real life actions, then continuously validated by multiple parties in the same pipeline. In the B2B market place, the logistics industry is the gold mine of high quality data which can empower the commerce, finance, and insurance industries to reach their full potential.

The initial challenge to achieve optimal economic integration is to properly match buyers and sellers based on the products and services to be exchanged. Current B2C e-Commerce systems match buyers and sellers primarily based on "like and dislike" behavior, uncorroborated ratings, and highly reactive keyword searches. However, the B2B marketplace has far more demanding requirements.

Once buyers and sellers find each other, it is then necessary for them to have the right information at the right time to maximize the probability of concluding the business transaction. Today's business environment relies primarily on single source, non-validated data, resulting in a higher level of risk which often negates the completion of a potential business transaction.

For example, consider a global manufacturer that procures on a regular basis the high quality materials needed for making furniture. Its procurement officer may search for suppliers online and be presented with thousands of potential vendors. How can the buyer decide which supplier to choose and how can their integrity be validated? How can the buyer ensure the reliability of logistics on time delivery, and secure the required financing and insurance?

For professional buyers to make informed purchasing decisions, they must conduct significant due diligence to evaluate supplier proposals. This is a time consuming and rather subjective process due to the lack of available high quality data generated from the transactions in the normal course of business in real-time.

A Digital Economy Platform ecosystem represents a paradigm shift to resolve the inefficiencies in the way commerce is initiated and completed today. This ecosystem captures big data with UDQ through the use of Artificial Intelligence, Big Data Analytics, and Blockchain technologies across the global value chains within the B2B marketplace. Mission critical tools for the B2B participants are then delivered through thousands of business apps that are easily integrated across the e-Logistics, e-Commerce, e-Finance, e-Insurance, and e-Grants dimensions provided by the platform.

Utilizing the UDQ information with a high degree of veracity, this ecosystem can create specific behavioral and contextual

94.5% OF THE G20 REAL ECONOMY PARTICIPANTS HAVE COMMONLY DEFINED AND DEMAND A DIGITAL ECONOMY PLATFORM.

smart matching of buyers' and sellers' product and service attributes based on historic, real-time and planned commercial activities. Buyers and sellers can now efficiently find, and be found by, the right trade partners globally and continue the process to complete the intended business transaction.

A Digital Economy Platform, fueled by UDQ, also applies sophisticated algorithms to generate a dynamic scoring mechanism that rates the performance of a potential trade party. This scoring matrix rates product and service quality, probability of finance and insurance, reliability and dependability of logistics pipelines, as well as the level of integration of a trade party within the global value chains. All of the above "dynamic and smart information" are a must at the moment buyers and sellers evaluate each other to de-risk trade and dynamically facilitate proper decision making.

The foregoing will encourage actions to be taken with greater confidence and deliver unprecedented conversion ratios of seeing a product or service online to its acquisition, thereby delivering digitally enhanced efficiencies to the B2B participants.

Upon implementation of the Digital Economy Platform tools demanded by the real economy participants, we will then be able to achieve the required efficiency and transparency to de-risk doing business, reduce excess trade costs, and ease access to finance and insurance, thereby substantially growing the global economy. In all, the Digital Economy Platform will create the required real economic integration needed to generate more high-paying quality jobs, meeting the economic aspirations of our youth for generations to come.

Global experts believe that by maximizing on the power of today's 21st century technology to digitize the B2B global value chains, we will integrate our

economies more efficiently, leading us to a new wave of economic growth.

The innovation described herein has been embraced by more than 150 countries through their pan-regional organizations, 26 IGOs/ NGOs and the world's most prominent firms that service more than 60% of the world's GDP. These organizations have collectively confirmed that the digitization of our global value chains will have a large, tangible, and quantifiable impact on the global economy, delivering global market expansion and job creation resulting in sustained economic growth. This innovation encompasses defined goals, a roadmap to achieve the economic targets, the required tools for use on the roadmap, and the necessary global consensus to secure its success.

Since the Digital Economy involves trade and trade data which is of national security importance to all nations and businesses, not one organization, nor one country can deploy a global solution alone due to geopolitical, monopolistic, and data privacy concerns. Therefore, a global Digital Economy Platform must be deployed by a global trusted network involving all forms of organizations from the public, non-profit, and private sectors working in concert and capitalizing on each other's capabilities and jurisdiction. This introduces an independent global monitoring mechanism ensuring rapid global deployment, while providing benefits to all participants at no cost to the end user.

Historically, innovation has been a driving force towards connecting and growing our societies. Now that the G20 Citizens have defined what the Digital Economy should look like, its implementation represents one of the largest and the most influential innovations in the past century, paving the way for greater economic prosperity that the world demands. ■

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SMART DIGITAL TOOLS ARE A MUST TO MAXIMIZE ON THE POWER OF BIG DATA

Since the advent of the internet in the 1970's, information technology has been a major driver of change affecting most aspects of our daily lives. As digitized information-based environments are applied to global challenges, disruptive innovations have transformed industries and changed how we communicate, how we access information, and how we behave as consumers.

