

ASEAN small businesses count on technology to beat COVID-19

Technology also viewed as a solution to overcome cash flow challenges

Singapore, 1 July 2020 – Small businesses across ASEAN are counting on technology to help them overcome the impact of the COVID-19 pandemic on their operations. Technology was ranked the top investment priority for 2020 by two in three (64 per cent) small businesses, including those who currently have cash flow concerns. This is according to a recent survey of 1,000 ASEAN small businesses conducted by United Overseas Bank (UOB), Accenture and Dun & Bradstreet. The research sought to understand how the small firms were adapting to the business environment given the changes brought on by the pandemic¹.

Across ASEAN, Thailand had the highest proportion (71 per cent) of respondents prioritising technology investments in 2020, followed by Indonesia (65 per cent), Vietnam (63 per cent), Singapore (60 per cent) and Malaysia (59 per cent).

The survey also found that small businesses across ASEAN are persevering in their efforts to invest in technology even when faced with the prospect of declining revenue. Although close to nine in 10 (88 per cent) of these businesses have lowered their revenue expectations in 2020, almost half of them (44 per cent) still plan to increase their overall technology budget. This suggests that ASEAN small businesses are looking beyond the present challenges and are set on adopting technology to improve their competitiveness and sustainability.

Mr Lawrence Loh, Head of Group Business Banking, UOB, said, “The unprecedented economic, business and social impact of the COVID-19 outbreak has underscored the importance of technology for many small businesses across the region. Having had to cope with the disruption to their operations as a result of COVID-19, many of these firms realised quickly that technology can make all the difference to their business. Whether in revising their business models or even transforming their operations, small businesses are responding to the changes brought about by the pandemic by turning to technology to ensure their long-term viability and competitiveness.”

¹ The survey was conducted among 1,000 small businesses with annual turnover of \$20 million and below before and during the COVID-19 pandemic, in the third quarter of 2019 and May 2020 respectively. Small businesses across five ASEAN markets – Indonesia, Malaysia, Singapore, Thailand and Vietnam – were surveyed.

By industry sector, small businesses from the food and beverage (F&B), information and communications technology and healthcare sectors (50 per cent) indicated the strongest desire to boost their technology investments, followed by those in construction (48 per cent) and retail trade (46 per cent).

Mr Loh said, “We at UOB have been keeping close to our small business customers to help them navigate the challenges in these difficult times. Apart from supporting their financial needs, we help them identify and implement digital solutions that enable them to manage their operations effectively and virtually. For example, for Singaporean small businesses in sectors which have been affected more severely, such as F&B, we have been helping them shape their predominantly physical business in response to consumers shifting more of their purchases online. Through our collaboration with Google, we have also made it easier for such firms to register for digital tools such as Google My Business² and to set up strong online profiles to attract more customers.”

Beyond technology, ASEAN small businesses are looking to invest in developing their employees’ skills (51 per cent) and in machinery or equipment (40 per cent). Their lowest investment priority is in motor vehicles (18 per cent).

Technology helping small businesses manage cash flow and cost challenges

As small businesses across ASEAN embrace technology as a means of ensuring a more sustainable business model for the long term, they recognise that technology can also help them better manage their cash flow. Eight in 10 (81 per cent) small businesses across the region ranked the use of digital solutions as their most preferred cash flow management method. For instance, digital solutions such as UOB BizSmart³ enable small businesses to issue electronic invoices to manage their account receivables more promptly⁴.

² Google My Business is a free tool that enables businesses in Singapore to build their online profile so that potential customers can find them more easily. UOB has worked with Google to streamline the registration process so that businesses can register for the tool more easily. <https://www.uobgroup.com/web-resources/uobgroup/pdf/newsroom/2019/UOB-Google-My-Business-Infographic.pdf>

³ UOB BizSmart is an integrated suite of cloud-based business solutions that helps small businesses digitalise their operations.

⁴ Based on a 2017 US Federal Reserve Bank of Minneapolis study cited by the Ministry of Communications and Information, about 92 per cent of e-invoices were paid on time as compared with 45 per cent of paper invoices. <https://www.mci.gov.sg/-/media/mcicorp/images/budget-workplan/cos-2018/factsheets/factsheet---nationwide-e-invoicing-framework.ashx>

Mr Divyesh Vithlani, who leads Accenture’s financial services practice in Southeast Asia, said, “As more small businesses prepare to reopen after a very challenging period, their focus on technology will further intensify as they look to reinvent themselves to ensure long-term competitiveness and resiliency. Small businesses that focus on their digital transformation to become more agile and future-proof should see a rapid payback. These investments in technology will be essential because small businesses are the bedrock for countries in the region and also our growth engine, so the rebound of SMEs post-COVID-19 will be fundamental for a speedy recovery of ASEAN economies.”

ASEAN small businesses are also easing their cash flow pressures by seeking deferment on their loan repayments (75 per cent) and renegotiating the terms of their contracts with suppliers and landlords (75 per cent). Small businesses also look to increase their working capital through COVID-19-related financing schemes (73 per cent). One example of such a financing scheme is UOB’s initiative to provide its eligible small business customers in Singapore with pre-approved financing of up to \$200,000 so they have access to a ready source of funds should the need arise⁵.

Ms. Audrey Chia, Chief Executive Officer, Dun & Bradstreet Singapore, said, “Despite the uncertainties on the trajectory of COVID-19, the long-term growth potential for ASEAN remains given the region’s favourable demographics and rising consumption. While ASEAN small businesses are facing current challenges brought about by COVID-19, we can see that they are still taking practical steps to increase their business’ resilience to prepare for the future. Firms which transform their business models for the long-term, even after COVID-19, will be better poised to tide through these current challenges and to create new business opportunities.”

The full survey findings will be available in the *ASEAN SME Transformation Study 2020* to be published in mid-July. The study aims to help ASEAN small businesses understand how they can transform their businesses to adapt to the changes ahead and to participate in the region’s long-term growth.

To register your interest in the report, please visit: www.uobgroup.com/aseansme.

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⁵ In April 2020, UOB announced that it would offer pre-approved loans of up to \$200,000 to help ease the -term liquidity woes of its small business customers impacted by the COVID-19 pandemic. Please refer to the news release for more information: <https://www.uobgroup.com/web-resources/uobgroup/pdf/newsroom/2020/UOB-pre-approved-collateral-free-loans.pdf>

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 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.

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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