

## **Introduction**

In the name of FEBIS, I would like to thank Mr Saed Alawadi, Aman Union Chairman, Dr Abdel-Rahman Taha, Secretary General and the executive council for inviting us today and allow us presenting our Federation as well as our vision on information industry past and future.

On a more personal side I would also like to thank you for giving me the opportunity to meet again all my friends I miss since 2 years already.

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### **Origins**

The federation was founded in 1973 under the name **FECRO** (Federation of European Credit Reporting Organization).

=> Founding members were SME, local, mostly private ownership cies delivering high quality service and customized reports

Example: Piguet, SCRL (France), Dongelmans (Netherlands) Incresa (Spain), Creditreform / Buergel Schimmelfeng (Germany); The German companies being already bigger than other members. Most have been merged to larger groups in the seventies and some bought by D&B (considered as FECRO members' enemy in the eighties)

=> Current members are European majors like Credit Reform, Buergel (Germany), Informa (Spain), UC (Sweden) Coface services –Ellisphere (France), CRIF (Italy), Experian (UK), plus several players like our friends present today, Rime, Infocredit, and new entrants in the market like Creditsafe, K360

FEBIS welcomes more than 60 members employing 20,000 staff, delivering 180 million reports annually to 500,000 customers.

FEBIS Members' TO is over €2.5 Billion

Due to the different size and market position of the members, the Chairman action must be respectful of anyone interest and manage the federation in total respect of all size membership

### **Goals**

- Protect members' interest => Lobbying action toward regulation authorities in order to prevent as much as possible a negative impact from any new European directive
- Gather professionals and skills in one place => exchange of experience / networking
- Contribute to market evolution thanks to privileged contacts with:
  - a) customers associations (ICISA, FECMA),
  - b) sisters associations (BIIA),
  - c) partners associations (FENCA, ACCIS, EADP)

### **Governance**

Simple but formal as we are governed by German association regulation

A) Board of Directors (elected for 2years):

- **President:** Gertjan Kaart (KIM),
- **Vice Presidents:** Dieter Südhofen (Credit Reform), Luis Carmona (Informa),
- **Members:** Roland Sigbladh(UC), Günter Hammershmid (Coface central europe), Bernie Grady (Experian),
- **Deputy Members:** Emma Caster (Company watch), Adrian Ashurst (Worldbox BI);
- **Secretary General:** Dr Helmut Rödl (Credit Reform)
- **Treasurer:** Sven Buckenberger (Hanse debitoren)

B) members' meetings:

- **April:** "Managers" meeting focused on practical issues in commercial or production matters, the workshops in 2014 will address, "web opportunity – threats, web new competition models, web as a substitution to traditional information sources and new business coming from new marketing models?"
- **September:** annual meeting for CEOs dealing with strategic issues (EU regulation impact, new technologies, rating and scoring models, social media new culture) ...

### **Communication**

Web site, newsletter, participation to external meetings

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**Scope**

The FECRO origins were grounded only on credit information agencies (+debt collection for many of them)

⇒ 1st move took place in the Nineties when FECRO became FEBIS (Federation of European Business Information Services) leading a members enlargement to “users” like Credit Insurers (welcomed as associate members ) and all kind of “information related” cies (database providers , public sector distributors)

⇒ 2nd move in 2011 opened the borders (new members can be originated from any country) and the membership to companies embarking information in their own services (Credit Insurers can be full members as well as Factors or credit management software cies)

**Benefits**

⇒ FEBIS is a small community with high socialization rate;

⇒ We mentioned previously the 2 networking meetings in April / September, but they are also 2 information meetings with reputed speakers in various disciplines (legal, technical, market environment..),

⇒ the presence of majors « market makers » aware of new market tendencies offer a real benchmark tool to smaller players,

⇒ members are abided by codes of conduct reinsuring their customers about quality of services and ethical behaviour

**Exchange is the Keyword!**

You know the story: 2 persons exchange 1 Ryal ; they get only 1 Ryal each, right ? If they exchange 1 idea; they get 2, even 3 or more when they separate! Arriving to the meetings you have your own opinion, when you leave you are rich of many new ideas and questions about your own offer...

**AU or individual membership**

Both options are available but the goal is different.

⇒ With AU membership, AU members will get a good overview of the info industry evolution and AU participation will enrich FEBIS with more experience and comments

⇒ Individual membership will allow each participant to make his own market and eventually grab ideas for its own activity while also influencing the information industry offer (EG: Atradius is a permanent and very active participant since years and FEBIS really benefits from its presence, support, remarks and ideas as Atradius is also a large customer of many members. They recently alerted us on fraud and black lists issues ...

