



# The KPMG Difference

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Magazine April 2016

## How to win in the era of digitalization?

### **Fintech:**

A digital revolution  
underfoot

**Auto connectivity**  
and digitalization

**Adoption of standards:**  
an added value for your  
organization?

KPMG Belgium

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# Time to catch up!

**The European digital economy decreased by 16%, while the global digital economy grew by 40%.**

An interview with Dominique Leroy

**Proximus has gone through a big metamorphosis in the past few years. An ambitious investment plan focusing on innovation has been prepared and signed by Dominique Leroy. For her impressive achievements, she was recently awarded the title of Trends Manager of the Year 2015 in Wallonia. However, on the 27th floor of the Proximus Tower, the always modest CEO puts her contribution into perspective. "Our most important task is to ensure that our customers are satisfied and happy."**

**- Can we still call Proximus a telecom company at present?**

- Dominique Leroy: Yes. Telecommunications is still our core activity. The business of Proximus is to provide 'connectivity'. That is the reason for our existence. All our investments also point in that direction. Accordingly, we do everything we can to strengthen our network, regardless of whether it involves Wi-Fi, data management, telephone services, or something else. After all, at the end of the day, consumers, as well as businesses, must be able to benefit from our drive to guarantee and improve connectivity. Both groups are entitled to high expectations in that regard. It's our job to deliver added value, although customer expectations can of course differ, depending on the target

group. The range of services that we can provide can be very broad. For some, it's all about the cloud, for others the focus is on the new way of working, keeping data costs under control, security, access control, or other applications. The world around us has changed: we now live in an age in which the Internet of Things is important.

**- What does this mean specifically for Proximus as a provider of internet connectivity?**

- Dominique Leroy: In our rapidly changing digital world, data usage is also increasing exponentially. That is true for the market for private individuals as well as the commercial sector. I always say that we have to make sure that our clients' computer screens 'come to life.' This is true

regardless of whether it involves a Facebook application, Google, Twitter or fast digital connections in industrial zones. All these screens must be continually supplied with bandwidth at very high speeds. That is the challenge. And that requires investments.

## Europe is limping at the rear

**- What are the biggest threats and opportunities faced by a company such as Proximus?**

- Dominique Leroy: I think Belgium is one of the leaders in Europe when it comes to internet

applications. In terms of internet connection speeds, it's actually one of the top three. The main competition or threat doesn't come in the first place from the other Belgian operators but rather from the big American players. For example, let's consider mobile telephony. Young people don't use the phone as much but are now just as likely to use Facebook, Twitter, or Google. The business model of these major players, which is based on advertising revenue, is also very solid.

**Perhaps we should encourage the use of mobile telephone services even more or try to make these services more relevant? Proximus could also opt for a similar model by generating advertising revenues.**

- Dominique Leroy: That is a lot less self-evident than you might think.

We do not have an internal 'advertising model.' Our primary focus is on generating revenue by providing content. You should also keep in mind that, due to privacy regulations, the advertising model is strictly regulated in Belgium. In fact, the Belgian government should make this possible to ensure a level playing field for all the players. But that is not happening or in any case it's happening much too slowly. This results in a competitive disadvantage.

**- Isn't it more logical to point the finger at Europe in this regard?**

- Dominique Leroy: That's a good point. What is Europe doing? First everything is regulated and then, if something is forgotten, regulations are also created for that as well. The situation in the US is very different. In principle,





everything is permitted there. Regulations are implemented only in case of excesses. As a result, there is a much more vibrant business environment in the US and many more innovations are developed there. So no one should be surprised that Europe is limping behind.

**- Can you support that with numbers?**

- Dominique Leroy: No problem (sits up and reaches for an international comparative study). Since 2007, the total global digital economy has grown by 40%, from US\$2.9 billion to over US\$4. In the US, that figure was even higher, namely 56%. The same was true for Asia with 57%. So how did Europe do? Europe saw a decrease of 16%. That says it all. Europe is missing out on enormous opportunities and is therefore seeing a slowdown in economic growth.

