

# WHAT'S NOW AND NEXT FOR FINANCE AND PROCUREMENT?

Automation, digitisation and the future of global trade



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## Executive summary

Technology innovation and the shifting dynamics of global trade are challenging businesses in every sector to adapt. This pressure is felt as much by the finance and procurement functions as any other, and their preparedness for emerging trends will greatly influence their organisations' ability to thrive in the future.

This report, written by The Economist Intelligence Unit and sponsored by Basware, examines which emerging dimensions of three broad trends—automation, digitisation and shifting trade winds—finance and procurement executives expect will affect their companies most; what their impact will be; and how they have prepared. It is based on a survey of over 400 finance and procurement executives in the US, the UK, France and Germany, as well as in-depth interviews.

Finance and procurement leaders are largely optimistic about their organisations' ability to meet the technological and global trade challenges of the future, the study reveals. Nearly two-thirds of senior finance and procurement executives (64%) express confidence that their organisations will adapt to continued automation, digitisation and global trends in trade more effectively than their peers.

This adaptation will require some upheaval, however. Respondents expect both automation and digitisation to increase technology expenditure, and to reduce their human headcount. Trade dynamics, meanwhile, will increase costs and drive them to seek new sources of growth, they predict.

### Key findings include:

**The biggest impact of automation will be on internal processes.** Respondents expect the automation of payments, procurement processes and supply-chain management to have the greatest impact on their organisations, ahead of artificial intelligence (AI) powered decision-making or decision-making within other key finance and procurement processes.

**This will reduce companies' headcounts.** The most commonly cited impact of automation is a reduced need for staff, as identified by 36% of respondents. A smaller headcount will be performing higher skilled tasks, with nearly as many respondents (34%) believing that automation will free up time for them to focus on more strategic initiatives.

**Headcount will be counterbalanced by increases in technology investment and digital initiatives.** The most common way for survey participants to prepare for automation is to increase their technology budgets, a strategy adopted by 39% of respondents. This was also true of digitisation.

**Digitisation will reduce overall costs but also intensify competition for talent,** respondents believe. Just under a third (32%) expect digitisation to bring down costs, the second most commonly expected impact, but almost as many (31%) agree that recruiting employees with specialist digital skills will be critical to unlocking digital transformation in their organisations.

**China-US trade relations and post-Brexit trade negotiations loom large.** These are seen as the two most impactful trade trends by a majority of the finance and procurement executives surveyed. They expect trade dynamics to have negative effects, most commonly an increase in procurement costs (35%) and greater supply-chain complexity (29%).

**This is forcing companies to look further afield for growth.** The most popular way to

prepare for shifting trends in global trade, the survey shows, is to develop alternative sourcing options (37%). Securing alternative sales leads/markets (32%) is another common response.

**Companies cannot predict the future but they can prepare to adapt.** A common thread linking preparations that companies have taken for automation, digitisation and global trade dynamics is the ability to be responsive to whatever fate may throw at them.

## About this report

*What's now and next for finance and procurement?* is written by The Economist Intelligence Unit and sponsored by Basware. The report is based on a survey of 402 senior finance and procurement executives located in the US, the UK, France and Germany and was conducted in February and March 2019. The report draws on in-depth interviews with the following:

- Nicolas Roux, chief procurement officer, SITA
- Marceau Pasquier, chief financial officer, installed base, Framatome
- Rainer Krug, head of global finance and procurement, KWS
- Lorelei Davis, head of KWS digital innovation accelerator, KWS

The Economist Intelligence Unit would like to thank these interviewees for their time and contributions.



# Introduction

Anticipating the future is a critical skill for finance and procurement executives to cultivate. Finance leaders must not only forecast their organisation's own performance but also predict how external conditions will evolve, in order to make sure financial resources are available to capture opportunities and withstand threats.

The procurement function, meanwhile, is especially sensitive to external trends. Supply-chain disruptions today mean unhappy customers tomorrow, and so procurement executives need to have one eye on the future at all times.

For businesses in 2019, preparing for the future means reckoning with three macro trends shaping the global economy.

## 1. Automation.

Forrester Research, a technology analysis firm, has predicted that by 2021 robotic automation technology will accomplish the same amount of work as almost 4.3m human beings worldwide. This has huge implications for workers. Somewhere between 75m and 375m people worldwide may need to find new occupations, adapt existing roles or acquire a fresh set of skills, management consultancy McKinsey predicts.<sup>1</sup> Employers, too, must position themselves for this momentous change. How will the shift from human wages to technology expenditure alter the balance sheet? And how will effective governance of financial resources be maintained in this new environment?

## 2. Digitisation.

Thirty years since the founding of the world wide web, digital technology still has the potential to birth new and disruptive business models and slash the barriers to entry in once-placid markets. To keep pace with the innovation bubbling up from the digital sector, companies need to be agile in their use of finance and flexible in their procurement practices.

## 3. Changing dynamics of international trade.

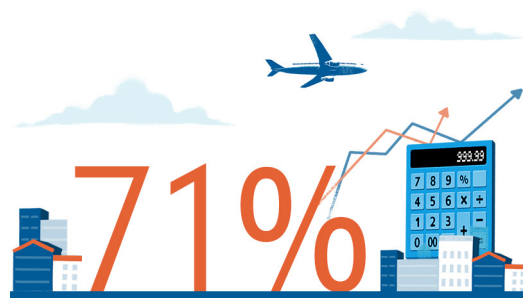
After decades of tacit endorsement, popular and political support for free trade is waning, most notably in the US, and long-held assumptions about the economics of global trade are being unpacked and challenged. Companies that operate in a global marketplace by buying or selling goods across international borders can't afford to bury their heads in the sand.

This report examines the extent to which finance and procurement leaders are ready for the implications of these three macro trends. Based on a survey of 402 senior executives from the US, the UK, France and Germany, the report identifies those dimensions of the three trends expected to have the greatest impact, and asks precisely what impact these trends will have, and how, if at all, finance and procurement functions are preparing for the changes that lie ahead. All of these questions are explored in the following chapters.

<sup>1</sup> <https://www.mckinsey.com/featured-insights/future-of-work/jobs-lost-jobs-gained-what-the-future-of-work-will-mean-for-jobs-skills-and-wages>

Generally speaking, respondents are quite confident about their ability to tackle changes in technology and global trade, the survey found. A clear majority (64%) believe that their organisations will adapt to automation, digitisation and global trends in trade more effectively than their peers. The C-suite are significantly more confident than senior vice-presidents or other senior executives (70% v 58%). Could this be a reflection of overconfidence on the part of leadership? Or is it a reassuring sign that corporate leaders understand and are preparing to meet the challenges they face?

Either way, respondents believe that they have a central role in making sure their organisations not only weather the most pressing global trends, but also thrive. Over seven in ten (71%) would say that the finance and procurement functions play a



**of respondents believe finance and procurement play a strategic role in responding to automation, digitisation and global trends in trade**

strategic role in their organisations' response to automation, digitisation and global trends in trade.

This report reveals how finance and procurement are preparing to meet these unfolding challenges.

