

Global research by Zurich reveals high level of optimism among small and medium enterprises

A survey on behalf of Zurich explores challenges and aspirations of small and medium sized enterprises (SMEs) around the globe. Facing strong competition and sluggish consumer demand, SMEs are adapting with resilience by targeting new customer groups and expanding into new markets.

Zurich, October 8, 2013 – Strong competition and low consumer demand are the two most significant risks facing small and medium sized enterprises (SMEs) in the world today, a survey by Zurich Insurance Group (Zurich) has found. Still, despite these challenges, SMEs are striving for growth by targeting new customer segments via traditional and new sales channels, even expanding to foreign markets.

Zurich commissioned this research to examine the challenges, risks and opportunities for 3,293 SMEs in Australia, Brazil, Germany, Indonesia, Ireland, Italy, Mexico, Portugal, Spain, Switzerland, the United Arab Emirates (conducted by GfK) and the United Kingdom (surveyed by YouGov).

Mike Kerner, CEO of General Insurance, commented: “We are reassured that 84% of SMEs globally are optimistic with respect to their business development, showing strong resilience despite economic challenges. We have a long track record of helping businesses, small to large, protect themselves from a wide range of risks – from traditional ones like theft, fire, vehicle damage or employee issues to new, emerging ones like supply chain failure, professional indemnity or technology vulnerability. Truly understanding the issues facing our customers helps us to even better serve them in the future through our global expertise and knowledge applied locally.”

Expansion in domestic and new markets

Attracting new customers is considered vital with most of the SMEs targeting them in domestic (23%) and international (13%) markets in the last 12 months. They also see attracting new customers as the biggest growth opportunity in the coming year (33% and 14% respectively).

Tactically, SMEs plan to win new customers through diversification of products or services (18% in the past period and 19% in the future).

About 26% of SMEs in the United Arab Emirates and around 15% in Switzerland, Spain, Ireland, Australia and Mexico have already managed to expand abroad through setting up export operations. And the enterprises in these countries are quite optimistic about continuing this trend.

Varied approach to pricing and salary adjustments

In the current economic environment, Spanish, Portuguese, Italian and Irish SMEs were the leaders in reducing prices (25%, 20%, 24% and 15% respectively), while at the same time they were laggards in increasing wages for their employees (4%, 6%, 4% and 3% respectively), which reflects the economic challenges these members of the Eurozone are currently facing. Meanwhile in other European countries SMEs have better supported salary growth: 24% in Switzerland, 14% in Germany, 20% in the UK, while curtailing price reductions. The same trend, growing salaries while restraining prices, was noted in emerging markets: 41% vs 15% in Brazil, 16% vs 5% in Indonesia and 17% vs 12% in Mexico.

Competition, consumer inactivity and theft perceived as risks while fire and cyber-crime not currently a cause for undue concern

Over a third (36%) of the SME leaders surveyed identified competition and dumping as a major risk their businesses are facing, and a lack of customer demand being the most significant issue for a quarter of them (24%). This is particularly an issue in Spain (43%), Italy (35%), Portugal (32%) and in the UK (34%), but less of a concern in Indonesia (11%), Germany and the UAE (both 14%).

The risk of theft has been mentioned as one of the largest consistently across all geographies (19%), while the risk of fire is only a serious concern for SMEs in Brazil (20%).

Online fraud, computer hacking and other cyber-crimes, surprisingly, were not categorized as top risks, leaving only the UK concerned, with 9% of SMEs highlighting these. Though this is very likely to change soon with 16% of SMEs eyeing web-trading and other innovative sales channels as opportunities, and 13% planning to use new business technologies, (e.g. mobile / tablet computing), in the next 12 months.

Quality people are key for growth

While 26% of SMEs intend to invest in operational efficiency, improving the quality of staff rates as a top 5 opportunity. Investing into personnel is supported by over 14% of SMEs globally with Switzerland (27%), Mexico (22%), Brazil (20%) and Portugal (20%) leading the list of countries surveyed.

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