But let's not get overly pessimistic, because that's not my style. I think the tide is turning for the better in Belgium, and that the digital economy is gradually starting to recover. Proximus aims to play a prominent role in this regard. Rather than paying a dividend, we decided to further strengthen our focus on making investments in the future. Instead of the previously planned 750 million Euros, we're investing 900 million Euros annually. After all, we really do believe in the digital revolution. And we're already reaping the benefits of that approach. I'm talking about investments from which businesses as well as private individuals benefit. This includes new applications in the field of cyber security for businesses or new opportunities when it comes to working from home for example. In the business world, there is a growing awareness that the Internet of Things can help companies become better,



Dominique Leroy

more efficient, and also smarter (via data mining) in many areas. In short: help them become more competitive.

## Act locally, think globally.

**- In view of the global context, Proximus, which is now largely controlled by the Belgian government, would be an ideal acquisition target for major foreign companies with an appetite. Don't you think so?**

- Dominique Leroy: I don't think consolidation in the telecom sector will happen all that soon.

**- Why not?**

- Dominique Leroy: I see three reasons. One: because the investments in networks are still primarily a European affair. Two: because the services provided are largely localized. And three: because our customers are primarily interested in local

content. In general, you could say that the big American companies aren't really in tune with the European market; as a matter of fact, they don't even really understand this market. The government has now approved legislation that will make it possible to sell shares in the future. In our role as management of Proximus, we do not get involved in government policy with regard to its shareholding, but we are in favor of a strong and stable dominant shareholder.

## Good advice

**- What good advice would you want to give to our readers, that financial/operational/IT managers could connect to and that would catch their interest and encourage them to reflect seriously about their own company or situation?**

- Dominique Leroy: In the first place, everyone should realize that the linear world is history and that the digital world is impacting almost everything.

Secondly, no sector is safe from *disruption*. Just look at the emergence of companies such as Uber or Netflix from nowhere. Thirdly, the world belongs to those who believe in innovation. The drive towards innovation is unstoppable. Companies can therefore never position themselves flexible enough. They should ask themselves what can happen in the market and how can we anticipate this as best as possible. The need to make policy frameworks more efficient, including data management, also needs to be considered in that regard. It is in this area that Proximus can be of great service to businesses.

**- What do you think of the proposition in the book by Leo Neels, Jo Caudron, Dirk Wauters and Geert Wellens, Vlaanderen Inc (Flanders Inc.), about the need for cross-media and cross-platform cooperation between the Belgian media, distributors, and producers to enable them to compete with the foreign, i.e. American, giants such as Google, Facebook or Netflix? By doing so, they could also keep the advertising revenues in their own country and be able to continue producing and distributing the resources needed for top-tier productions.**

- Dominique Leroy: As I see it, it's not a question of this or that, but rather this and that. It seems logical to me that content must be of a primarily local nature. Just look at the success realized by VTM with local productions. On the other hand, for certain applications such as Netflix, I think it's logical for us to also look for cooperation with big foreign players. I'll give you an example. How did Uber originate? It started because two Americans visiting Paris came to the conclusion that they had to wait up to half an hour for a taxi and that it was also much too expensive. By which I mean to

say that we also need to remain open to new creative ideas from elsewhere.

**- How difficult is it for management to chart an independent path in relation to your biggest shareholder, namely the Belgian government?**

- Dominique Leroy: A shareholder is satisfied if the customer is satisfied. It's our job, as management, to keep the customers happy every day. That's the best way to remain financially healthy and keep the shareholder on your side. In the final analysis, the government wants nothing more than to create sustainable added value for the Belgian economy. That's also why our investment proposition was given a favorable reception. However, the Belgian government should of course also never lose sight of its role as regulator. In that respect, its first responsibility is to ensure that there is enough competition in the market. If it's a level playing field for everyone concerned, then Proximus can operate like any private company, although it has a special relationship with the state.