## Chapter 1: Automation

State Auto Insurance Companies of Columbus, Ohio, has 30 software programs handling back-office tasks. These programs save an estimated 25,000 hours of human work a year—the equivalent of what could be accomplished by roughly 12 full-time workers. And, according to reports, if the company continues on its current trajectory, that number would increase to 75,000 hours saved by 2020—the equivalent of roughly 40 full-time workers.<sup>2</sup>

State Auto Insurance is no outlier. In 2018 almost 60% of companies with over US\$1bn in revenue had launched at least a pilot programme using robotic process automation, according to a study by McKinsey.

The finance function has already been the site of an automation push. According to an EY study, finance processes are “heavily rules-based”, meaning that “80% of tasks hold potential for automation”.<sup>3</sup>

But automation is also transforming aspects of procurement. In May 2019, for example, a German agribusiness company, KWS Group, began testing an AI-powered chatbot for use in internal processes. Lorelei Davis, who heads KWS’s digital innovation accelerator, believes this could help speed up procurement processes for her Berlin-based firm by furnishing answers to routine questions that the procurement team spends hours a day answering.

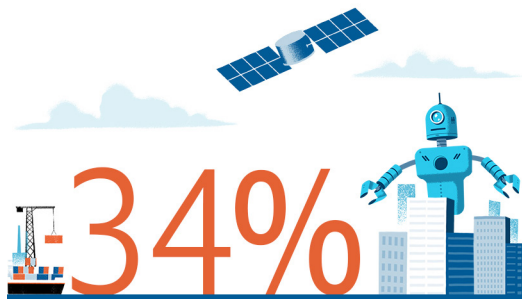
“You should be able to ask questions like: How do I get a vendor form? Or how should I add a new person that I want to pay?”



<sup>2</sup> <https://www.nytimes.com/2018/08/05/technology/workplace-ai.html>

<sup>3</sup> [https://www.ey.com/en\\_gl/workforce/how-do-you-ensure-you-are-automating-intelligently](https://www.ey.com/en_gl/workforce/how-do-you-ensure-you-are-automating-intelligently)





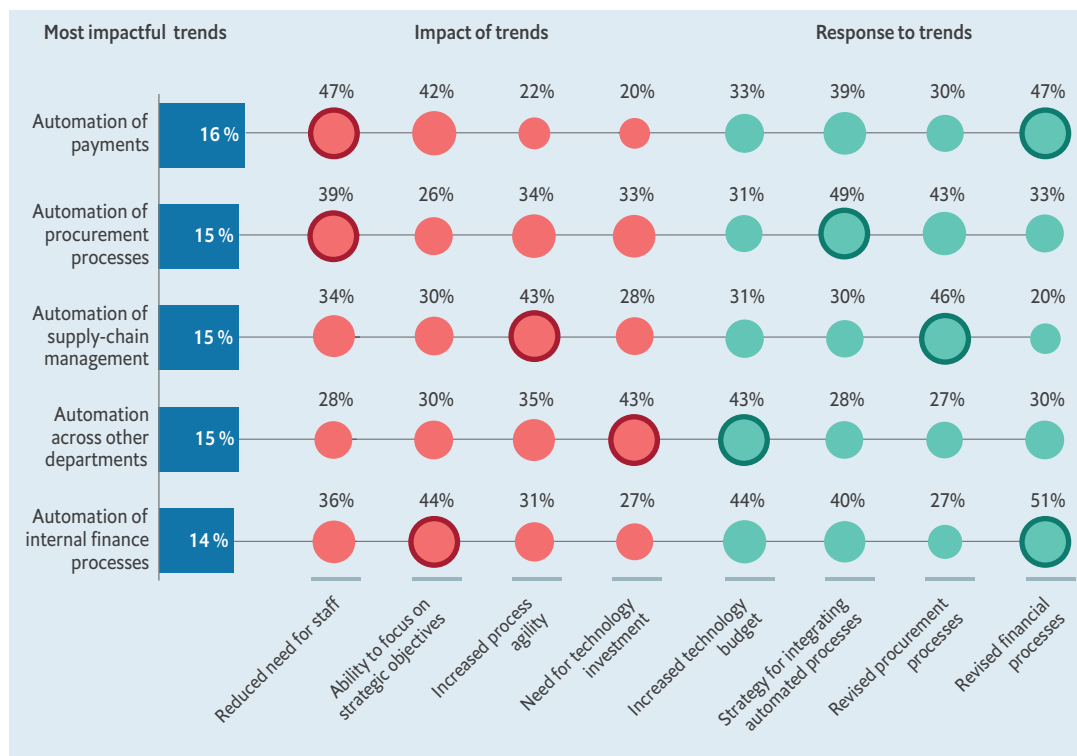
**34%**  
of respondents expect automation to free up their time to focus on strategic objectives

## Automation inside

Respondents in our survey appear to agree. They expect that the automation of various finance and procurement processes will have the biggest impact on their organisation, more so than technological unemployment in their key markets and AI-driven decision-making.

When asked which automation trends were likely to have the greatest impact over the next two years, survey respondents most often selected “automation of payments” at 16%.

**Figure 1: Automation trends, their impact and how companies have responded.**  
(% of respondents)



Note: Bubble size represents proportion of respondents choosing answer  
Source: The Economist Intelligence Unit

Following close on the heels is the automation of procurement processes, supply-chain management, and automation across business departments other than finance and procurement, each of which were selected as the most important trend by 15% of participants. Meanwhile, 14% cited the automation of internal finance processes, such as budgeting and cash-flow forecasting.

Respondents think that higher-order functions such as decision-making are more immune from automation, for now at least. Only 5% of respondents selected the automation of supply-chain decision-making as having the greatest future impact, while 8% and 9%, respectively, indicated the automation of decision-making for finance and for procurement.

This is not to say that predictive analytics are not important for decision-making. With the global market for predictive analytics expected to grow 21% annually to reach US\$10.95bn by 2022, according to Zion Market Research, it may be that while analytics are clearly informing decision-making, the process of decision-making itself has yet to be automated.

Naturally, increased automation will bring changes in how business functions are managed. The most commonly cited impact of automation, by 36% of respondents, is a reduced need for staff. Framatome, a French company that builds and supplies equipment for nuclear plants, exemplifies this trend by using the latest automation tools to operate a much leaner finance department. Marceau Pasquier, chief financial officer of the company's installed base division, notes that his finance department decreased in size from 35 employees three years ago to just 20 today, thanks to "the tools, the approach, and the smart focus we have". He anticipates that this trend will continue so that in ten years, finance

teams will be made up of fewer employees working on higher value-added tasks.

Indeed, as well as providing opportunities to slim down, 34% of respondents also expect automation to free up their time to focus on strategic objectives, while 21% foresee increased demand for higher value skills. Only 13% of respondents expect that automation will reduce recruitment costs.

## Preparing for an automated future

How are finance and procurement departments preparing for the coming wave of automation? The most common preparation, the survey reveals, is to increase technology budgets, with 39% taking this action, a logical response if more tasks are to be performed by technology.

Nearly as many are making sure their internal operations are ready for automated processes. For example, mapping out a strategy for integrating automated processes is viewed as a central step by 37% of respondents. And over a third are revising their procurement (35%) and finance (34%) management processes too.

A quarter of respondents, meanwhile, have recruited specialist talent in preparation for the impacts of automation.

Which of these preparations will be most effective? Time will tell, but we can derive some indication by comparing the responses of executives who feel prepared for automation against those who do not. This comparison points to increasing technology budgets—46% of those who feel prepared have done so, compared with just 26% who do not—and mapping out a strategy for integrating automation processes (43% v 18%).

