

UOB: Productivity push the top priority for SMEs as they prepare for an uncertain business environment in 2020

Digitalisation, electronic payments and sustainability among other areas of focus for SMEs

Singapore, 7 January 2020 – Small- and medium-sized enterprises (SMEs) plan to focus on boosting productivity as they grapple with a mixed business outlook this year, according to a survey¹ by United Overseas Bank (UOB). After implementing productivity measures (51 per cent), their other top priorities for 2020 include reducing costs (43 per cent) and developing new sources of revenue (42 per cent).

Their emphasis on ensuring profitability is set against varying expectations for the year ahead. Just under half (46 per cent) of the 615 SMEs surveyed said they hold a positive outlook for their business for 2020. In contrast, one in three SMEs (31 per cent) said they have a negative outlook, while the remainder of SMEs are neutral. The top concerns driving sentiment in 2020 are the continued slowdown in global demand (23 per cent), the impact of ongoing US-China trade tensions (18 per cent) and the strengthening of the Singapore dollar, which SMEs worry will impact their competitiveness (17 per cent).

When looking across sectors specifically, companies in the business services² sector are the most optimistic about their outlook in 2020. This may be due to the positive growth they experienced in 2019³. On the other hand, those in the wholesale⁴ and retail⁵ sectors have the least positive outlook, given the negative growth in the sector last year⁶.

¹ The survey was conducted in late November 2019 among 615 local SMEs with revenue less than S\$100 million to understand how they plan to achieve their business objectives in 2020.

² The business services sector is made up of several diverse industries such as real estate, legal activities, accounting activities, business and management consultancy activities, architectural and engineering activities, business representative offices and other business services. Source: Overview of Singapore's business services sector, Ministry of Trade and Industry (MTI). https://www.mti.gov.sg/-/media/MTI/Legislation/Public-Consultations/2008/Overview-of-Singapores-Business-Services-Sector/ess_2007ann_business.pdf

^{3, 5} According to MTI data on economic performance in the third quarter of 2019. Source: <https://www.singstat.gov.sg/-/media/files/news/gdp3q2019.pdf>

⁴ Wholesalers are those who import or purchase goods from manufacturers or other wholesale suppliers and sell to retailers, other wholesalers, manufacturers and overseas buyers. Source: Overview Of Singapore's Wholesale Trade Sector, MTI. https://www.mti.gov.sg/-/media/MTI/Legislation/Public-Consultations/2009/Overview-of-Singapores-Wholesale-Trade-Sector/aes_2008_wholesale.pdf

⁵ Retail trade establishments sell merchandise directly to the consumers. Source: Retail Sales Index and Food & Beverage Services Index, MTI. <https://www.singstat.gov.sg/-/media/files/publications/industry/mrsoct19.pdf>

Mr Mervyn Koh, Managing Director and Country Head of Business Banking, Singapore, UOB said, “Our survey results indicate that factors such as trade tensions are weighing down on SMEs’ outlook. As such, they are focused on prioritising productivity improvements for better performance against an uncertain macro environment. One of the ways SMEs are planning to achieve their productivity goals is to increase their investments in technology, which not only helps with increasing efficiency but also enhances their competitiveness in the long term.”

SME to continue to digitalise in 2020

The survey found that SMEs across all sectors are taking the need to digitalise seriously, with 65 per cent already using digital solutions in at least one area of their business. The processes which SMEs have digitalised include accounting (46 per cent), payroll (45 per cent) and marketing (38 per cent).

While good progress is already being made in the digitalisation journeys of SMEs, 38 per cent said they would continue to digitalise more processes in 2020. The top three areas where digital solutions will be implemented are expense management (24 per cent), customer relationship management (24 per cent) and sales (23 per cent).

“We can see from the survey results that more SMEs have started integrating technology into their business, especially for internal processes such as accounting and payroll. In particular, as SMEs increase the use of technology to digitalise their business processes, they should also consider electronic invoicing which provides an added benefit of helping the entire payments value chain. By doing so, businesses will not only become more efficient but also benefit from the ability to invoice their customers more quickly for better cash flow,” Mr Koh said.

SMEs increasing their use of electronic payments this year

In the area of payments, 88 per cent of SMEs indicated that they plan to increase their use of electronic payments this year. SMEs that remained hesitant to using electronic payments indicated concerns such as acceptance from their customers or suppliers (33 per cent), the security of electronic payment services (33 per cent) and the need to provide their employees access to the account (31 per cent).

To help SMEs adopt electronic payments, UOB has launched solutions such as UOB mCollect, a QR-based collections solution that digitalises the cash-on-delivery model. With UOB mCollect, businesses will be able to collect payments from their buyers via PayNow at the point of delivery, helping them reduce the risk inherent in handling cash while also improving cash flow and productivity.

Most SMEs have yet to make plans for the planned GST increase

Despite most SMEs being aware of the planned goods and services tax (GST) increase to nine per cent between 2021 to 2025, less than half (41 per cent) have made plans to manage the increase. Small businesses, those with less than \$20 million in revenue, said they are less prepared for the GST increase. Only 24 per cent reported they have started implementing measures such as investing in technology (66 per cent), raising productivity (64 per cent) and moving up the value chain (52 per cent).

“The measures chosen by SMEs to manage the anticipated increase in GST suggest that are looking for ways to mitigate the increase in costs without passing it on to customers. This will ensure that they remain competitive without jeopardising customer loyalty,” Mr Koh said.

Sustainability on the minds of SMEs

SMEs (59 per cent) also said they were looking at how they could improve the sustainability of their business operations. This focus was given higher importance by those in the business services, information communications and technology and transport and logistics sectors.

To enhance their business’ sustainability, SMEs indicated that they have either implemented or plan to incorporate the more efficient use of resources (47 per cent), clear operational policies and processes for better governance (43 per cent) and energy-efficient equipment and technologies (40 per cent) within their business operations.

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About United Overseas Bank

United Overseas Bank Limited (UOB) is a leading bank in Asia with a global network of more than 500 offices in 19 countries and territories in Asia Pacific, Europe and North America. Since its incorporation in 1935, UOB has grown organically and through a series of strategic acquisitions. UOB is rated among the world’s top banks: Aa1 by Moody’s and AA- by both Standard & Poor’s



and Fitch Rating. In Asia, UOB operates through its head office in Singapore and banking subsidiaries in China, Indonesia, Malaysia, Thailand and Vietnam, as well as branches and representative offices across the region.

Over more than eight decades, generations of UOB employees have carried through the entrepreneurial spirit, the focus on long-term value creation and an unwavering commitment to do what is right for our customers and our colleagues.

We believe in being a responsible financial services provider and we are committed to making a difference in the lives of our stakeholders and in the communities in which we operate. Just as we are dedicated to helping our customers manage their finances wisely and to grow their businesses, UOB is steadfast in our support of social development, particularly in the areas of art, children and education.

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