

TRADESHIFT®

The Rapidly Changing Face of Global Commerce in a Digital World

A Tradeshift Report on the Future of Global Commerce

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This year, the theme at the World Economic Forum (WEF) in Davos centered on responsive and responsible leadership. Quite fitting given the significant change that people, governments and businesses around the world are still in the midst of understanding and absorbing. Throughout this annual event, world leaders collaborate and engage in an attempt to improve society on multiple fronts. They debate the future of work and education and came to grips with the transformational impact of a digital world on society, the environment, and global commerce. In many ways, the WEF and its attendees symbolize globalization which itself has been fueled by the pursuit of commerce and growth.

In this report, we explore the future of global business-to-business (B2B) commerce and how rapid digitization is changing the way businesses and their ecosystems operate, collaborate, and innovate while being more sustainable and inclusive. By drawing insights from the world's political and business leaders, Tradeshift seeks to provide clarity and guidance to finance, procurement, supply chain and all digital-first departments at large companies.

Evolution of Commerce

Human civilization has largely developed around commerce. In the earliest of times, commerce began as a barter system, exchanging one thing for another. Gradually, currency was developed and it evolved from beads to coins, making transactions much easier. The quest for commerce has throughout history driven communities and societies together, domestic and foreign. Many of the skills, technologies and innovations developed over time have been driven by commerce.

In today's world, commerce plays a supreme role in shaping domestic and international political agendas and global trade strategies. It is also the driving force behind product development, new technologies, markets, and business models. After all, innovation in any area is shaped primarily by the commercial opportunity it represents.



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Business-to-consumer (B2C) commerce is on the cutting edge and continues to blaze new trails having largely gone through a digital revolution. B2B commerce, on the other hand, still has a ways to go and many of the digital innovations that have impacted B2C commerce are now shaping the B2B world. From old-school catalogs to e-commerce; from paper-based processes to electronic transactions, financing and payments; from traditional business relationships to digital ones; and, from fragmented to connected ecosystems. It is crystal clear that we are well on our way to the connected commerce era.

Connected B2B Commerce

Until fairly recently, most B2B buyers transacted manually, relied on printed/PDF catalogs to make purchase decisions, and had telemarketing and telesales people chasing them to buy. Many might still operate in this way, however, e-commerce has tremendously disrupted the relationship between trading partners. The corporate buying experience is slowly but surely catching up to consumer-like experiences. B2B buyers almost entirely do their research and make decisions based on what they find online before getting to the transactional element. Providing these buyers access to broad and deep product content with a modern e-commerce experience will be how B2B companies differentiate themselves. The sales and marketing model is set to shift so drastically that analyst firm Forrester forecasts one million US B2B sales people will lose their jobs to self-service e-commerce by 2020.

As corporate procurement systems evolve they too will offer similar experiences ideally to both the corporate users and suppliers. They will adopt B2C e-commerce tactics such as “price checks” between negotiated rates with contracted or preferred suppliers and the general market. But, in order to facilitate this functionality, buyers and suppliers need to first be digitally connected. Unlike B2C where Amazon is the marketplace and consolidator, the B2B equivalent has yet to mature and grow in order to command a dominating positioning in this gigantic market.



■ Frost & Sullivan project that B2B e-commerce will hit \$12 trillion in sales worldwide by 2020, up from \$5.5 trillion in 2012. This number is inclusive of EDI. According to Forrester, the B2B e-commerce market will by 2019 be worth \$1.1 trillion compared to B2C market which they put at \$480 billion.

Other aspects of digital commerce that are rapidly changing are transactional documents and processes. For example, the volume of electronic invoices has grown to over 30 billion¹ around the world. Currently, more than 50 government initiatives are pushing the adoption of digital transactions. Companies around the world continue to automate the processes, collaboration, and information exchange between them and their supply chains. B2B payments globally have been migrating at a fast pace towards electronic and away from paper checks. Related to payments is the business of trade financing such as supply chain finance and factoring, which has traditionally been accomplished via banks. But this aspect of commerce is also going digital.

Financing Commerce

Trade finance is a critical instrument in facilitating global B2B commerce and has traditionally been offered by banks. However, the process remains somewhat inefficient and document-intensive. Financing has also traditionally been limited to a select few within the supply chain. However, with the adoption of e-invoicing, the digital connectivity between big buyers and their entire supply chains is changing. A connected network of buyers and suppliers transacting and exchanging information digitally makes trade financing faster, simpler, and more inclusive to small-and-medium-sized businesses (SMBs). This is important because there remains large amounts of cash that is trapped throughout global supply chains due to inefficient receivables, payables and inventory levels. In fact, according to Ernst and Young, the leading 2,000 US and European companies have up to US\$1.3 trillion of cash unnecessarily tied up. Globally, this number reaches even higher.

