

# Entrepreneurial Risks in the Realities of the Digital Economy

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**Abstract:** The topic of the development of the digital economy has become one of the priorities at the international level, and on the agenda of the G20 Summit, held July 7-8, 2017 in Hamburg. In the communiqué of the leaders on the results of the summit in the framework of the "digital block", the heads of state of the G20 stressed the importance of developing digital literacy. Russia has initiated a discussion on consumer protection in the G20 format. The particular relevance of these issues for the global community is noted in the article by the President of the Russian Federation V.V. Putin dedicated to cooperation in the framework of the "twenty". The advantages and opportunities of the digital economy are undoubted. However, the risks and challenges that consumers of the digital economy face daily threaten the harmonious development of new models of this sector of the economy. In this article, the authors tried to consider business risks in the realities of the digital economy. People and their level of confidence in new technologies and market models are not only key elements, but also the most important indicators of the successful development of the digital economy.

## 1 Introduction

In this context, digital consumer literacy is of particular importance. The formation of "confident users" of the digital economy is the basis for increasing the potential of consumers themselves to protect their rights in the context of e-commerce.

The commitment of the G-20 leaders to the development of this topic indicates global trends.

Rospotrebnadzor conducts systematic work aimed at improving consumer protection in the new realities of the digital world, both at the national level and at international sites, including the G20. This includes the development of a draft law regarding the regulation of platforms that aggregate information about goods or services, as well as the formation of common approaches in the field of consumer protection in the context of electronic commerce in the Eurasian space and on the CIS market. [1]

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At present, with the direct participation of Rospotrebnadzor at various international platforms, including the UN Conference on Trade and Development and the OECD (Organization for Economic Cooperation and Development), the issues of forming common approaches in the field of digital economy regulation are being discussed.

Russia has considerable experience and practice in improving consumer protection systems, both at the national and at the regional level. To meet the challenges outlined in the statement of the G20 leaders, the Rospotrebnadzor intends to progressively develop cooperation with the G20 countries and relevant international organizations to increase consumer protection in the digital economy era.

Today, the agency has developed specific initiatives of international cooperation on the development of digital literacy and consumer protection in the context of e-commerce, which will be presented to G-20 partners for consideration and further implementation as pilot G-20 projects.

## 2 Methodology

The growth rate of the digitalization of society and the introduction of progressive IT technologies have left very few people indifferent to this process.

And like any element of the system, this process is accompanied by certain risks. [2-4]

If we analyze this phenomenon with a somewhat different typology of risks than it has been recently accepted to lead a discussion, i.e. not to affect the threat of turning the country into a digital colony of leading IT-countries, in particular, the dependence of software platforms and interfaces on Windows, MS Office, Oracle, SAP, Facebook, Google, etc., there are enough professional points of view on this topic, but the realities of the business activity of entrepreneurship, in the foreseeable future we risk to be in the realities of practically non-overlapping types of business. [5-7]

Less than a year ago, when conducting a regular analytical study on the current understanding of the use of analytics in business, Dun & Bradstreet jointly Forbes Insights jointly obtained the following data: about a third of top managers from leading companies in North America, the United Kingdom and Ireland working in various sectors of the economy hold that in their companies there is a so-called digital divide - the gap between real data use skills and the demands that the market puts forward. [8]

The results of the study of the World Economic Forum, presented in the Global Information Technologies report on assessing the readiness of countries for the digital economy, confirm the previous one.

According to the study, the Russian Federation ranks 41st in readiness for the digital economy with a significant margin from dozens of leading countries, such as Singapore, Finland, Sweden, Norway, the United States of America, the Netherlands, Switzerland, the United Kingdom, Luxembourg and Japan.

From the point of view of the economic and innovative results of the use of digital technologies, the Russian Federation is in 38th place with a large lag behind leading countries such as Finland, Switzerland, Sweden, Israel, Singapore, the Netherlands, the United States of America, Norway, Luxembourg and Germany. [9,10]

The government-approved Digital Economy Program of the Russian Federation is represented by the following three levels, which in their close interaction affect the lives of citizens and society as a whole:

- markets and sectors of the economy (areas of activity) where specific subjects interact (suppliers and consumers of goods, works and services);
- platforms and technologies where competencies are formed for the development of markets and sectors of the economy (fields of activity);

- An environment that creates the conditions for the development of platforms and technologies and the effective interaction of market entities and sectors of the economy (spheres of activity) and covers regulations, information infrastructure, personnel and information security. [11]

### 3 Results and Discussion

In modern realities, these levels above can be segmented almost indefinitely, because as soon as we take the degree of digitization of the company's business processes as a point of reference, even regardless of the specific platforms and markets, it automatically determines the vector of business principles. The digital economy is created by business models, and technology plays the role of a tool. What is important is not the digital technologies themselves, but the business effect they give. In today's realities, a common trend for all businesses is the formation of complex digital platforms and business chains that unite a multitude of participants, allowing them to access a huge pool of resources, customers, or opportunities.

In practice, this means that an organization must build its business processes and IT systems in such a way as to gradually integrate its customers, intermediaries, suppliers, and so on into the processes.

