



UPS Survey of SMBs in the Asia-Pacific

Promoting small business
growth, resiliency, and
women's empowerment
through trade in the
Asia-Pacific region

June 27, 2023



Introduction

Purpose

- The recovery, growth and resilience of different types of Asia-Pacific SMBs in the past three years;
- The importance of e-commerce, digitization, and trade in SMBs recovery;
- SMBs investment priorities in 2023-24; and
- The leading challenges SMBs face to sustained growth.

Methodology

The online survey was carried out on 4 February - 8 March 2023 with 4,700 firms in 12 Asia-Pacific economies as a stratified sample. 30 percent were micro enterprises with 1-10 employees, 46 percent small businesses with 11-50 employees, and 22 percent medium firms with more than 50 employees. 28 percent were led by a female CEO; 61 percent were in goods sectors, the rest in diverse services sectors.

Summary of Findings

- Asia-Pacific SMBs have been recovering from the pandemic on the back of digitization and e-commerce.
- SMBs e-commerce use has translated into new trade opportunities and export diversification
- Trade barriers, elevated trade costs, and gaps in trade logistics and infrastructure critically hamper regional SMBs exports and growth
- Asia-Pacific governments need to prioritize deepening market access, digitizing trade compliance and implementing paperless trade, and liberalizing of logistics services.
- Governments also need to nurture the unprecedented wave of female entrepreneurship by ensuring women-led firms have an equal playing field.
- Policies need to enable women-led firms to leverage e-commerce and digital technologies, access new markets, and use higher-quality trade services.

Policy Recommendations

Asia-Pacific governments need to ensure SMBs continued growth and resilience through trade. The following are recommendations on policies to prioritize:



Resiliency

To ensure SMB resiliency, governments should focus on reducing trade costs through simplification of trade processes, trade liberalization, and improvements in logistics quality.



E-commerce and Trade

To encourage SMB exports through e-commerce, governments should ensure quality internet connections and capacity-building to grow presence on global online marketplaces, and digitized trade processes to streamline online seller-SMBs to export.



Gender

To support the continued growth of women-led SMBs, promote women's access to digital technologies, financing, and new export markets.



Sustainability

Support SMBs with their green transition through awareness-building on optimal methodologies to green their businesses, measurement of their carbon footprint, and financing.



10 patterns in SMB growth and resilience in the Asia-Pacific region

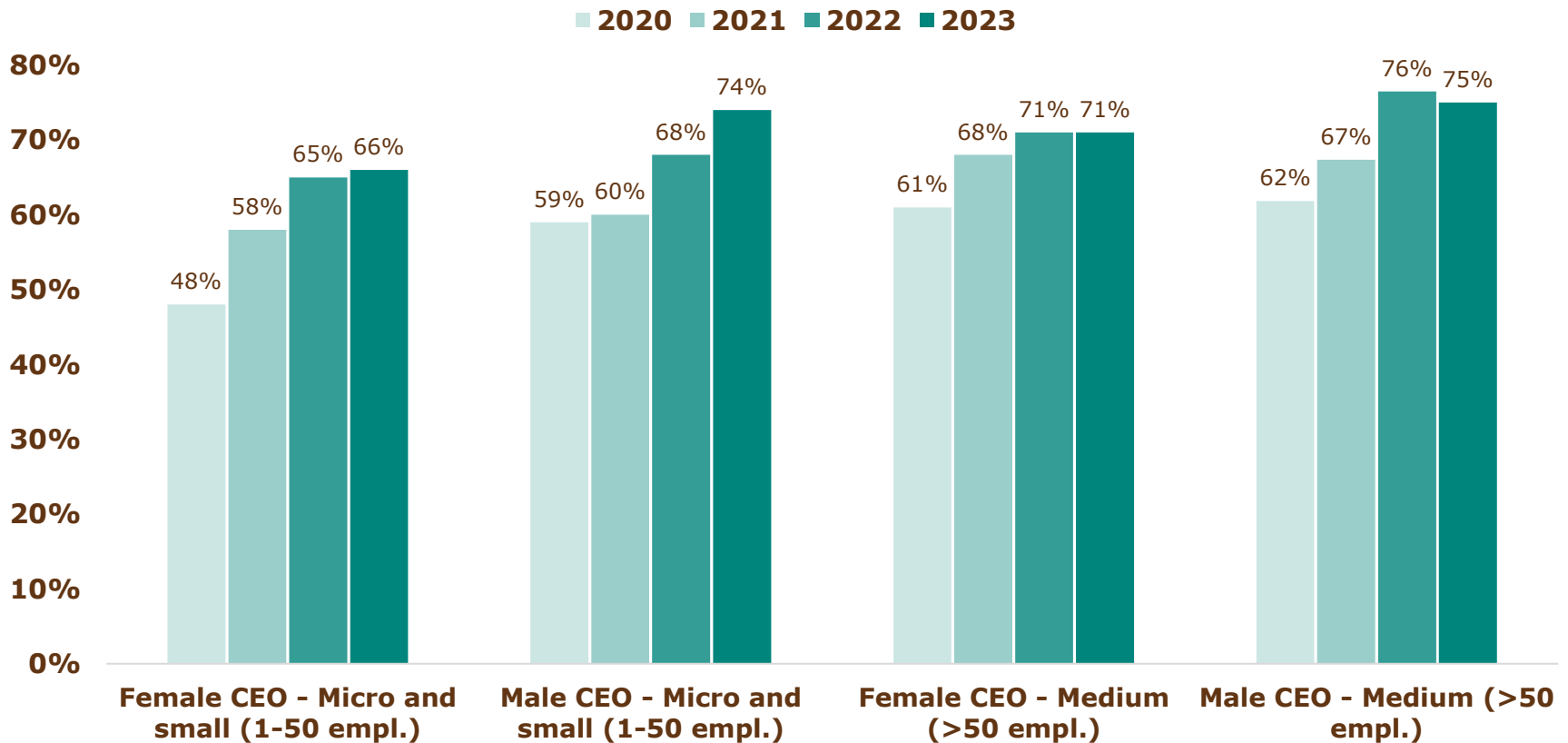
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Most Asia-Pacific SMBs have recovered from the COVID-19 shock

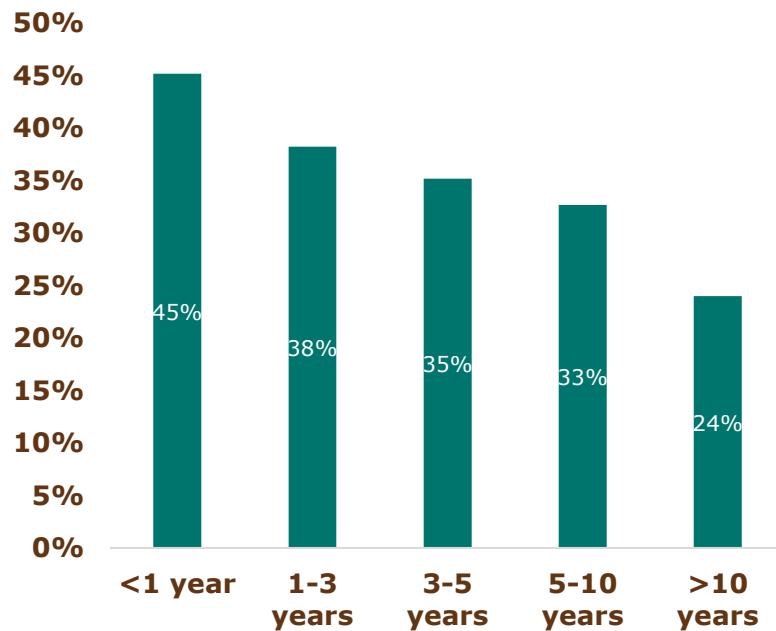
**% of SMBs with positive revenue growth in 2020-23,
by firm size and gender of CEO**



