THE DIGITALISATION OF TRADE:

SMEs driving innovation

INSTITUTE OF EXPORT & INTERNATIONAL TRADE

UKBAA
UK Business Angels Association



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Foreword

Digitalisation is most often talked about in connection with trade as a transformative technology, something that will help traders to trade more efficiently, faster and compliantly. And it certainly is that – but it is potentially a lot more. International trade is a force for good, transforming nations and communities and digital technologies can help it do that on a fair and sustainable basis.

The relationship between digital technology and trade can perhaps be best understood as a continuum. The transition to digital began with the replacement of pieces of paper with static electronic documents – Word docs or PDFs, but that is not true digitalisation. Digitalisation as a transformative technology is about the free flow of data and the integration of different actors' systems through technology. Recent estimates have suggested the digitalising of trade could be worth up to $9tn to G7 Economies by 2026.

Single trade window

But trade can be too complicated. A recent study into the export of a container of avocados and roses from Kenya to the Netherlands found that around 100 people across 30 organisations had some 200 interactions. If the number of interactions can be reduced because each actor can access the data they need in real time, then the benefits in terms efficiency and cost are huge. A so-called 'single window' for international trade provides a way for companies to rationalise their number of engagements with government agencies.

There is an environmental dimension to transformation too, with greater efficiency comes saving in carbon and at around 8 bn tonnes, the emissions embodied in trade account for around a quarter of total global emissions – a statistic the sector is well aware of and means to change. Further use of technology, for example to track carbon emissions across supply chains at a consignment or product level, will facilitate the calculation of Scope 3 emissions (emissions not controlled by the reporting organisation, but nevertheless within its supply chain) and that in turn makes accurate carbon labelling more feasible.

Digital disruption

But beyond transformation there is also a creative stage. In less than three decades information technology has transformed our world. There is barely a market that has not been disrupted. From Hollywood Studios that have morphed into content creators to the ubiquity of smart phone payments in Africa, digital technology

has changed the landscape. Digital technologies offer the prospect of new businesses and new business models.

That creativity is perhaps the most exciting prospect held out by digitalisation and harnessing it was the reason that the Institute of Export & International Trade is so keen to work with the UKBAA. The impressive range of companies that took part in our recent showcase event crossed sectors and technology areas.

What these companies had in common was a drive to make trade better, more effective, more efficient and more sustainable.

That is the drive that we have at the Institute of Export & International Trade. We believe that internationalisation should be integral to businesses that are seeking to thrive in today's economy and that belief is intrinsic to technology led start-ups like those that feature in this report.

We have been at the cutting edge of change in trade for nearly a century. We educate and empower, support and guide. We believe that we can do that for tomorrow's companies every bit as well as well as we do it for today's.

RODERICK BEER
Managing Director
UK Business Angels Association



On behalf of the UK Business Angels Association, the trade body for angel and early stage investing, I am delighted to have partnered with The Institute of Export & International Trade (IOE&IT) on this report, focusing in on where the opportunities are for SMEs when it comes to the digitalisation of the sector.

With over £2bn invested every year into exciting, innovative, UK-based businesses, it is important to ensure a steady supply of risk capital into these early-stage businesses that, although small today, will drive the sector's technological advancements of the future. Working closely with the investment community in building awareness of the opportunities that trade-supporting technologies present, will be key in ensuring a thriving base of innovators that will ultimately make the UK a better place from which to do business.

I look forward to UKBAA continuing work within the trade space, and being a part of the important conversations that ultimately drive change.

Introduction

The combination of the UK's changing trading relationships, the Covid pandemic and supply chain issues, has helped to focus the minds of many businesses, and potential investors, on finding better ways of doing business. Particularly in the world of international trade and export. Suddenly the idea of digitalisation is not a distant aspiration, but a much more attainable reality. Organisations of all sizes, notably on the international stage the G7, and everyone involved in supply chain management, have realised the need for, and potential benefits of, doing business digitally. The UK Government is keen to set the pace with funding for smart borders and a 'single trade window' confirmed in the recent budget.

Digitalisation within trade is not just about digitising physical aspects such as documentation. It is about leveraging technological innovation to drive efficiency and improve processes. It has the potential to transform activities in the trade space from secure document handling, and logistics and warehousing, to the decarbonisation of industry activities.

