



Singapore SMEs optimistic for 2024, despite increasingly challenging business environment, QBE survey unveils

- QBE's survey suggests SMEs are not buying the most appropriate insurance for today's operating environment. Despite SMEs having a moderate or high levels of concern for multiple business risks, they also do not purchase adequate insurance coverage to meet these risks.
- The complexity of today's risks is prompting customers to favour an omnichannel sales experience, combining online information with in-person expertise and service.
- 60% of SMEs expect the economy to perform better this year than last year, with 58% of SMEs reporting increased sales in 2023, and 62% expecting further increases in 2024.

Singapore, 6 March 2024 – In its annual survey of the views and experiences of business leaders heading and/or managing Singaporean small and medium-sized enterprises (SMEs), respondents shared their top business challenges and the risks associated with these. Some 605 SMEs were surveyed between December 2023 and January 2024. *

Half (50%) of those that took part said that increasing costs and reduced profitability was the top business challenge, with 40% finding sales growth and reduced customer spending a key issue as well.

Other noteworthy challenges included increasing competition, staff acquisition, and cash flow and access to funding, with 39%, 37% and 36% of respondents respectively expressing angst over these matters.

Accordingly, the top business concerns shared by SME leaders were the input costs associated with running a business, said 39% of respondents, with customer acquisition, long-term profitability, and staff costs concerning 37%, 34% and 33% of participants respectively. One-third of respondents also expressed concern for hiring and retaining staff with the required skills, experience, and attitude.

Actions speak louder than words

Some 72% of SMEs surveyed experienced at least one business issue during 2023, down from 88% a year earlier and 74% two years ago. The most common incident that took place during the year was being 'hacked', where sensitive data and information was stolen via the internet, said 24% of respondents. Loss of income due to a business interruption came in second (19%), with being liable to others due to a problem with products or services third (17%), key staff leaving the business fourth (16%), and damage to or loss of inventory fifth (16%).

In terms of the levels of concern held for various business risks, those deemed to pose moderate-to-high levels included loss of income due to business interruption, said 77% of participants; with liability to others due to accidents or negligence, and loss of staff, also top concerns, according to 74% of respondents. 73% showed moderate-to-high levels of concern for losses due to equipment breakdown.

However, these concerns have yet to translate into adequate insurance coverage. Mr. Shun Quan Goh, Head, Underwriting, Retail & SME, QBE Singapore, remarked, "There remains a notable gap between respondents expressing moderate-to-high levels of concern for various risks, and the purchasing of insurance policies to mitigate them."

For example, while more than three-quarters of participants show concern for loss of income due to business interruption, only 22% have policies in this area. Likewise a similar proportion of respondents are concerned about damage to or loss of inventory, with just 23% having insurance to cover this.

Although about 40% of SMEs are concerned about the loss of key staff, only around 15% hold an insurance policy to protect themselves for this risk.

Mr Goh continued, “Our findings not only imply that many Singapore SMEs are underinsured, they also imply that SMEs will benefit from reviewing the mix of insurance coverage they hold to better address today’s risk environment. Our SMEs are clearly buoyed by their future prospects, and I would urge them not to let success slip through their fingers because of inadequate risk mitigation.”

Tailored solutions go hand-in-hand with digitalisation initiatives

Some 76% of respondents prefer an insurance package tailored to their industry needs, and which cover multiple business risks. Such demand is also reflected in the desire for an omnichannel sales experience, where customers use the internet to research the many different policies available from insurers, yet purchase a bespoke set of policies from intermediaries including agents, brokers and banks who can provide detailed counsel.

Two thirds of participants said they prefer purchasing offline – up from 55% last year; with 34% buying policies online either directly with a provider, or through an online aggregator, down from 45% last year. 40% specified that they wanted in-person contact when purchasing policies. That said, the online channel has clear benefits to customers, with one-third of respondents saying it helps them compare policies from different providers, with 32% saying it saves them time and is easy to use.

Mr. Ronak Shah, CEO of QBE Singapore commented, “These findings underscore the trust customers place in intermediaries and insurance companies. They also emphasise the high quality, seamless service that they expect by using multiple sales channels.

With three-quarters of SMEs needing a tailored package to meet their insurance requirements, this outlines the complexity of today’s risk landscape, as well as the need for insurers to provide a suite of bespoke solutions for each and every customer. We know that customers are seeking a simple and easy-to-purchase experience that includes both online claim and settlement processes, as well as consultation and quick responses from their agents. We continue to invest heavily in this regard through initiatives like Qnect¹ to support our intermediaries and customers.”

A more positive outlook in 2024

Looking ahead, 75% of SMEs expect the GST increase to have a negative impact on the economy, followed by increasing operating costs (62%), rising global inflation (62%), rising energy prices (52%) and decreasing customer demand domestically (52%) rounding up the top five economic conditions that most concern them.

Nonetheless, many SMEs maintain a favourable outlook on the economy, and in tackling these economic concerns, 66% of SMEs are thinking of cost control, 49% are looking to the government for support and relief measures, 36% are downsizing or streamlining their operations, 35% are diversifying their customer base and/or seeking local opportunities, as well as exploring international business opportunities (33%). Accordingly, 60% of them expect an improved economic outlook in 2024, in line with the previous year’s 59%.

Furthermore, 62% of SMEs expect an increase in sales during 2024, with 58% of respondents reported having increased sales in 2023. Of those expecting business growth in the coming year, 52% plan to prioritise investment in staff training, with spending on capital (48%) and insurance coverage (48%) following closely behind.