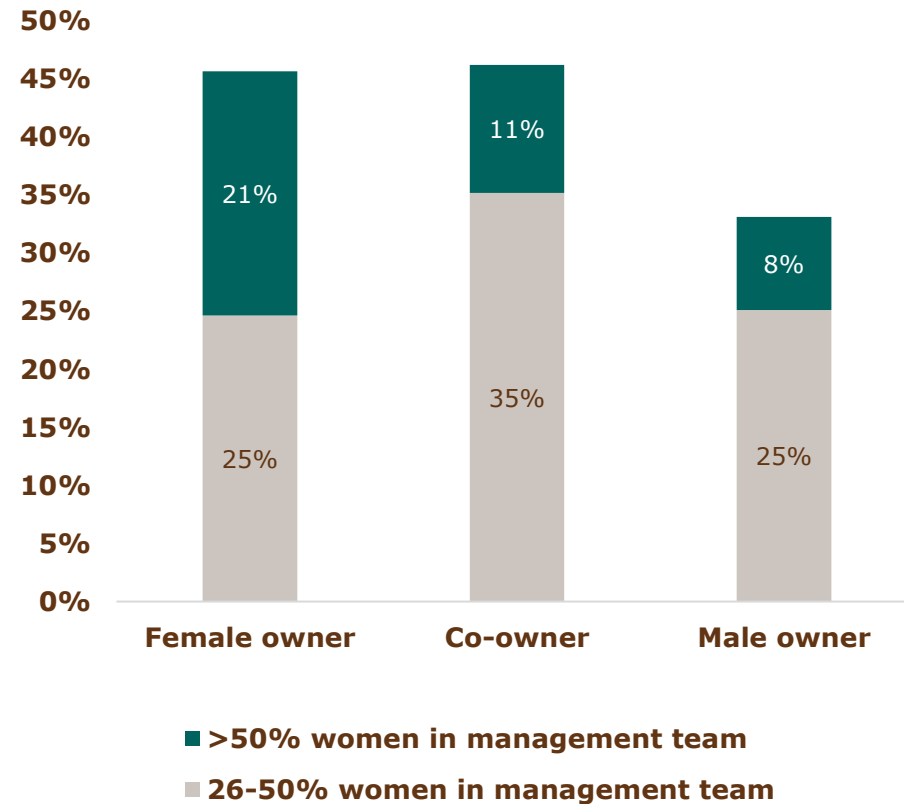
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Women-led firms born during COVID-19 open opportunities for Asia-Pacific governments to promote inclusive trade and female employment

% of women-owned SMBs of all SMBs, by firm age

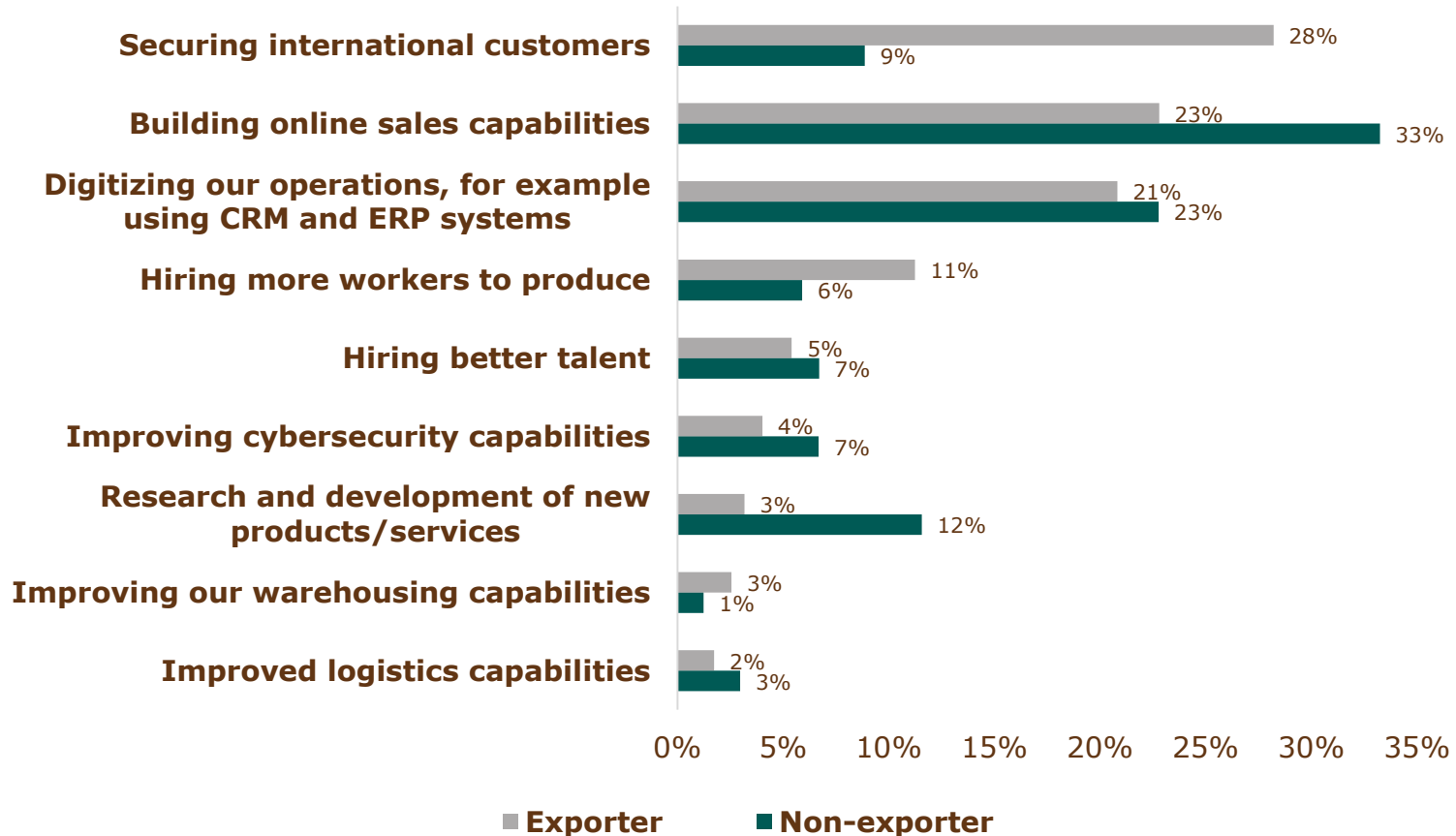


% of women in management team, by gender of firm owner



Asia-Pacific SMBs prioritize export expansion, digitization, and ecommerce as their growth levers