TradeTech Infrastructure



According to the *World Economic Forum 2020 Global Survey on TradeTech*, the top 5 technologies most likely to have an impact on global trade going forward include: Internet of Things, digital payments, e-commerce platforms, cloud computing and 5G technology, with AI, digital documentation, smart border systems and blockchain, close behind.



$100tn by 2050

Global trade is projected to grow in line with global GDP over the next 30 years, doubling in real terms and quadrupling in dollar terms to reach $100tn by 2050

Top Ten

The UK should remain one of the top 10 trading nations out to 2050



The pandemic has strained existing supply chains but trade is now on the brink of a digital transformation. TradeTech that enables more efficient and cost-effective trade processes, will help to democratise the industry for SMEs and mid-corporate businesses.

Technology companies that provide trade customers with innovative solutions, that streamline their operations, and the financial institutions that invest in and support them, are shaking up the industry.

Digitalisation of trade and export

UKBAA and The Institute of Export & International Trade co-hosted a pitching event, Investing in Trade innovation showcase, in October 2021, which featured pioneering entrepreneurs developing technology for the trade space. Following that event, this briefing takes a snapshot of representative businesses in the trade and export space, who are leading the change.

It takes a view of their experiences, from the perspective of a founder of innovative TradeTech, who is scaling up their operations to make the digitalisation of trade a reality. It also takes in the viewpoints of an institutional investor, and a corporate VC, who are both responsible for finding the next innovative business that will revolutionise the industry.

Leading TradeTech Businesses

The following businesses were selected from a substantial pool of applicants to present as part of UKBAA and Institute of Export & International Trade's Investing in Trade investment showcase. They represent leading SMEs within the trade space, using technology to address the industry's pain points

Aurelius Accelerate

Aurelius Accelerate is a leading Amazon specialist focused on asset optimization, advertising and reporting. Led by a team with 20+ years in the industry, they saw an opportunity to bring together an integrated and operationally led approach to help entrepreneurial British brands grow overseas.

Chanodil

Chanodil's award-winning service enables fashion brands to easily connect with clothing manufacturers and manage your order through one platform. They've experienced 3 years worth of growth, and are currently operating in 10+ countries, they're on a exciting trajectory that looks set to continue.

ELEMENTARYb

Eb is an intelligent financial management platform providing complete control to midsize enterprises (Mid-Market Enterprises, MMEs) operating in a globalised economy. They help this underserved segment make smarter, better and faster financial management decisions.

eTEU

The Shipping industry heavily relies on paper documentation: a huge issue which accounts for up to 20% of the administrative overheads and costs businesses globally more than $100 Billion every year. eTEU is the very first blockchain based trade documentation platform, suitable for businesses of any size.

Nu-Credits

Nu-Credits is a trade finance marketplace connecting SMEs with global lenders powered by blockchain. With impressive monthly revenues, and having helped 60+ SMEs obtain funding so far, the business is set for impressive growth.

Satoshi Systems

Satoshi Systems is an SCM (Supply Chain Management) and fin-tech startup, comprised of experts in international trade, customs compliance and trade finance providing digital and emerging technology solutions to SME international traders.

Signol

Signol is a personalised app and communication service empowering pilots to make measurable fuel and CO2 savings. Their first eight month study yielded: 54m lbs in CO2 Savings and $6.1m of fuel savings.

Trident WW

Trident WW is developing a virtual environment for the 192,000 logistics-sector organizations that allows efficient interaction between transport, warehouse and retail SMEs. Thousands of global brands are already depending on their 30+ years of trusted worldwide logistics experience.

TripCenter

TripCenter is the first truly global All-in-One ground transport technology that connects charter bus, minibus and fleet owners to travel industry, families and communities, corporate organisers and millions of travellers.



Investing in TradeTech

Corporate investors are keen to invest in TradeTech that will facilitate the digitalisation of trade, level the playing field for smaller traders, and enable a more sustainable way of doing business. Investors know from experience that entrepreneurs have a different way of seeing the world, and its issues, and are predisposed to generating innovative solutions. As a result, many large companies are setting up their own venture capital units to tap into the wealth of experience and innovation that entrepreneurs and early-stage companies bring to the table. The entrepreneurs get the funding and support they need, and the space to develop their ideas, and the corporates get access to their intellectual property and technical innovations.

New technologies that enable smart logistics, and sustainable supply chains, are seen as key areas of opportunity for investment.

