

Press release

Press enquiries

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Identity authentication, automation essential for firms to integrate with global supply chain, study finds

For many companies, especially small and midsize enterprises (SMEs), the ability to trade globally may well hinge on the extent to which they can authenticate their own identities and those of their business partners, according to a new survey of 127 senior executives worldwide conducted by the Economist Intelligence Unit and sponsored by IdenTrust. Nearly three quarters of the executives were from SMEs.

Only one-third of respondents say that their companies comply fully with identity verification and other commercial transaction rules. In addition, 45% of the respondents report that their systems are minimally integrated with those of their suppliers, with little or no visibility of transactions. These findings strongly suggest that the process of integration into the global supply chain still has a long way to go.

The study finds that authenticating the identity of counterparties in supply chain transactions is a particular dilemma for companies, given the widespread fraud and identity theft that often plague Internet commerce. More than one-fifth of survey respondents, and 31% of the manufacturers in the group, are concerned about the difficulty of performing due diligence on the financial soundness of counterparties, particularly overseas suppliers.

The security of data and dollars sent electronically is another worry. Thirty-seven percent of companies with less than US\$500 million in revenue and 46% of manufacturers express significant reservations over possible security breaches on the Internet. The majority of respondents cite "Trust that payment would be certain" as the main factor that would help their companies integrate their operations with the global supply chain.

"The supply chain is particularly vulnerable to information theft," said Rama Ramaswami of the Economist Intelligence Unit, the editor of the report. "Vast volumes of goods and materials cross international borders every day. Without robust authentication solutions, there is no way to police the movement of these materials or track their progress through the supply chain. Not being able to verify the identities of all the parties involved in a transaction poses grave threats to cargo security, as well as the risk of cyber fraud on a massive scale."

Other key findings of the report include the following:

- More SMEs than the overall sample (38% compared with 33%) say the single most important step to safeguard the global supply chain is for governments and the United Nations to designate counterparty authentication standards.
- Fewer manufacturers (26%) and fewer SMEs (28%) than the overall sample (33%) comply fully with identity verification and other commercial transaction rules.
- SMEs are more concerned about the lack of international electronic standards (43%) than the whole group of respondents (38%).

- Manufacturers are more concerned about guidelines for interoperability (29%) than the respondents overall (21%).
- Most companies say the greatest risk in automating the global supply chain is the reluctance of their suppliers to “go paperless.”
- Twenty-nine percent of small and midsize companies cite “financing constraints” as their greatest obstacle to setting up a fully automated supply chain.

“SMEs often lack the financing to invest in critical automation that will connect them with global partners and suppliers. Lenders, however, are often unwilling to deal with unknown borrowers who lack a credit history,” said Karen Wendel, chief executive officer of IdenTrust. “Trust is inherent to breaking this juggernaut. SMEs employing comprehensive authentication solutions can go a long way toward establishing this trust by verifying that the parties to a transaction are vetted and authorised to carry out purchases, thereby improving their chances of obtaining funds to invest in supply chain automation.”

The global supply chain: Challenges for small and midsize enterprises

Is available free of charge at www.eiu.com/globalsupply

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Notes for editors:

The global supply chain: Challenges for small and midsize enterprises is an Economist Intelligence Unit white paper, sponsored by IdenTrust. The research is based on an online survey of 127 executives, conducted by the Economist Intelligence Unit in May and June 2006, as well as in-depth interviews with senior executives from a wide range of industries worldwide. Seventy-two percent of the companies surveyed for this report had annual revenue of less than US\$500 million; 28% reported revenue of between US\$500 million and US\$1billion.

About the Economist Intelligence Unit

The Economist Intelligence Unit is the business information arm of The Economist Group, publisher of *The Economist*. Through our global network of over 650 analysts, we continuously assess and forecast political, economic and business conditions in 200 countries. As the world's leading provider of country intelligence, we help executives make better business decisions by providing timely, reliable and impartial analysis on worldwide market trends and business strategies.

About IdenTrust

IdenTrust is the global leader in trusted identity solutions, recognized by global financial institutions, government agencies and departments, and commercial organizations around the world. IdenTrust enables organizations to effectively manage the risks associated with identity authentication; work interoperably with countries around the world; minimize investment in creating their own policies and legal frameworks; and deploy a spectrum of products insuring trust, smarter, faster, and more cost effectively.

The only bank-developed identity authentication system, IdenTrust provides a unique legally and technologically interoperable environment for authenticating and using identities worldwide. The IdenTrust Trust Infrastructure is predicated on a proprietary framework that combines policies, legal framework, trusted operations and technology (P.L.O.T.) to create a comprehensive environment for

issuing trusted identities. IdenTrust is the only company to provide a solution incorporating all four of these elements. Customer agreements are valid, binding and enforceable in more than 90 countries. IdenTrust identities are globally interoperable under uniform private contracts recognized in countries around the world. Competing offerings, in contrast, rely on a dizzying maze of public laws that vary from jurisdiction to jurisdiction. Additionally, the IdenTrust Trust Infrastructure maintains the privacy of each and every transaction processed by reading only digital certificate information, not the message itself. For more information, visit the Web site at www.identrust.com.