The well prepared are also more likely to have revised procurement management processes (39% v 20%) and audited internal data quality and availability (28% v 16%).

## Chapter 2: Digitisation



**“Technology will help us in procurement [by] giving us a baseline for negotiation.”**

*Rainer Krug,  
Head of global finance and procurement,  
KWS*

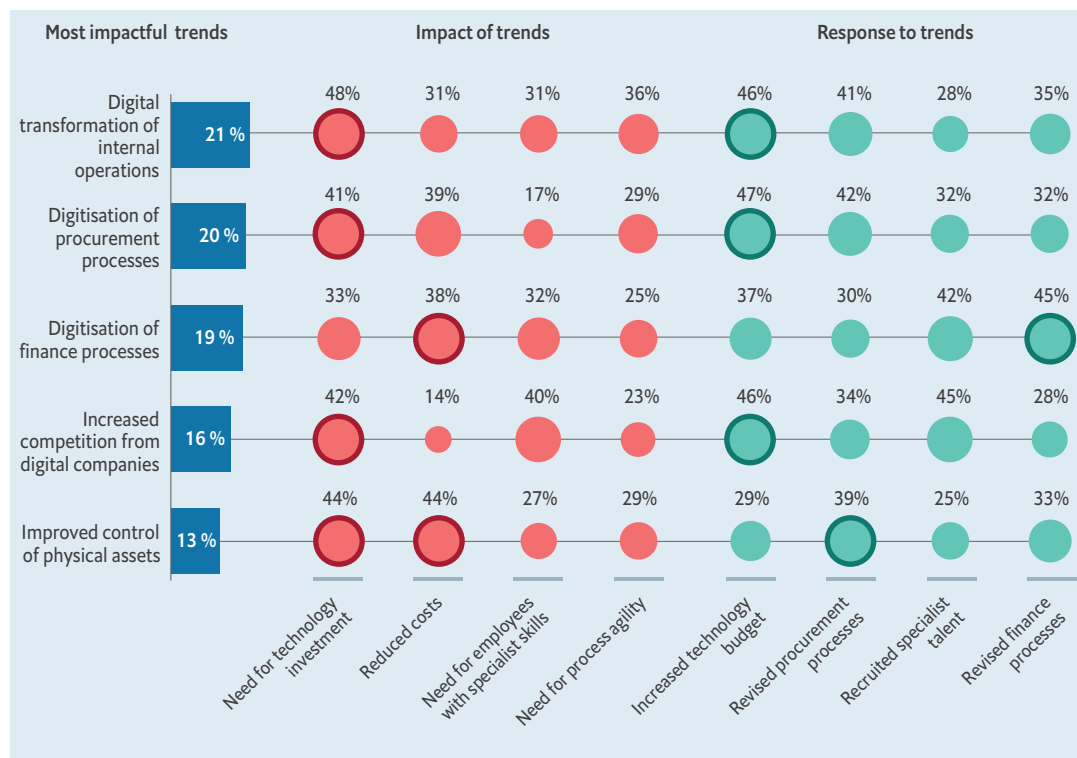
Over the past decade, digital transformation has become the defining ambition guiding IT strategy and investments. In the face of growing competition from digital rivals, companies have come to see developing the skills, culture and business models required to make maximum use of digital technology as no less than a matter of survival.

Finance and procurement executives are optimistic that they can meet the challenge, the survey reveals. Specifically, just over three in five survey respondents (61%) believe that their finance and procurement functions are prepared for the impacts of digitisation within the next 18 months.

When asked to identify the dimensions of digitisation that will have the greatest impact on their organisation, 21% answered “digital transformation of internal operations across the organisation”, the most common answer. This was followed shortly by “digitisation of procurement processes” (20%) and by “digitisation of finance processes” (19%).



**Figure 2: Digitisation trends, their impact and how companies have responded.**  
(% of respondents)



Note: Bubble size represents proportion of respondents choosing answer  
Source: The Economist Intelligence Unit

## “ Spending analytics is one of the areas where procurement will bring more value to the business

Nicolas Roux,  
head of procurement,  
SITA

For Rainer Krug, head of global finance and procurement for KWS, the potential of digitisation in procurement is its ability to give him oversight of spending across the organisation. What he needs most is a global overview of “the right price” for products sourced internationally. “We need big data in procurement,” he says. “Technology will help us in procurement [by] giving us a baseline for negotiation.”

The impact of digitisation will be similar to that of automation, respondents expect. Over two in five respondents (42%) say that the biggest impact from digitisation will be a greater need for technology investment. It is worth noting that financial services respondents listed more technology investment at a higher than average rate of 58%.

On balance, respondents believe that digitisation will bring about an overall reduction of costs. While 17% expect digitisation to increase costs, almost double (32%) believe the opposite. When asked to consider the source of cost reductions, survey participants responded with the digitisation of internal operations, finance processes and procurement processes. However, the greatest cost-savings opportunity, say 44% of respondents, will come from improved control of physical assets, for instance through integration of digital functionalities allowing



**People are smart everywhere and if we train them well there's no reason that they can't adapt.**

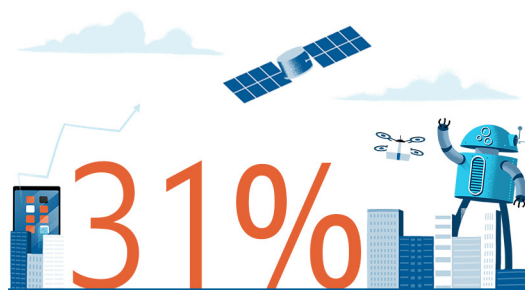
*Marceau Pasquier,  
Chief financial officer, installed base,  
Framatome*

stock monitoring, spend visibility or tracking life-cycle costs of fixed assets.

### The talent question

One thing that will prove critical to unlocking digital transformation within organisations, in addition to upskilling existing employees, is recruiting employees with specialist digital skills, say 31% of respondents. This is consistent with the findings of a recent Conference Board survey that suggests that identifying and securing top talent is the greatest concern faced by today's leaders.<sup>4</sup>

When Framatome's Mr Pasquier considers automation and digitisation together, the greatest impact, he says, will be "the profile of people doing finance activities." Even without finance experience, new, digital-native hires in their twenties "use information and tools in very different ways" than their older colleagues.



**believe that digitisation will increase the need for specialist digital skills**

Upskilling existing employees is therefore critical as part of any digital transformation programme.

Mr Pasquier believes that cutting-edge finance departments must adapt to new ways of training employees. "Training for the tools and the new processes is not that difficult. People are smart everywhere and if we train them well there's no reason that they can't adapt," he maintains. "We need to train our people to be used to change every two or three years and to be flexible and adapt themselves to this process. That's our major challenge."

A desire for employees with specialist digital skills is especially evident among respondents considering the impact of increased competition from digital companies (40%) and customer demand for digitally enabled products and services (43%).

Nicolas Roux, chief procurement officer at airline industry IT services provider SITA, believes that digitisation itself may provide the answer to the growing competition for talent, in the form of gig economy platforms that provide access to a pool of talented, self-employed individuals using technology to work independently and innovatively. "We are moving toward a gig economy, and we have to find ways to leverage such pools of good individuals with skills that might be able to help us," says Mr Roux.

