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CRIF INDUSTRY WATCH

A monthly edition on Data, Risk and Economic Insights

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Analysis and Studies

Business partners' evaluation flow to minimize risks and support economic results



Control risk knowing in advance if a partner is strongly exposed to adverse events can help in avoiding all dangerous scenarios or mitigate issues by putting in place the right actions

Achieving positive economic results is the target of every business firm. It seems obvious, but it involves many actions that can be linked to the company itself, like industry, dimension, location, and others that are common to all businesses, despite their own profile. Control risk knowing in advance if a partner is strongly exposed to adverse events can help in avoiding all dangerous scenarios or mitigate issues by putting in place the right actions.

Evaluating a business partner is a process involving more aspects in a complex and global environment exposed to different kinds of risks, some of them unexpected and quite new.

Business partners can be customers, suppliers, or distributors establishing different relationships inside companies.

In such a scenario, discussing business information isn't as simple as in the past when the data involved were basically related to creditworthiness. It means evaluating a partner considering a wider number of significant documents with information providers able to collect and elaborate data coming from different sources.

Business Information providers have to become more and more a 'hub' able to evaluate risks from different perspectives, giving the market the ability to make decisions based on a wider awareness and knowledge.

Otherwise, issues related to unexpected risks not carefully taken into account could generate serious economic damages.

The business partner role is the first point to tackle, keeping in mind that 'business partner' is a very generic definition including customers, potential customers, suppliers, potential suppliers, distributors, and potential distributors. Each of the listed categories can have common points with the other but never forget specificities and related business impacts.

Analysing a business partner is important for economic results, but if the subject is a customer (or potential customer), the impact is related to generating healthy sales; if the subject is a supplier (or potential supplier), the impact is linked to its ability and reliability to produce goods and services.



Knowing in advance if a supplier (or a potential supplier) has a clear company structure, a low risk of being exposed to cyber-attack, has good creditworthiness means positive perspectives



Having a 'safe and healthy' relationship with a business partner is in any case the key point for success.

Knowing in advance if a supplier (or a potential supplier) has a clear company structure, low risk of being exposed to cyber attack, has good creditworthiness, and is not involved, as companies, principals, and shareholders in financial crimes, means positive perspectives in having the guarantee to receive regularly goods and services as agreed and avoid disruption in manufacturing processes.

Current relationship with the subject is also an important point to take into account, brand new business partner or existing connections in place. Never forget that risk evaluation for an existing business partner hasn't to be less accurate if the subject is not already known. Having an overall good knowledge of the risk is a good practice, despite the level of relationship: this is why economic conditions can change very quickly and the level of complexity of the analysis required is definitely increasing in a global trade market.

If considering the subject to analyse as the starting point, the quality of information to use is a very crucial point. In theory, the data available are many. Big data discussion is one of the 'hot topics' in the current scenario but the real challenge is to identify the information useful for the evaluation process. Many data are not equal to valuable information. Data quality is a process required to manage many aspects, from legislation availability, data sources and independence of the information itself. Usually, companies start to evaluate business partners using past experience, market references, or rumours: but in the current and complex worldwide scenario isn't enough. Too many hidden risks can affect negatively an assessment with connected wrong decisions.

Risk must be considered from different perspectives, like creditworthiness, financial crime involvement, compliance with legislation, company structure and shareholding, and cyber risk. Following this approach is possible to achieve them company's target in terms of financial results, market share, competitive advantage level, and stability of production and reputation.



From both customer and supplier evaluation, the possibility to understand if changes are affecting a business partner is a very important asset in maintaining and developing relationships