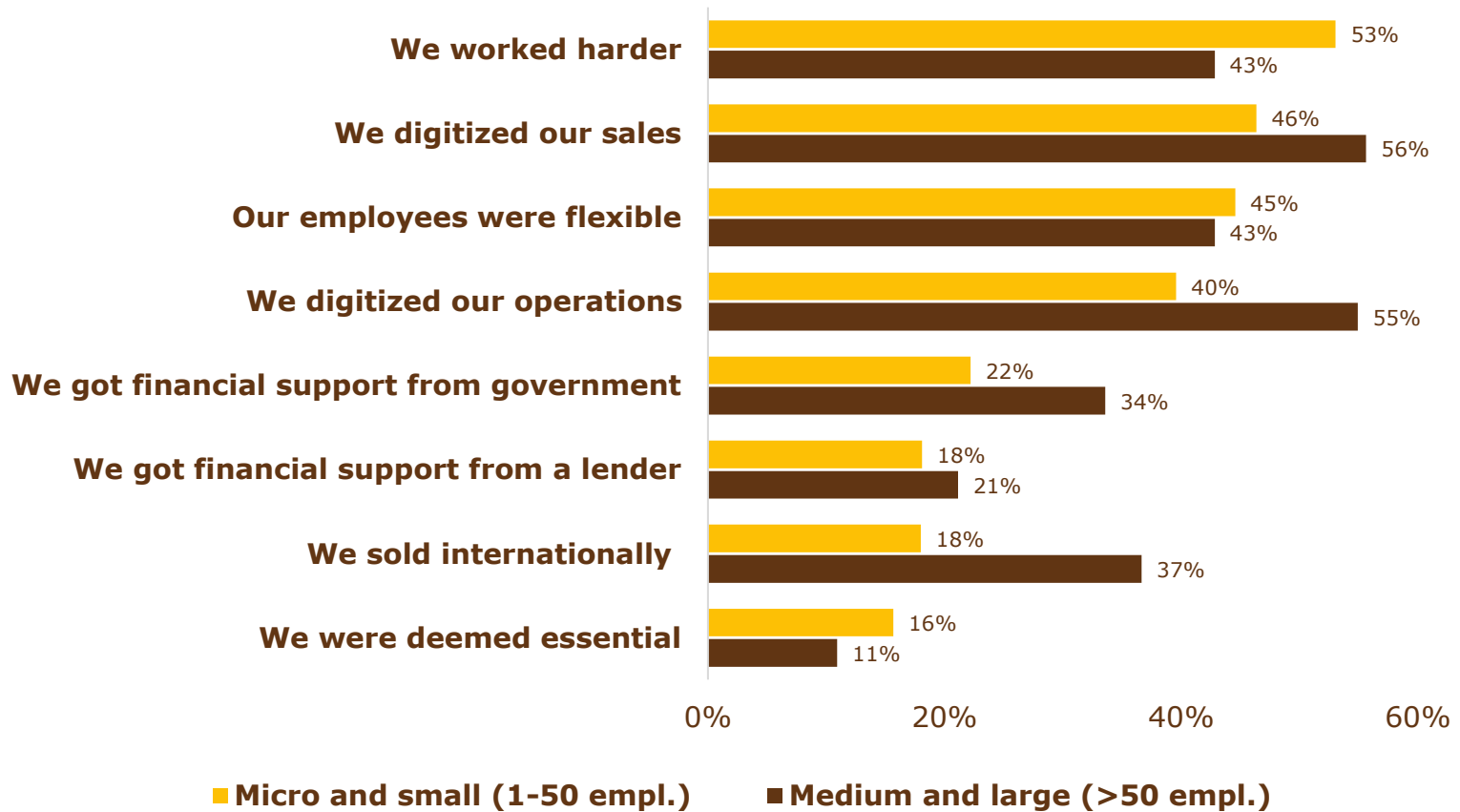
SMBs top investment priority for 2023-24, by firm size and export status



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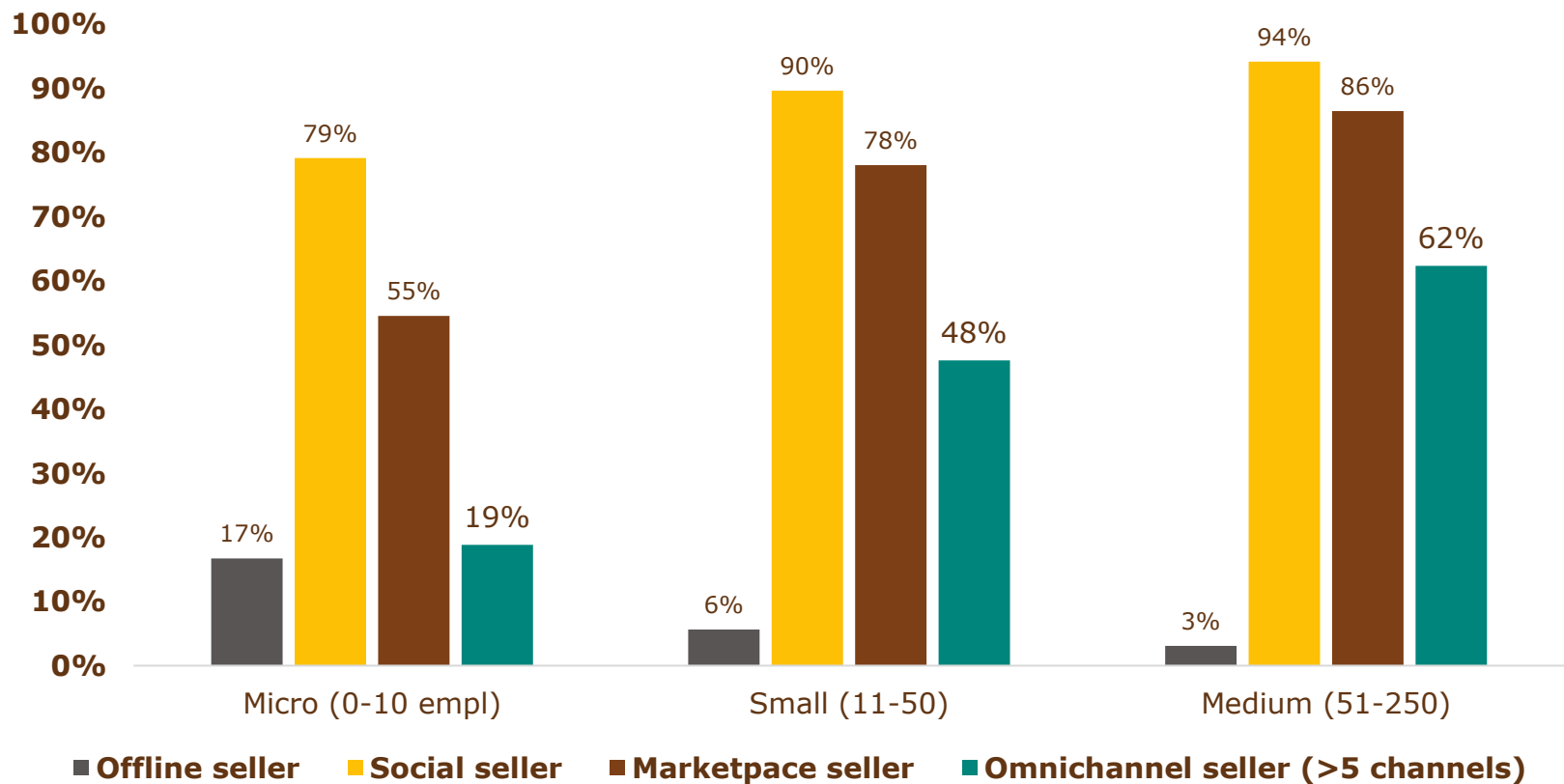
E-commerce, digitization, and trade have been Asia-Pacific SMBs key growth levers in the past three years