As with automation, increasing the technology budget is the most commonly adopted preparation for digitisation, as identified by 44% of respondents. Looking at the strategies of more confident respondents reveals some less widely adopted but potentially rewarding approaches.

For example, more respondents who feel well prepared for digitisation are auditing internal

<sup>4</sup> <https://www.conference-board.org/c-suite-challenge/>

data quality and availability (29% vs 18%) than their less confident peers. External expertise is also viewed as helpful by 18% of foresighted respondents (vs 5%) which have invested in or acquired digital start-ups.

But the realm in which well-prepared respondents shine most is revising procurement processes (40% vs 26%). Mr Roux anticipates that within the next two-to-three years, digital “guided buying” will take hold, making the procurement process

more intuitive and user-friendly, akin to when a buyer completes an Amazon purchase.

Farther down the road, he says, AI will impact procurement processes even more dramatically. “AI can help in the area of spending analytics,” says Mr Roux, noting that AI could highlight detailed trends about expenditure that are difficult to spot manually. “This is one of the areas where procurement will bring more value to the business,” he says.



## Chapter 3: Global trade dynamics

In late 2018 South Korean automaker Hyundai announced a sharp drop in third-quarter earnings that it blamed on weakening sales in its two largest overseas markets: China and the US. This is just one sign of many that the escalating US-China trade war is translating into diminished company performance among affected companies.<sup>5</sup>

When it comes to expectations regarding future trade trends, geopolitical issues dominate. The two trends most widely expected to have the greatest impact within the next two years are post-Brexit trade negotiations (cited by 23% of respondents) and the escalation of the US-China trade war (21%).

Mr Krug from KWS believes that both trends are worrisome because they undercut the progress that Europe and the rest of the world have made towards more openness and “a true spirit of globalisation”.

“The biggest fear I have on the economic side is that we will not have free markets any more in ten years,” he says.

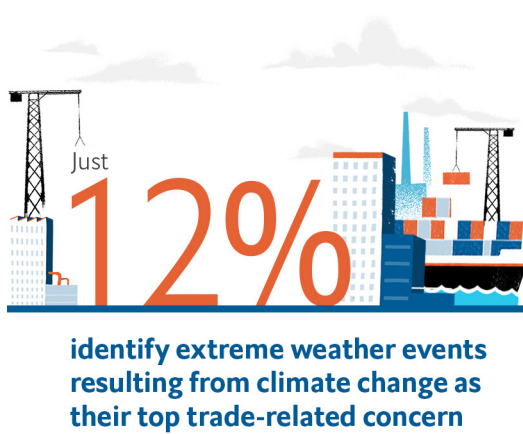


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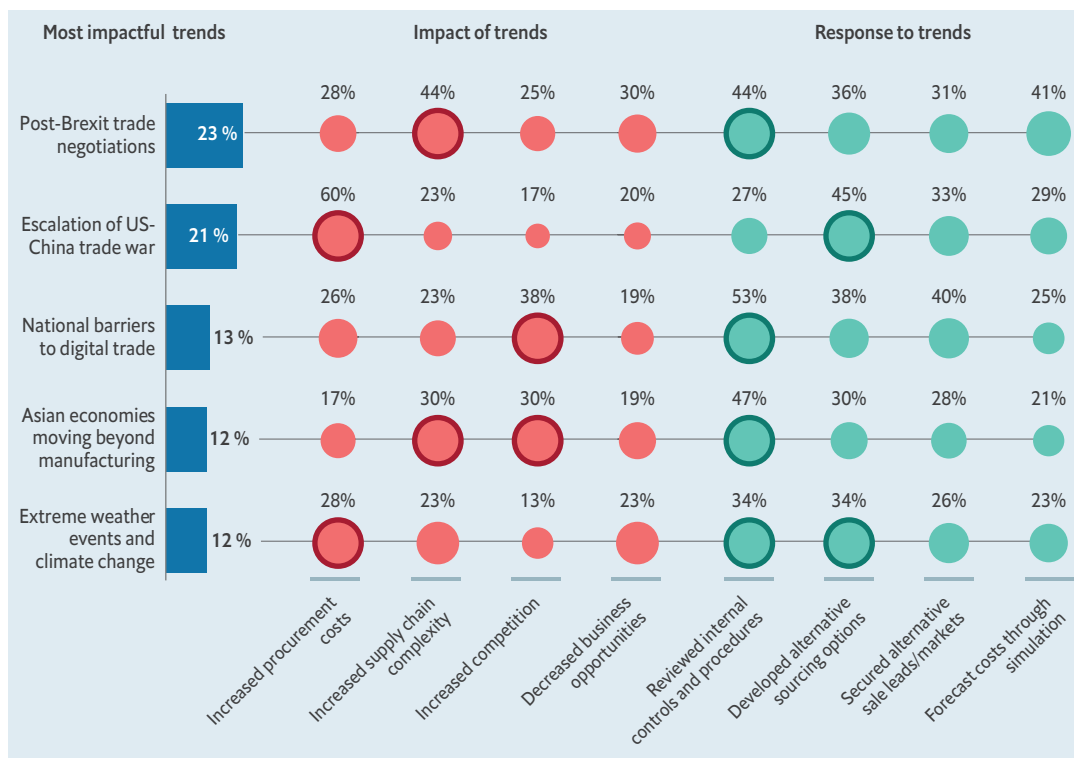
<sup>5</sup> <https://www.ft.com/content/02f41422-db58-11e8-8f50-cbae5495d92b>



Levels of concern vary by where respondents are based. Unsurprisingly, anxiety over post-Brexit trade negotiations is predominantly driven by British respondents, at 59%. Meanwhile, the highest rate of distress about the US-China trade war came from US-based respondents, at 33%. The US-China trade war was also especially worrisome to those in the manufacturing sector, 37% of whom cited this trend.

But while they dominate the headlines, these two megatrends are not the only trade-related

**Figure 3: Global trade trends, their impact and how companies have responded.**  
(% of respondents)



Note: Bubble size represents proportion of respondents choosing answer  
Source: The Economist Intelligence Unit

concerns for global businesses. Another source of concern is national barriers to digital trade, including censorship, localisation measures and privacy regulation, which was cited by 13%. The economic fallout from barriers to digital trade can be sizeable. It has been estimated that were these barriers to be removed, US GDP in real terms might increase by US\$16.7bn-US\$41.4bn, American wages might rise by up to 1.4%, and 400,000 US jobs might be created in certain digitally intensive industries.<sup>6</sup>

Mr Roux, from SITA, says that for procurement departments in truly global businesses, data protection rules are one of the biggest challenges out there. Companies like SITA, which operates in 200 countries, “need to be able to address large and complex pools of data,” he says. “The regulations and constraints around data processing have material impacts, from solution design to vendor selection, and can even limit the ability to implement large-scale automation.”

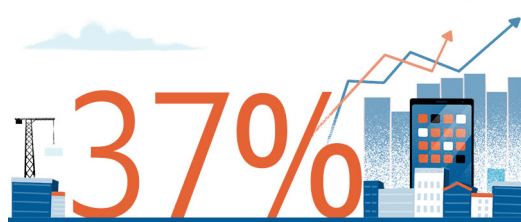
He maintains that an organisation’s legal department should not be solely responsible for understanding rapidly evolving data protection rules, but procurement professionals should get involved, too. “We buyers and people from the procurement team need to understand [data protection] so we can select the right partners and properly negotiate contracts,” Mr Roux says.