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**Yesterday:**

**Actors / Offer / Tools...**

The need for info dates back to the time of the first international fairs when merchants travelled with « promissory notes » rather than gold, for security reasons. Already Banks need to apply the rule « Know your customer » to give credit to the bearer of the note and then to collect information!

In the 19th century Info industry became more structured in US and Europe but remained an activity focused on domestic risks requiring heavy manpower, strong local presence (EG: in France, Piguot run 28 offices, in Germany, Credit Reform or Buergel run around 200 offices neighbouring the courts of commerce). Even if labour cost was low and tools simple (paper, pencil, telephone, telex then Fax), the operating margin remained very small. The business model was family owned, medium / small cies delivering a customized service by investigating report after report to answer the customers questions.

D&B first automatized its processes by delivering copies of the reports most often required and updating info only on its own initiative.

Again apart from D&B, local companies were not really international and that's why FECRO founded in 1973 bring a real benefit to its member when allowing them to meet once a year. It was a real marketplace allowing people to socialize and do networking in one place but also save a lot of travel expenses and open their mind on the market tendency in other countries (products and techniques).

**Legal environment**

At the beginning of information industry these local actors were abided only to their national laws (easy to know, understand, anticipate or lobby)

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**Today:**

**Actors / Offer / Tools**

During the eighties / nineties, IT (even not yet internet) stirred up the whole info industry.

Information became a commodity and the move from « Information » to « Data » opened the door to massive production process which could be automatized and managed on the same economic models as any other industry.

Governments transformed their public sector into a gold mine, being the source of first level and official information (balance sheets, registered documents). They started to sell massively their data and opened their own info business, entering into unfair competition with private info suppliers. They did not hesitate to use monopolistic approaches and play a double game in their lobbying action to supra national bodies.

This drastic change attracted new type of investors buying the old info companies (Banks, Credit Insurers, investment funds), dazzled by the promising huge market increase but forgetting that info industry is a very low margin activity, very far away from their profitability ratios standard!

These powerful shareholders tried by different ways to increase profitability by automating the processes to the maximum, reducing drastically manpower, losing the skills and abandoning any customized service to focus on standardization.

Products may look attractive thanks to packaging, however the severe cost cutting policies have affected the purchase of data and their permanent up date. It is frequent to see scores and credit opinion based on 2 years old figures!

IT revolution is endless in term of speed, capacity, logistics (host to host links, integration of the customer own credit management methods into the info supplier software, etc.)

Internet started also to modify the cultural behaviour of users, less afraid to publish any kind of info on the web and developing much less complex about secrecy than the previous generation. Internet is the perfect « Ego developer tool»

**Legal environment**

From the Nineties, information industry felt more and more the weight of supra national rules enacted in Brussels (for Europe) and based on the sensitivity of different cultures but mainly the Northern European ones for which access to free public data is a must and data protection the holy book..

These EU rules modified considerably the previous behaviour of info suppliers who had to adapt their product and processes, adding more costs and reducing competitive advantages, while their participation to the law making process became also more and more costly and difficult.

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**Tomorrow:**

**Actors / Offer**

Current photography of the market shows that evolution is still moving fast, but it integrates more parameters. Not only technology is moving but also mentalities...and this will influence dramatically the info business.

New technologies allow new entrants to be present and seen everywhere with limited investment as long as their website is well designed and attractive. "Look and feel" considerably overpasses quality content while seducing new generation of managers.

Web allows million of Data to be collected for free and amalgamated into comprehensive reports provided that you get the proper crawling software.

A start up with young professionals in Netherlands built a million companies database only by web crawling nightly worldwide; playing with the different time zone in order to get the cheapest communication costs!!! One FEBIS friend said the result was amazing.

Cultural Change leads to new generation of services only web based and structured on social media models.

People interact directly more and more, but also judge each other on line and publicly, like they do it today for restaurant / hotels on TRIP ADVISOR, for example.

Yes, the opinion and score may be subjective but you trust them most often.

This led another FEBIS friend to say recently:

« Instead of Bank credit opinion we should now look at such site (trip advisor..) to see if the company is in a good or bad shape »

Such approach, applied to business services could considerably harm credit information activity. Why will you pay to get a note on a partner when it is for free on Internet; the note being given directly by another business partner?

