

Date: 29 January 2018

## **Only 14 per cent of local SMEs intend to internationalise: QBE research**

*Half of all local SMEs are held back from expansion by concerns around sufficient financing and familiarity with other markets*

Almost half of Singaporean SMEs have no interest in internationalising and taking their business beyond Singapore in the near future, according to the latest findings of an annual survey of Singapore's SME business leaders by global insurer QBE.

The survey of more than 400 firms asked respondents about their thoughts on the economy, growth plans and key challenges facing their business. Of the respondents, 45 per cent said that they will not explore expansion across borders – a figure which rises to 56 per cent for smaller SMEs. Just 14 per cent indicated their intention to internationalise.

The key reasons for this reluctance came down to knowledge of how to do business overseas, as well as questions about whether they could grow their business sustainably in venturing beyond Singapore. Of SMEs currently operating only in Singapore with no intention to internationalise, 42 per cent said they were worried they did not have sufficient funds to expand overseas, while 38 per cent cited unfamiliarity with the standards and processes of foreign markets as a concern. Other prominent concerns include the level of competition in other markets, regulatory and legal compliance and political instability.

“Local SMEs seem reluctant to explore growth prospects beyond Singapore's borders, citing concerns around financing and familiarity with foreign markets,” said Karl Hamann, Chief Executive Officer, QBE Insurance Singapore. “However, there are a number of measures in place to help these firms better understand the complexities of foreign markets. These include multi-country insurance protection plans that can mitigate their risk when expanding and help local firms capitalise on opportunities to grow their businesses and further contribute to the economy at home. Insurers can play an important role in ensuring these opportunities are realised.”

Another possible reason for this lack of appetite for international expansion could be the improving perception of the economy in Singapore, driving belief that sufficient growth can be attained locally. Half of respondents feel the economy will improve in the next 12 months, while just 24 per cent feel it will become worse.

While local SMEs may not yet feel ready to capitalise on growth prospects in new markets, 44 per cent are expecting an increase in sales in the next 12 months – this is an improvement on the 40 per cent of companies who said sales increased in the previous year.

### ***SMEs are digitally ready – mostly***

The overall optimism of local SMEs is reflected in the investments many are planning to make in their businesses, with digitalisation being a key focus. As many as 95 per cent of SMEs surveyed this year currently use, or intend to invest in, digital technologies. Among SMEs who already carry out at least one business process mostly online, 47 per cent believe technology helps make their businesses more productive, as well as reach more customers (43 per cent) and provide better customer service (43 per cent).

However, barriers to digitalisation remain. Again looking at those SMEs who already incorporate online business processes, 48 per cent noted the perceived high cost of investment as a problem while 39 per cent admit their staff lack the necessary skills to fully leverage new technologies to their benefit.

The increasing appetite among SMEs for newer technologies is contrasted by a growing concern around security considerations, 23 per cent of all SMEs surveyed see security of sensitive data as a concern, while 35 per cent of smaller SMEs admitted to having no cyber protection at all. SMEs are therefore exhibiting a need for further education in this area and around specific business protection products currently available to them, such as QBE's recently-launched cyber insurance solution

## ***SMEs remain unprotected against common problems***

Cyber security attitudes are just one worrying development, though. Despite renewed focus on the workplace safety and health (“WSH”) landscape in Singapore, the survey shows that as many as one quarter (22%) of SMEs – that are not required to provide WSH insurance for their employees – may not have any workplace safety and health insurance cover. Additionally, only 59 per cent of SME respondents indicated that they are fully informed of all WSH requirements, which suggests that as many as four in 10 SMEs could still be unaware of specific local WSH requirements and require further education.

Close to a third of SMEs (31 per cent) indicated that they encountered workplace incidents in the past 12 months, indicating a strong de-emphasis of workplace safety and health issues by local SMEs.

This relaxed approach to WSH filters through to business insurance generally. In the last 12 months, more than three-quarters of all SMEs (77 per cent) encountered at least one business issue that could be covered by insurance, highlighting the high probability of running into issues that could cripple a business without proper risk management and mitigation. Yet 11 per cent of smaller SMEs and seven per cent of large SMEs reported not holding any form of insurance at all - a statistic that has not changed significantly since last year’s survey.

Further to this, 46 per cent of SMEs indicated that they will only consider buying insurance when they encounter unfortunate things happening to other businesses – a five per cent increase over last year’s results. An alarming 57 per cent of respondents also indicated that many other factors come before insurance in the priorities for their business, again indicating a de-emphasis and de-prioritisation of business protection plans and policies.