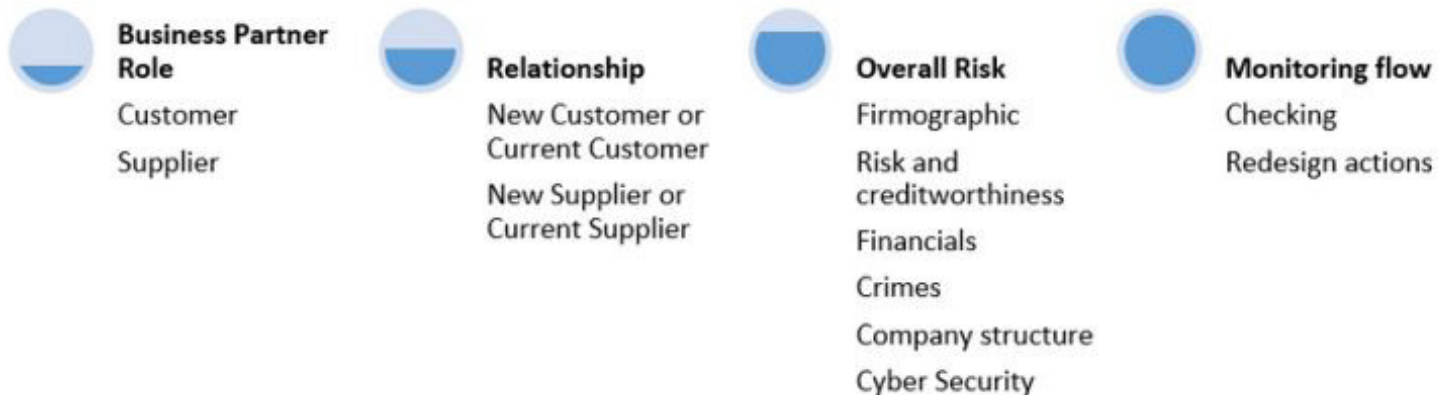


Starting to evaluate a customer, with this global approach, is possible to preserve sales and minimize the risk of missing payments.

From the purchasing side, evaluation is able to understand the level of stability and capacity of the provider itself to produce goods without any interruption in supply chain flow.

From both customer and supplier evaluation, the possibility to understand if changes are affecting a business partner is a very important asset in maintaining and developing relationships. Companies are more and more subject to changes: also firms in theory well known can present hidden risks if not accurately monitored.

Verifying a business partner on different risk aspects over time is more and more crucial if the business isn't only domestic but also international, where relationships between companies are across countries and identifying strategic information could present issues in terms of availability, updating, and legislation.



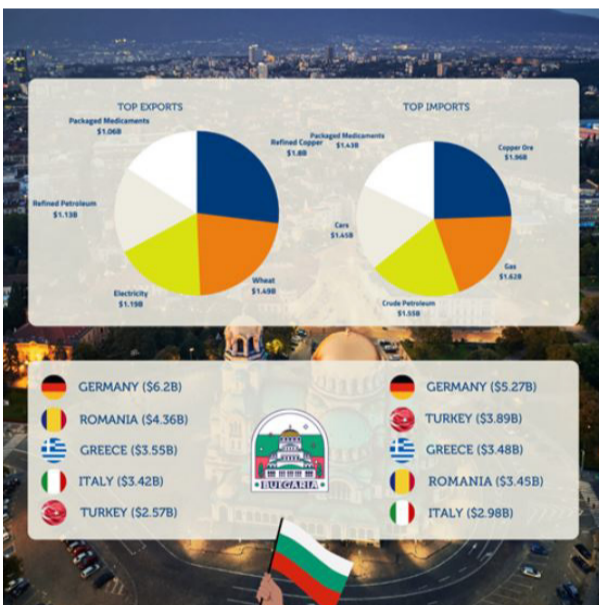
Import and Export Snapshot

Bulgaria: A Look At The Market



In 2021, Bulgaria notably held the title of the world's largest Iron Pyrites exporter, with exports amounting to \$41 million

Bulgaria is a European country located in the Balkan Peninsula and is bordered by Romania to the north, Serbia and North Macedonia to the west, Greece and Turkey to the south, and the Black Sea to the east. The country boasts a variety of landscapes, including mountains, plains, and coastlines along the Black Sea. Bulgaria, after being on the losing side in both World Wars, found itself under Soviet influence and was established as a People's Republic in 1946. The era of communist rule came to an end in 1990 when Bulgaria conducted its first multiparty election since World War II. This marked the beginning of a challenging journey towards political democracy and a market-oriented economy. During this transition, Bulgaria grappled with issues such as inflation, unemployment, corruption, and crime. Notably, Bulgaria became a member of NATO in 2004 and subsequently joined the European Union in 2007, aligning itself with Western institutions and values.



Bulgaria is an upper-middle-income European Union (EU) economy characterized by a trajectory of improving living standards and robust economic growth. However, it retains a coal-based infrastructure, a legacy of historical structural vulnerabilities, and a prevailing issue of widespread corruption. Notably, Bulgaria has been increasingly fostering economic relations with Russia, particularly within the realm of energy trade.

In 2021, Bulgaria held the 66th position in the global economy based on GDP (current US\$), ranked 59th in both total exports and total imports, and stood as the 62nd economy concerning GDP per capita (current US\$).