The corporate venture capitalist



OLIVER FINCH
Investment Partner at Maersk Growth

Oliver is an Investor with Maersk Growth, the corporate venture arm of the global transport and integrated container logistics firm, Maersk. He has spent over a decade in private capital investment, working with high-growth teams primarily in the UK, having started his career in financial services. The Maersk Growth team typically invest at Seed, Series A and Series B stages. They back high-potential companies that apply new business models and technologies to transform the supply chain. Maersk Growth is headquartered in Copenhagen, Denmark, with a global remit to invest in promising start-up and scale-up companies. For this report Oliver shares his experience of the challenges and the opportunities, particularly in the areas of smart logistics and sustainable supply chain.

As an investment partner at Maersk Growth, what technologies have you invested in?

OF: We focus on investing in early-stage supply chain ventures. Essentially, we work with companies and founders that facilitate the digitalisation, democratisation and decarbonisation of the supply chain. This can be approached through new business models and or new technologies.

We have a range of global TradeTech companies in our current portfolio. One particularly good example is UK e-commerce fulfilment business, Huboo. They use a combination of digital and operational innovation, to provide high-quality, reliable and scalable fulfilment services to businesses. Some of their customers may have struggled historically to access "enterprise grade" solutions in the past. Huboo shows how technology and operational innovation can combine to democratise access to higher-quality logistic services and solutions.

In the US, we are investing in companies like Afresh, which employs AI to radically improve fresh produce management and retailing. AI and applied machine-learning techniques are invaluable tools in the democratisation of trade, lowering barriers to access sophisticated digital solutions and changing the areas of competition for many businesses.

Historically, our investment portfolio has been a little more "application" driven, and less focused on deep technologies, but this is changing. Supply chain as a whole has been somewhat underinvested from an innovation and resultant technology perspective. The early waves of VC-backed innovation in this business cycle have tended to focus on digitalisation and integrations to enable access to assets and dynamic management of the same, with improved customer and user experience. This is laying great foundations for further opportunities and evolution in the industry.

What challenges are you addressing and where do you see Maersk Growth continuing to invest?

OF: Our focus on "digitise, democratise and decarbonise"

> *"digitise, democratise and decarbonise"*

is at the heart of what we do. From procurement through to the last mile, there are many distinct activities that take place. Trade is complex and involves a great number of individual functions from sourcing, manufacturing, shipment, handling and financing of physical goods. At Maersk Growth we are relentlessly focused on supply chain solutions, and recognise that innovation can show up in a whole variety of ways.

What are the key areas of opportunity and what else would you like to see start-ups and SMEs developing in the international trade space?

OF: Cross-border trade, and operations with other complexities – physical or otherwise – naturally create opportunities. Customs services, insurance and finance present as sizeable individual opportunities, for example. It is apparent that as an industry, there is a long way to go on the decarbonisation and overall emissions reduction journey.

If we take ocean decarbonisation, as an example, we're talking about maybe four or five key green fuel systems emerging. Each of these has its own feedstock, processing, manufacturing, distribution and operational challenges. There is a huge amount of opportunity, both in alternative fuels and the related value chain, and that is just one part of ocean. There is even more complexity when we add trucking and last mile into the picture.

Why do you think more investors should be getting involved in this space?

OF: We think in terms of supply chain, rather than trade. Looking back, the financial crisis was a great enabler of FinTech, in terms of the reorganisation of FIs, changes in markets and retail banking. The acceleration of mobile technology facilitated that change. In a similar way, the pandemic, and the supply chain crisis, has elevated supply chain management as a more significant and strategic business and government policy issue. The individual and cross-industry challenges require the kind of innovation and skill that entrepreneurs, VCs and business angels, can bring to the table. Companies are already re-thinking how 'trade', and 'export' are handled. The speed and skill of entrepreneurs, and risk capital investors, is vital in creating and scaling solutions to get raw materials or goods to customers in a commercial and sustainable manner.

There is a huge amount of interest and focus in creating the right environment for trade. Areas such as customs services, where the key participants are typically government entities, could undoubtedly benefit from the energy, commercial skills and innovative TradeTech solutions that entrepreneurs can bring into the space.

What would your advice be to other investors thinking about trade and export?

OF: With anything trade, or supply chain, we try to think about the central themes and trends, and as a result appreciate the nuanced ways one can then participate in that through investment. Taking decarbonisation of the supply chain and e-commerce last mile fulfilment, as an example, there are many opportunities beyond diversification and electrification of fleets. There are many interesting and creative ways to participate in decarbonisation trends as an investor, for example around network design, route optimisation and inventory or last mile asset management.

