

# Project Future Ecom

Business model

## ***Participation to Credit-clearing systems and use of complementary currencies***

29<sup>th</sup> April 2020



It is estimated that in 2020 B2B e-commerce in EU will be twice as large as B2C in terms of sales, which proves a huge unrealized potential for EU SMEs.

There is a risk of being surpassed by frontrunners as most SMEs have not even taken the first step in this direction. Succeeding with B2B e-commerce requires a huge turn-around within the company's internal processes as this may scale up the turnover dramatically.

Digitizing and automatizing the internal processes of the SME is the key to managing and keeping up with huge growth in global e-commerce while ensuring economic profit.

## 1. Overview

*Introduce the company, what they supply and who their market is.*

AppAway Srl is a young small enterprise operating in two different fields of work: software development and IT, and workplace safety. Its businesses have been significantly affected over the last few years by the economic situation, implying poor investments by SMEs and therefore the situation of a poor market for software development, IT infrastructures and other expenses (i.e. safety).

In fact, often some ordinary problems of liquidity which affect SMEs imply that these latter are not motivated in planning and doing investment or pay attention to the need of innovation and related investments the company has to face. Entrepreneurs facing a situation of economical recession often do not consider that software development and IT solutions are kinds of investments SMEs really need in order to maintain or gain competitiveness.

AppAway joined the Liberex platform in 2017 and since then their business based on the participation in the circuit has been grown reaching the 10% of the revenue in 2019. They increased their turnover and experienced, among other things, that SMEs (their customers) are more willing to take risks and plan investments and sustain related costs if they can use complementary resources and an additional capability to sell their own products other than the ordinary market.

## 2. The Digital Opportunity

*How Digital technology is impacting the company and how they are adapting process or product to take advantage of this?*

Liberex is a Credit-clearing system which works mainly through a digital platform, but which integrates digital services, social relations and networking activities at territorial level. The system provides for the generation of units of a complementary currency (named Liberex itself) through which SMEs participating in the community (the "circuit") can finalize transactions and sell or buy products and services. In specific, the Liberex circuit operates with enterprises located in Emilia-Romagna.

The working scheme upon which Liberex is based takes inspiration and rules from many other recent or historical experiences about generation of complementary currencies, for instance WIR experience in Switzerland.

How does it work? In short, the manager of the platform evaluates the capability of a company who wants to join the circuit to offer products and services and sell them on the platform. If there

is reasonably a sufficient demand for products and services offered by the company, this latter joins the community and can make transactions using the complementary currency

Each transaction is operated and registered through the digital platform.

### **3. Impact on Value Streams**

*What is the impact of the digitisation on the value generated by the business?*

Through the participation in the circuit and through the digital platform, a SME can exploit a capability of producing and selling products or services additional to the ordinary capability to operate on the traditional market using the legal currency (euro), and thus receiving additional credit capability, and thus have the opportunity to use additional liquidity for expenses connected with operational daily costs as well as small or bigger investments.

This can support the SMEs activity, development or even survival, especially during times of economic recession or scarcity of liquidity and low currency circulation rates within the local or regional economic system.

The aim of the circuit is to give value to the capability of the SME to produce and sell products and services required by the community, and in specific, to the residual capability that currently is not appreciated by the ordinary market. Based on this residual capability, monetary credit is given to the enterprise. This latter can therefore start to buy products and services from the other SMEs participating in the circuit, using the digital platforms.

### **4. Lessons learned**

*What has gone especially well or badly in the process? What were the main lessons learned from the process?*

The credit-clearing system enables the generation and the use of units of the complementary currency (Liberex) on the basis of the real residual productive capacity of the SME which can be shared with the circuit through the selling of its products and services. The enterprise has the opportunity to increase its turnover or to compensate a decrease of the turnover obtained on the traditional reference market. Therefore, the system is an effective tool for supporting SMEs, within a local or regional community of enterprises, especially in a period of economic recession or downturn. Units of currency have no financial value, because they can not be saved over time and the accruing of interests is not admitted. Therefore the currency is continuously transferred for buying or selling, and its circulation rate is much more higher than euro's in the traditional market.

The active participation (anche the sense of belonging) in a local or regional community is one of the most important elements of the system. The opportunity to know other enterprises and entrepreneurs promotes a direct connection and relation between them and reinforce the trustiness, in addition to the functioning of the digital platform and the role of assurance provided by the manager of the platform.

The manager of the platform promotes the reciprocal connection between the enterprises also through networking local events or participation to local initiatives. Moreover, the manager plays a fundamental role by regulating access to the community according to the real demand and offer of product and services that are required or needed in order to feed the complex of transactions, and by assuring the solvency of the system as a whole. In fact, if an enterprise is not able over a certain period of time to recover for a situation of shortfall on its account, the manager can take charge of it. Moreover, the manager provide assurance about all legal and tax issues connected with transactions. For instance, all transactions imply the need to pay taxes of the amounts exchanged according to the national legislation, exactly as the transactions paid in euros, and therefore any selling of products or service is supported by the issuing of an invoice or other fiscal document. Enterprises pay for an annual fee to participate in the circuit and benefit for the management of the platform. On the other hand transactions are free of charge, and there is no financial charge on them from the manager.

## 5. Transferability

*How could businesses in other industries benefit?*

Currently more than 300 enterprises actively participate in the Liberex circuit operating in Emilia-Romagna. Their case is similar to AppAway case. The community based on the digital platform is constantly enlarging and, generally, enterprises continue staying and operating on the platform over time, considering it a convenient and fruitful opportunity both under the business and the relational point of view.

The regional dimension (possibly supported by more local initiatives, agreements of events) is considered as the most suitable in order to balance two needs of the system: assuring opportunities for transactions to all participants, and at the same time always give priority to direct relations and trustiness between entrepreneurs.

Other credit clearing system working at regional level are operating in Italy, based on the same model of the first created, in Sardinia, called Sardex.

Both in Emilia-Romagna and Italy other experiences based on complementary currencies are being developed, mainly at local level. At the european level, the idea of complementary currency and systems based on this latter are well recognized and appreciated, also by the same European commission<sup>1</sup>.

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<sup>1</sup> Cfr. [https://ec.europa.eu/regional\\_policy/en/projects/france/community-currencies-get-into-action-for-local-development](https://ec.europa.eu/regional_policy/en/projects/france/community-currencies-get-into-action-for-local-development)