Bulgaria's leading export items included Refined Copper (\$1.8 billion), Wheat (\$1.49 billion), Electricity (\$1.19 billion), Refined Petroleum (\$1.13 billion), and Packaged Medicaments (\$1.06 billion), primarily shipping these products to Germany (\$6.2 billion), Romania (\$4.36 billion), Greece (\$3.55 billion), Italy (\$3.42 billion), and Turkey (\$2.57 billion). In 2021, Bulgaria notably held the title of the world's largest Iron Pyrites exporter, with exports amounting to \$41 million. The top imports for Bulgaria encompassed Copper Ore (\$1.96

billion), Petroleum Gas (\$1.62 billion), Crude Petroleum (\$1.55 billion), Cars (\$1.45 billion), and Packaged Medicaments (\$1.43 billion), with the primary sources being Germany (\$5.27 billion), Turkey (\$3.89 billion), Greece (\$3.48 billion), Romania (\$3.45 billion), and Italy (\$2.98 billion).

Product Analysis

| Earphone and Headphones



In 2021, Headphones and earphones were designated as the 185th most traded commodities on a global scale, with a cumulative trade value of \$18.3 billion

Earphones and headphones are popular audio devices designed for personal listening. They both allow individuals to enjoy music, podcasts, audiobooks, and other forms of audio content with high-quality sound while providing some degree of isolation from external noise.

Both earphones and headphones offer a range of benefits, including high-quality sound reproduction and personal enjoyment of audio content. The market for these audio devices continues to evolve with advances in technology, offering consumers a wide array of options to suit their needs.



In 2021, Headphones and earphones were designated as the 185th most traded commodities on a global scale, with a cumulative trade value of \$18.3 billion. This marked a notable 14.1% surge in exports from the previous year when the total trade value stood at \$16 billion. It's noteworthy to mention that the trade in Headphones and earphones accounted for a relatively modest 0.087% of the total worldwide trade volume. Notably, the primary countries that emerged as the leading exporters of these audio devices in 2021 included China,

with a substantial export value of \$7.91 billion, Vietnam, which contributed significantly with exports worth \$1.15 billion, and Germany, whose exports amounted to \$1.12 billion. Additionally, the Netherlands and the United States also played pivotal roles in the global export market, with exports valued at \$860 million and \$635 million, respectively.



Furthermore, in 2021, the leading nations in terms of importing these audio devices were the United States, with imports valued at \$2.74 billion, Germany, whose imports amounted to \$1.51 billion, and the Netherlands, importing these products with a value of \$975 million. Canada and France also featured prominently in this context, with imports worth \$742 million and \$709 million, respectively. These statistics underscore the notable global trade dynamics surrounding Headphones and earphones during the specified time frame.

Article of the month

Supply chain sustainability: which inefficiencies may affect your business



Companies must strategically make decisions about outsourcing, investment, and operations based on factors such as cost and quality, in order to remain competitive and to avoid fees and taxes such as the upcoming Carbon Border Adjustment Mechanism (CBAM).

Sustainability has become an essential aspect of modern businesses. As companies aim to reduce their carbon footprint and promote social responsibility, they must take a holistic approach to their operations. In this context, supply chain sustainability of businesses plays a major role in generating positive effects worldwide. While the traditional perspective on international trade suggests that countries simply export finished goods and services to foreign consumers, this only accounts for approximately 30% of global trade today.

In fact, the majority of international trade (around 70%) is now conducted through global value chains (GVCs), which involve the movement of services, raw materials, and components across borders, often multiple times, before being incorporated into final products that are distributed to consumers around the world.

Modern trade relationships are highly complex, involving intricate interactions between a wide range of domestic and international suppliers.

In this increasingly globalized economy, companies must strategically make decisions about outsourcing, investment, and operations based on factors such as cost and quality, in order to remain competitive and to avoid fees and taxes such as the upcoming Carbon Border Adjustment Mechanism (CBAM).

Supply chain sustainability: definition

As global concerns about climate change, resource depletion, and social responsibility continue to grow, businesses are increasingly recognizing the importance of sustainable practices in their supply chains.

Ensuring that products are produced and delivered in an environmentally and socially responsible manner has become a critical factor in maintaining brand reputation, reducing costs, and complying with regulations.

Supply chain sustainability refers to the environmental, social, and economic impact of a company's entire supply chain, from sourcing raw materials to delivering finished products to customers.