With the proliferation of data from the 23 billion internet connected devices worldwide, the challenge has shifted from the availability of information, to its reliability, usability, and authenticity. In the Business-to-Consumer space, algorithms monitoring consumer behavior are increasingly enabling suppliers and service providers to provide more customized services to target customers effectively and efficiently. Industries that are able to digitize information experience exponential growth from software-enhanced management of data, allowing for game-changing transformation benefiting consumers and suppliers alike.

In the Business-to-Business space, however, the proliferation of information has not produced the same efficiencies. Experts estimate that 44 billion gigabytes of data are created per day and predict this to reach 463 billion gigabytes by 2025. Still, 90% of the data created is not structured and does not follow a predefined data model. In fact, it has produced a cluttered environment where feedback is generated from subjective single-entry points harvested from like/dislike opinions of individuals. Data from transactions across the value chain is scattered and uncorroborated; and the opportunity to optimize international trade from the digitization of information from business transactions remains elusive.

Here lies the true opportunity for sustainable global growth and for the re-balancing of the disparity between high, medium, and low-income countries. For the digitization of the global B2B marketplace that is necessary for it to achieve a paradigm shift, a new way of managing data needs to be developed and implemented. Reliable, timely, and authenticated data harvested from multiple touchpoints across the global value chains needs to be aggregated into information that SMEs around the world can benefit from, and that can be used to provide a smart scoring matrix to de-risk transactions and for the introduction of greater efficiency within the commerce, finance, insurance, and logistics industries.

The Smart Digital Scoring Tools

These new digital tools provide a composite score of operational performance based on validated high quality data dynamically captured across the global B2B value chain transactions. The composite performance score represents an aggregation of component scores related to the following 5-key "QFILI" attributes.

(Q) Quality of Product/Service: Assesses the user's quality based on product, product components and company quality. The quality is verified through many factors including certifications, awards, longevity of the parties, and product performance.

(F) Finance-ability of the Transaction: Measures the credit worthiness of a borrower and the financial institution's ability to provide them with compliant and robust services.

(I) Insurability of the Transaction: Provides an objective method for risk evaluation and insurance coverage pricing based on various factors including claims history, country risk ratings, the ratings of the involved parties in the transaction, and the value of the goods.

(L) Logistics Reliability and Dependability: Measures the ability of the parties to deliver shipments on time on a regular basis including their resilience to meet future demand.

(I) Integration: Considers the ease, cost and time to integrate a trade partner into the supply chain.

The overall score can be viewed in a multi dimensional manner based on the priority of the attributes that are most important for a party to make the correct decisions in accordance with its business requirements.

Through the implementation of a robust digitized scoring system for B2B participants based on the QFILI attributes, a new era of e-Commerce, e-Finance, e-Insurance and e-Logistics will trigger the expansion of the digital B2B marketplace through greater transparency and efficiency, similar to the transformation of B2C e- Commerce, and much more.

The Future of e-Commerce

By utilizing the powerful prioritized combination of the multi-dimensional QFILI attributes, businesses can increase the conversion ratio from seeing a product/service on-line, to its selection and acquisition based on reliable information catered to their particular needs.

This capability can achieve several benefits including: Improvement in the quality of products/services, easier access to financing, greater insurance coverage, enhanced reliability and dependability of shipment delivery, and improved levels of integration among the global value chains. This is the starting point of real economic integration.

The Future of e-Finance

The smart digital scoring tools also allow financial institutions to reduce underwriting risk, mitigate transactional risk, and lower collateral risk by providing dynamic visibility into the global value chains.

These tools also allow financial institutions to automatically build customized product offerings for potential customers. A financial institution can set pre-defined performance criteria of all participants involved with the movement of a shipment including buyers, sellers, points of loading/discharge, carriers, and logistics service providers. This criterion can then be simultaneously linked with credit enhancement providers such as import/export banks and trade finance credit insurers to determine the loan terms and conditions included in customized offers submitted to prospective customers.

A financial services provider can also monitor the performance of the loan offerings and loan portfolio though a dynamic dashboard to efficiently modify product offerings based on commodity, geography and loan terms, among other factors, to meet market penetration and loan portfolio performance objectives.

The Future of e-Insurance

The QFILI attributes also provide the dynamic scoring level needed to mitigate trade insurance risk, minimize underwriter risk, maximize global coverage, model risk accumulation, and expedite claims processes.

Similar to the financial industry, insurance firms can also use the smart digital scoring tools to build customized product offerings that meet their risk criteria related to products, values, shipment modes, industries, and geographies, among others, thereby lowering costs and increasing revenues.

The information technology necessary for the creation of a global Digital Economy has been maturing since the advent of the internet. While the Internet connected the world and revolutionized the B2C marketplace, it lacked the required engine to power the Digital Economy and deliver the sustainable economic boost that the world needs.

Now that the G20 Citizens have defined the required tools to digitize the global B2B marketplace, we can catalyze a new wave of innovation through a Digital Economy Platform that capitalizes on the use of optimized data from across the globe. ■

WITH THE PROLIFERATION OF DATA FROM THE 23 BILLION INTERNET CONNECTED DEVICES WORLDWIDE, THE CHALLENGE HAS SHIFTED FROM THE AVAILABILITY OF INFORMATION, TO ITS RELIABILITY, USABILITY, AND AUTHENTICITY.

Captain Samuel Salloum
Co-Chairman, Global Coalition for Efficient Logistics (GCEL)