Growing a business in the GAFA world

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GAFA is a new acronym that is being used in the international world of business. GAFA stands for Google, Apple, Facebook and Amazon—the four big technology companies that are impacting the lives of people across the world. Some pundits suggest adding Microsoft to this group and others are quick to point out that China has its own set of leading technology companies, including Baidu, Ant and Tencent. While the debate continues on whether this group is constituted by four or more companies, it is clear that a limited number of large technology companies are going to impact every sphere of our lives from business, to society, to humanity. We refer to these companies as GAFA companies to simplify our understanding of some of the events and trends around us.

The primary reason why GAFA companies have become so powerful is due to the vast amount of data in their possession. According to one estimate, GAFA companies collectively store several exabytes of data (1 exabyte is equivalent to the amount data stored by 1,000,000,000,000 personal computers). Each of these companies possesses a vast and diverse data set of about everything. They possess data about individuals' behaviour as customers, social beings and producers. These companies also possess large amounts of data about other companies and their businesses. They deploy sophisticated software and algorithms to mine this data and create insights about every business and individual in the world. GAFA companies use these insights to develop new products and grow their own business.

These big technology companies have a presence in Bangladesh too. While all of them may not be present physically, their products are pervasive. We rely on Google Bangladesh to search internet content specific to Bangladesh. Google Maps helps us navigate places and its street view feature allows us to find a particular location. We can shop on Amazon or Alibaba and have products delivered to our doorsteps via international consignments. According to an analysis conducted by leading social media management platform Hootsuite, Dhaka had the second largest number of active Facebook users in 2016, among all the cities in the world. Finally, all these users use computers or smartphones that are powered by the operating systems supplied by Microsoft, Apple or Google (Android). Users contribute data to these technology giants, thereby helping them improve their products and services further.

Companies across sectors in Bangladesh need to think about how they can take advantage of such a technology ecosystem to grow their own businesses. Their business may or may not be fully digital yet; however, on their journey to become digitalised organisations, they need to shape their strategy keeping in mind GAFA companies and their services. Their strategies should focus on three broad levels of activities—that is, data sourcing, service sourcing and data contribution.

The definition of data has evolved as we've moved into the world of ubiquitous computing. Data used to be structured and based on a defined data model and data structure. However, over a period of time, data became more unstructured. Data no longer remained a binary set that represented texts or numbers. Today, data also refers to binary sets that

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Google, Apple, Facebook and Amazon (GAFA) -- the four big technology companies -- have become so powerful because of the vast amount of data in their possession.

represent audio, images and video. Each organisation generates data while doing business—personal data, production data, customer data and others. Each organisation may claim that this data is its property. However, such data alone may not be sufficient to create insight for the business. In order to create rich business insights, organisations need to procure data from the public domain, which is primarily dominated by GAFA companies. In other words, businesses in Bangladesh should have a data sourcing strategy as part of their business strategy.

Technology has evolved significantly over the last couple of years. Traditional technology architecture recommended that everything be hosted in-house. However, cloud technologies offer more inexpensive and robust architecture alternatives, allowing a majority of technology solutions to be hosted outside an organisation with the help of professional hosting providers. Subsequently, a paradigm of services and micro services has started emerging. The functions that are common in the industry can be procured as services from the marketplace. For example, a map of a particular area doesn't need to be redrawn anymore—it can be procured from Google Maps. Companies in Bangladesh should develop a thorough understanding of services to be produced internally through on-premise or cloud-hosted technology solutions and the services to be procured from GAFA companies. In other words, companies should have a service sourcing strategy as part of their business strategy. This will complete an organisation's enterprise architecture.

Renowned economist Milton Friedman popularly said, 'There is no such thing as a free lunch'. Similarly, the data and services available from GAFA companies are not free altogether. While businesses have to pay for access to many services, users have to contribute back through data irrespective of the services being free or charged. The contributed data contains personal data, behavioural data and, at times, enterprise-owned data. Refusal to share such data demanded by GAFA companies may result in denial of their services, some of which may only be available from them. GAFA companies thrive on their robust data collection process and subsequent data mining using their algorithms, which leads to the creation of business insights. Data collection helps them in sharpening their offerings and beating the competition. Companies in Bangladesh need to develop an understanding of the kind of data they are going to contribute and how they can optimise this contribution process without comprising data security. In other words, companies should have a strategy towards data contribution while developing their enterprise architecture and business strategy.

