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Hong Kong SMEs accelerate digitalisation efforts, QBE survey shows

SMEs increased insurance protection last year, but many still lack adequate cover

22 February 2022, Hong Kong – Small to medium-sized enterprises (SMEs) in Hong Kong have made significant progress in digitalising their businesses and will continue to invest in digital technologies, according to a recent survey conducted by QBE Hong Kong.

The drive for digitalisation has continued among Hong Kong SMEs, QBE's annual SME survey reveals. More than half (57%) said they have digitalised during the past 12 months to reduce internal costs, boost productivity and reach more customers.

“The survey provides useful insights on the challenges that SMEs in Hong Kong are facing,” said Ms. Lei Yu, CEO North Asia and Regional Head of Distribution at QBE Asia. “The findings show that SMEs are catching up quickly in utilising digital technologies to help achieve their evolving business goals.”

Sales growth is a key priority

In the rapidly changing business environment, growing sales amid reduced customer spending became a key priority for SMEs (21%), followed by customer acquisition and retention (18%). In addition, SMEs are concerned about staff acquisition, training and retention, as well as logistical and export-import issues, reflecting that maintaining sales performance and ensuring business continuity are critical.

To overcome the challenges, SMEs are adopting digital technologies and looking for flexible business models to help improve business performance and resilience.

Most SMEs have digitalised

SMEs have accelerated their digitalisation efforts in the past two years – a majority of the respondents (88%) said they currently use digital technologies or intend to invest in them, continuing the upward trend seen in 2020 (75%) and 2019 (73%). At present, the three top investment areas are collaborative software for staff (40%), marketing through social or online media (40%) and e-commerce (38%).

E-commerce has become an important business channel for SMEs, with four in five of them buying and selling goods and services online. In fact, the proportion of revenues generated by e-commerce compared to by traditional means has risen to 45% in 2021 from 35% a year earlier. This figure is expected to reach almost half (49%) within the next 12 months.

Despite the strong outlook, SMEs cited greater competition, data security threats and rising customer expectations as the main challenges for e-commerce. As a result, there is a surge in cyber risk awareness among SMEs, which jumped to 43% from 24% in 2020. SMEs took protection against cyber risk in several different forms, including software solutions and staff training, but particularly, 39% used insurance as a form of protection.

In view of the take-up, there was an increased appetite for insurance against fraud and online crime. About a fifth of SMEs surveyed (21%) held insurance against customer fraud online, up from 11% in 2020. Many SMEs also bought cover for loss of money due to dishonest employees (19%), protection against cyberattacks (18%) and theft of sensitive data online (16%).

SMEs not only digitalised their business operation, but also in their insurance purchase process – more than one-third of them (37%) preferred buying insurance online, particularly for group life, loss of income



due to business interruption and unauthorized computer access. Nevertheless, a significant number of them (29%) still preferred buying insurance through an agent, citing better service, preference on human contact and clear information as major reasons.

Increased demand for insurance, but SMEs are still under-insured in key areas

Since the start of COVID-19, SMEs have put more attention to business resilience and protection. The survey found that over a third (36%) of Hong Kong SMEs have purchased more business insurance since the pandemic. Notably, the four key areas of insurance coverage include damage to business property, customer fraud, loss of money by third parties and loss of money due to dishonesty by employees.

Having said that, SMEs are still under-protected in certain key risk areas. Generally speaking, they are concerned about the types of business risk that could cause loss of income, with the top three being damage or loss of inventory, liability to others due to product or service issues, followed by loss due to equipment breakdown. Yet, despite these concerns, fewer than one in five (17%) have the appropriate insurance for each of the three scenarios.

Ms. Lei added, "Our annual survey shows that awareness of and appetite for insurance keeps changing, however the underlying trend of insurance and risk management awareness is upwards. This is important because it is in everyone's interests for them to be adequately protected. SMEs need flexible insurance products that allow them to choose insurance types and coverage according to their own needs. This, of course, is a big takeaway for us at QBE."

The survey fieldwork was carried out in November 2021 and surveyed 426 Hong Kong SMEs.

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