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SME hesitation on digitalisation leading to long-term competitiveness drag: QBE research

Rate of digital adoption slower than expected among SMEs, despite support being readily available

- *57 per cent of Singapore SMEs indicated that financial support from the Government was a key form of support needed to help lift the barriers to digitalising*
- *22 per cent of SMEs indicated an intention to internationalise in 2020*
- *Only 20 per cent of all SMEs agree that the impact of climate change is one of the most relevant social and environmental issues to their businesses*

Singapore SMEs are still apprehensive about digital adoption and are not taking the necessary steps needed to strengthen their business' infrastructure amid an increasingly digitised economy, according to the fifth edition of QBE Insurance's annual survey of Singapore SMEs.

While SMEs are generally keen to digitalise, their main deterrent to doing so is the high cost of investment. 41 per cent of SMEs shared this sentiment, with the second most-cited reason being a lack of financing and funds. Alongside these obstacles, 57 per cent of SMEs indicated that financial support from the Government was a key form of support needed to help lift the barriers to digitalising.

While measures announced in Singapore's 2020 Budget will help SMEs access more working capital, and potentially further digitalise their businesses, more needs to be done in outreach and education around these assistance measures. QBE's SME Survey results revealed that only 31 per cent of SMEs have utilised the Government support available in 2019. This was despite 71 per cent indicating their awareness of support measures, revealing a perceivable gap between awareness and uptake.

Unprepared for technology related business issues

Even as SMEs seek to broaden their businesses in an increasingly digital and data-driven economy, many remain unprepared to handle common business risks associated with the use of technology. While 34 per cent of all SMEs expressed concern over unauthorised access into a

system or computer, only 17 per cent hold business insurance for it. Similarly, just 19 percent of businesses have protection for theft of sensitive data and information via the internet despite 37 per cent expressing concern. Additionally, only 18 per cent and 16 per cent of SMEs held insurance for customer fraud and fraudulent payments via the internet and infringement of intellectual property rights respectively, two issues which will grow in significance in the digital economy.

Overall, Singapore SMEs are progressing towards a future, digital economy. However, they continue to approach new risks lightly with minimal contingency planning – a finding that has been consistent with previous survey results.

“SMEs are the key driving force for Singapore’s economy. It is therefore critical for them to understand the importance of digitalising and scaling up to become more competitive in the marketplace. Assistance provided by the Government, especially more so in the recent Budget announcement, should provide SMEs with the resources to establish proper contingency plans. This helps to ensure that their overall long-term growth is both sustainable and safe,” said Ronak Shah, CEO of QBE Insurance Singapore.

“As insurers, we reach out and become partners to local SMEs, giving them the confidence to navigate an unpredictable economy through identifying and underwriting risks specific to their needs,” he continued.

Despite economic headwinds, SMEs still eager to expand

Businesses were generally slightly more optimistic about the economy and their own business growth in the next 12 months as compared to the same period last year, taking into account that the survey was conducted prior to the COVID-19 outbreak.

The survey also polled SMEs’ internationalisation and expansions plans, with 22 per cent of all SMEs indicating an intention to internationalise – a 4 per cent increase over last year. Of the pool of SMEs who had already internationalised, larger SMEs showed a greater intent to internationalise further than smaller ones.

News release



The reverse proved to be true for domestic-only SMEs who intend to internationalise. Smaller domestic-only SMEs showed a stronger intention to go abroad as opposed to their medium and large-sized peers. Singapore SMEs' eagerness to expand overseas also runs parallel to the Government's Enterprise Grow Package announced at Budget 2020, allowing firms access to more guidance and funding to help SMEs achieve their ambitions to expand.

Of all international markets, Singapore SMEs have a unanimous preference to expand to Malaysia the most, which is understandable given the proximity between Singapore and Malaysia. However, it was interesting to note that the larger SMEs listed Hong Kong as their second destination of choice to expand to following Malaysia, with 34 per cent of them indicating it as such.

Most SMEs continue to be indifferent towards climate change

Discussion on climate change has increased in Singapore. However, although a growing number of SMEs are seeing the relevance of the impacts of climate change on their businesses, a majority of them are still indifferent to the potential impacts on their business. Only 20 per cent agreed that the impact of climate change was one of the most relevant social and environmental issues to their businesses.

Among all social and environmental issues, SMEs found employee health, safety and wellbeing, and labour conditions most relevant to their businesses, and ranked these at a higher importance than the impact of climate change. Many Singapore SMEs fail to perceive any impact from climate change on their businesses and continue to maintain their focus on more immediate needs and goals.

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QBE has been represented in Singapore since 1891. As an industry leader with more than 128 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 International Division of QBE Insurance Group Limited. QBE Insurance is listed on the Australian Securities Exchange, headquartered in Sydney, and operates in 27 countries.