Inclusive Commerce

Around the world we are beginning to see a push against accelerating globalization, trade agreements and the 'grow by all means' attitude. Many believe that these long-standing capitalist ideals are resulting in increased inequality, social and environmental instability and insecurity. And they have voiced their concerns politically. Whatever the reasons, it is clear that we need to think about a more inclusive commerce model that allows for equal opportunity to all to participate and succeed in global commerce.

It is throughout global supply chains in particular where the biggest impact can be made. Can global brands be doing more to support the millions of SMBs throughout their supply chains? From a financial perspective, yes (e.g., offering access to lower cost financing). They can also help to improve the social and environmental impact in the communities that these SMBs operate in.

Overall, an inclusive commerce model aligns extremely well with the initial vision that Tradeshift was born with - to enable digital commerce for all, no matter what size of company or location. Digital connectivity for all makes this possible. In the next section, we'll dive into examples of this in action.

¹ Billentis Market Report 2016: E-invoicing/E-billing: Digitisation & Automation

Global Shifts Driving Digital Commerce



■ Panel: Digitization and the future of commerce in China

Digitization in China

One of the most talked about events in Davos was President Xi Jinping's address to the Forum and the world. He talked about how globalization has, "facilitated commerce, advances in science, technology and civilization, and interactions among peoples spanning the globe." While the West flirts with anti-globalism and protectionist measures, China intends to fill that void, open its doors to globalisation, and play a much bigger role in shaping global trade. Historically, global trade has been centered in the West, but with China's "One Belt, One Road" initiative (or the New Silk Road as it is also referred to) it has the potential to shift the center of global commerce to the East.

China is of huge interest to multinationals and, including many of Tradeshift's customers and partners. One of the panels at the Tradeshift Sanctuary was "[Digitization and the future of commerce in China](#)," which covered the business climate and digitization of trade. The country is going through major initiatives to modernize commerce, specifically around infrastructure investment and tax reform (e.g., recent move to VAT system).

With modernization comes the opportunity to go digital. B2B e-commerce in China is set to be largest market in the world, if not already so. According to Frost & Sullivan, by 2020 China B2B e-commerce sales will hit \$2.1 trillion. However, there is still a large percentage of B2B trade that occurs offline, particularly within the SMB segment. There are estimated to be more than 42 million such businesses in China. A large percentage of these will aim to buy and sell products and services digitally, transact digital and access finance digitally.

Africa Comes Online

Another major market seeing rapid growth is Africa. Instead of compliance process changes though, the focus is on infrastructure investment and entrance into the global business market.

In recent times, Africa has been a hot topic because of its rapid modernization and the resultant commerce and innovation opportunities. When it comes to digitization in certain African countries the term 'leapfrogging' is often used, suggesting that the lack of legacy technology infrastructure means a direct jump to the latest technology trend. This might be the case for B2B companies looking to move online, however, one cannot leapfrog basic infrastructure like roads, electricity and healthcare.

Ozwald Boateng, prominent English fashion designer and founder of [Made in Africa](#), joined us at the Tradeshift Sanctuary to discuss this very topic. His foundation addresses this very need and facilitates financing for development and infrastructure projects in Africa. Ozwalds foundation is one of many that are looking to grow economic opportunities for everyone on the continent.



■ Ozwald Boateng, prominent English fashion designer and founder of Made in Africa

Future of B2B Commerce

The B2B revolution is very much underway. While there is much to learn from the B2C market, all the pieces are there, they just need to be put together in the right manner for B2B. As industries and enterprises get more and more disrupted by digital technologies the rate of change within B2B will only accelerate. The days of manual transactions and 'feet on the street' are winding down. We are very much entering a new era that is transforming how companies buy, sell and collaborate with each other and it is clear that those with digitally connected ecosystems will come out on top.

How Tradeshift can connect you digitally to a new world of commerce

The future of business belongs to companies that are able to adapt to the accelerated change in sourcing, production and distribution that we are witnessing today. By focusing on the fundamentals of business processes — collaboration, transactions and relationships — and bringing these interactions into the cloud in digital form, we believe that businesses can overcome the traditional challenges of enterprise software.

These challenges include introducing digital processes between companies, bridging cloud and on-premise, connecting processes across application silos, and bringing relevant data into the hands of decision makers in real time. With Tradeshift you can build the foundation for providing the data needed to drive innovation in the supply chain and adopt new technologies faster and more successfully than your competitors.

About Tradeshift

Founded in 2010, Tradeshift is the world's largest business commerce platform that connects buyers and sellers. Tradeshift connects over 1.5 million companies across 190 countries, processes over half a trillion USD in transaction value yearly, and has a marketplace containing 28 million SKUs. It offers solutions for procure to pay, supplier engagement and financial services, and enables companies and partners to build custom or commercial apps on its business commerce platform. Tradeshift is headquartered in San Francisco, with offices in Copenhagen, New York, London, Paris, Suzhou, Chongqing, Tokyo, Munich, Sydney, and Bucharest.