**- Finally: Not long ago, Proximus got caught up in a major security breach scandal. What lessons have you learned from that?**

- Dominique Leroy: In June 2013, our security officers discovered that we had been hacked. We then carried out a major cleanup operation and removed the malware. At no time did our customers experience any problems, and we always communicated transparently. We learned quite a lot ourselves from this experience, but we have also given customers and businesses valuable advice regarding their security. In addition, Proximus invested an extra €15 million in security, and we were one of those who took the initiative for the Cyber Security Coalition. ■

**The world belongs to those who believe in innovation. The drive towards innovation is unstoppable. Companies can therefore never position themselves flexible enough. They should ask themselves what can happen in the market and how can we anticipate this as best as possible.**



# Fintech - A digital revolution underfoot: opportunity or threat?



**The Top 10 companies in the Fintech 100 for 2015 are:**

1. ZhongAn (China)
2. Oscar (USA)
3. Wealthfront (USA)
4. Qufenqi (China)
5. Funding Circle (UK)
6. Kreditech (Germany)
7. Avant (USA)
8. Atom Bank (UK)
9. Klarna (Sweden)
10. OurCrowd (Israel)

Over the past 3 years, global fintech financing has risen seven-fold to an estimated US\$20 billion for 2015, a rise of 66% compared to the level of investment in 2014. A digital revolution is underway in the Fintech sector.

Fintech, a combination of the words 'financial' and 'technology', stands for innovation in financial services. Whether that means new products from new startups, or new approaches adopted by existing players, technology plays a crucial role.

In an industry that will soon be irrevocably changed by the disruptive effect of innovation and regulation, the companies that are actively pursuing fintech opportunities are those most likely to succeed. Already, some of the world's major financial centers are equally becoming known as centers for fintech innovation: London and New York, and more recently Sydney and Berlin. Fintech is clearly not to be ignored. The next question one must ask: "who are the most innovative global fintech companies across the globe?"

**Insights from Fintech 100**

That's why, together with H2 Venture, KPMG International took a closer look at the fintech sector and composed the second annual 'Fintech 100'. It is an international report on the most innovative Fintech companies. The Fintech 100 are those companies using technology to its best advantage and driving a new wave of change within the financial services industry. These companies are connected in a shared commitment to excellence, superior customer

experience and a demonstrated ability to do one thing in the market better than everyone else.

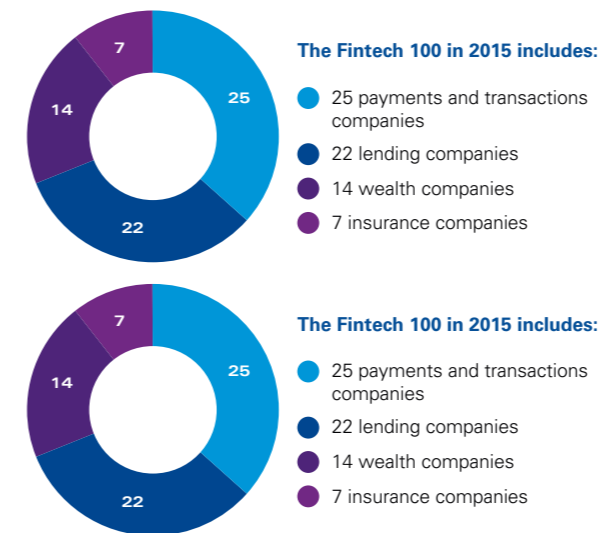
The Fintech 100 includes the leading 50 fintech companies across the globe, and the most intriguing 50 'emerging stars' – exciting new fintechs with bold, disruptive, and potentially game-changing ideas – expanding on the success of last year's list. This year companies from 19 countries around the world are represented in the Fintech 100. The study also showed that the top 100 of 2015 are increasingly focusing on new technologies and improving the customer experience.

**MyMicroInvest – A Belgian example**

"Crowdfunding is demonstrating its capacity to offer entrepreneurs with a real alternative source of funding and to provide individual investors the opportunity to participate to quality projects." - Olivier de Duve, Co-Founder & CEO.