SMBs views on keys to their survival during COVID-19, by size and gender of CEO



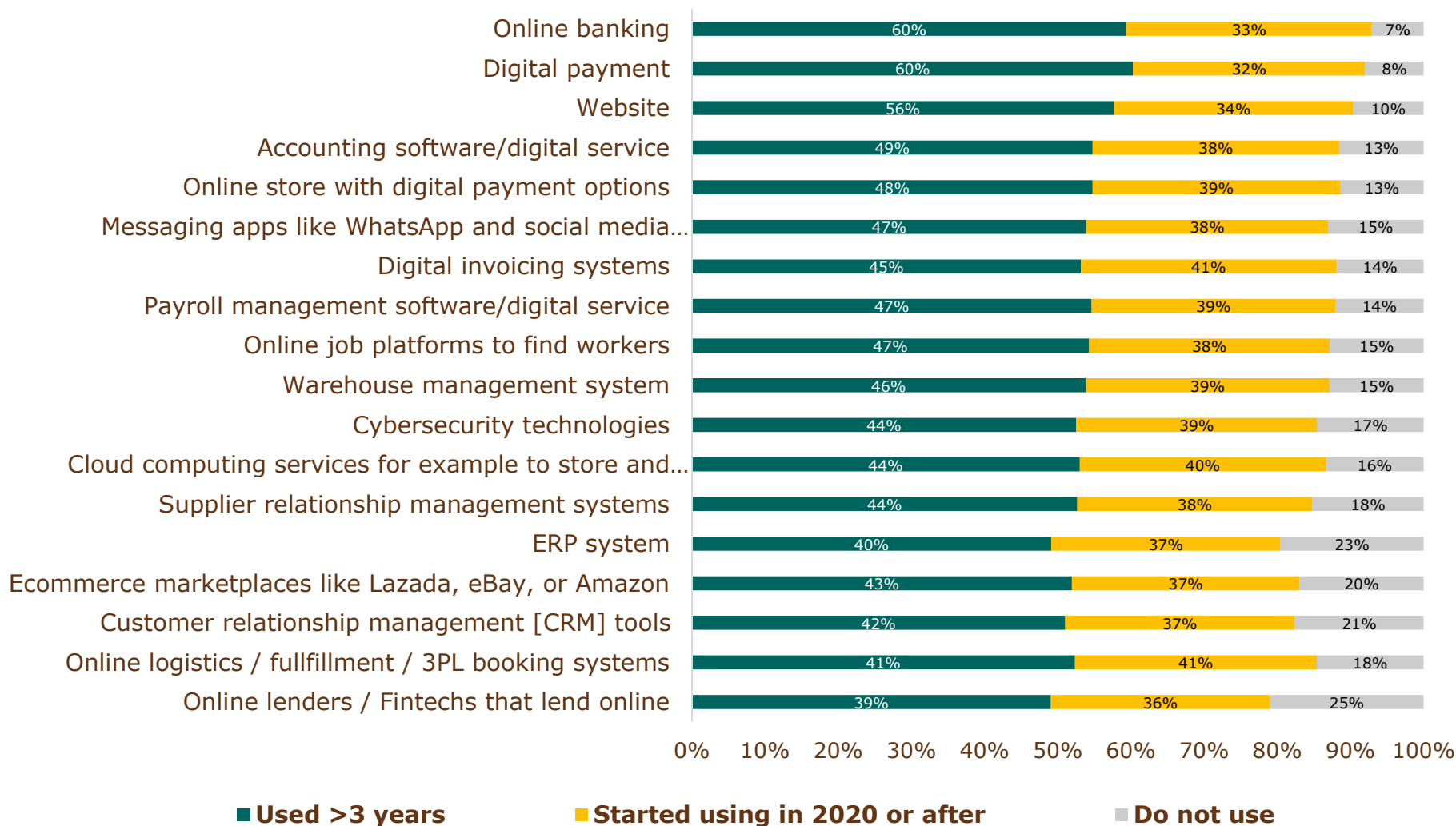
As a result, regional SMBs use of social channels is today nearly universal, and over one-half are also leveraging marketplaces to reach customers around the world

Use of digital marketing and sales channels in 2022, by firm size



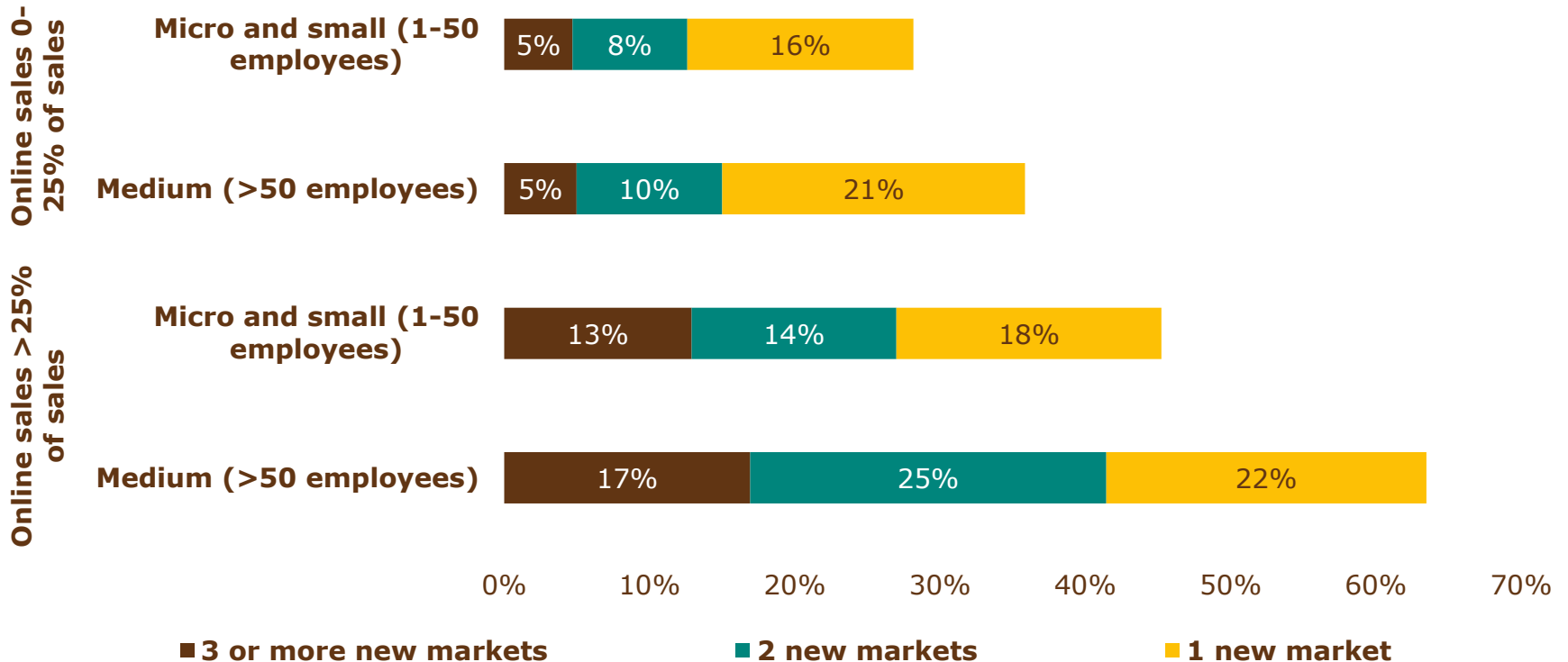
SMBs use of basic digital services such as online banking and digital payments is also nearly universal