The digitalisation journey is going to create significant growth opportunities for companies in Bangladesh. The adoption of the right strategy around GAFA products and services will help accelerate this journey to a new level.

The writer is partner at PwC. The views expressed here are personal.

India's wholesale inflation eases

REUTERS, *New Delhi*

India's annual wholesale price inflation eased for the third straight month in February after touching an eight-month high in November, helped by a softer rise in food and fuel prices, government data showed on Wednesday.

The Reserve Bank of India (RBI), which has kept rates steady since a 25 basis-point cut in August, is widely expected to keep them unchanged at its next policy review on April 5.

Annual wholesale price inflation last month slowed to 2.48 percent, from a provisional 2.84 percent rise in January.

The latest inflation number was in line with a 2.50 percent increase forecast by economists in a Reuters poll.

Wholesale food prices in February rose 0.07 percent from a year earlier, compared with 1.65 percent in January, the data showed. From a year earlier, the prices of pulses have fallen by nearly 25 percent and of sugar by almost 10 percent.

However, vegetables prices in February were up 15.3 percent from a year ago period, the data showed.

India's retail inflation rate, the main policy target for the RBI, declined for the second straight month in February, to 4.44 percent, but remained above the central bank's 4 percent medium-term target.

Several analysts said they would monitor how a hike in import taxes last month across agri-commodities such as oilseeds, pulses and wheat would impact domestic food inflation. To date, the impact has been muted. The central bank expects retail inflation to pick up to 5.1 percent to 5.6 percent in April-September before easing, assuming normal rainfall.

France warns Apple and Google of fines over 'abusive' practices

REUTERS

Activists from the anti-globalisation organisation Attac attend a protest against alleged tax evasion by Apple company in front of an Apple store in Frankfurt, Germany on March 10.

AFP, *Paris*

THE French government said Wednesday that it would take legal action against Google and Apple over "abusive business practices", threatening fines that could further strain transatlantic ties as a trade war looms.

"I believe in an economy based on justice and I will take Google and Apple before the Paris Commercial Court for abusive business practices" against French start-ups, Finance Minister Bruno Le Maire said on RTL radio.

He said in particular that the two US giants imposed financial conditions on French app developers and gathered data on their use, while also saying that "both can unilaterally modify contracts".

Technology start-ups are a favourite of French President Emmanuel Macron, who has sought to overhaul the nation's laws and regulations to allow entrepreneurs to flourish. The action is based on an inquiry by France's anti-fraud office from 2015 to 2017 which uncovered "a significant imbalance" in their relations with French companies, a finance ministry source told AFP.

"I consider that Google and Apple, as powerful as they are, shouldn't treat our start-ups and our developers in the way they do today," said Le Maire, calling the situation "unacceptable".

The fraud office urged in its report fines of two million euros ($2.5 million) for each company, the ministry source said, though Le Maire said only that they would be "in the millions of euros".

"My responsibility is to ensure economic law and order," he said. "There are rules. There is justice. It should be respected."

Both Apple and Google declined to comment immediately on Le Maire's claims. The action against Apple and Google comes after US President Donald Trump fanned fears of a wider trade war, pledging to impose a 25 percent tariff on imported steel and 10 percent tariff on imports of aluminium.

It is unclear if European nations will obtain waivers, especially after Trump singled out the EU as treating the US "very badly" in trade ties and threatening to tax cars as well.

But European officials have said they will not be intimidated by Trump's protectionist moves, with the EU's top trade official, Cecilia Malmstroem, saying this week that "we will stand up to the bullies".

France was already pursuing Apple, Google and other US technology giants over the legal strategies that let them route their income from across the EU through low-tax nations.

That leads companies to declare their earnings in countries like Ireland, the Netherlands and Luxembourg, depriving other member states of revenues even though they may account for a bigger share of the earnings.

