

Euler Hermes: Artificial Intelligence (AI) to have greatest trade sector impact Digital Agency co-founder wins 'hottest technology' debate at TXF New York 2017

NEW YORK – 11 SEPTEMBER 2017 – Euler Hermes, the world's leading trade credit insurer, delivered a winning presentation on the potential of artificial intelligence (AI) to revolutionize the trade sector at the recent 'TXF 2017' conference in New York.

Competing in an "X-Factor" style competition against IBM and Microsoft presenters, Christophe Spoerry, co-founder of the Euler Hermes Digital Agency, successfully pitched to a panel of judges and audience voters about why AI will have the greatest impact on the trade sector. Spoerry presenting on AI overcame competition from IBM's pitch on blockchain technology and Microsoft's focus on digital supply chains.

Highlights of Spoerry's winning arguments on the benefits AI offers the trade sector include:

More efficient business to business (B2B) commerce processes

Despite the size of the global B2B market, many transactions are processed using dated financial solutions, including letters of credit and bills of exchange. Other barriers to commercial efficiency include poor credit management and a lack of collections or dispute handling processes.

In the business to consumer (B2C) market, however, transactions are efficiently handled via many well-established payment systems including Circle Pay, MasterCard, PayPal, Visa, and WeChat Pay. B2B commerce needs and deserves its own systems to transact efficiently in the digital world.

Euler Hermes estimates that just 5% of B2B trade leverages the benefits of credit insurance; receivables financing is similarly under-exploited. The cost to the world economy in missed opportunities and failed businesses is underestimated - 30% of bankruptcies are caused by delayed client payments. Disputes are not uncommon, can take up to three years to resolve and create major financial and legal stress.

Digitalizing B2B commerce with platformization and big data

While not all B2B trade is digitally-enabled, B2B e-commerce is already substantial and is the fastest growing area of commerce. Platformization and big data are fundamentally transforming traditions.

Platformization includes the development of multiple B2B commerce platforms and marketplaces. Companies are increasingly shifting to SaaS solutions for accounting, CRM, invoicing, etc. As a result, transactions are increasingly conducted between platforms, not humans in accounting departments. The platforms generate unprecedented quantities of data for everything they manage, in turn fueling an emerging ecosystem of specialists who interpret B2B commercial data.

AI-driven technology enables scalable access to business data required to make sound underwriting decisions. It's now time to invent new products and processes equal to today's technology.

'Self-driving' B2B companies

In the same way that self-driving cars will eventually free up valuable time, 'autopilots' in finance and accounting will increasingly become the norm. Intuit and Xero are examples of companies already moving in this direction; the journey has just begun.

Platformization and big data shifts mean that B2B trade can be mapped digitally, and AI-based trade navigation assistants can be built and trained based on companies' accounting and banking data. By activating a "self-driving mode", these assistants can take over after commercial negotiations: issuing purchase orders and invoices, collecting payments, handling disputes and claims - all in a timely, reliable and optimized manner. Building on accounting and banking data, companies will also start using "finance assistants" for cash-flow forecasting and credit management.

Mapping B2B trade and building trade navigation assistants and finance autopilots will ultimately make B2B commerce more efficient in two ways. At the transaction level, they will help companies optimize business relationships, minimizing payment delays and incidents. At the broader company level, they will actively manage sophisticated solutions like receivables finance and credit insurance,

in alignment with company cash flows and business plans. While SME awareness of these solutions is currently limited, ‘robo-advisors’ have demonstrated effectiveness in B2C banking.

Starting small

The artificial intelligence revolution won’t happen overnight. Not every company in B2B commerce will leverage trade navigation assistants in the short term, and payment behaviors take time to change. Building a trade navigation assistant need not wait, however. Data from just a few hundred participating SMEs in a given sector or geography is sufficient to gain fairly accurate predictions at the transactional level -- as we and our partners have experienced at Euler Hermes Digital Agency.

B2B data from legacy providers such as Dun & Bradstreet and Experian is limited in many countries, but is sufficient to create trade navigation assistants in the Americas and Western Europe. Connecting with customers on platforms such as Xero or Quickbooks already provides partial access to their data. Building a comprehensive map of B2B commerce requires an accurate listing of 50,000-100,000 companies worldwide. A transaction is relatively easy to model with machine learning. In B2B commerce, the variables to feed the model are relatively small in number and usually straightforward to interpret. The first generation of trade navigation assistants will ultimately progress from prediction to prescription: solutions will progressively manage more tasks, and reduce the inherent stress of B2B commerce including payment delays, liquidity risk and credit risk.

Fast forward 10 years - the trade data landscape and its economics

Data dumping is key to building today’s dominant B2C platforms, with data concentrated in a few marketplaces such as Amazon, Facebook, Google and WeChat. These platforms also own some of the best current talent and solutions to interpret this data and monetize the ecosystem. In 10 years it is likely there will be a “Facebook” or “Google” equivalent for the trade sector. Indeed, the B2B trade services environment today is not dissimilar to the early days of MySpace and Altavista. There is real opportunity for disruptive new entrants in B2B trade data. A few players, such as Alibaba.com and Amazon, are already well-positioned but the race has only just begun.

For trade and trade finance, the data of today’s corporate buyers and sellers can be leveraged to build a data-driven future that was not a viable option for B2C where data was scarce. In future, players will likely come together to interpret the data they generate and build the AI-based trade navigation and finance assistants that data technologies now facilitate. This vision requires defining business models for federated data use, and interconnected infrastructure and artificial intelligence to support it. Fundamentally, the Euler Hermes Digital Agency believes a successful journey requires widely-shared vision of the opportunity.

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Euler Hermes is the global leader in trade credit insurance and a recognized specialist in the areas of bonding, guarantees and collections. With more than 100 years of experience, the company offers business-to-business (B2B) clients financial services to support cash and trade receivables management. Its proprietary intelligence network tracks and analyzes daily changes in corporate solvency among small, medium and multinational companies active in markets representing 92% of global GDP. Headquartered in Paris, the company is present in over 50 countries with 5,800+ employees. Euler Hermes is a subsidiary of Allianz, listed on Euronext Paris (ELE.PA) and rated AA- by Standard & Poor’s and Dagong Europe. The company posted a consolidated turnover of €2.6 billion in 2016 and insured global business transactions for €883 billion in exposure at the end of 2016. Further information: www.eulerhermes.com, [LinkedIn](#) or Twitter [@eulerhermes](#).

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