> *"the pandemic, and the supply chain crisis, has elevated supply chain management"*

Participation in the supply chain doesn't have to mean large-scale, big-ticket, asset-heavy investments. Entrepreneurs (and indeed consumers!) accelerate new consumer behaviours, consumer demands, and supplier concepts. This, in turn, can invite investment into ostensibly consumer-facing or retail opportunities with a deeper supply chain or logistics value layer.

We'd suggest avoiding thinking too narrowly about solutions. Some segments of the value chain may simply be replaced with "better" versions, but more powerful evolution may come from cross-chain collaboration or a more radical thinking of production, supply and consumption. It is best to stay open to ideas, and stay creative, in terms of how innovations might impact different areas of trade or the supply chain. We also like to enable and support the creative energy and commercial execution of entrepreneurs and their teams to help us form views on industry futures.

How do you find the right kinds of businesses to invest in?

OF: We invest much earlier than many Corporate VCs, which requires us to be suitably responsive and supportive. Our focus is on seed, series A and B, and across the supply chain as a whole. We have ideas and themes of exciting industry innovation, but very much welcome entrepreneurial provocations and sparring on alternative directions and solutions.

Entrepreneurs are brilliant at identifying problems and creating new solutions. We like to meet and engage with as many as possible. We do our best to make sure they know who we are, where we are and what we stand for, and try to build long term relationships.

We are looking for people with that rare mix of ambition, resilience and skill, who really want to make things happen at scale. Entrepreneurs who have identified an opportunity in the market and have a real hunger to build something which can really create meaningful change and commercial opportunity and, in doing so, impact the wider industry.

Maersk is a very large company, so at Maersk Growth we are looking for founders, teams and companies, who really want to scale. Entrepreneurs who want to build a sizable business, or a business which will have a significant commercial impact. Those qualities are very important to us. As an earlier-stage venture investor, it is really important that we work in partnership with the companies we invest in. We like, and want to work with, founders, companies and stakeholders that want to work with us in an open way. In doing so we aim to accelerate the development of industry or sector-transformative businesses that can really improve things, commercially or otherwise, for our industry and customers.

I think Maersk Growth has a genuinely differentiated offering in the venture market. We work hard to start with the right tone, skills and capabilities to operate in the early phases of venture, and to leverage our corporate resources, while maintaining a balance between supporting start-ups on the strategic edge of a sector, or an industry, and facilitating mutual strategic value from our core business which often speaks to an existing paradigm or capability.

There is lots of room and many opportunities for investors of all kinds in the trade space. For the businesses, when everything aligns, it can be enormously valuable to have a strategic investor on board, but we are fortunate in the UK to have some amazing colleagues in the Seed-Series A space, and many renowned Angel investors.

As investors, we seek to enable great and talented entrepreneurs to thrive. We work hard to be able to work with skilled entrepreneurs and to enable and support their teams. It is a rare thing to match the dynamism of a startup with the scale and process of a large corporate, but when the pieces align and natural complexities are overcome it delivers immense value.

> *"The digitalisation of trade is a global aspiration."*
>
> MARK LING, SANTANDER

Corporations' adoption of TradeTech

The corporates and major institutions appreciate that trade is transforming, as a matter of necessity, and they are actively pushing for global change. As with other businesses, recent events have made it necessary for them to operate in a different and more digitally efficient way. The secure movement of physical trade documentation has been challenging during the pandemic, the need for more and different documentation, as a result of changing legislation and trading processes, have created barriers to cross-border trade that have been particularly difficult for SMEs in the space.

However, it is not just the movement of documentation that is undergoing a transformation. Businesses are looking for innovative technologies that will enable cross-border connectivity and interoperability with global suppliers, logistics and warehousing.

To create favourable conditions for the full digitalisation of trade, change will need to be supported by a technical infrastructure which encompasses AI-powered systems, autonomous technology, blockchain technology and the Internet of Things.

In addition, as outlined by Mark Ling, Head of Trade and Supplier Finance at Santander, the transformation to digitalisation needs a lot of planning, the right vendors and partners, and fundamental changes in the law. As he points out in his interview, this is not something that the UK can, or should, do alone. The digitalisation of trade is a global aspiration. Effective solutions will need serious input from technology providers, regulators, banks and exporters, to name a few, and the changes will have to synchronise across borders.