Such services start to emerge. For example in France SMART PANDA is a community of businessmen based on « LinkedIn » principles, while in Russia « Omnicom » offers CEOs to share their strategy with experts inside a private club.

New practices generate new behaviours leading to get rid of inhibition about secrecy.

While previous generation of investors in Business Information (banks and Credit Insurer) are selling (after they destroy the genuine skills of their acquisition), new investors like Google may come from the Internet world. Unfortunately they won't buy any existing data provider as they don't need access to data and they follow their own original development model.

As you may understand I don't consider the web as a friend for the current info industry players and I fear that quality (accuracy) of information will continue to decrease (more subjectivity and less control on the info collected due to high answering speed and nature of the process).

However « nature abhors a vacuum » and internet is also a good tool for alternative offer focused on confidential communication amongst closed circle of partners. CEOs can easily circularize high value information to selected partners (including credit insurers) in total security. Such service called « MyCercle » is just launched in France but I can only speak about it outside this room, being one of the shareholders.

As well new initiatives to come back to high value information mixing the support of new technologies and the skills of experts are emerging but they will remain a niche market. (EG: SEGECO in France)

**Toward augmented data...**

We speak about the « augmented man » when considering the latest technology inside smartphones, tablets (like face recognition linked to all data related to the targeted person);

Data are also to be « augmented » thanks to Big Data technology allowing huge volume of data to be treated, analysed and exploited, or « Analytics » which model Data by integrating different parameters learned from other disciplines to build a predictive tool!

Adapted to credit risk analysis these tools could seriously improve the quality of the results but will remain the privilege of large groups able to collect enough data and to support high R&D investments.

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This was recalled by Phil Cotter (previous Experian CEO) during the latest FEBIS annual conference. He allowed me to show you this slide, which says:

*I think Eric Siegel author of “Predictive Analytics” summed up the potential for predictive analytics when he said “It provides the power to predict who will click, buy, lie or die” and isn’t that what everyone in this room really wants to know about their customers*

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No info producer can under estimate the growing importance of Smartphones, tablets and the new processes like geo-localization; new services must embark these technologies on board to be attractive.

**Legal environment**

On the legal side you remember that we started with national laws then supranational ones but regional (Europe), now we can say that also WW laws or regulation can influence or interfere with Business information.

Atradius recalled us within last FEBIS conference that they cannot deal with any company blacklisted by UN as well as any company from a blacklisted country.

It is the Business Info provider to search from such list and verify that the request is « clear »... one more constraint...

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Credit management, as well, is moving from a « single man decision » based on credit reports and some other internal info to a shared decision tool, fed by several channels designed for « augmented decisions ».

We see it with the emergence of new Credit management Software shared in Cloud technology, which will also influence the credit information industry offer.

Let me show you an example of Cloud credit management software....

TINUBU is a well-known provider and I thank PE Albert for allowing me to show this slide also shared with us during our last FEBIS conference.

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**As a conclusion:**

“Know your customer” is already a challenge when you deal with your neighbours, but Globalization is bringing even more complexity. Not only you have to get accurate, up to date information, but the latter have to be understandable, while different accounting GAP make reading between the line, a real brain teaser.

Business is less and less a matter of « men » but more and more a negotiation between organizations via technological means bringing a total depersonalization of the exchanges.

Ethical behaviour is less and less respected in a world of high-speed transactions and big deals. Bankruptcy turned into a management tool and young entrepreneurs are ready to open and close several cics before finding their way.

Fraud detection becomes a real issue for business info providers as many customers ask for this service to be embarked in their products.

The financial crisis has evolved into a credit crisis and upmost into a TRUST crisis.

On one side, there is a stronger need for transparency; on the other side, can we be sure that huge flows of information and sophisticated technologies will bring better risk assessment than in the past?

Information will be more and more pushed by the informant and criticized by his partners but are they friends, foes or neutral bodies?

It is not the volume which scares me but the accuracy of the content and then the «pertinence » of the conclusion That's why I say that Data is a tool but Intelligence remains an ART

Very last point (here I turn my hat) YOU are the Customers; it is not the Business info providers to dictate your credit risk policy by selling services which are not customized to your own organization. You have the power to make things move, should you participate actively to the debate (As Atradius with FEBIS).

SO WELCOME TO FEBIS WORLD we will be delighted to benefit from your great experience and you will bring us YOUR cultural vision, which is the only way to progress in life.

Thank you /Shoukran Jazeelan