

GENERATING REVENUE ONLINE: E-COMMERCE AND SGS PLATFORMS

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WHEN YOU NEED TO BE SURE



- 2017 has been a year of building the broader SGS team's eCommerce understanding, competence and planning
 - eCommerce channel is moving towards Tipping Point (already 5% of all Global Trade)
 - Amazon/Alibaba forcing convergence with Traditional business
- SGS eCommerce expertise started in China
 - But in 2017, 1/3 of our revenues **do come** from outside China
- Our TIC+ Business Development approach is tailored to key markets and key customers, affiliates **accounting for 90% of global eCommerce are now involved**

WHY? BECAUSE CHANNELS ARE CONVERGING

“Traditional” reducing physical footprint



eCommerce going traditional



And going more online



And going more offline



Traditional will push TIC to eCommerce

TIC will be pulled to eCommerce

Governments, legislation and consumer expectations are moving faster to TIC involvement

- We have recruited new eCommerce staff in key geographies
 - And will continue to do so in future
 - Working across SGS Business Lines
 - They will engage directly in projects with customers' teams
- For eCommerce our approach for new services is Digital and real-time → Platforms (more in next section)
 - Vision shared with key teams
- SGS complements current and future eCommerce needs well
 - There is a lot of untapped current (the channel sells CHF 2 trillion p.a.) and emerging future potential (+20% p.a.)

TRUST GAPS (T.G.) CREATE TIC OPPORTUNITY

- The internet environment creates security Trust Gaps: Is my data safe? They are asking me for payment details, who can access this? What does https mean anyway?
- During the eCommerce transaction: Why is the price different on different platforms or why has it changed? Is the item actually the one I want? This product or price seems to be too good to be true, who is this seller? What about VAT?
- Physical part: will the package arrive in time or when I will be home? If there is a problem with the product, will I get a refund or replacement easily? Where is my package coming from? Why can't they show me where my product is or in what condition it is being stored or transported?

- We'll be working more closely with existing and new eCommerce customers, both pure-play and omni-channel
 - Addressing issues as they become hot
 - Developing solutions with eCommerce customers, not waiting to be approached
- Opportunity to dig deeper by customer – potential for many-fold increase in revenue streams with key customers
- And, in 2017, we have started using eCommerce ourselves more aggressively
- We are rolling out new online platforms which allow us to reach a broader base of unaddressed customers, both SME and Consumer

PLATFORMS

Extracting value from a world of platforms

WHEN YOU NEED TO BE SURE



PLATFORMS ARE UBIQUITOUS AND RELEVANT

Old

- | | |
|-------------------|------------------------|
| ■ Language | ■ Telegraphy/telephony |
| ■ Cattle market | ■ Radio/television |
| ■ Money | ■ Credit Cards |
| ■ Printing press | ■ MS-DOS |
| ■ Roads, railways | ■ Microsoft Office |