Another concern that finance and procurement executives may be underestimating is climate change. Just 12% of respondents identified “extreme weather events and other climate

change-related disruptions” as their top concern. However, in the World Economic Forum’s global risk report, extreme weather events are the most likely to occur and have the second highest potential impact.<sup>7</sup>

### Negative pressure

Generally, respondents expect global trade trends to have a negative impact on their organisations. The two most commonly anticipated impacts from global trade trends are an increase in procurement costs (35%) and greater supply-chain complexity (29%).



**have responded to trade trends  
by developing alternative  
sourcing options**

And more respondents are pessimistic about the impact on business opportunities than are optimistic. Twenty-two percent of survey participants predict a decrease in business opportunities as a result of global trade trends, compared with 14% who anticipate an increase.

But their outlook was influenced in part by their perception of the most important trade trend affecting their organisation. While three out of ten respondents most concerned about Brexit expect business opportunities to decrease, a little under a quarter (23%) of

<sup>6</sup> <https://fas.org/sgp/crs/misc/R44565.pdf>

<sup>7</sup> <http://reports.weforum.org/global-risks-2018/>



those who expect the move of Asian economic beyond manufacturing to have the greatest impact expect opportunities to increase.

## Preparing early

In preparation for these emerging dynamics in international trade, many respondents have focused on ensuring their internal processes and information gathering is as robust as possible.

The most common preparation that companies have taken to meet the challenges arising from changes in global trade is to review internal controls and procedures (cited by 39%).

Some companies have taken this internal optimisation a step further: roughly 28% of respondents are forecasting costs through simulations. This strategy is especially popular among respondents from the financial services sector, where 42% say they have taken this step, and those who are most concerned about post-Brexit trade negotiations (41%). A quarter of respondents have developed end-to-end supply-chain visibility measures.

But the growing uncertainty on the global stage has also prompted many companies to expand their commercial horizons. Thirty-seven percent have reacted by developing alternative sourcing options. Measures could include finding alternative suppliers in countries where tariffs are lower or nonexistent, or developing a supply chain with multiple suppliers in different locations, using different delivery routes. In addition, 32% have secured alternative sales leads or markets. This is an encouraging sign that businesses are not retrenching in the face of adversity, and are willing to adapt in order to prosper.

Indeed, the survey suggests the more confident companies are those that have sought to diversify their sources of growth, for example by revising their business development plan in order to assess opportunities in new geographies or market segments: 35% of respondents who are confident in their organisation's ability to adapt to global trade trends have secured alternative leads or markets, compared with 22% of less confident respondents.

## Conclusion

The confidence among finance and procurement executives in their ability to adapt to automation, digitisation, and global trade trends is encouraging. Although no-one can predict the future with certainty, the survey reveals that these functions have at least considered and, in many cases, made explicit preparations for potentially disruptive trends ranging from robotic process automation to Brexit.

Looking forward, the survey responses and executive interviews suggest some strategies that can help finance and procurement departments, and the organisations they serve, to thrive in the near future:

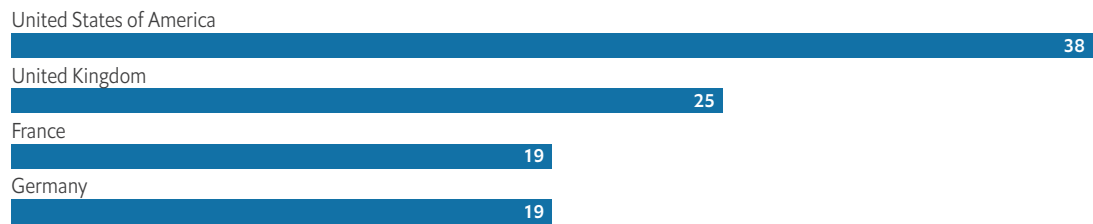
1. **Automate to get lean.** Finance and procurement executives expect that automation technologies will allow them to get more work done with smaller headcounts. While the cost reduction benefits of this may well be counterbalanced by a demand for greater technology investment, there are additional benefits to running a small but focused department, in terms of organisational agility and responsiveness. Furthermore, the widely held belief that automation will allow finance and procurement professionals to focus on more strategic work should help secure further investment in future.
2. **Optimise talent for adaptation.** People are often the biggest hurdle to adaptation. There are a few remedies for this. One is to actively recruit a new generation of workers. As Framatome's Mr Pasquier points out, the demographics of finance departments are changing with those who have grown up with technology often possessing the requisite skills to master the latest tools. Another is to train established staff to expect and adapt to change. Third, digital platforms offer new ways to access talent beyond the traditional full-time employment model. All these should be strings in the bow of an agile business function.
3. **Diversify for growth.** If it wasn't already obvious, it has become unavoidably apparent in recent times that the global economy is subject to the twists and turns of national politics. No company can assume that the suppliers and markets that have served it in the past will continue to do so in the future. Now is a good time to consider alternative suppliers and markets, so the risks posed by the shifting dynamics of global trade are at least spread, if not eliminated.

If there is a common thread linking these strategies, it is that while companies cannot predict the future, they can prepare themselves to be responsive to whatever fate might throw at them.

## Appendix



**In which country are you personally located?** Select one.  
(% respondents)



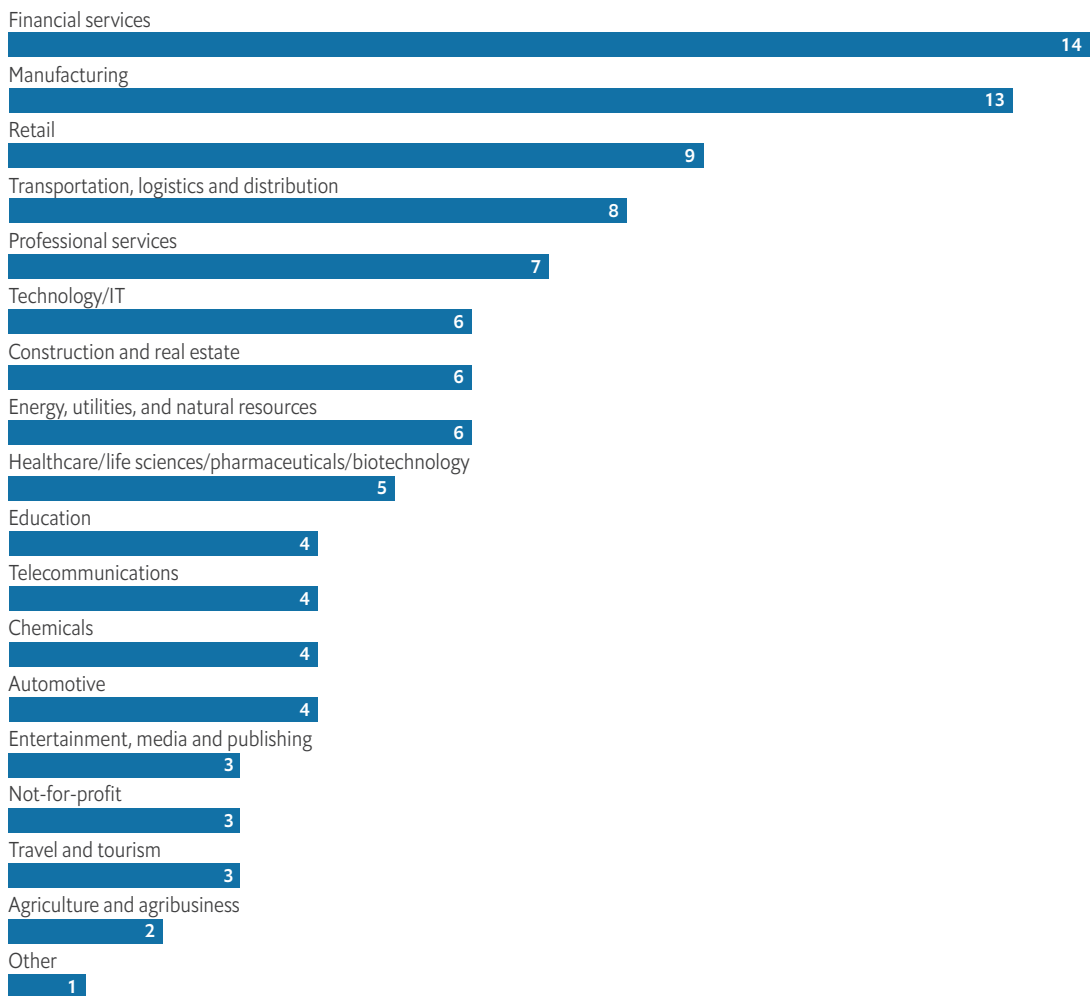
**What is your main functional role?** Select one.  
(% respondents)



