

Digitalisation efforts pay off for Singapore SMEs with rise in revenue: *UOB SME Outlook Study 2021*

SMEs that have digitalised more optimistic about post-pandemic recovery

Singapore, 22 March 2021 – With COVID-19 battering bottom lines in 2020, a positive lesson has come to the fore for small- and medium-sized enterprises (SMEs) looking to improve their business profitability. In the *UOB SME Outlook 2021 Study*¹, it was found that two in five SMEs (41 per cent) who had implemented digitalisation initiatives in 2020 experienced stronger revenue growth than non-adopters.

More starkly, those that had digitalised their entire business or multiple areas reported better revenue growth than those that digitalised only one area. In contrast, six in 10 SMEs that did not adopt any digital tools saw a decline in their 2020 net revenue as compared with 2019.

SMEs that have digitalised are also more optimistic about the road ahead in 2021. Three in five (58 per cent) of SMEs who have digitalised said they are expecting revenue to grow this year, compared with just 32 per cent of SMEs among non-digital adopters. Seven in 10 SMEs that have adopted digital tools also feel more prepared for a post-COVID-19 business recovery, compared with four in 10 SMEs among those who have not yet digitalised their business.

Mr Lawrence Loh, Head of Group Business Banking, UOB, said, "Digitalisation offers businesses many opportunities, from improving their processes and reaching out to new customers to having a direct and measurable impact on their revenue. The *UOB SME Outlook 2021 Study* demonstrates that close to one in two SMEs who proactively took steps to adopt digital tools last year are already seeing benefits such as greater productivity and efficiency gains, improved customer experience and higher revenue, even in a volatile business environment. The digitalisation journey is a long one and we urge SMEs to stay the course to see their efforts pay off when they emerge stronger through the pandemic."

¹ The survey was conducted from late November 2020 to early December 2020 among 782 local SMEs with revenue less than S\$100 million to understand the state of digital adoption among SMEs in Singapore and the support they desire for their digitalisation needs.

Productivity and efficiency gains top the list for benefits of digitalisation

Boosting productivity has been a top priority² for SMEs looking to achieve business objectives in 2020, even before COVID-19. The continued slowdown in global demand, the impact of US-China trade tensions and the strengthening of the Singapore dollar, were all issues that SMEs worried would impact their competitiveness.

Hence, it is notable that by the end of last year, productivity and efficiency gains emerged as the most significant benefit of digitalisation. SMEs in the business services, manufacturing and engineering, community and personal services, technology, media and telecoms as well as consumer goods sectors saw the highest percentage increase in productivity gains (refer to figure 1).

Figure 1: Productivity and Efficiency Gains by Sector

Sector	Year-on-year percentage increase in productivity and efficiency
Business Services	49
Manufacturing and Engineering	46
Community and Personal services	44
Consumer Goods	42
Technology, Media and Telecoms	42
Constructions and Infrastructure	37
Wholesale Trade	32
Professional Services	27
Real Estate and Hospitality	22

In 2020, SMEs said they needed to ensure they had a more sustainable business model for the long-term. Six in 10 prioritised technology investments³ to overcome the impact of the COVID-19 pandemic on their operations. Correspondingly, aside from higher productivity and efficiencies, the top five benefits of

² Please refer to UOB press release at <https://www.uob.com.sg/web-resources/uobgroup/pdf/newsroom/2020/UOB-SMEs-2020.pdf>

³ Please refer to UOB press release at <https://www.uobgroup.com/web-resources/uobgroup/pdf/newsroom/2020/ASEAN-small-businesses-technology-beat-COVID-19.pdf>

digitalisation were improved customer experience, increased coordination across departments, enabling remote working and driving business performance. This was especially important with COVID-19 lockdowns and border closures.

Smaller SMEs seek greater support for digitalisation

The study also found that small businesses⁴ are lagging behind their larger peers in digital transformation. Seven in 10 all SMEs (72 per cent) that have not yet digitalised are smaller businesses. Their top reasons for not adopting digital tools are that digitalisation is expensive (34 per cent), they fear cybersecurity issues (31 per cent) and their employees do not have the necessary digital skillsets (31 per cent). These SMEs also said they have insufficient funds to continue with digital adoption (26 per cent) or find it hard to justify the value of the investment (28 per cent). Some are facing incompatibility issues between old and new systems (25 per cent).

“Small businesses tend to have limited resources and as such, may form the view that digitalisation is too expensive or complicated for them. To help overcome these challenges, we set up a team of dedicated technology specialists to provide hands-on support in determining the areas of their business which can benefit from technology and the relevant solutions for them. Since then, we have already helped more than 10,000 small businesses set up additional revenue channels online quickly and conveniently through digital solutions such as UOB BizSmart⁵, enabling them to reach out to broader networks for new sales opportunities.

“The Bank also works with ecosystem partners such as the government on the Start Digital Programme. Through the programme, we are able to help companies take their first step into digitalising with setup costs defrayed for the first 12 months. Apart from helping businesses to digitalise their processes, we have also collaborated with PingAn OneConnect and the Infocomm Media Development Authority on the OneSME platform. The platform connects businesses to cross-border trade opportunities by linking them up with buyers in China, providing export opportunities⁶,” Mr Loh said.

⁴ Small businesses are defined as those with turnover of less than S\$10 million. Larger SMEs refer to businesses with turnover of between S\$10 million and S\$100 million

⁵ UOB BizSmart is a suite of cloud-based integrated solutions that helps small businesses to digitalise operations including accounting, payroll, sales, procurement and inventory management.

⁶ For more information on the OneSME platform, please visit the website here: <https://onesme.ocft.com/>

Marketing and inventory management among top priorities for digitalisation in near future

Marketing and inventory management have made the top five priorities of SMEs for digitalisation in the near future, along with payroll, accounting and sales. This comes as one in two Singapore consumers⁷ (51 per cent) prefer to shop at local businesses to help them recover from COVID-19 and consumers doubled their spending on e-commerce in 2020 compared with 2019.

SMEs that place greater emphasis on the need to use digital tools for marketing are in sectors such as consumer goods, professional services and real estate/hospitality. Meanwhile, SMEs in the consumer goods as well as construction and infrastructure sectors are looking to ramp up digitalisation for their inventory management in the near future.

This is in contrast to 2020 itself, where electronic payments and electronic invoicing ranked among the top five digitalisation priorities of SMEs, along with payroll, accounting and sales. The rise in electronic payment implementation by SMEs came in step with the increase in demand for cashless payments. Seven in 10 consumers⁸ in Singapore said that since the onset of the COVID-19 virus, they had increased their use of digital or cashless payment methods, such as credit or debit cards, mobile banking apps and e-wallets.

– Ends –

About UOB

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 Investors Service and AA- by both S&P Global Ratings and Fitch Ratings. 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.

⁷ Please refer to UOB Press Release at <https://www.uobgroup.com/web-resources/uobgroup/pdf/newsroom/2020/Singaporeans-help-local-businesses.pdf>

⁸ Please refer to UOB Press Release at <https://www.uobgroup.com/web-resources/uobgroup/pdf/newsroom/2021/UOB-survey-shows-70-per-cent-of-consumers-increased-digital-payment-usage-in-Singapore.pdf>



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.

For media queries, please contact:

Vivienne Khoo

Group Strategic Communications and Brand

Email: Vivienne.Khoo@uobgroup.com

Tel: (65) 6539 2237

Leong Jie Xiang

Group Strategic Communications and Brand

Email: Leong.JieXiang@UOBGroup.com

Tel: (65) 6539 5661