It's not a coincidence that MyMicroInvest, a Belgian "Venture Capital" investment platform, ended up in KPMG and H2 Ventures' 'Fintech 100'. At the start of this year, MyMicroInvest collected more than €1,6 million from 210 investors during a live crowdfunding action, the best Belgian result in crowdfunding ever. Their objective to reach 1 million within an hour was already achieved after just 17 minutes.

MyMicroInvest's unique approach allows individuals to select and invest alongside professionals in European startups and SME's. Individuals can invest €100 or more in innovative companies. If those companies manage to collect enough money from the general public, professional investors can decide whether they want to co-invest in this project. Ever since the launch in 2012, MyMicroInvest has funded more than 40 SMEs on its platform for more than €12 million from a community of 30,000 investors. The company is currently looking to gain a foothold in France, the Netherlands, Italy, Swiss and Poland, perhaps putting Belgium on the map?<sup>1</sup>



**The answer from the banks**

Many emerging fintech ventures are capitalizing on the ever-increasing market needs. Rather than feeling threatened by these new models, traditional financial services organizations are finding a way to integrate a fintech initiative into their existing businesses, and seize the opportunity themselves.

Some of these global actors decided to jump on the bandwagon. Here's what some of the major SIFs are doing:

- Investing in startup programs to incubate fintech companies (43%)
- Setting up venture funds to fund fintech companies (20%)
- Partnering with fintech companies (20%)
- Acquiring fintech companies (10%)
- Launching their own fintech subsidiaries (7%)<sup>2</sup>

BBVA for example is increasing its fintech fund by investing US\$250 million into a new and independently managed outfit called Propel Venture Partners<sup>3</sup>.



**Contact:**  
**Vincent Piron**  
 Partner  
 KPMG Advisory  
 T: +32 2 708 44 98  
 E: vpiron@kpmg.com

Source: All data are taken from "Fintech 100: Leading Global Fintech Innovators Report 2015"

<sup>1</sup> Source: Tibau, Frederik. "MyMicroInvest verzamelt 1,632 miljoen euro tijdens live crowdfunding"; Datanews 21 January 2016, <http://datanews.knack.be/ict/mymicroinvest-verzamelt-1-632-miljoen-euro-tijdens-live-crowdfunding/article-normal-648565.html>. Web.  
<sup>2</sup> Source: Swamy, Avinash. "How are banks reacting to FinTech?"; Medium 21 January 2015, <https://medium.com/@avinashswamy/how-are-banks-reacting-to-fintech-891617c69321#.pevw7ot3b>. Web  
<sup>3</sup> Source: "BBVA increases newly independent fintech venture fund to \$250m"; Finextra 11 February 2016, <https://www.finextra.com/newsarticle/28461/bbva-increases-newly-independent-fintech-venture-fund-to-250m->. Web.



# Auto connectivity and digitalization now #1 key trend through to 2025

For the 17<sup>th</sup> consecutive year, KPMG proudly presents its Global Automotive Executive Survey in which it investigates the current state and future prospects of the worldwide automotive industry.

The findings and conclusions drawn from this survey are based on the insights of 800 executives from all parts of the world. 50 percent of which are actual C-level executives (i.e. CEOs, Presidents, or Chairmen). The respondents represent companies of all parts of the automotive value chain including vehicle manufacturers, suppliers, dealers, financial services providers, mobility service

providers and, for the first time, also ICT companies. Moreover, also over 2.100 consumers from around the world were interviewed.

The conclusions of the survey indicate a major shift in the mindset of auto executives and a new focus of the automotive industry from a growth model towards **connectivity and digitalization**. Indeed, a large part of global executives believe that in the near future ICT companies will bring ground breaking innovations to the sector. Self-driving features are expected to be absolute purchasing criteria on a longer term.

The consequences of dieselgate and the discussion on emission tests have made the executives even more aware of the need to invest in **alternative technologies** such as hybrid and electric vehicles. Note that consumers as well as constructors prefer hybrid cars over pure battery electric vehicles.