Adoption of digital services and technologies by SMEs



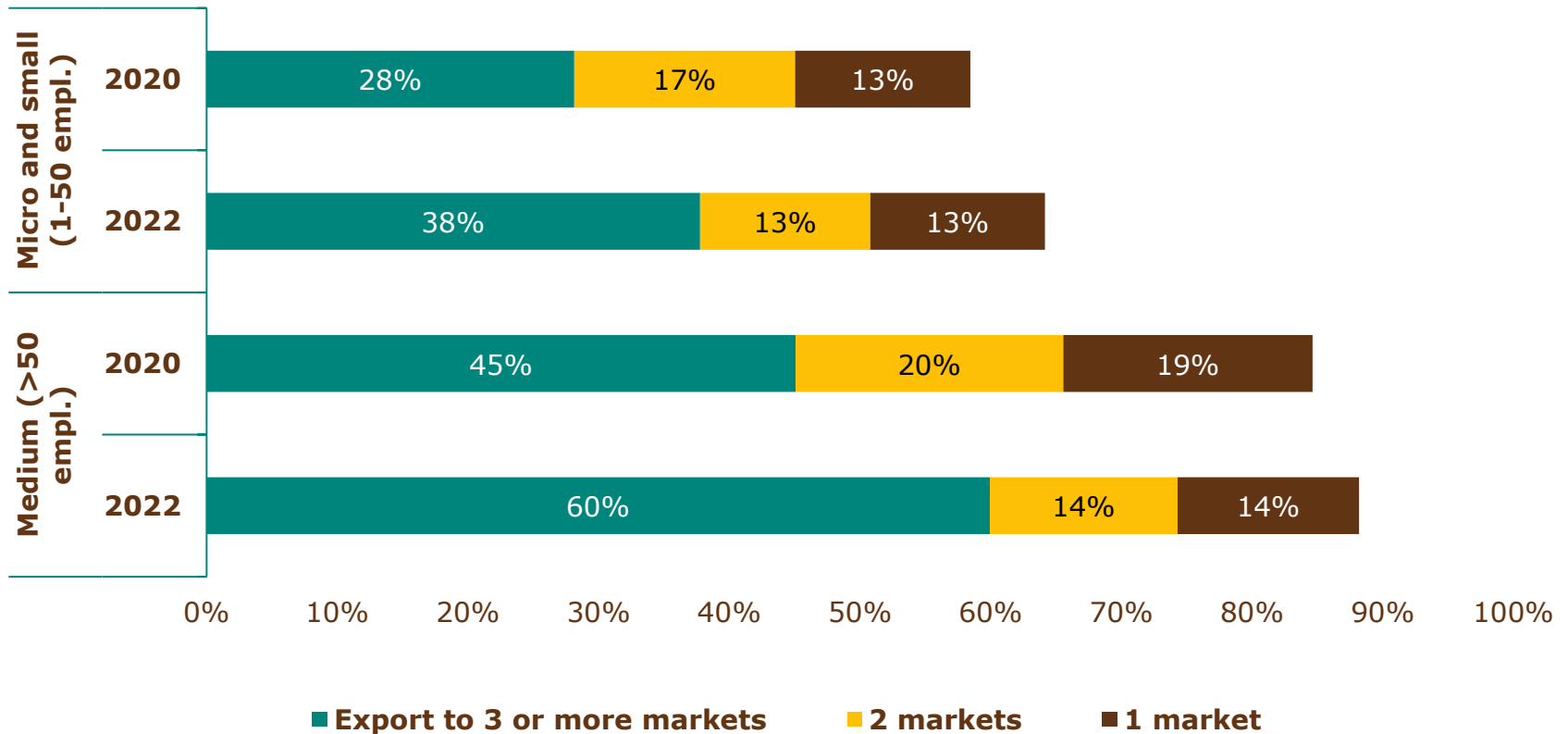
Asia-Pacific SMBs have translated their e-commerce and digitization into export diversification

% of SMBs that diversified export markets, by firm size and online sales intensity



By 2022, nearly 40% of micro and small businesses and 60% of medium businesses exported to three or more markets