The subject has been treated by international institutions such as the UN Global compact with the creation of the Supply chain sustainability guide, which aims at guiding a sustainable development of the value chains and global supply chains.

By collaborating, purchasers and suppliers involved in global supply chains and networks can promote human rights, environmental protection, climate resilience, ethical business practices, inclusive economic growth and community development.

Supply chain sustainability critical factors

However, achieving supply chain sustainability is not an easy task and requires a concerted effort across multiple areas, including procurement, transportation, manufacturing, and disposal.

In this context, identifying and addressing the critical factors that impact supply chain sustainability is essential for businesses looking to build a resilient and responsible supply chain that benefits both their bottom line and the planet.

Stakeholders management: Suppliers management

Supply chain sustainability depends on the actions of all parties involved, including suppliers. Therefore, it is crucial for businesses to have a comprehensive supplier management strategy. Poor supplier management can lead to unsustainable practices in the supply chain, such as the use of hazardous materials, unethical labor practices, and environmental pollution.

Transportation: Sustainable logistic

Transportation is one of the major elements of supply chain management and its efficiency has a profound impact on the overall economic performance.

However, it can also have a significant impact on the environment.

Inefficient transportation practices, such as lack of transportation mode sustainable management and poor route planning, can lead to increased carbon emissions and higher costs which impacts economic and environmental performances of products.

The creation of a policy regarding supply chain and logistics operations is necessary in order to create a hierarchy of transport mode that can be applied by choosing less impacting modes such as train and sea transportation or implementing technology that optimizes route planning and reduces fuel consumption.

Packaging: Eco-design and material selection

Packaging plays a vital role in protecting products during transportation and storage. However, excessive and non-recyclable packaging can lead to significant waste, environmental harm and economic losses.

In order to mitigate this inefficiency, business can adopt sustainable packaging practices such as the selection of biodegradable materials, the creation of innovative packaging solutions that promote reuse and recycling, and the implementation of eco-design practices (e.g. packaging simplification and size reduction).

Supply chain Transparency: Traceability and Data transparency

Transparency is a crucial aspect of supply chain sustainability.

Without transparency, it is challenging to identify and address sustainability issues in the supply chain of organizations and to track impacts performance.

The need of transparency is a transversal issue affecting all organizations worldwide which can be approached holistically by promoting information sharing about supply chain operations with stakeholders, including customers and suppliers.

In this context, the adoption of technological solutions such as blockchain could promote transparency and traceability in the supply chain thus enhancing its credibility.

The innovation stimulus has led the creation of specialized companies which aims at mapping the supply chain of different sectors as in the case of The Hemp Blockchain, a SaaS solution that maps and traces the supply chain of hemp from the cultivation to the development of products.

Waste management: Waste hierarchy and minimization

Waste management is a critical aspect of supply chain sustainability as the consequences of an inadequate waste management can lead to environmental impacts, economic and legal consequences for the organisations involved.

In order to address such an inefficiency, organizations should adopt waste reduction and management practices, such as a waste hierarchy encompassing recycling and composting operations.

Conclusions

Supply chain sustainability is crucial for businesses to achieve long-term success.

Inefficiencies in the supply chain can lead to increased costs, reputational damage, and regulatory sanctions.

Therefore, companies must identify and address inefficiencies in their supply chain to ensure sustainability.

By adopting sustainable practices in supplier management, transportation, packaging, transparency, and waste management, businesses can achieve a sustainable and responsible supply chain.

About CRIF India

CRIF India is one of India's leading provider of Credit Information, Business Information, Analytics, Scoring, Credit Management and Decisions Solutions.

CRIF's Business Information Report, commonly known as the BIR Report, is a new way of thinking about data and information and how they are linked to each other. Available in 230 countries and territories, CRIF'S Business Information Report contains up to date information collected from various data sources. The report helps in determining a company's profitability, financial trends, and risk. It also provides an in-depth profile of a company, including financial information, legal cases, history of business, Ownership details, operational information, and details on related firms and special events that occurred in the past involving company management. It's an industry standard for evaluating both new and existing credit relationships, especially medium-to-high risk accounts. Additionally, it supports a company's other efforts, like marketing and purchasing.

CRIF India's Business Information Offerings



| How is CRIF different?



We brought in new Sets of Data Points,
First in the Industry at a TAT less than 48hrs.



Global Data Environment

200 million companies across 230 countries,
2 Million directors on these companies,
400+ data points covered



Unmatched expertise in analysis

Our vast experience gives us an eye for better
assessment of information



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Quality checks

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