The Institutional Investor



MARK LING
Head of Trade and Supplier Finance, Santander

Mark Ling, is Head of Trade and Supplier Finance at Santander, and has been an international banker for over 40 years. Supporting fast-growth international businesses, in trade and export, is central to his team's strategy. As one of the people helping to drive the innovations that will lead to the digitalisation of trade, he is involved in industry groups, and an All Party Parliamentary Group, that are leading the way to change.

For this report, he shares his thoughts on the challenges for a traditionally paper-based industry which needs to embrace more innovative digital processes. He also gives an insight into how Santander is approaching the challenges and seeking TradeTech solutions as an institutional investor.

What do you see as the main challenges for the industry?

ML: The major banks provide customers with trade services, including letters of credit, bonds and guarantees, indemnities and trade loans. Many organisations are moving to cloud-based systems, but trade processes are still very traditional and are either paper-based or form part of an electronic banking suite of services.

The recent challenges of authorising physical documentation when people have not been in the customer offices or the banks, have accelerated the need for secure digital solutions from the perspective of the client, the bank and the FinTech.

Organisations are keen to take advantage of the technology and de-risk from a paper-based environment. However, the transformation to digitalisation requires a lot of planning, the right vendors and fundamental changes in the law, and that change can't happen in the UK alone. The counterparties to all of these transactions are international so, for the new rulings to be adopted, the timetable of change for the whole global trade ecosystem needs to be synchronised.

The challenges are complex. The complexity of trade finance, in relation to its connectivity with other systems, cannot be understated. Solutions will require serious input from technology providers, regulators, importers, exporters, freight forwarders and insurance companies, as well as the banks. Everything rests on creating enabling legislation, and new technology enabled trade finance systems, that can connect to other systems. Also, in today's environment, it is critical that all financial crime and anti-money laundering processes can be carefully embedded in the technology and across all processes.

The pandemic, Brexit and supply chain issues, have all pushed the making trade digital agenda forward. They have helped to highlight the need to re-engineer our processes, rethink the technology and jettison some of the old technology. Even for the larger companies it is a huge programme of

change, but SMEs may still need their legacy technology to run all their other processes and systems.

What technologies is Santander investing in?

ML: Santander Innoventures is made up of technologists, investment bankers and equity investors, and their job is to find FinTechs and technology companies that are developing things that fit in with Santander's corporate and retail capabilities. It allows us to invest in innovative companies with great ideas, and we get a better understanding of their new technology and how it might be applicable to our trade operations. Innoventures has invested in a range of companies related to the trade space.

Also, Santander is a member of the WeTrade Blockchain consortium (formerly Digital Trade Ledger). Along with a number of international banks, we are looking at how we can apply blockchain to our current business processes. There is also a lot of work being done on creating smart contracts and other TradeTech infrastructure.

Pagonxt is Santander's in-house fintech company, with a global team, covering trade finance, payments, foreign exchange, and merchant services. We have acquired majority ownership of Mercury, a trade technology company,and we're building new cloud-based capabilities to serve our global network and other financial institutions.

Within that business, we've also majority acquired Ebury, which is involved in the payments, foreign exchange and trade space, and is very much focused on SMEs. It is a standalone global business operating across Latin America, Europe and the UK, and very much competes head on with the banks, including Santander, in each country.

As you can see, we have a mixed investment strategy. Some are very much standalone investments, where we engage and increase our understanding of the tech innovations. Then there are others which fit more closely with our wider strategy and they are brought into the Santander family.

> ***"businesses are telling us that their biggest issues are finding trusted connections, overcoming bureaucracy, supply chain logistics, trade banking and setting up"***

What other areas of opportunity are you looking at?

ML: The Santander Trade Barometer gives us an industry snapshot based on a regular survey of 1000 SMEs and mid-corporate businesses. It is in its 12th edition and businesses are telling us that their biggest issues are finding trusted connections, overcoming bureaucracy, supply chain logistics, trade banking and setting up. We focus on developing technology driven propositions that address the issues that are most important to our customers, and all the while, particularly for SMEs, we are looking for ways to digitalise the processes. We are looking at re-engineering all of our other processes, and using trade technology to support changes, and we are also looking at blockchain solutions to finance and mitigate risk in the supply chain.