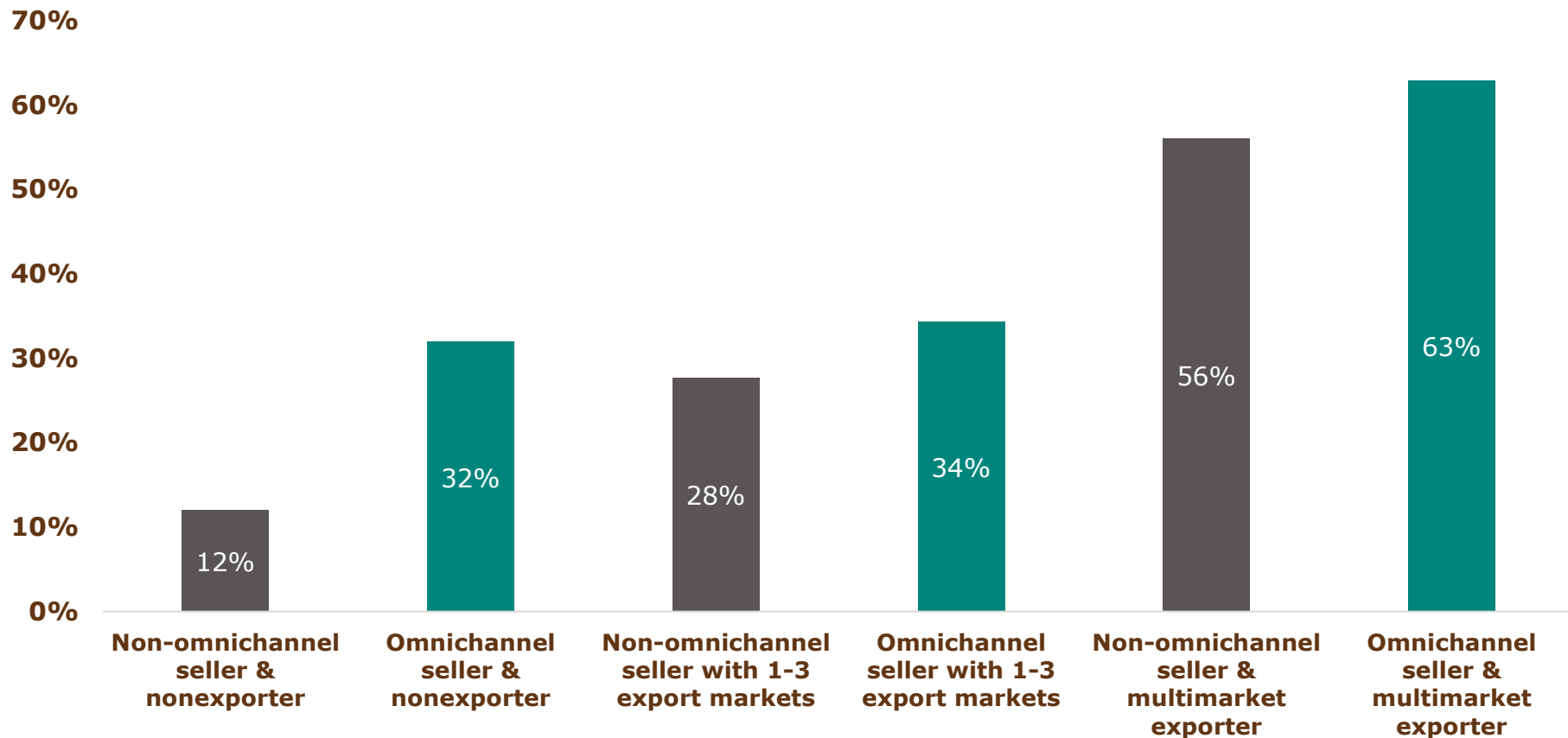
Number of export markets in 2020 and 2022, by firm size



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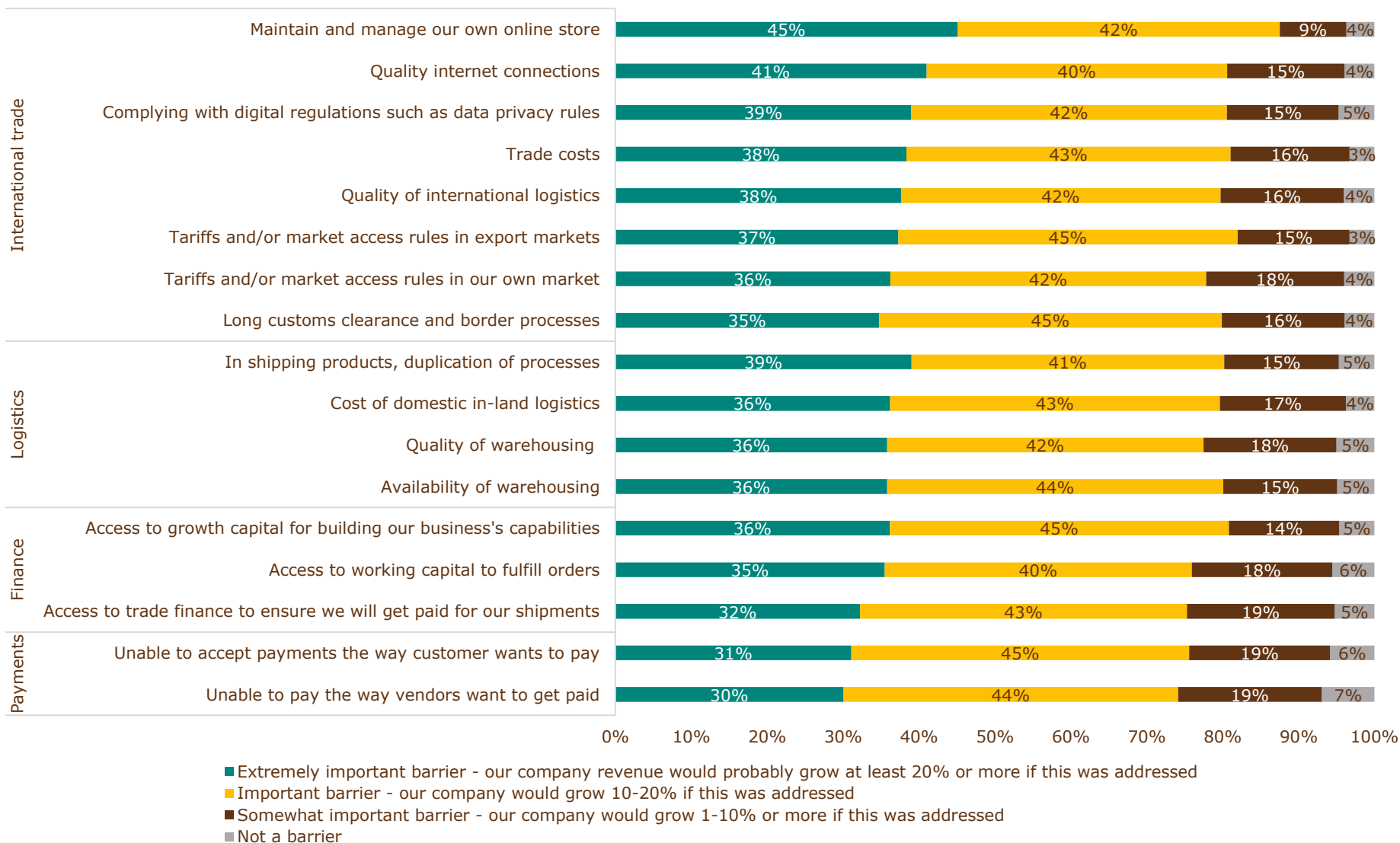
Export diversification and use of online sales channels are driving Asia-Pacific SMBs revenue growth