**Which of the following best describes your title?** Select one.  
(% respondents)



**What is your organisation's primary industry?** Select one.  
(% respondents)



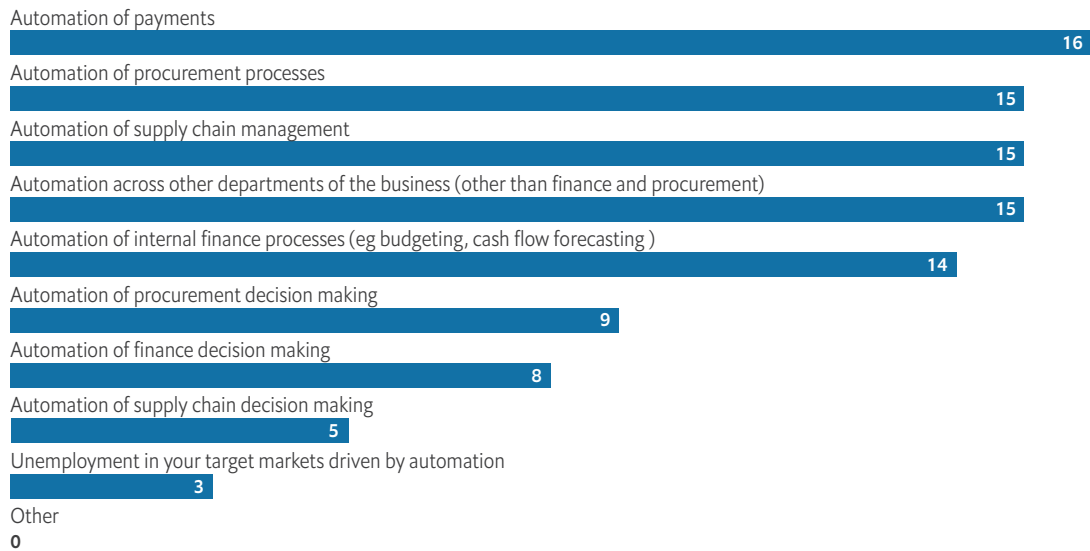
**What is your organisation's global annual revenue in USD?** Select one.  
(% respondents)





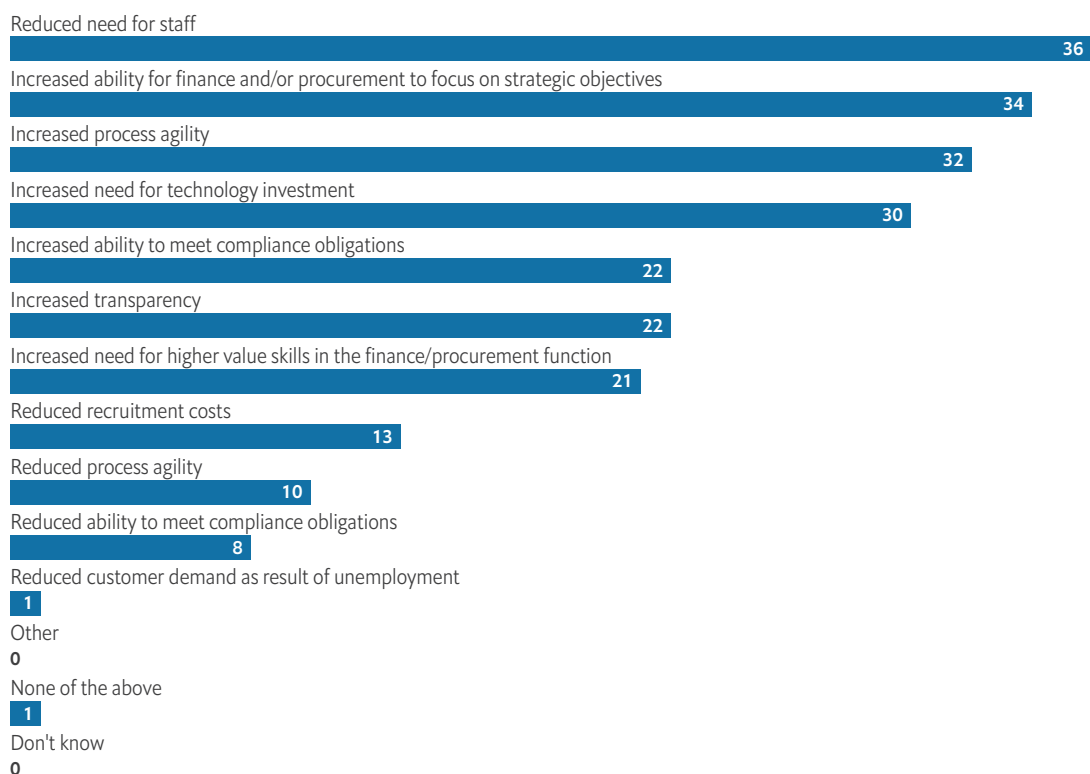
### Which of the following automation trends do you expect to have the greatest impact on your organisation in the next two years? Select one.

(% respondents)



### What impact do you expect [trend] to have on your organisation and its [function] function? Select up to three most important impacts.