¹ Qnect is a QBE portal providing intermediaries with a unified digital experience to manage end-to-end transactions across multiple lines and types of business. The portal is into its 10th year of use this year.

Mr. Shah added, “There is clearly appetite from SMEs to better protect themselves amid global headwinds and the recent Enterprise Support Package² announced by the Singapore government points to addressing similar concerns, aimed at helping local businesses manage rising costs. To this end, insurers like ourselves can play a key role in helping SMEs – the survey results demonstrate our ear to the ground and illustrate that with the right mix of insurance coverage, firms can shield themselves against foreseeable business risks, in support of their future growth plans.”

For results of the same survey conducted with Hong Kong SMEs, please visit this [link](#).

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***Notes to editors:**

This is the first of a two-part survey results: A second analysis focused on operational risks that affect SMEs covering the areas of artificial intelligence, cyber risks, workplace safety and health will be ready and released before the second half of 2024.

Singapore-Hong Kong SME survey: Business outlook summary

2024 vs. 2023 results	Singapore	Hong Kong
Top 5 business challenges (2024 : 2023)	<ol style="list-style-type: none"> 1) Increasing costs / reduced profitability (50% : 16%) 2) Sales growth / reduced customer spending (40% : 15%) 3) Increased competition (39% : 3%) 4) Staff acquisition and retention / labour shortage (37% : 23%) 5) Finances (cash flow, funding, investments, forex etc.) (36% : 8%) 	<ol style="list-style-type: none"> 1) Increasing costs / reduced profitability (40% : 12%) 2) Staff acquisition and retention / labour shortage (39% : 12%) 3) Finances (cash flow, funding, investments, forex etc.) (34% : 7%) 4) Shortage of orders / business decline / closing down (33% : 29%) 5) Customer acquisition and retention / changing customer expectations (32% : 17%)
Top 5 business concerns (2024 : 2023)	<ol style="list-style-type: none"> 1) Cost of running the business (39% : 40%) 2) Getting new customers / keeping customers (37% : 33%) 3) Long-term profitability (34% : 28%) 4) Cost of staff (33% : 33%) 5) Hiring and keeping the right staff (33% : 27%) 	<ol style="list-style-type: none"> 1) Cost of running the business (35% : 34%) 2) Getting new customers / keeping customers (33% : 37%) 3) Consolidating services (33% : NA) 4) Cost of staff (31% : 20%) 5) Long-term profitability (30% : 29%)
Business outlook (2024 : 2023)	<p>Economic confidence</p> <ul style="list-style-type: none"> • Better (60% : 59%) • Unchanged (22% : 23%) • Worse (18% : 17%) <p>Business sales outlook</p> <ul style="list-style-type: none"> • Increase (62% : 58%) • Unchanged (25% : 31%) • Decrease (13% : 10%) 	<p>Economic confidence</p> <ul style="list-style-type: none"> • Better (70% : 47%) • Unchanged (14% : 25%) • Worse (16% : 28%) <p>Business sales outlook</p> <ul style="list-style-type: none"> • Increase (70% : 47%) • Unchanged (20% : 27%) • Decrease (10% : 20%)

² <https://www.mof.gov.sg/docs/librariesprovider3/budget2024/download/pdf/annexb2.pdf>

About QBE Singapore

Established in 1891, QBE Singapore is a trusted provider of specialist expertise and professional insurance services. As a business insurance specialist, QBE Singapore offers a range of insurance products from the standard suite of property and casualty to the specialist financial lines, marine and construction. All are tailored to the individual needs of its small, medium and large customer base.

QBE Insurance (Singapore) Pte Ltd is part of the QBE Insurance Group listed on the Australian Securities Exchange and headquartered in Sydney. Present in Singapore for more than a century, QBE Singapore is the Republic's oldest registered Australian company. For more information, visit www.qbe.com/sg

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Singapore SME Survey 2024



Financial issues are impeding many SMEs:

50%

of respondents said that increasing costs and reduced profitability was the top business challenge.

40%

said finding sales growth and reduced customer spending also a key issue.

39%

cited increased competition as a key challenge as well.

The top business concerns shared were:



37%

Customer acquisition



39%

Input costs associated with running a business



34%

Long-term profitability

Risks concerns aren't translating into policies:



72% experienced at least one

business issue

during 2023.



Being hacked

was the most prevalent issue, said 24% of respondents.

SMEs are overall underinsured, suggests the survey's findings:



- 77% said that they were moderately or highly concerned about loss of income due to business interruption – **yet only 22% hold policies.**
- 74% said that they were moderately or highly concerned about liability due to accidents or negligence – **yet only 23% hold policies.**
- 74% said that they were moderately or highly concerned about loss of key staff – **yet only 15% have policies.**

Tailored solutions go hand-in-hand with digitalisation initiatives.

66%

say they prefer purchasing insurance offline.



40%

specified that they wanted in-person contact when buying policies.

However, online purchases offer several benefits to customers:

33%

say it helps them compare policies.



32%

say it is easier, and saves them time.

A more positive year awaits

Despite macroeconomic and industry specific headwinds, survey respondents are generally optimistic about the year ahead.

Economic outlook

60% expect an improved economic outlook in 2024.

Sales

62% predict an increase in sales during 2024.

Speak to a QBE agent or broker about your insurance and risk management needs today.

Visit us at qbe.com/sg or contact us at info.sing@qbe.com

Source: 2024 SME market research commissioned by QBE Singapore