And in fact, the types of doing business with the inclusion in the vector of the digital economy can be divided into the following areas: [12]

- traditional enterprises that have a business and assets in the “offline” world, but actively use modern technologies as their infrastructure, in particular, equipment, communication systems, software products of a wide range: from user software to ERP and CRM systems;

- enterprises selling products exclusively through virtual channels;

- enterprises that can be considered virtual: they are not tied to any physical asset: the number of business models of such companies is very large and is constantly supplemented by innovative start-ups. At the same time, it would be wrong to assume that only companies belonging to the typology of small businesses are gathered in this block.

And all these types of companies, in turn, are still segmented in the framework of B2B and B2C.

And if with B2B, in principle, the technology of interaction doesn't fluctuate much, the B2C segment becomes extremely curious from the point of advance: according to official data from Rosstat, a year ago the share of residents of the Russian Federation using broadband Internet access was only 18, 77%. [13] That is, taking into account regional realities, the level of income of the population, migration policy, and the budgets of the subjects of the Russian Federation, more than three quarters of the population, in principle, are directly outside of any “digital economy”.

In other words, those 19% that can be physically used in the B2C segment, the economy will be fully involved in the process of monetization of the business, and the remaining target group will be the subject of close analysis of companies operating offline.

And the task of this type of companies will be to optimize their business processes, but not within the framework of attracting online customers, testing the target audience with modern and fashionable online resources, but as part of reducing the costly component of the business mechanism itself, and here we are It is not about the digital economy, but about an elementary IT device that most clearly meets the needs of a particular business. And the corresponding competitive segment here will also not be focused on the methods of the digital economy. It is also necessary to take into account and apply complex models of active control systems in modern developing enterprises. [14]

As for companies that sell products exclusively through virtual channels. Thus, based on their experience, the consultants of The Boston Consulting Group believe that digital provides an opportunity to increase profitability by 20% and reduce costs by 30%, while reducing CIR (operating costs to operating income) by 12%. At the same time, the “transition to the figure” can be long and difficult, since includes many entry points in the value chain, and here we should expect an increase in process efficiency and a reduction in the risks themselves. And it is here that “technologies” are connected, - close cooperation with solution providers to support regulatory requirements (RegTech). Often, large companies have difficulty with the rapid change of strategy or the introduction of innovative solutions. The main reason for this is the bureaucratic component within large organizations. To solve this problem, they establish partnerships with fintech companies and start-ups, or simply buy them.

Virtual companies: from virtual goods and services to almost completely remote control. Currently, there are many digital platforms that provide markets for goods, services and information, delivered in both physical and digital form. [15 ]The development of the digital economy in Russia. Program until 2035]

With this approach, we get almost polar business technologies and mechanisms for attracting customers, and what is a value in a market economy — namely, the formation of a competitive field and the degree of difficulty in entering the market. position of flexible risk management [16] - is being transformed into monopolistic competition: new business models, new large companies, new mass services and information services: the risk of absorption of new markets by transnational companies. Labor productivity growth, efficiency growth, the introduction of artificial intelligence (AI), automation, robotization. That is, a monopoly on the use of the digital economy is obvious, no matter how the system resists this. And it would be appropriate here to recall the study of Swiss scientists from the University of Zurich regarding the fact that only less than 1% of companies control about 40% of world capital, while the share of control over operating global profits is about 60%. [17]

Analysts are also considering the digital transformation of companies in the context of reassessing their business processes. The study showed that the real advantages of digital transformations are felt only in those companies where management was able to realize the relationship between people, processes and technologies.

In other words, significant changes in business require synchronization and mutual penetration of these three components. Transformation is much more concerned with changes in the company's culture and competent management of enterprise resources, rather than investment in new technologies. [18]

And the relevance of the application of Big Data here becomes indisputable. According to IDC, revenues generated by working with big data will increase from \$ 130 billion (world-wide recorded in 2016) to \$ 204 billion by 2020. Only those companies that have the appropriate IT infrastructure will be able to gain commercial benefits from this. [19] By introducing complexes working with Big Data, companies gain competitive advantages. Among the main ones:

- operational search for solutions for problem situations - the system processes data files, establishes patterns and cause-and-effect relationships, which allows to identify problems at an early stage (sometimes even at the threat stage) and eliminate them;
- literacy management decisions;
- optimization - meaning the rational use of resources, their centralization to achieve a specific goal;
- forecasting, including macroeconomic - analysis of current data is necessary for building models, predicting future scenarios, but not in a pure form through extrapolation of data.

## 4 Conclusions

An important advantage of such systems is the handling of unstructured data, which is almost impossible to group, combine according to one attribute, present in the form of tables, interrelated patterns.

By implementing SAP HANA systems to work with Big Data, companies are beginning to work effectively with complex analytical queries, the system provides storage of large amounts of information and high transaction processing speed.

According to a study by the IBM Institute, customer-oriented companies most often work with such systems (53% of cases). Analyzing the data, you can create a portrait of the “ideal buyer”, build a model of behavior and determine the best distribution channels. This is how a personal offer is formed at the right time.

Big Data is used to assess the effectiveness of the company - 43%, risk analysis of all - 7%. [19]

The value of customer orientation lies in the capabilities of the system:

- a single view of the client (the ability to get an overview of all the data about the client in one place)
- targeted marketing with micro-segmentation (using analytics to generate unique marketing offers for a specific client),
- ensuring multi-channel communication with the client, its acceleration, consolidation and automation.

Thus, the risks are spreading more and more deeply into the company's operations, connected not only in the format of interaction with contractors, but also in the cost of attracting and retaining the client.

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