

Data: The Fuel of the Digital Economy and SME Growth

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Digital is redefining business and society at an astonishing pace and scale.

Increasingly, the ways in which we do business and interact are digital. Taking into consideration comprehensive measures of digital labor and capital, Accenture Strategy research¹ assessed that 22 percent of the world economy can already be attributed to digital skills, capital and intermediate goods and services.

Yet, digital's ability to unlock productivity and growth is far from being fully exploited. Our model shows that a 10 basis-point improvement in three levers, digital skills, digital technologies and digital accelerators – the underlying conditions to support the widespread adoption of the digital economy – could add two to three percent, if not more, to 2020 GDP in the countries surveyed.²

The fuel of the digital economy is data.

The amount of data produced is growing exponentially. From the dawn of civilization to 2003, Google calculates humans produced five exabytes of data. We now generate 2.5 exabytes of data every single day, and IDC estimates that the amount of data will double every two years to 2020!

Data is diverse, created by the billions of people using social networks or digital cameras, by businesses connecting employees, suppliers and customers through their digital platforms, and by the millions of sensors, connected objects and communications devices sending and receiving data over the internet.

In the 21st century, globalization will be increasingly defined by flows of data and information. Cross-border data flows are soaring, a 45 times increase between 2005 and 2014, now topping global flows of trade and finance.³

So the problem today is no longer the absence of data; in fact, companies are flooded with it. The key now is to collect the right data that is accurate and trusted, and to mine it for business value.

In a survey of companies using big data across 19 countries,⁴ Accenture Analytics found that approximately two thirds of companies worldwide had completed at least one big data implementation so far, typically starting with focused initiatives to improve personalization (for instance, data-driven insights feed location-based services such as special offers to customers), or to optimize operations (for instance, data mined from smart devices such as pipelines or planes allowing for predictive maintenance and asset optimization).

Expectations about big data among survey respondents convey the enormous potential created by big data. The vast majority of executives stated that big data will revolutionize the way they do business and companies that do not embrace big data will lose their competitive position.

The potential for inclusive growth through SME access to new data and digital capabilities is huge.

Larger companies have tended to lead in the exploitation of big data and digital technology, given the related investment requirements – e.g. skills, infrastructure and technology. Yet, the development of 'pay per use' technology, such as cloud computing, and new digitally enabled business models, such as platforms, are reducing investment requirements and opening up access to new customers for small businesses and entrepreneurs around the world.

eCommerce, for example, is proving to be a game changer for SME participation in global value chains. In joint research, Accenture and Alibaba Group⁵ estimated that the value of the cross-border B2C eCommerce will grow from US\$230 billion in 2014 to US\$994 billion in 2020, accounting for 29.3 percent of the global B2C eCommerce market and 13.9 percent of global consumer goods' trade. eCommerce increases SME access to overseas customers, enabling them to more efficiently promote their products and services and process payments.

Internet technology is significantly increasing SMEs' access to finance, through the development of innovative alternative financing mechanisms and also by reducing the risk and cost of servicing SMEs, with new credit scoring mechanisms based on mining transaction data held by online marketplaces about sellers and buyers.

However, the digital economy challenges traditional approaches to regulating economies and markets.

The borderless nature of the digital economy – driven by global data flows, the associated concerns about data privacy and security, the speed of change associated with developments in technology and their disruption of traditional business models – challenges traditional approaches governments have taken to regulate economies and markets.

To secure customer and citizen 'trust' and confidence in the digital economy, businesses and governments will be required to demonstrate that they use personal data responsibly, including guaranteeing the protection of data from a privacy and security perspective and demonstrating that there are benefits to sharing data, with accountability for misuse.

Governments must put in place the right framework and conditions to realize the potential of the digital economy for inclusive growth.

Governments will need to take a strategic approach to regulation – limiting unnecessary costs and complexity for businesses, while inducing innovation and participation of SMEs in the digital economy. In particular, they should:

- Facilitate access to finance, minimize red tape and work with business and educational institutions to develop a skilled digital workforce. The Accenture 2015 Digital Density Index reveals that the world leaders in the digital economy have put in place these framework elements.
- Provide the necessary tools to facilitate the free flow of data, while ensuring an adequate level of protection. There should be no unnecessary restrictions on the free and secure flow of data, including data localization, which drive up costs and limit consumer choice.
- Ensure the interoperability of standards and mutual recognition of rules, particularly on data protection.
- Recognize international and industry-driven information security standards, with third-party audit and certification assessments to manage security risks.

Accenture welcomes the B20 SME taskforce recommendations to accelerate the development of eCommerce, FinTech and innovation ecosystems as tools for inclusive access to finance, global value chains and innovation for SMEs.

References

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