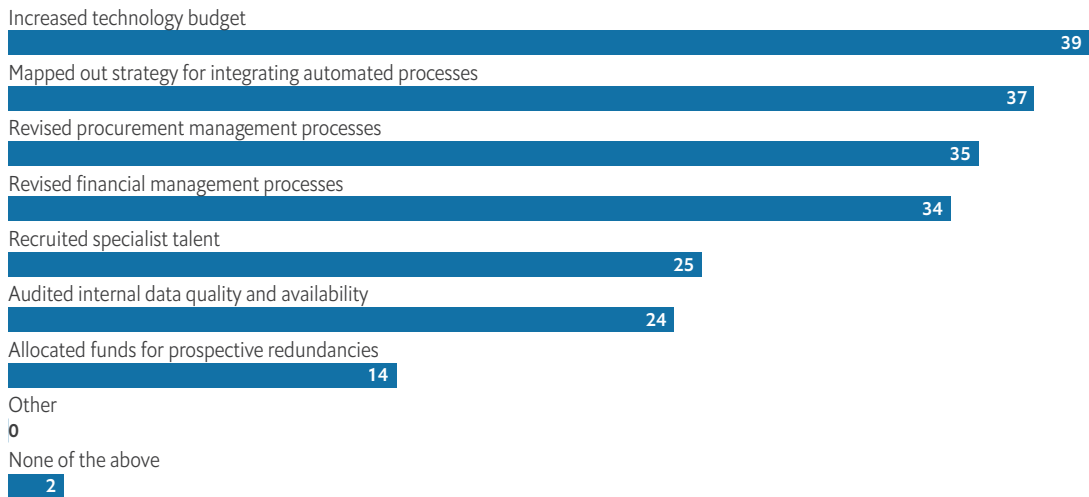
(% respondents)





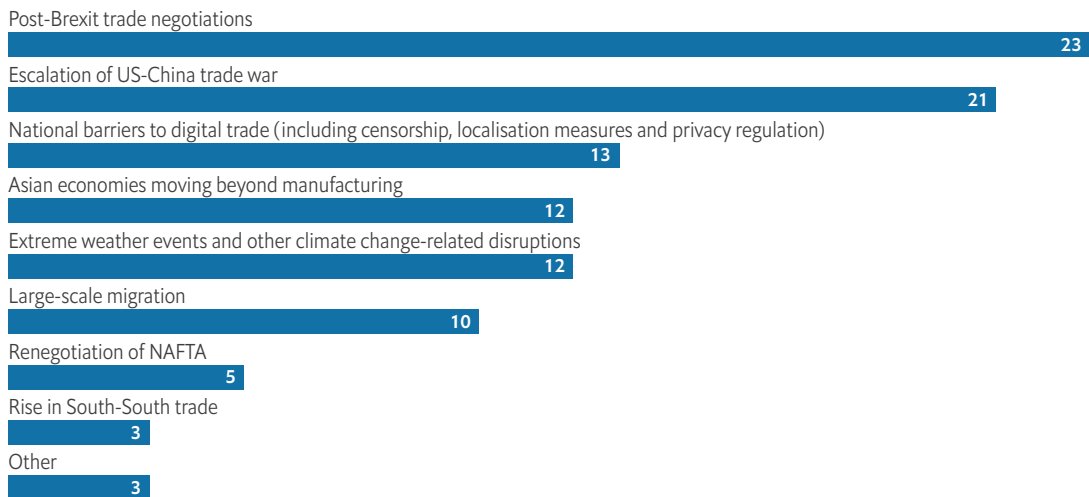
**How, if at all, has your organisation's [function] function prepared for [trend]?** Select all that apply.

(% respondents)



**Which of the following global trade issues do you expect to have the greatest impact on your organisation in the next two years?** Select one.

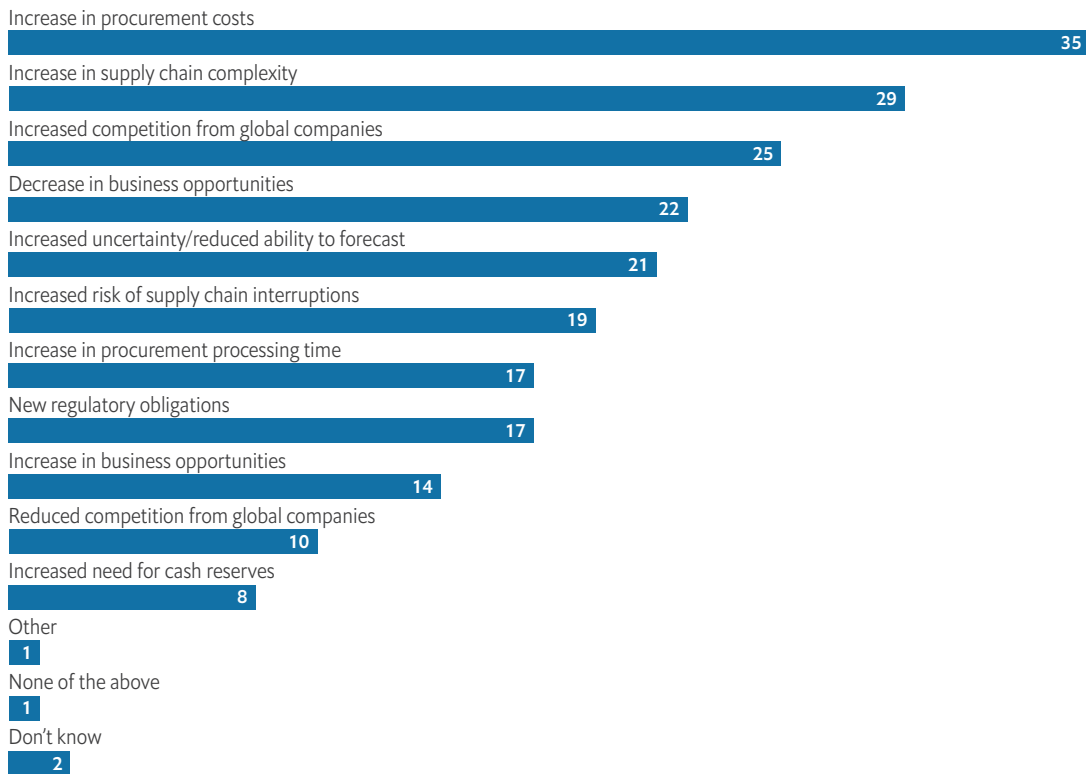
(% respondents)



### What impact do you expect [trend] to have on your organisation and its [function] function?

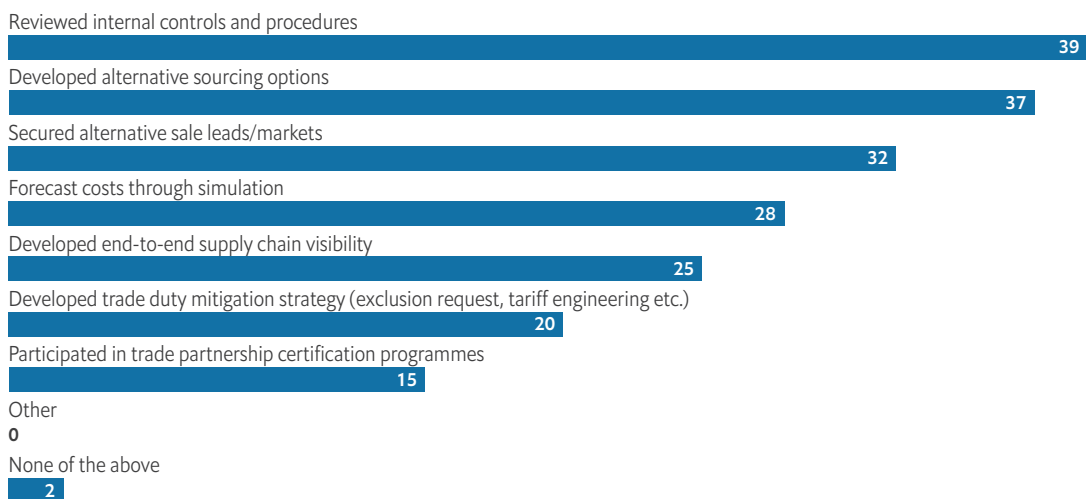
Select up to three most important impacts.