“The annual survey into SMEs offers us a glimpse into the overall state of Singapore’s SME business community. Products we develop and distribute are informed by insights gleaned from this survey, ensuring that our policies continue to serve the exact needs of the local business community. This year’s survey helped identify new areas in which we can partner with local firms, assisting in risk management and mitigation specific to the needs of their individual

# News release



businesses. In the process, we afford them peace of mind to focus on day-to-day operations, business growth, and expansion,” added Mr. Hamann.

**For further information please contact:**

**Christine KAM**

Head of Communications and Marketing  
QBE Insurance (Singapore) Pte Ltd  
Direct: +65 6477 1099  
Mobile: +65 9388 3333  
Email: [christine.kam@qbe.com](mailto:christine.kam@qbe.com)

**Lim Tsu Ern**

Senior Account Executive  
FleishmanHillard Singapore, on behalf of QBE  
Direct: +65 6424 6369  
Mobile: +65 9137 7991  
Email: [tsuern.lim@fleishman.com](mailto:tsuern.lim@fleishman.com)

**About QBE Insurance (Singapore) Pte Ltd**

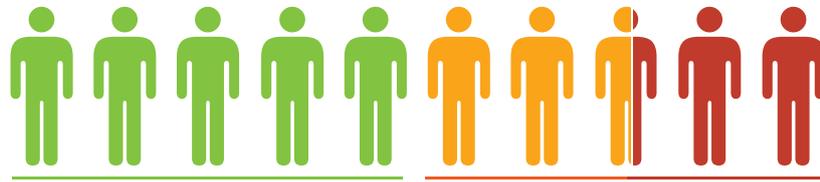
QBE has been represented in Singapore since 1891. As an industry leader with more than 125 years of proven performance in Singapore, QBE's success is built on the strength of our partnerships with professional insurance intermediaries. QBE Singapore is part of the Asia Pacific Division of QBE Insurance Group Limited, one of the top 20 insurers and reinsurers worldwide. QBE Insurance Group's 2017 half-year results can be found at [www.group.qbe.com](http://www.group.qbe.com). Headquartered in Sydney, Australia, the QBE Group operates out of 37 countries and territories around the globe, with a presence in every key insurance market.

**About the research**

This SME research was the third iteration of a survey designed and conducted in September 2017 by ORC International on behalf of QBE, in an effort to better understand SMEs' behaviours and business challenges. Interviews were conducted with 402 SMEs across various industries in Singapore.

# SMEs are hesitant about Internationalisation but optimistic about 2018

## SMEs show optimism towards the economy in 2018



Think economy will be better  
**(50%)**

Think economy will not change  
**(26%)**

Think economy will be worse  
**(24%)**

## What are SMEs' biggest concerns?



Staff acquisition, training, and retention



Increasing costs/Reduced profitability



Increasing competition/ Trying to stay competitive

## Which issues have grown most in concern?

Digitisation



Internationalisation

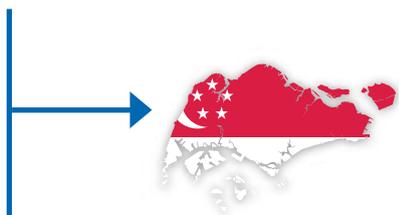


**▲ 16%** from 2016

## Barriers to internationalising



**57%** No intention to internationalise beyond current footprint



**45%** domestic-only SMEs

Why not? (top 2 concerns)

**42%** Worried they do not have sufficient funds to do so

**38%** Unfamiliar with standards and processes of foreign markets



**12%** of SMEs with international presence

Why not? (top 2 concerns)

**36%** Having sufficient financing

**36%** Level of competition in other markets

# Singapore's SMEs are digitally ready



**95%** of SMEs already digitalised, or are intending to invest in digital technologies

Barriers to further digitalisation:

- **48%** Concerned about cost
- **39%** Admitted staff lack necessary skills



**SMEs are dangerously unprotected against common cyber threats**

- **35%** of all SMEs have no cyber protection at all
- Only **23%** of SMEs see security of sensitive data as a concern

## SMEs are relaxed towards Workplace Safety and Health (WSH)

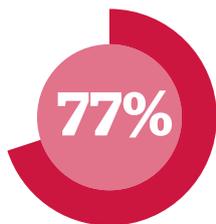


**31%** of SMEs encountered workplace incidents in the past 1 year

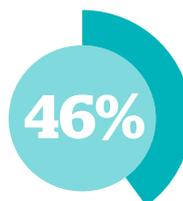


Only **59%** SMEs indicated they are aware of all WSH requirements

## SMEs remain indifferent to business insurance solutions



ran into at least one insurable issue in 2016



will only consider insurance when they see others running into trouble



see insurance as a low-priority to their business