The local regulatory and legislative framework will play an important guiding role. As a local example, the Flemish government recently adjusted the car registration tax regime. For cars registered as from 1st January 2016 the car registration tax will be calculated based on ecological parameters providing significant advantages for environmental friendly cars and whereby diesel vehicles are worse of. Also the rates for the annual road taxes have been adjusted accordingly. Moreover, individuals can receive a premium (up to EUR 5.000) from the Flemish government when buying a new zero-emission vehicle.

The KPMG Global Automotive Executive Survey also shows that **shared mobility services** (car sharing) are becoming more attractive, also in mature markets such as Belgium. The focus evolves towards flexible mobility rather than car ownership. One of the key

## 54% of all consumers indicate that consumer data should belong to the driver of the vehicle.

drivers in this respect is the Total Cost of Ownership ("TCO")

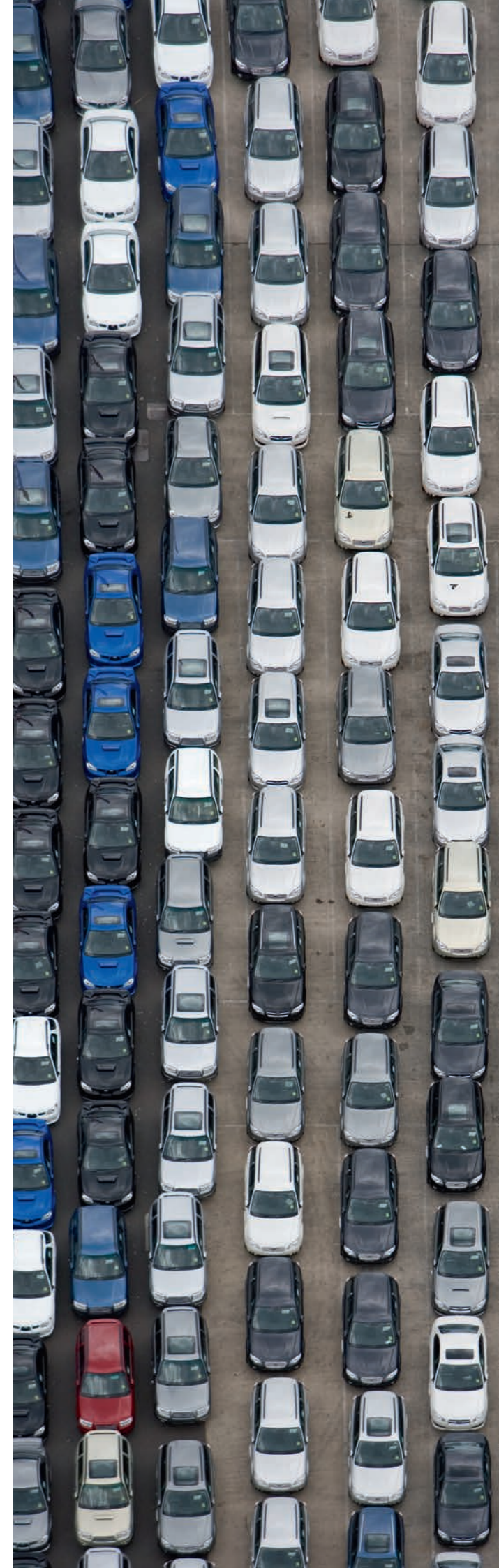
In Belgium the car sharing economy is on the rise. The use of car sharing services has increased significantly compared to previous years. The demand, from customers as well as manufacturers, for a more flexible legal framework for all sorts of mobility services and integrated mobility solutions has become louder than ever before, especially in a densely populated country where congestion is a key concern.

While connectivity and digitalization is dominating the auto executives' strategic agenda, it becomes clear that even here customer trust will be important. Although an astonishing 32% of executives expect most consumers to trust the automotive industry when it comes to managing their data, the results clearly show: consumers would trust no one but themselves. This indicates that the car industry today believes they have a higher trust function than consumers actually reflect. A clear majority of all consumers (54%), especially those from North America, Eastern and Western Europe, as well as from South America, indicate that especially consumer data should belong to the owner or driver of the vehicle.

