

SMEs wary of competition and weak demand but optimism is on the rise

Zurich, October 1, 2015 – Small and medium-sized enterprises (SMEs) around the world are increasingly concerned about the impact of competition on margins and lack of consumer demand, according to Zurich Insurance Group's (Zurich) third annual global SME survey.

The survey polled 3000 C-suite executives and managers at SMEs across 15 countries in EMEA, the Americas and Asia-Pacific. Of those respondents, just over a third (34 percent) rated the impact of competition on margins as the greatest risk facing their business, in line with previous years. Lack of consumer demand is the second greatest risk and has increased in importance since 2013: up from 24 percent to 32 percent. Legal and fiscal problems are up three percentage points at 14 percent, and reputational damage is five percentage points higher at 13 percent, ranking as the third and fourth greatest risks respectively.

At the other end of the scale, out of a list of 14 potential business risks, corruption (6 percent) and riots (4 percent) were identified as of the least concern.

Concern over cybercrime has increased to 8 percent in 2015 from 4 percent in 2013. Nevertheless, globally cybercrime is still ranked only twelfth, low on the scale compared to other risks, excepting Malaysia, Turkey and the U.S., where this risk was ranked fifth, sixth and sixth highest respectively.

Global economic recovery and growth have seen SMEs becoming more optimistic about opportunities. They identified cost and expense reduction (31 percent) and new customer segments (29 percent) as the top two opportunities in 2015. Attractive credit terms (17 percent) moved from ninth to fourth position in the ranking of opportunities. The survey also revealed that the majority of SMEs plan grow



organically, while acquiring competitors was seen as the least attractive opportunity to grow (9 percent).

Kristof Terry, CEO of Zurich's General Insurance business, said: "It is telling that SMEs globally are increasingly focused on business issues like competition, margin pressure, weak demand, reputation and financial issues that they have the power to influence, while paying less attention to external factors. We believe this is a very rational response to what is an increasingly interconnected and globalized business environment. Companies should focus on building resilience, managing the risks that they can control and outsourcing the rest through insurance or other solution providers."

Regional differences

The global survey once again revealed significant regional differences. SMEs varied in their perspectives on opportunities for growth, with those in Latin America and the U.S. being the most optimistic. In Asia-Pacific, SMEs identified diversification of product range or services as the top opportunity, higher than in any other region – particularly for Hong Kong, compared to their Malaysian peers.

SMEs in the U.S. see new sales channels (e.g., online trading) as one of the key opportunities for growth, so it is not surprising that they are also more worried about technological vulnerabilities and cybercrime than their counterparts in many other countries. Those in Asia Pacific rated natural catastrophes and unpredictable weather as a top three risk, higher than in many of the other markets. In Latin America, fire is seen as one of the key risks for business, which is not the case in the rest of the world.

Within Europe, SMEs in Germany (22 percent) and Austria (26 percent) were particularly concerned about customer or employee health & safety compared to other European SMEs. In Switzerland, the rising importance of 'lack of consumer demand' (43 percent versus 29 percent in 2014) seems to be related to the abandonment of the Swiss franc's peg against the euro.



European SMEs tend to see more opportunity in attractive credit terms than SMEs in most other regions (21 percent in 2015 versus 13 percent in 2013), perhaps in response to growing business confidence in the eurozone as the region stabilizes.

In the Middle East, attractive credit terms have also moved up the opportunity agenda for SMEs over the past three years from 6 percent in 2013 to 17 percent in 2015.

Further information

Zurich's third annual SME survey was carried out by the research company GfK. The leaders of 3,000 small and medium sized enterprises (0 to 250 full-time employees) around the world were asked to identify up to three risks faced by their business in 2015, and up to three opportunities to grow. A representative sample of 200 CEO/owners, general managers, CFO/treasurers and COO/head of operations from each of the following 15 countries were included: Austria, Brazil, Germany, Hong Kong, Ireland, Italy, Malaysia, Mexico, Morocco, Portugal, Spain, Switzerland, Turkey, United Arab Emirates and the U.S.

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