(% respondents)



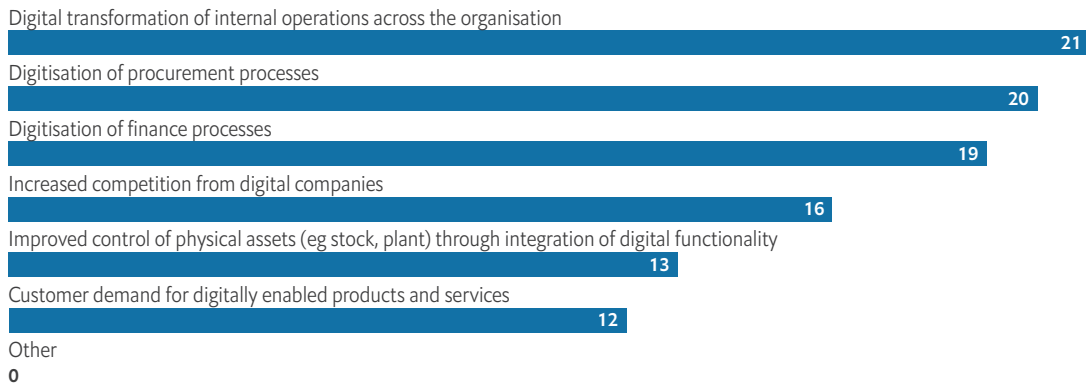
### How, if at all, has your organisation's [function] function prepared for [trend]? Select all that apply.

(% respondents)



**Which of the following digitisation trends do you expect to have the greatest impact on your organisation in the next two years?** Select one.

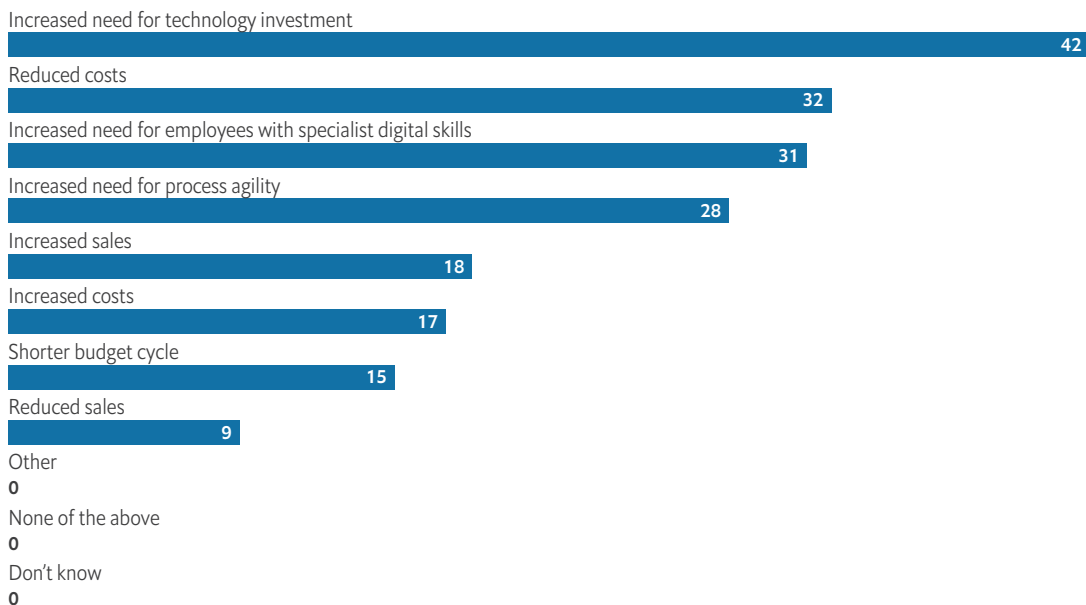
(% respondents)



**What impact do you expect [trend] to have on your organisation and its [function] function?**

Select up to three most important impacts.

(% respondents)

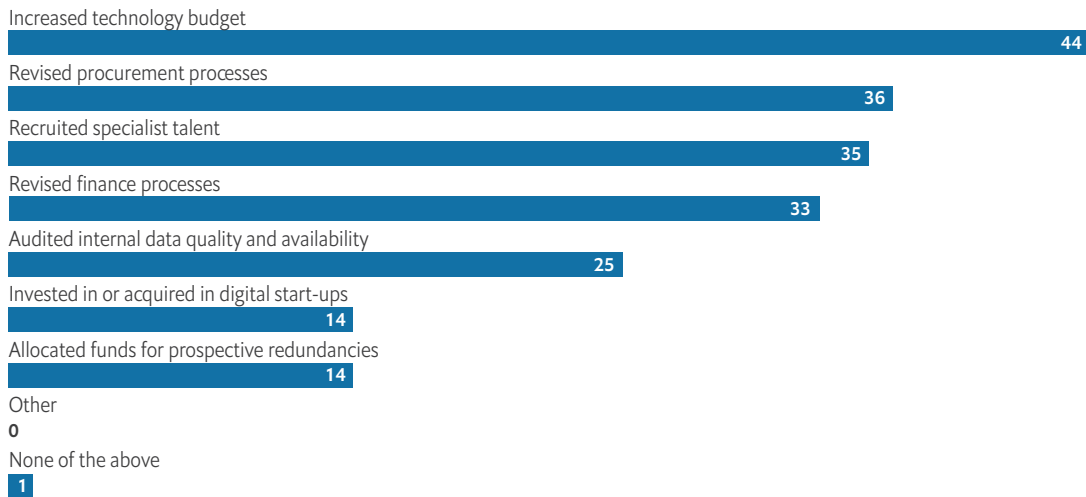






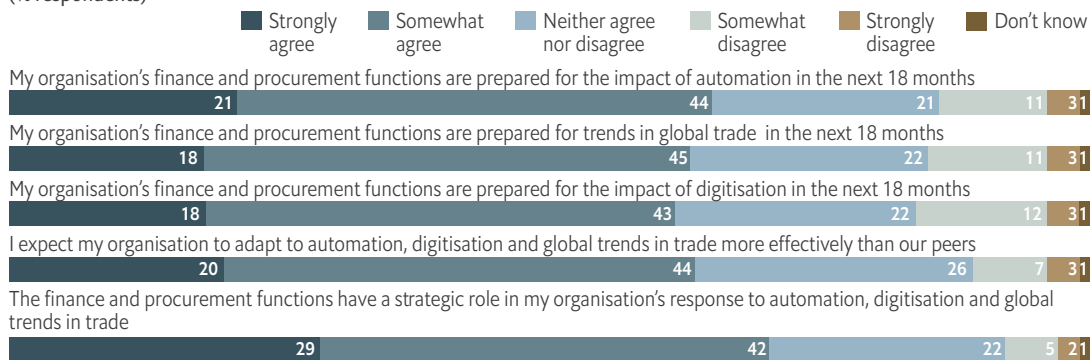
**How, if at all, has your organisation's [function] function prepared for [trend]?** Select all that apply.

(% respondents)



**To what extent to do you agree or disagree with the following statements?**

(% respondents)



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