The key question remains who owns the up- and downstream data generated in and around a vehicle. The consumers, the car manufacturer or ICT sector third parties?



**Contact:**  
**Frank Vancamp**  
Partner  
KPMG Tax and Legal Advisers  
**T:** +32 2 708 36 70  
**E:** fvancamp@kpmg.com





# Adoption of standards

An added value for your organization?

**Standards are omnipresent in the world of business and in our everyday lives: the A4 format, 3G networking, technical standards, management standards etc. Although we come into contact with them every day, for many people standards are invisible and therefore unknown. But what are standards actually?**

## A standard is a voluntary agreement

A standard is an agreement that stakeholders make voluntarily about a product, a service, a process or a method. Standards reflect good workmanship in industry, the services sector, and in governance. The initiative for developing a standard usually arises in the business world, where producers or service providers reach agreements, but where other players in the value chain such as suppliers, customers, regulators or societal stakeholders can make their contribution. Although a standard is non-binding in nature - a standard is not a law or regulation - compliance with a standard may become mandatory, e.g. if legislation refers to a standard. This is the case for CE marking. Contracts can also refer to the application of standards which is another way they can be made binding for the contracting parties.

Although a standard is non-binding in nature - a standard is not a law or regulation - compliance with a standard may become mandatory, e.g. if legislation refers to a standard. This is the case for CE marking. Contracts can also refer to the application of standards which is another way they can be made binding for the contracting parties.

## Five advantages of the use of standards

The use of standards offers quite a number of advantages:

1. Companies achieve greater efficiency, effectiveness, quality, and safety in their business processes, which means they cut costs and convey a positive image.
2. By applying standards, the quality of products or service increases resulting in higher customer satisfaction and trust in the company.
3. Standards are also a major asset for gaining access to new markets. With approximately 40,000 European or international standards, products and services compliant to these standards are better accepted in other countries, thus boosting exports.
4. Implementation of standards enables a number of business risks to be better understood and therefore, better controlled.
5. And finally, standards support innovation and access to know-how.

## In the picture: management standards

In recent years, the requirement has arisen in the business world to create greater clarity and transparency about a number of strategic topics such as quality, sustainability, or information security. Management standards are a suitable instrument for achieving these information needs, because they lay down a number of management principles that are supported internationally and therefore meet the needs of businesses.

The best-known management standards are ISO 9001 and ISO 14001, which stipulate the requirements for quality management and environmental management systems respectively. In the latest versions of these standards, attention is paid in a consistent manner to leadership, competencies, risk, and compliance management.





The scale of international management standards is very broad, and the range is expanding fast. These include: information security (ISO 27001), physical asset management (ISO 55001), risk management (ISO 31000), energy management (ISO 50001), etc. Quite a few developments are also anticipated in years to come in the field of Human Resources Management.

#### Some insights on the ISO standard for physical Asset Management (ISO 55001)

The standard for physical Asset Management being ISO 55001 explicitly places assets in a value context, aligning asset management objectives to the organization's strategic objectives. ISO 55001 defines "asset" broadly as "Something that has potential or actual value for an organization". That value can be tangible or intangible, financial or non-financial, and includes consideration of asset risk and liabilities.

Our experts of the KPMG Global Asset Management Competence Center are specialised in both implementing this standard for your organization's "physical assets" and in performing maturity assessments and audits for accreditation of ISO 55001.

#### Bureau for Standardization (NBN): your independent source for standards in Belgium

The NBN (Bureau for Standardization) is responsible for the development and sale of standards in Belgium. In addition, the NBN organizes training courses about the use of management standards. In Belgium, the NBN is the representative of ISO and of the CEN. The NBN is an institution of public utility, which comes under the responsibility of the Federal Minister in charge of the Economy.

The NBN is the Belgian knowledge center for all activities related to standardization. The NBN plays a societal role by helping businesses, consumers, government, and other stakeholders to improve quality in a competitive and international context.