**% of SMBs with >5% revenue growth in 2022
by diversification of export and import markets and sales channels**



7 Trade costs and lackluster shipping and trade services continue weighing on SMBs export and growth prospects

Challenges facing SMBs revenue growth and exports in 2023-24



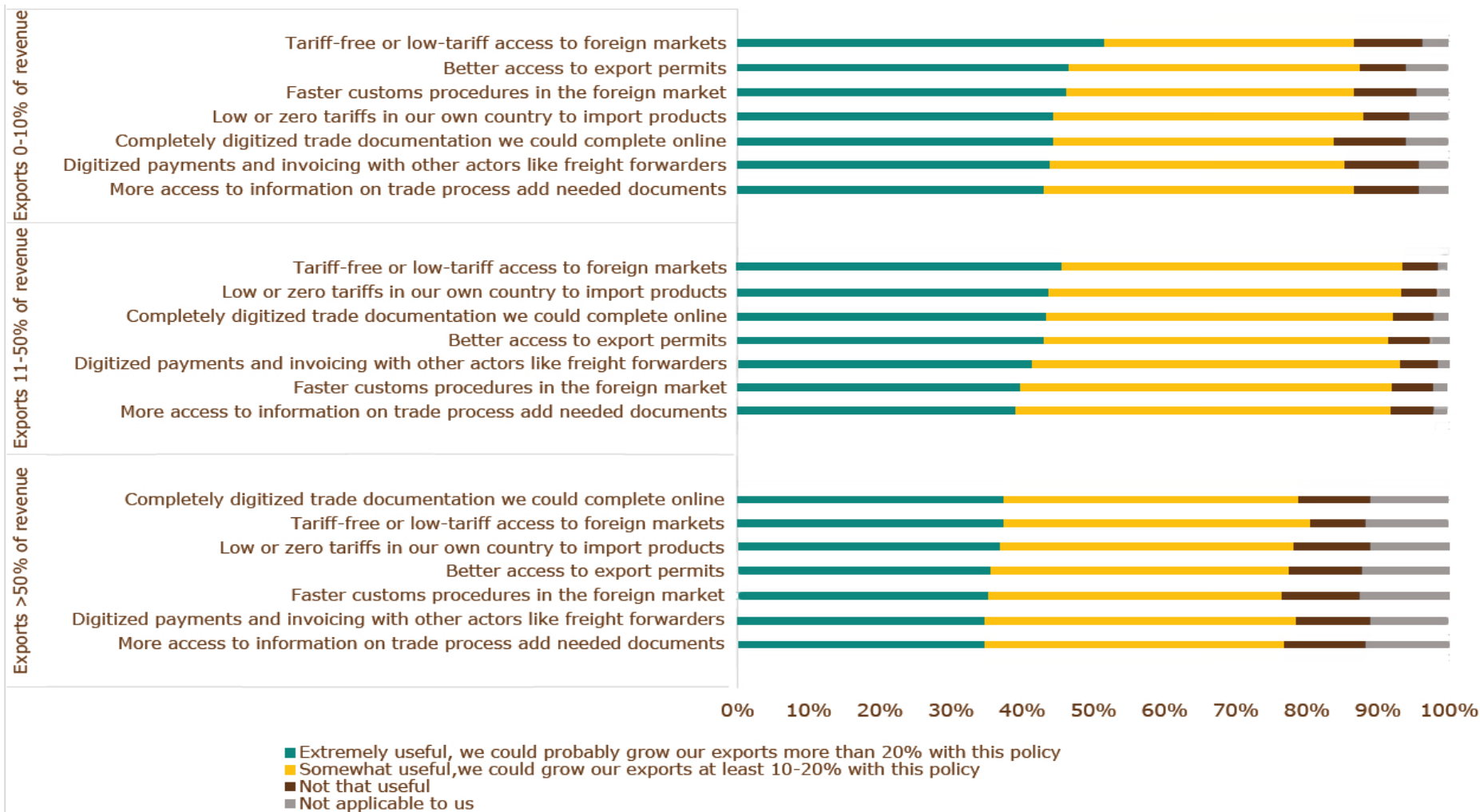
The trade challenges are similar across all Asia-Pacific economies

Top-10 challenges to revenue growth and exports in 2023-24
(Darker green=higher challenge, white/grey=lesser challenge)

	Micro and small - Emerging economies	Micro and small - advanced economies	Micro and small - Americas	Micro and small - Asia
Maintain and manage our own online store				
Quality internet connections				
In shipping products, duplication of processes across service providers				
Quality of international logistics				
Trade costs				
Complying with digital regulations such as data privacy rules				
Maintain stores on online marketplaces				
Quality of warehousing				
Cost of domestic in-land logistics				
Tariffs and/or market access rules in export markets				

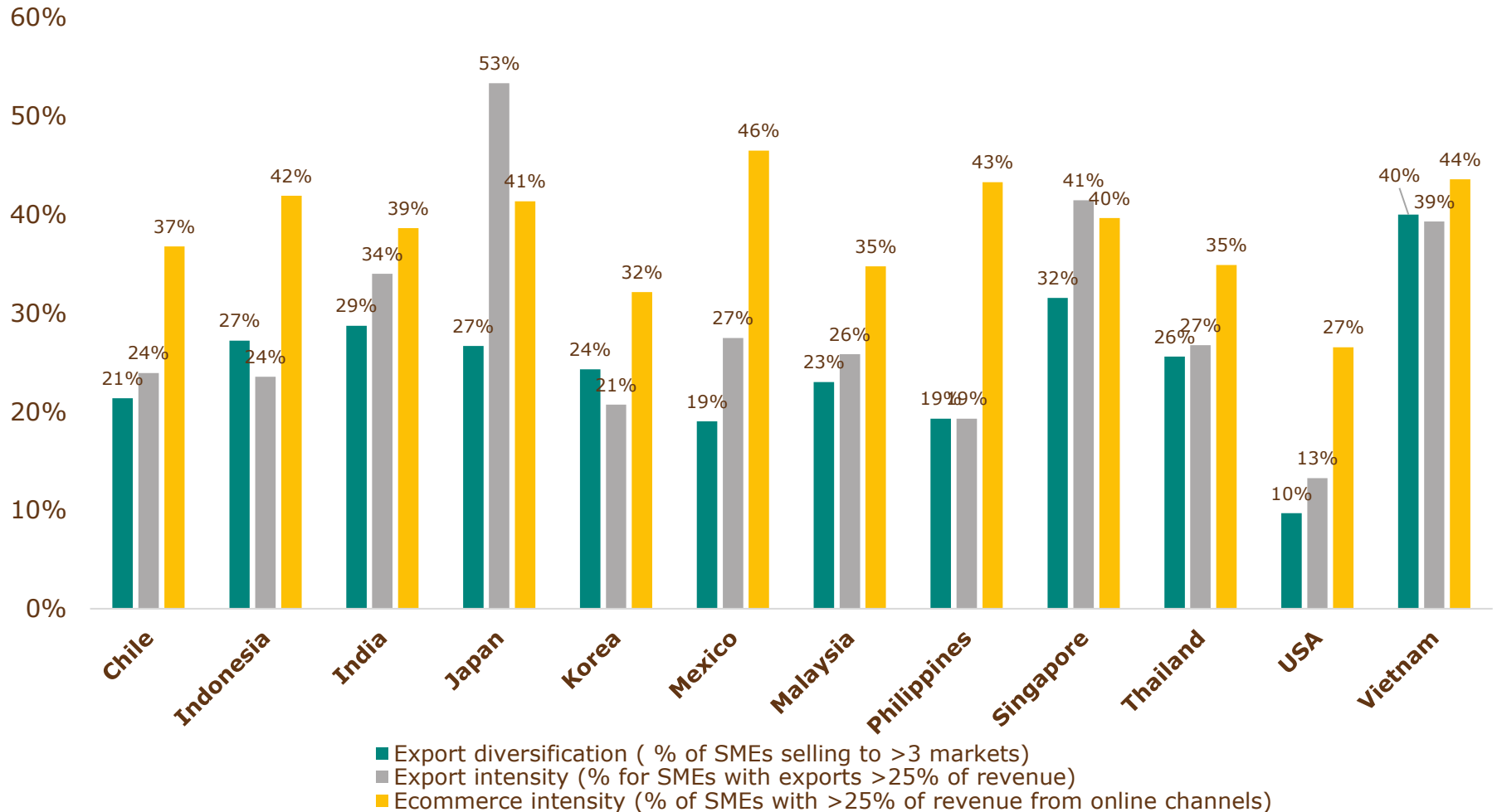
SMBs of all export intensities prioritize tariff liberalization as the main means to reduce trade costs