New

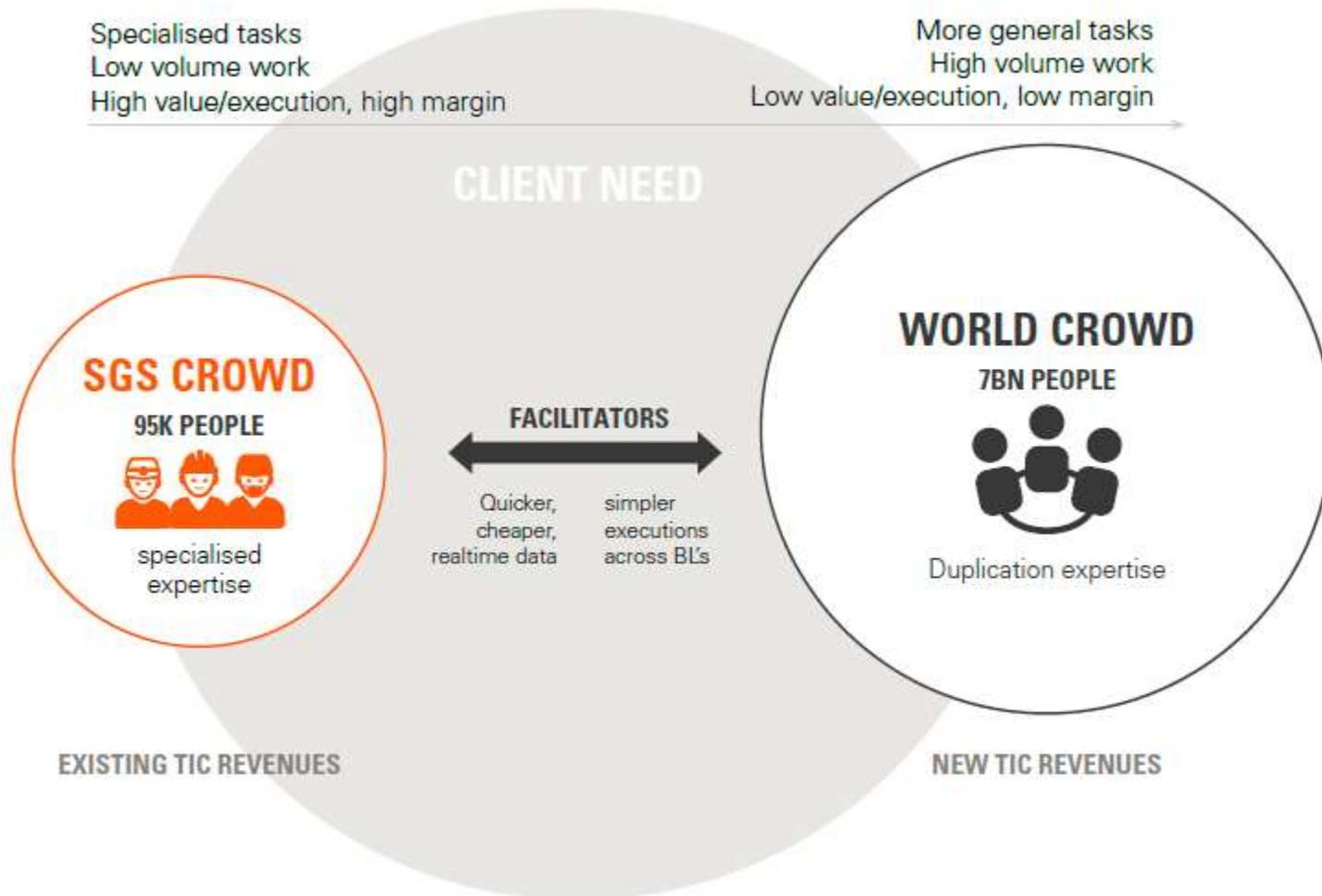
- | | |
|-----------------------------------|----------------|
| ■ The web – platform of platforms | ■ Marketplaces |
| ■ Apple | ■ Uber |
| ■ Google | ■ Airbnb |
| ■ Amazon | ■ Skype |
| ■ Cloud-computing | ■ Facebook |
| | ■ Blockchain |

- As platforms mature, their impact is significant and often unexpected
- SGS has the opportunity to use existing and create new platforms

PLATFORMS HAVE FEATURES WE CAN MONETISE

- They create many-to-many interfaces between parties
- New, sometimes unexpected revenue streams
- Data-rich, real-time and complex
- Strong network effects, which multiply as platform gains critical mass
 - Which create markets, communities and ecosystems
 - **P.S:** Actually, SGS is already a platform business with 92,000+ qualified members (who are expensive to acquire and retain!)
- At SGS, we are beginning to exploit these. Today focus on two sets we are already developing
 1. Crowd Sourcing
 - External and internal
 2. Marketplaces
 - B2C and B2B

1. CROWD SOURCING AT SGS



■ External

- Utilising existing Consumer-facing crowd sourcing companies with millions of “workers” to execute TIC-light, low-risk activity
 - Examples:
 - Consumer product sampling in retail environment
 - High volume auditing for compliance in-situ
 - Mystery shopping in hotels or restaurants

■ Internal

- Using the SGS crowd to schedule and execute tasks worldwide in a “crowd” way
 - Focussed lines of communication
 - Fast implementation
 - Realtime data gathering

- We are testing B2C product in China using eCommerce

- A first for SGS

- <https://world.taobao.com/item/557780153077.htm?spm=a312a.7700714.0.0.3551fe26Wg3Jlo#detail>



- We identified significant market opportunity
- Team launched site quickly and first results are extremely encouraging
- As well as generating new revenues at good margin, we will gain consumer insight and will roll out new products this way

- Planned pipeline of products being developed and prioritised from data and insight
- We are building, learning and bringing B2C eCommerce expertise inhouse expertise, applicable across Business Lines
- Potential globally for these applications both from our own web-properties and 3rd party sites
 - We have already launched similarly in Taiwan and pushing into another market soon
- Benefit from product revenue streams and opportunity to develop indirect revenue streams
- New to SGS but consistent with D&I approach, replicable and scalable

- We have launched closed-B2B market for test equipment calibration



- This is the start of a bigger platform offering more services and products to a broader market, particularly to SME clients

- A year of building SGS eCommerce foundations and progress
 - TIC+ focus and direction = broader and deeper into sector
 - Fresh blood and fresh approaches to address Trust Gaps
- The tailwinds of convergence helping our sector
- Platforms are being built
 - We are selling online
 - Teams aligned and being powered by significant IT and innovation projects
- All of these initiatives will contribute to the group reaching our 2020 target for digital