More info: [www.nbn.be](http://www.nbn.be)



#### Contact:

**Daniël Pairon**

**Partner - Global Lead KPMG Asset Management**

**T:** +32 3 821 19 41

**E:** [dpairon1@kpmg.com](mailto:dpairon1@kpmg.com)

## Four reasons to collaborate with the NBN

- 1 With 40,000 standards to which thousands of experts worldwide have contributed, NBN gives you access to a lot of sector-know how via its catalogue of standards: production specifications, test standards, quality requirements, services standards, management standards; sooner or later, every business will be involved in implementing these standards. Moreover, the NBN has ties to a number of sector federations, which means that the NBN can easily refer companies for additional input.
- 2 If you would like access to the content of standards, the NBN has devised a number of custom solutions in the online myNBN platform. This platform is accessible anywhere, anytime, and always contains the latest version of the standards. Furthermore, customers can compile a personalised collection of standards, which they can consult, print out, and expand.
- 3 Innovative companies opt to cooperate in writing a standard. For a number of them, this activity is of strategic importance because in this way, they can influence the market for new products, services and their value chain. As a member of the International Organization for Standardization (ISO) and the European Committee for Standardization (CEN), the NBN is the contact point par excellence.
- 4 You can contact the NBN Academy for training courses about the use of the most widely-used management standards.

Event

## KPMG in Belgium continues to support Golf until 2018



The sport of golf, with the precision of the game and the determination involved to succeed, mimics KPMG's own mindset towards business, with our dedication to our clients, and our expertise with highly technical and complex matters.

The values of this sport such as etiquette, fair play, discipline and the education of young talents correspond to the values of our company. KPMG in Belgium's involvement in the sport of golf not only helps to support a significant golf tournament, the KPMG Trophy, but also demonstrates KPMG's commitment to the development, advancement, and empowerment of the golf sport through the sponsorship of the Royal Belgian Golf Federation and the (Golf) Belgian Team.

#### The KPMG Trophy 2016

The KPMG Trophy is a major golf championship with the purpose of promoting the golf sport to a higher level in Belgium. This event will provide a great opportunity to meet and see top golf players. Just like last year, KPMG in Belgium will continue to be the main partner of the Belgian event on Europe's second tier golf tour.



The KPMG Trophy, kicks off 9 June and runs until 12 June, at the Cleydael Golf & Country Club in Antwerp (Aartselaar).

#### Sponsorship of the (Golf) Belgian Team

At the same time, KPMG in Belgium is supporting the [Golf] Belgian Team of the Royal Belgian Golf Federation. Through this support, KPMG wants to commit itself to promote further the development of this sport and its promising young players. The (Golf) Belgian Team in fact groups our best talented Belgian amateur golf players and supports them to reach a higher level through optimal coaching. The goal of this approach is to realize a Top 15 European Ranking, a Top 32 World Ranking on the short term and a participation to the Olympics...

A nice example of our upcoming talents and member of the (Golf) Belgian Team is Thomas Detry, our best national amateur golf player. He has recently been awarded the Jack du Vivier challenge cup and has decided to become a fully professional golf player. His first tournament? The KPMG Trophy!

Our support comes at a perfect time, as golf will be highlighted in the coming year as it enters the 2016 Summer Olympics for the first time since 1904. The Golf sport is a highly technical and demanding sport that is now recognized for its complexity through the Olympics participation.

More information can be found on [www.kpmgtrophy.be](http://www.kpmgtrophy.be)





# We deliver on our commitments

**At KPMG we are committed  
to delivering value to our clients.**

Our efforts have been recognized by two awards that we recently won. We have been named a leader in the area of cybersecurity in the Forrester Wave Security Consulting Services report, the most authoritative analyst report on the global cyber security consulting market. Furthermore, KPMG was also named "Sustainable Firm of the Year" by the International Accounting Bulletin for the fourth consecutive year.

[kpmg.com/be](http://kpmg.com/be)

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