Trump eyes tariffs on up to $60b Chinese goods; tech, telecoms, apparel targeted

REUTERS, *Washington/Beijing*

US President Donald Trump is seeking to impose tariffs on up to $60 billion of Chinese imports and will target the technology and telecommunications sectors, two people who had discussed the issue with the Trump administration said on Tuesday.

A third source who had direct knowledge of the administration's thinking said the tariffs, associated with a "Section 301" intellectual property investigation, under the 1974 US Trade Act begun in August last year, could come "in the very near future."

While the tariffs would be chiefly targeted at information technology, consumer electronics and telecoms, they could be much broader and the list could eventually run to 100 products, this person said.

The White House declined to comment on the size or timing of any move.

In Beijing, Chinese foreign ministry spokesman Lu Kang said Sino-US trade relations should not be a zero-sum game, and that the two countries should use "constructive" means to manage tension.

"We have said many times that China resolutely opposes any kind of unilateral protectionist trade measures," Lu told reporters.

"If the United States takes actions that harm China's interests, China will have to take measures to firmly protect our legitimate rights."

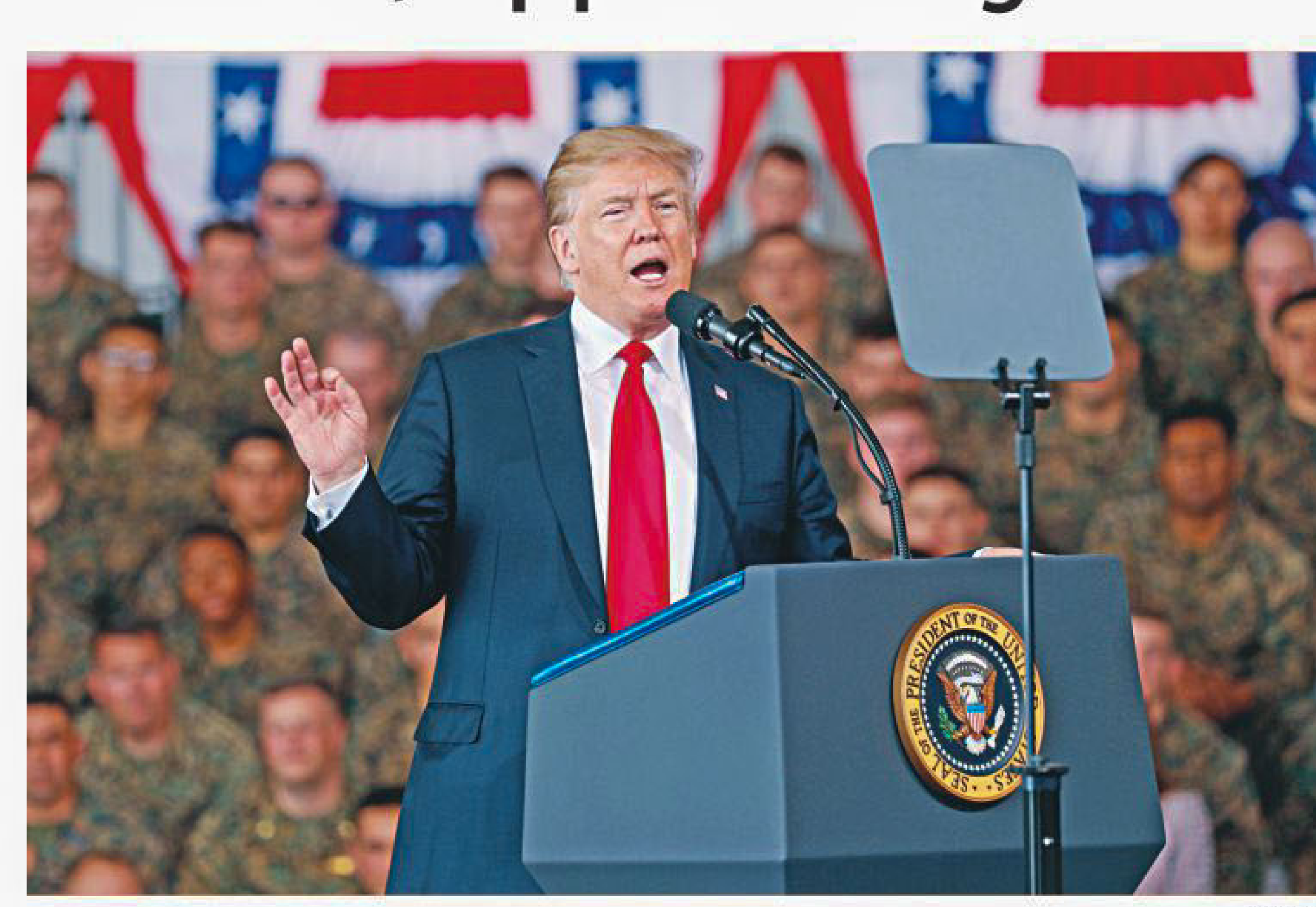
Trump is targeting Chinese high technology companies to punish China for its investment policies that effectively force US companies to give up their technology secrets in exchange for being allowed to operate in the country, as well as for other IP practices Washington considers unfair.