Ways to reduce trade costs by export intensity

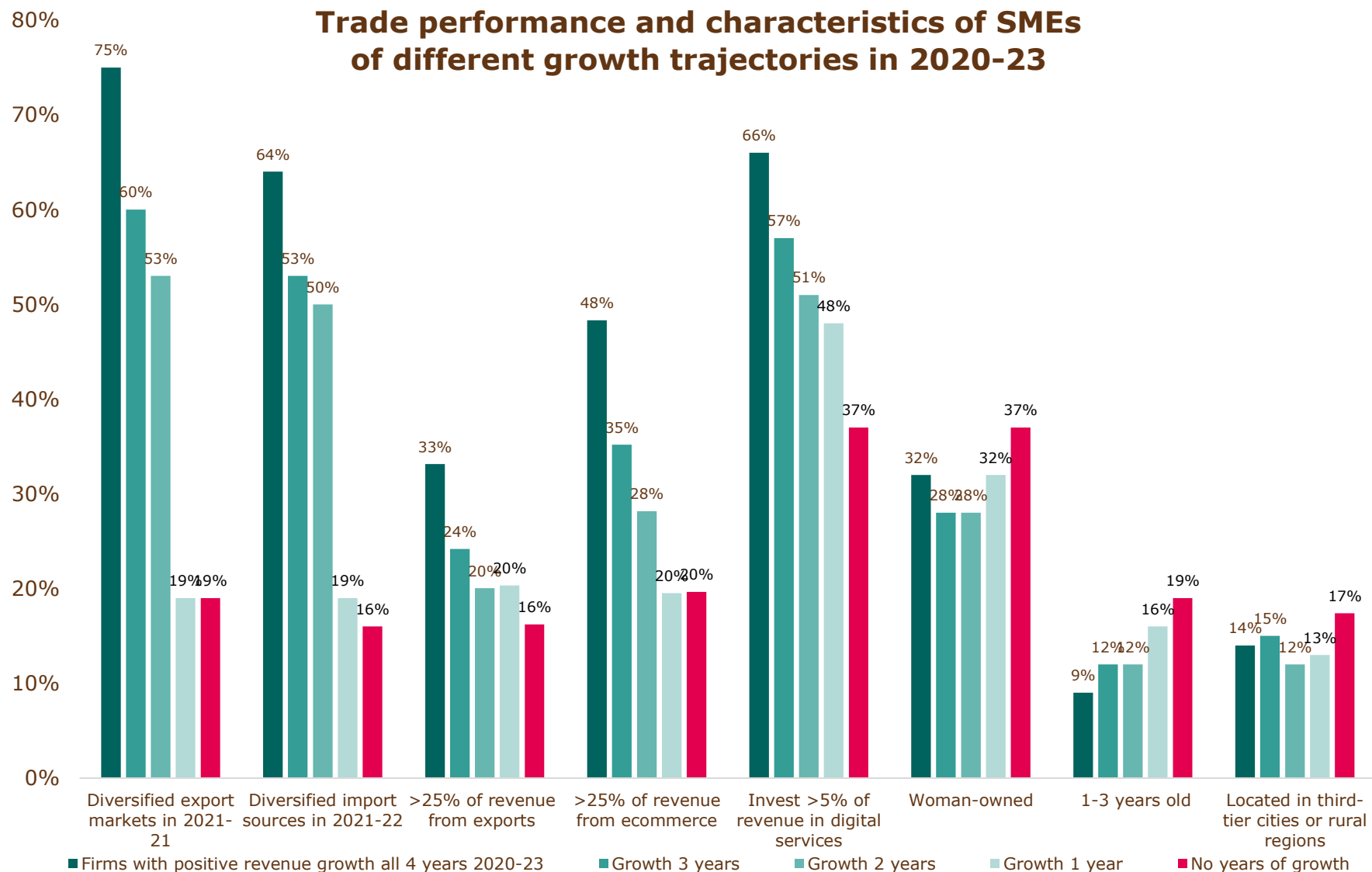


Trade facilitation and liberalization are keys for Asia-Pacific economies to ensure growth and export participation,

SMEs' market diversification and trade and ecommerce in 2022, by country

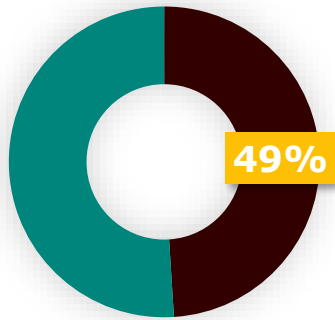


25% of firms, often women-led and nascent, report no growth in 2020-23 – and require ecommerce and export capacity-building

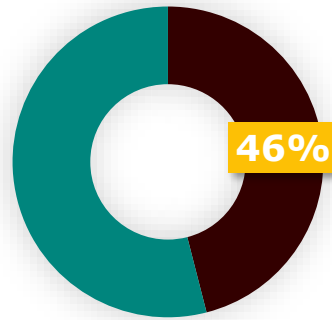


A promising focus for Asia-Pacific governments is enabling SMB exporters to become more sustainable, through awareness-building, measurement of SMBs carbon footprint, and financing

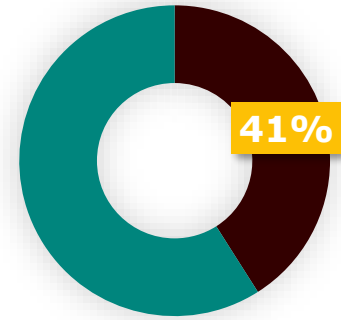
SMBs needs to become more sustainable



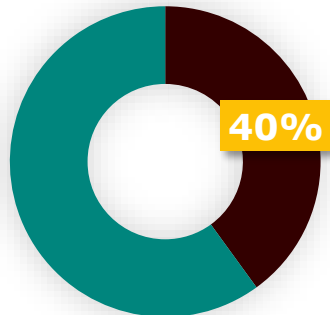
Understand the best ways to become greener and measure our carbon footprint



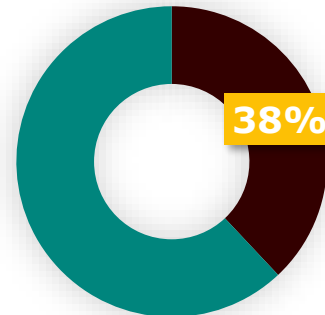
Have the right staff capabilities to make our business operations greener



Get financing for it



Measure our carbon footprint



Pay for it