How does Santander go about finding the right businesses to invest in, and how do they find you?

ML: We have a clear strategy for SMEs and mid-corporates which is also informed by the Trade Barometer. We are focused on building our franchise and we see ourselves as a scale challenger in corporate and commercial banking. Our strategy is very focused on international fast growth businesses. We take a sector-focused approach, which takes in advanced engineering, life sciences, food and drink, retail and wholesale. We work closely with the industry associations and we make sure that we have a clear understand of their members and their issues in order to tailor our solutions for those particular sectors.

What advice would you give to an early-stage business wanting to work in trade with institutions like yours?

ML: Have a very clear medium to long-term strategy and be sector-focused. In today's competitive world, you've got to be very targeted and event driven in terms of knowing the required outcomes.

Innovation within the SME trade space

Whilst there's already an impressive number of SMEs developing technology with the ability to substantially impact how UK trade and export operates, what has changed over the past year is the industry's appetite for its adoption. This in turn has accelerated the opportunities for growth for those focused on modernising the space.

As an example, recent events, including extreme weather, the pandemic and an energy distribution crisis, have all helped to force supply chain management to the top of the boardroom agenda. Companies of all sizes are looking for solutions that will make their supply chain more resilient in the face of the unexpected. As a result, its importance has been brought into sharp focus, investors are taking notice, and SMEs that develop the innovative solutions are benefitting from new customers and increased interest from investors.

Some solutions that are already having a positive impact on trade efficiency, include blockchain-based solutions for trade finance and documentation, AI-powered warehousing and logistics management platforms.

As part of UKBAA and IOE's Investing in Trade showcase we were able to shine a light on a range of leading technology SMEs. Innovations on display included an industry leading blockchain-based trade documentation platform, a fuel-saving app for airlines and shipping, and an award-winning platform connecting UK scale-up fashion brands with international manufacturers.

For this report, we spoke to Saurabh Goyal, CEO of Satoshi Systems, who participated in the event and has already experienced an impressive trajectory as a TradeTech that is helping to digitalise trade.

The TradeTech founder



SAURABH GOYAL
CEO, Satoshi Systems Ltd

Saurabh Goyal, CEO of Satoshi Systems, founded his company, in 2017, after more than 20 years working with commodity traders and supply chain managers. He spotted a big gap in the market for technology solutions for smaller international traders who couldn't afford the expensive bespoke supply chain solutions used by their larger competitors.

From the start, the focus has been to create three main software products. The first software solution, Minerva, is supply chain management software, which allows international traders to manage all their core day-to-day operations. That solution is already up and running and it is in the scaling up phase. The second solution, TradePhlo, is a customs compliance solution, which allows SME traders to do all their own customs declarations, rather than using an intermediary like a customs broker or agent. He is particularly excited about it, in the context of Brexit, and believes it is a timely solution for the UK market. The third solution will be a trade financing solution and is planned for 2022. For this report, Saurabh gives an insight into his business, his investment journey, and what he sees as the drivers for innovation.

Can you provide an overview of your investment journey to date?

SG: We received £750,000 of angel investment from four angel investors, in the UK, as a result of several pitching events that I participated in. We managed to generate the initial capital to start the company, hire some people, and start developing our supply chain solution.

For the last two years we have been generating revenues and putting them back into product development. Now we are confident that the first solution is scalable and that is the current phase.

We are looking to raise money to continue developing TradePhlo, which is the second solution, the customs compliance solution. We were also approached by Sky TV to join their SME 100 programme which provides training and an advertising campaign.

So right now, we are focused on these two products. Minerva is already in production and we will need money to scale up. TradePhlo is an app, which doesn't require too much money to develop, but it will need a lot of money to scale up and promote.

The trade financing solution, which helps international traders to raise finance from non-banking financial companies, should be going live at the end of 2022 and we are also planning to raise financing for that.

> *"it is very important to provide solutions that make it easier for SME traders to access trade financing"*

Trade financing is quite intricately linked with the underlying supply chain operations, so we plan to link all three solutions together so that it becomes a platform of complementary solutions for international traders. Trading is a very small margin activity which needs volumes to grow the business. Most traders are lucky if they can get gross margins of 5 to 10%. The only way they can grow is by scaling up the volumes and to do that they need trade finance. Therefore it is very important to provide solutions that make it easier for SME traders to access trade financing.

What specific industry pain points do the solutions solve and how?

