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THE BIRTH OF PLATFORMS AND WHAT THIS MEANS FOR TRADE CREDIT INSURANCE

INDUSTRY VIEW

In the last 25 years, trade and its financing have increasingly come to rely on the internet and new tools such as connectors, digital payments, and cybersecurity.

Let's take a look back on this digital shift marked by two major phases.

The first period of change began in the mid-1990s with the advent of the internet and the boom of "e-market" platforms, providing trade associations with the opportunity to strengthen and negotiate trading terms and conditions on behalf of their members and associates.

The second, more global phase began a decade ago thanks to the mass distribution of Cloud applications supporting transactions across all industry sectors from the order and invoicing phases (supply chain) to insurance and financing. As a result, in recent years we have witnessed the expansion of numerous platforms dedicated to trade and trade finance, covering needs across the entire supply chain and often extended to credit information, insurance and financing.

Rise of "e-market" platforms

In the late 1990s, in the major OECD countries, several industry sectors tried to modernize and digitalize (before this became a buzzword) their trading organization.

The preferred term was the "e-market" platform, profiting from the rapid development of the internet to provide real-time access and to share information at a reduced cost. Some industries transferred their "brick and mortar" collaborative organization and processes onto the web.

Professional and trade associations set up trading exchange platforms in which members and associates were able to benefit from shared information regarding the credit rating of both sellers and buyers, as well as third-party risk. Examples of some of the most advanced sectors in this area are Haulage, Timber, Fishing, and IT hardware. This sharing of information was enabled by structured data collection (thanks to XML and structured data capacities), rating, grading, and scoring processes, and in some cases almost seamless access to trade credit insurance and/or factoring and financing facilities. Trade credit insurers in the late 1990s were not comfortable with this new technology, so when the dot-com bubble burst, they abandoned R&D efforts in this area.

Up-to-date in digital transformation

Since the start of the millennium, innovative and disruptive technologies (such as Cloud applications, digital payments, and e-commerce platforms) have been invading our daily lives and we've seen the trend of industry vertical digitalization occur. As a result, banks, insurance companies, and information providers are now highly digitalized. It is only natural that this had a knock-on effect on trade which has undergone a digital transformation.

Today, thanks to improved interface tools (APIs), collaborative work and tasks are seamless and limitless in terms of the number of stakeholders and volume of actions on a single transaction. Blockchain (or similar techniques still to be defined and standardized) provides transparency and security for complex and long-term transactions. Data Analytics and AI make key skills previously reserved for IT professionals are accessible to all.

Electronic trading is developing fast, even in emerging countries (one of the most powerful tools has been the mobile phone and banking services which have been developed rapidly in locations with poor or no internet connection). This global trend triggers the need for improved security, transparency, and efficient access to financing.

> *Today, the big classic challenge is how to standardize regulations, processes, and documentation as spending and resources are not limitless.*

Benefit from avant-garde solutions

Nowadays, many platforms are employing cutting-edge disruptive tools and functionalities which address all needs to guarantee reliable, efficient, and profitable management of the supply chain and transaction security and financing. If we examine the spectrum of services available on the major platforms, we see a similar objective and rationale: to provide the best quality information on buyers and sellers, efficiently manage the ledger and supply chain, and provide the most profitable transaction protection and financing to boost performance.

Thanks to an improved interface and seamless user experience, sellers and buyers can benefit from avant-garde solutions at a reasonable cost. The increasing popularization of innovative technology boosts the projects of major collaborative ventures. All banks and insurers now have labs and R&D departments working around the clock to be part of this global evolution. The potential market is appealing as trade needs are equivalent around the world and all transactions and stakeholders are potential new customers for these innovative solutions.

Today, the big challenge is a classic one: how to standardize regulations, processes, and documentation. Spending and resources are not limitless, even if funding for FinTech was at a record high in 2019. According to a KPMG report, total funding reached $135.7 billion. 2020 has been impacted by Covid but the trend should return to normal in 2021.

Insurers and banks cannot continue to multiply their participation and membership to associations, venture projects, and the like. A better allocation of resources will mean focusing on fewer projects more closely to be more efficient for their customers and their own businesses. For the time being, the driving force is initiated by the final customer(s) or group of customers; they are pushing their chosen partners and platforms to their banks and insurers.

Perhaps it will soon be time, in the post-pandemic period, for banks, factors, and trade credit insurers to get together with technology providers and try to set minimum standards for the emergence of innovative and disruptive technology tools (such as Blockchain and the systematic use of APIs) for the benefit of all stakeholders. For the past year, economists have been predicting a reshuffling of international trade, in part due to local or regional relocations, and have been forecasting a need for more effective supply chain management tools and better access to financing for SMEs. If this proves to be the case, this changed landscape will indeed require solutions and tools to implement this renewed trade transactions ecosystem.

About Tinubu

Tinubu is the business facilitator and exchange enabler that delivers fluidity and simplicity to the insurance industry by using the strength of collective performance.

Our company is an alliance of technology software and insurance expertise offering the best combination to its clients. It covers the entire value chain of credit insurance & surety with one end-to-end platform, connecting every part of your business with one digital highway.

Established in 2000 and headquartered in Paris, France, Tinubu is an independent software provider and employs 170 people, located in Paris, London, New York, Orlando, Singapore, and Montreal. Its clients represent 30 of the top 60 Credit & Surety underwriters worldwide.

About the Author

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Marc joined Tinubu in 2005. With more than 30 years of experience in the Credit Insurance industry, he plays a major role in the development of the international portfolio.

He started his career in 1989 as a credit analyst in NatWest. In 1993, he joined Euler as a senior Risk Underwriter. He then participated in and led projects which resulted in acquisition and opening of 14 subsidiaries in 13 countries, and took part in the merger with Hermes.

He holds a master's degree in Public & International Laws and Policies from the Poitiers University and a diploma in public service from Sciences Po Paris.

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