



HOW TO MAKE EUROPE A DIGITAL LEADER?

Tobias KOLLMANN and Amal TALEB | *President of the German "Young Digital Economy" Advisory Board (BJDW) and Vice-President of the French Digital Council (CNum)*

Tobias Kollmann, President of the German "Young Digital Economy" Advisory Board (BJDW), and Amal Taleb, Vice-President of the French Digital Council (CNum), both attended the Conference "Innovation at the digital era: reinventing our economy" organized by Confrontations Europe at the European Economic and Social Committee. At this occasion, they exchanged their views on how to make Europe the next digital leader.

During the last years, digital waves have rolled in from the United States. They have been about big data, the Internet of things (IoT) and cloud computing, and they have hit Europe very hard. "Today, we are awaiting a digital tsunami that is already on its way here (with blockchain, quantum technologies for instance)", point out Amal Taleb and Tobias Kollmann. The tsunami will shake the foundations of our political and social structures, so it is an urgent matter to prepare for its arrival.

Where does the EU stand?

Considering the so-called Unicorns¹, many of the 161 identified ones are from the digital economy, but we have too few of them in Europe, according to Tobias Kollmann. 93 are from the United States, 38 are from Asia and only 15 unicorns are European. Among those 15, 4 are located in Germany, 4 others are in the UK, 2 in Sweden and 1 in France. "Europe is not really present in the worldwide online competition dominated by digital start-ups" T.Kollmann acknowledges.

Furthermore, the listed "Digital-big-5" from the USA have a higher market capitalization than all listed German DAX-30-companies together. "We need to realize that Europe does not take part in the digital game" he argues. In other words, he stresses that a digital "made in Germany" or digital "made in Europe" does not exist at the moment. Tobias regrets that Europeans are always asking themselves the same question: "With which innovative digital business process or digital business model could a start up from the Silicon Valley – with a lot of venture capital on board – disruptively change the next industry?". Yet, the answer to this key question is: "do it yourself!" He would like us to be bold and try

to build up the appropriate platform on our own. He emphasizes the need to take actions ourselves and open ourselves up to online-competition as quick as we can.

How is digitalization working?

"Digital transformation is important for every industry, because innovative digital business models also attack the traditional industries", he explains. According to him, no industry can escape this transformation because of 2 phenomena:

On the one hand, there is the piranha effect when small but very aggressive start-ups try to address single blocks of the value chain. They do this with superior digital business processes and bite themselves into the market. This is what Fintech start-ups are currently doing in the banking industry.

On the other hand, there is the elephant effect of big digital players using their market power to leave their original fields of business and enter new markets. By doing so, they trample down everything in their way

with their digital market power. Google will trample down the insurance industry by getting an insurance license for the European market via London and will try to attack the automotive industry.

Netflix will try to kill the linear Television, AirBnB is already a game changer in the leisure and travel industry and Amazon just started delivery in Germany which will place huge pressure on companies like Saturn and Media Markt and also on the food industry, which suffers from Amazon Fresh or Amazon Pantry.

"The old rule that the big ones will eat the small ones is not true anymore. The new rule in the digital world is that the fast ones will eat the slow ones."

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¹ Unicorns are firms, which are not yet listed but have company valuations of more than one billion USD

CONFRONTATIONS



Good steps from the EU Commission

Both Tobias Kollmann and Amal Taleb warmly welcome the latest “Digitise EU” package issued in April 2016 by the European Commission, seeing it as a good signal. “Data centres, European cloud, 5G as well as standards and certifications are important issues which will help Europe develop a competitive advantage for the EU industry” A.Taleb highlights. In this regard, she argues that the European Commission’s work seems to be the way “to leave with this tide and reach our destination”. Nonetheless, there is still a strong need to make sure that European industry is in a position to make use of those new technologies so she is also looking forward to seeing what actually is coming forward.

What are the solutions?

In light of their own experience, both Tobias Kollmann and Amal Taleb bring forward solutions to help Europe tackle the digital transformation.

For Amal Taleb, education and skills are key. In the EU, there is not enough people who have a proper grip of all these technological issues. She calls for teaching people about electronic issues while framing them into the humanity sector. In other words, she stresses that coding is very important, but it is also crucial to make sure that people are aware of broader issues related to math and history. In her opinion, that’s the only way to make sure that the digital revolution is beneficial and applicable in our culture. She calls for cross-fertilization of higher education authorities and academics across Europe.

Funding issues are the second point Amal puts forward. So far, in Europe, we create our businesses on a basis of debt and not on the basis of our own resources, and this means that our companies depend on the traditional banking sector so they are not yet in phase with the technical developments which have happened in our culture.

A.Taleb also thinks the public authorities need to set up a legal framework to develop confidence, which has to be clear, readable and properly applied across territories. To do so, she stresses the need for

standards which will be easily used by our companies and will allow them to develop in Europe. “It could be a good idea to try challenge non-European actors and force them to align with our European standards, especially when it comes to the protection of personal data, infrastructures, identification rules and other issues related to security. All of this will allow European companies to grow in a legally reliable environment so it represents a competitive advantage”. She also addresses the issue of developing confidence in platforms. Looking at the B2C relationships to platforms, she makes clear that European consumers don’t have confidence but they do nonetheless operate via non-European platforms. In this regard, she stressed the need to think of how European businesses might be able to communicate among themselves and how they might be able to choose their interlocutors in Europe on the only basis of merit. She also calls on the EU and Member States to think about the impact the digital transformation is going to have on jobs and on work.

Tobias Kollmann emphasizes three main points. First, the need to build up innovative start-ups that have the potential to develop into the next generation of world market leaders from Europe. Second, the need to transfer our traditional industries and our small and medium enterprises into the age of digitalization to retain as many firms as possible. Thirdly, because neither number 1 nor number 2 are going to happen soon, Tobias highlights the need to bring together both sides and support collaboration between start-ups and the traditional industry or SMEs. “Start-ups represent digital innovation and the traditional industry companies represent market access, so together it is likely to create a win-win situation for the digital economy in Europe”. He strongly believes that the cooperation between industry from Europe and start-ups from Europe is the key of success for our continent to become an important digital player. (April 2016)

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