About the research

This SME research was the fifth iteration of a survey designed and conducted in December 2019 by ENGINE on behalf of QBE, in an effort to better understand SMEs' behaviours and business challenges. Interviews were conducted with 400 SMEs across various industries in Singapore.

Singapore SMEs not digitalising at pace



41% cited **high cost of investment** as main deterrent

39% cited **lack of financing and funding** as a major concern

57% agreed that **financial support from government** is needed

SMEs are also unprepared for technology-related business issues



17% hold business protection for unauthorised access into computer systems yet **34%** state they are concerned about this risk

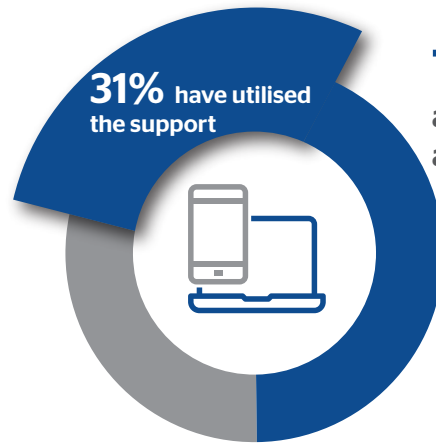


19% hold business protection for theft of sensitive data & information via the internet yet **37%** state they are concerned about this risk



16% hold business protection for infringement of intellectual property rights yet **36%** state they are concerned about this risk

There's an awareness and uptake gap in government support towards digitalisation

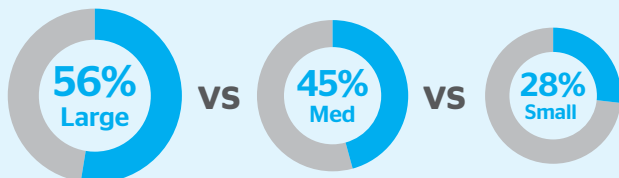


SMEs still showing appetite for internationalisation

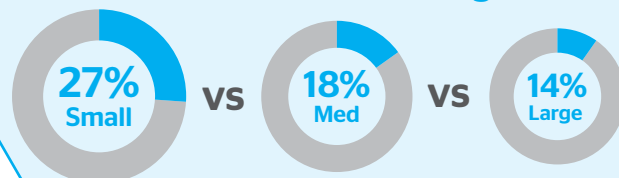


22% indicated an **intention to internationalise** (↑4% on 2018)

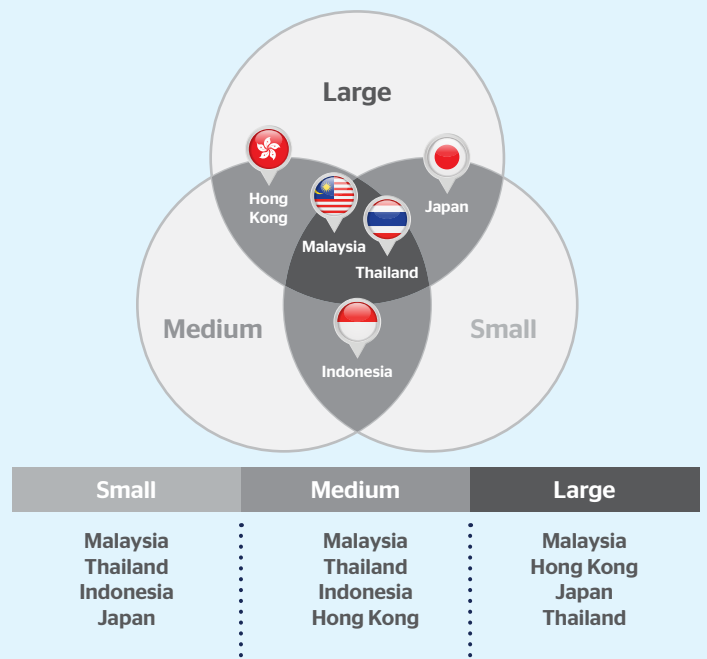
Of internationalised SMEs, larger SMEs show more inclination towards further internationalisation



Among domestic-only SMEs, smaller SMEs show greater intent in internationalising



Countries of preference for SMEs (in order of preference)



Singapore SMEs indifferent towards climate change



Only **1 in 5** SMEs agree that the **impact of climate change** was one of the most relevant social and environmental issues to their businesses

SMEs show more concern towards issues around human resources



53%
Employee safety and wellbeing



37%
Labour conditions



27%
Diversity and inclusion

Business protection is still an afterthought for SMEs



69% of SMEs have run into business issues in the last 12 months

Yet **9%** still do not hold any business insurance

More SMEs acknowledged that having insurance helps the business operate better and serve their customers better

57% indicated that they are satisfied with minimum insurance coverage

