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**Speech by Dev Dhiman,
Managing Director, South East Asia & Emerging Markets for Experian
At the 2017 SME Development Survey Media Conference**

November 20, 2017

- 1 Ladies and Gentlemen,
- 2 Thank you for joining us this morning as we present the findings of the 2017 SME Development Survey.
- 3 Let me begin by telling you about the importance of this survey and the way we have approached it this year.
- 4 DP Information Group, which is part of the Experian Group, conducted the first SME Development survey in 2003.
- 5 During the last 15 years, the aims of this survey have not changed. The goal remains to give SMEs a voice on the challenges they face and the issues that affect them.
- 6 The success of the survey can be measured in multiple ways.
- 7 First, this survey has been embraced by the members of the SME community.
- 8 They understand its importance and are prepared to take the time to complete the detailed survey form.
- 9 To ensure the survey is representative of the wider SME community, 10,000 SMEs in seven industries are invited to participate.
- 10 This year more than 2,500 SMEs completed the survey - a response rate of more than 25 per cent, which is an outstanding result for any external business survey.
- 11 The second measure of the survey's success is the impact and influence it has on its audience.

- 12 Each year DP Info works with multiple government agencies to develop the survey themes and questions.
- 13 The government agencies support our efforts because they use the survey results to frame their thinking and to guide their policy development.
- 14 The survey is also used by financial services firms and other SME partner organisations to develop products and services that better meet the needs of SMEs.
- 15 Let me now share the major findings of this year's survey.

MANPOWER PRESSURES EASE

- 16 This year's results show that Singapore has a strong cohort of SMEs that are resilient, and able to adapt to changes in the business environment in which they operate.
- 17 However, the survey also shows the numerous challenges SMEs face, many of which are out of their control and which have the potential to curtail their chances for growth.
- 18 In terms of their ability to adapt, there can be no better example than the response of SMEs to the changes in manpower policy.
- 19 The restriction on foreign labour introduced by the Government was always going to force SMEs to make a paradigm shift in the way they operated.
- 20 The question was whether Singapore's SMEs could survive the adjustment to foreign labour access that helped make them competitive.
- 21 In this year's survey, we see strong indicators that SMEs have emerged from their manpower challenges and are again looking at ways to achieve growth.
- 22 This year the proportion of SMEs experiencing difficulties with manpower costs has fallen to its lowest level in five years.
- 23 Between 2012 and 2013 – when the foreign labour restrictions began to bite – the proportion of SMEs with manpower concerns jumped from 72 per cent to 85 per cent.

- 24 However, as a sign that SMEs were quick to adapt to the change, the percentage has fallen every year since 2013.
- 25 This year the percentage of SMEs challenged by manpower is 70 per cent – 2 per cent lower than it was in 2012 when the labour restrictions were first introduced.
- 26 There has also been a significant decline in the proportion of SMEs having difficulties hiring the staff they need, from 49 per cent in 2014 to 26 per cent in 2017.
- 27 The foreign labour restrictions required SMEs to find more sustainable ways of doing business through productivity improvements and investing in technology.
- 28 And now, as manpower and hiring concerns ease, SME are also easing back on their productivity efforts.
- 29 The percentage of SMEs whose main cost management strategy was to raise productivity fell from 42 per cent in 2016 to 29 per cent this year.
- 30 So these numbers tell us the strategies SMEs have adopted in response to the changes in the labour market are working.
- 31 Keeping costs down will always be a priority for SMEs and for most there is no greater cost than manpower. While the cost of manpower remains a concern, its prominence is becoming lesser.

SMEs REFOCUS ON GROWTH

- 32 The easing of manpower and productivity as issues means SMEs have more time and energy to focus on other aspects of their business.
- 33 The good news is that SMEs are again becoming focused on growth.
- 34 There is an increased focus on marketing and branding, both of which are designed to expand the SMEs' existing client base as well as generate increased loyalty and patronage from existing customers.