The Trump administration is also considering imposing investment restrictions on Chinese companies over and above the heightened national security restrictions, but details on these were not immediately known. A US Treasury spokeswoman did not immediately respond to requests for comment.

But lobbyists in Washington expressed concern that Trump's ambitious tariff plan would also include other labor-intensive consumer goods sectors such as apparel, footwear and toys. Higher tariffs on these products would "hurt American families," said Hun Quach, a trade lobbyist for the Retail Industry Leaders Association.

"We're not talking about fancy cashmere sweaters, we're talking about cotton T-Shirts and jeans and shoes that kids wear for back-to-school," she added. "Alarm bells are ringing."

China runs a $375 billion trade surplus with the United States and when President Xi Jinping's top economic adviser visited Washington recently, the administration pressed him to come up with a way of reducing that number.



REUTERS

US President Donald Trump speaks at Marine Corps Air Station Miramar in California.

Trump came to office on a promise to shield American workers from imports and his first action as president was to pull the United States out of the 12-country Trans-Pacific Partnership trade deal.

His administration is in the midst of negotiations to revamp the North American Free Trade Agreement (NAFTA) and last week announced the imposition of tariffs on steel and aluminium imports.

While the tariffs on steel and aluminium, announced last week by Trump, are viewed as relatively insignificant in terms of imports and exports, moves to target China directly risk a direct and harsh response from Beijing.

"If this is serious, the Chinese will retaliate. The key question is, does the US retaliate against that retaliation," said Derek Scissors, a China trade expert at the American Enterprise Institute, a pro-business think tank.

That would spook stock markets, but Scissors said that the more serious the conflict became, the worse China's position would become, due to the importance of its US trade surplus. "Their incentive to negotiate is to head us off from a major trade conflict."

The news website Politico earlier reported that the US Trade Representative's office had presented Trump with a package of $30 billion in tariffs last week, but Trump told aides that this was not high enough.

One Washington business source who had discussed the issue with the White House said the figure had now grown to about $60 billion, with a potentially wider array of products under consideration.

A second person, who is an industry lobbyist in Washington familiar with the administration's thinking, said the process was being led by Peter Navarro, an avowed protectionist, and by US Trade Representative Robert Lighthizer, who also favours tariffs as a tool to rebalance trade.

Speaking to reporters in the Capitol, US House Ways and Means Committee Chairman Kevin Brady stressed that Trump was serious about addressing the issue of intellectual property theft with China.

"He's serious about calling their hand on this, and my understanding is they are looking at a broad array of options to do that," Brady said. US business groups, while uneasy about triggering Chinese retaliation, have increasingly pressed Washington to take action on Beijing's industrial policies, such as market access restrictions and the "Made in China 2025" plan, which aims to supplant foreign technologies with domestic ones.

Shortly after Trump took office, the Information Technology & Innovation Foundation (ITIF), a US technology think tank whose board includes representatives from top companies such as Apple, Amazon, Cisco, Google, and Intel, called for coordinated international pressure on Beijing.

While complaints about China's abuse of intellectual property rights are not confined to the United States, Trump's global steel and aluminium tariffs announced last week under section 232 of the Trade Expansion Act of 1962 complicate US efforts to recruit allies to put pressure on China.