Post Brexit, there are supposedly 100,000 traders in UK who for the first time in their life will do a customs declaration. There are 2 options for them to do this 1) Install an expensive and time consuming software to do the declarations themselves (which costs £8-10K and 2-3 months for implementation) or 2) take the services of a customs agent (who will charge ~£75/ declaration and will be tedious and slow). Both the options do not work for small traders.

TradePhlo is a simple, intuitive app which connects to the traders ecommerce platform (Amazon, Shopify, eBay, WooCommerce etc), downloads all the international transaction information in real time, generates the declaration automatically using inbuilt expert decision making algorithms, displays it back to the trader for confirmation and submits to HMRC with a single click. The customers pay £7/declaration or £500/month for unlimited number of declarations.

> ***"suddenly everyone, especially in the UK, is aware of the supply chain. Now it is considered mainstream and is being discussed at investment forums"***

What would you say to encourage institutional investors and corporates into this space?

SG: Supply chain management has never been glamorous, but recent months have been quite educational and suddenly everyone, especially in the UK, is aware of the supply chain. Now it is considered mainstream and is being discussed at investment forums. Investors who were not interested in the past are seeing it as a new opportunity sector. We have been approached by several small VCs and angel funds, who would never have approached us previously.

What would you see as key drivers for innovation in international trade?

> ***Sustainability has been a big driver for quite some time, especially when it comes to shipping and even trucking operations.***

Another driver is digitisation, because in terms of all logistics, there is a lot of paperwork which is still not digital. Efficiencies is another one, amazingly, the last big efficiency in the supply chain industry was when the shipping container was designed! Now they are proving to be very inefficient. Currently, the whole supply chain infrastructure is creaking. Also, after the supply chain disruptions, there is a greater need to build resilience into supply chain operations.

Of course, trade finance is one of the biggest factors. Trade finance is available, but it is more easily available to the larger corporates. Smaller traders tend to trade on their own capital, which means that they can't scale up, so they can't compete and therefore they can't grow.



It is expected that there is close to a US$1.3 trillion gap in the trade finance availability to SME traders across the globe.

CONCLUSION

What's next for the sector



Trade accounts for over 50% of UK GDP and, with the increased efficiencies and opportunities that digitalisation brings, there is potential for greater growth.

Business leaders have said that their biggest issues are finding trusted connections, overcoming bureaucracy, and managing supply chain logistics and trade banking. The digitalisation of trade has the potential to alleviate most, if not all, of these issues, but all the players have to work together to make sure it happens for the benefit of the industry as a whole and its customers.

Digitalising trade, in all its complexity, will increase efficiencies, reduce the costs of doing business and allow for more sustainable practices, as well as removing key barriers to new and smaller entrants to international trade. Also, with supply chain solutions firmly on the agenda, investors will be keen to invest time and money in the TradeTech that will improve efficiencies and build resilience, and in turn level up the field for SMEs.

By dealing with some of the challenges in recent months, the trade sector has demonstrated what is possible and what is necessary to move forward and it needs to keep the momentum going.

Maintaining the momentum of the past year

Going forward, the key drivers for ongoing digitalisation of trade will be more innovative solutions to facilitate trade growth, more sustainable processes in the global reach for decarbonisation, and easier access to trade finance.

Governments and trade departments will need to collaborate with their global counterparts and international bodies like the WTO, to reduce bureaucracy and ensure that legislation and cross-jurisdictional policy facilitates, rather than hinders, cross-border trading for all. The legislation around data sharing will need to be reviewed, to enable institutions, investors and traders, to carry out transactional checks and balances, and trade securely.

TradeTech companies and entrepreneurs will need the investment, freedom and financing, to continue innovating as the associated infrastructure grows. By encouraging and adopting the development of new technologies, and supporting the innovators, banks and investors will be central to the digitalisation of trade.

Standardisation of systems and technologies will be needed, across all trading processes, to ensure interoperability and interconnectivity – not just within similar systems in different companies and countries, but also with legacy technologies and processes.

The potential benefits of trade digitalisation are huge and there is a collective will to make it happen. TradeTechs, institutional and corporate investors are all working together to create a more efficient, sustainable industry that's more democratised for businesses of all sizes. There are many challenges ahead but the benefits to the industry, and its consumers, will be well worth the collective effort.



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INSTITUTE OF EXPORT & INTERNATIONAL TRADE

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