- 35 Raising customer service is the most popular strategy for the coming year with 27 per cent planning to make improvements to this aspect of their operations.
- 36 SMEs are becoming increasingly customer centric and moving away from the more inward-looking tactics such as cost suppression.
- 37 Nineteen per cent of SMEs plan to drive sales through increased marketing efforts, making this the second most popular business strategy among SMEs.
- 38 To put this in perspective, three years ago the number of SMEs focused on marketing was just two per cent.
- 39 At the same time, the percentage of SMEs focusing on brand visibility has increased to 13 per cent this year compared to three percent three years ago.

FINANCE-RELATED ISSUE THE BIGGEST THREAT

- 40 There is one looming threat on the horizon, which has the potential to derail the growth ambitions of SMEs. And that is the issue of cash flow.
- 41 More than a third (35 per cent) of SMEs are currently experiencing finance-related issues.
- 42 This represents a sizable 13 per cent jump in just 12 months and is the highest percentage since the survey began tracking the issue in 2011.
- 43 To put it another way, the number of SMEs with finance-related issues has more than doubled since 2014.
- 44 Concern about finance is not just in one or two sectors, it is an emerging issue for SMEs in every sector, with the most notable increases among Information & Communications SMEs (up 16 per cent) and Manufacturing SMEs (up 16 per cent).
- 45 The biggest finance-related issue facing SMEs is that their customers are not paying them on time.

- 46 Among the SMEs with finance-related issues, the number of SMEs experiencing a delay in payment from a customer skyrocketed from 14 per cent in 2016 to 81 per cent this year – an increase of nearly 500 per cent.
- 47 Customer payment problems have overtaken high interest rates as the dominant finance-related issue confronting SMEs.
- 48 The gap between supplier terms and the credit given to customers, along with slower payments, is increasing the risk of cash flow and working capital problems among SMEs.
- 49 Cash flow constraints have the potential to hold back the growth strategies SMEs intend to pursue during the next 12 months.
- 50 At first glance, an increase in the late payment of bills does not seem something to be overly concerned about.
- 51 However, delays and defaults can have a domino effect that causes problems right through the SME ecosystem.
- 52 As more and more SMEs delay or default on payments, the creditor companies start to experience cash flow problems of their own.
- 53 They in turn delay their payments to other SMEs. When this happens, more and more SMEs are impacted, and the result is a serious risk to the operations of many SMEs.

TECHNOLOGY SHIFTS FROM PRODUCTIVITY TO REVENUE

- 54 I would now like to discuss the survey results on the way SMEs are approaching their investment in technology.
- 55 The proportion of SMEs investing in technology peaked in 2014 and has stayed above 50% since.
- 56 There is, however, a noticeable shift in the way SMEs are using their technology spend and benefitting from it.

- 57 During the last few years, investing in technology was a common response by SMEs to the tighter labour situation.
- 58 But as we have seen in the results I discussed earlier, the need to drive more and more productivity from their workforce has eased.
- 59 Now the biggest benefit from technology is increased revenue growth. This means SMEs are investing in things such as e-commerce platforms, data-mining of customers and enhanced sales functions.
- 60 This year 60 per cent of SMEs said they are getting revenue gains from technology compared to 48 per cent in 2015's survey.
- 61 The survey findings on technology are consistent with the data which shows a shift away from manpower and productivity issues towards growth and revenue generation.
- 62 In other words, this year's SME Development survey shows SMEs are no longer just trying to survive but looking for ways to thrive.

ACKNOWLEDGEMENTS

- 63 In a moment we will take you through a detailed presentation of the survey results.
- 64 But before I do, I want to acknowledge the strategic partners that worked with us on this survey - SPRING Singapore, IE Singapore, Workforce Singapore and the Singapore Business Federation.
- 65 I would also like to acknowledge our supporting organisations: Standard Chartered Bank and UOB.
- 66 I would now like to introduce Mr Ian Chow, DP Info's Head of Research to present detailed findings from this year's survey.
- 67 Thank you.

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