SME e-commerce survey

EXECUTIVE SUMMARY

UAE study, August - November 2019
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Introduction

UPS SME e-commerce survey

UPS intended to evaluate the current shipping behaviours among Small and Medium Enterprises (SME) businesses in the UAE and to gain perspective on their shipping and logistics needs in the near future.

SME10X covered a large sample of over 5,000 SMEs across identified sectors such as Manufacturing, Services and Trading, and has completed 1,153 surveys at the time of this report.

The subsequent slides represent a summary of the survey and key points from the responses received so far.

About UPS

UPS is the world’s largest package delivery company and a leading global provider of specialized transportation and logistics services. Every day, it manages the flow of goods, funds, and information in more than 200 countries and territories worldwide.

About SME10X

SME10X is a omni-channel content platform that focuses on leadership, innovation, technology and other areas of business growth, with a special focus on the future. Between its website, events and other community engagements, SME10X reaches over 35,000 SMEs in the MENA region.
Survey context and methodology

At UPS, we use data across all our verticals to derive products and solutions that are driven by the needs of our customers. With internet user growth, we’ve seen that e-commerce continues to gain share vs. physical retail. Therefore, we wanted to undertake a survey that took a deep dive into this space and how it’s impacting the SME sector.

UPS commissioned UAE-based SME10X – an SME content, media and advisory firm – to conduct a survey within the local SME sector to understand their sentiments and outlook towards e-commerce and related areas of operations.

The survey was undertaken for four months and collected feedback from 1,153 SMEs across all major industries. All companies were invited to participate via e-mails and website campaigns. A maximum of one response per company was collected via an online survey. A call centre activation was also set-up to correspond with participating SMEs and to assist in getting their responses.
Survey respondents’ profile

This survey aims at analyzing SME behaviour and sentiment toward e-commerce and logistics providers. The study used a primary methodology, wherein an online questionnaire was sent to 1,153 SMEs. These SMEs varied in size, business operations and industry sectors. The following section outlines the demographics of SMEs that participated in the survey.
Remarks

- Respondents largely represented by Trading (63%), followed by Manufacturing (18%) and Services (19%) sector.
- More than 90% of SME respondents have been operational for 6 years or more.
Survey respondents' profile (2/2)

Break-up by number of operating locations worldwide

<table>
<thead>
<tr>
<th>Number of operating locations</th>
<th>% of companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>13%</td>
</tr>
<tr>
<td>2</td>
<td>8%</td>
</tr>
<tr>
<td>3</td>
<td>6%</td>
</tr>
<tr>
<td>4</td>
<td>6%</td>
</tr>
<tr>
<td>5</td>
<td>23%</td>
</tr>
<tr>
<td>6</td>
<td>22%</td>
</tr>
<tr>
<td>7</td>
<td>7%</td>
</tr>
<tr>
<td>8</td>
<td>3%</td>
</tr>
<tr>
<td>9</td>
<td>12%</td>
</tr>
</tbody>
</table>

Break-up by sales channels

<table>
<thead>
<tr>
<th>Types of sales channels</th>
<th>% of companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>E-commerce</td>
<td>3%</td>
</tr>
<tr>
<td>Retail</td>
<td>22%</td>
</tr>
<tr>
<td>Tele-sales</td>
<td>4%</td>
</tr>
<tr>
<td>Wholesale</td>
<td>71%</td>
</tr>
</tbody>
</table>

Remarks

- This chart is a depiction of the number of operating locations per company. 73% of survey respondents have 4 or more operating locations across the globe.
- 71% of survey respondents use wholesale as their sales channel, followed by 22% towards retail.
Summary

Summary of survey results

The phrase ‘business as usual’ can no longer be applied to the world of e-commerce and logistics. SMEs are facing a constantly changing landscape filled with complexities, but also with opportunities that can only be navigated using data; no futuristic jargon.

That’s why SME10X and UPS came together to undertake this SME e-commerce and logistics survey to gain insights on the current state of the business.
Top three key takeaways

The survey conducted by UPS, in partnership with SME10X, captured some interesting insights on the aspirations of SMEs in the UAE to grow within the e-commerce space and gathered data on their readiness to ride this new wave of change.

Here are the three mega themes that emerged:

1. **Reliance on technology partners to achieve growth**

   **Highlight:**
   While the e-commerce sector is poised for growth, it continues to face numerous challenges such as slow delivery speeds, customers looking for real-time analytics and the demand for better pricing options. SMEs are looking for partners that can address these challenges through the usage of technology. This survey indicated that 38% of SMEs don’t foresee their current provider having the ability to offer an app for tracking, while 31% were not confident about their provider being able to fulfill same-day deliveries.

   SMEs are keen to work with partners that can provide data analytics via real-time tracking or increase the speed of shipping. It’s interesting to note that 36% of surveyed SMEs expressed an interest to switch to a new partner for order fulfillment and logistics. Moreover, with SMEs and startups constantly experimenting with new cutting-edge technologies like big data analytics and AI/machine learning to predict patterns and offer dynamic pricing to customers, it is critical for e-commerce solution providers to expand their bouquet of services.

   **Top takeaway:**
   E-commerce players that can use technology to organize their offering and develop tech innovations that improve all facets of the segment (such as end-to-end visibility, logistics tech, customer management, real-time tracking, accessibility and speed of shipping) will revolutionize the industry and emerge victorious in an otherwise fragmented industry.

   - **38%** of SMEs don’t foresee their current provider having the ability to offer an app for tracking
   - **31%** were not confident about their provider being able to fulfill same-day deliveries
   - **36%** of surveyed SMEs expressed an interest to switch to a new partner for order fulfillment and logistics
2. Untapped potential for growth in local e-commerce segment

Highlight:
Traditionally, SMEs have looked towards international trade and export as their source of revenue (51% of SMEs surveyed export regularly and 31% export intermittently). Recently, buoyed by changing customer preferences, the evolving dynamics of the global markets and the overall challenges in the global trading scenario, SMEs are now looking at tapping digital platforms for opportunities.

However, there is still a large proportion of SMEs that continue to follow traditional business models and are currently holding back on offering online sales (64% of survey respondents don’t offer online sales).

Top takeaway:
This signifies a dramatic room for growth and unprecedented opportunity for global retailers and those that provide e-commerce solutions.

51% of SMEs surveyed export regularly
31% export intermittently
64% of survey respondents don’t offer online sales
Top three key takeaways

3. Trends driving customer demand online

Highlight:
Unsurprisingly, surveyed participants highlighted that 50% of their customers that shop online consider ‘free returns’ as a critical aspect to their purchase. This echoes a global sentiment of customers looking to make purchases from companies that they can trust. In this case, the customer trusts that the company is willing to reverse the transaction, no questions asked, should the customer be dissatisfied with their purchase.

SMEs also highlighted that 42% of their customers would be willing to pay an additional fee for expedited shipping and 23% expressed that the key driver for their customers to make online purchases was pricing.

Top takeaway:
These are key insights for companies or providers looking to make an entry into the e-commerce space. Whether it's pricing, delivery speed or product, it's important for new entrants to offer an enhanced customer experience.

50% of their customers that shop online consider ‘free returns’ as a critical aspect to their purchase.
42% of their customers would be willing to pay an additional fee for expedited shipping.
23% expressed that the key driver for their customers to make online purchases was pricing.
Survey results - part 1: e-commerce

One of the major trends across the globe is the shift from physical to digital. Businesses are making the transition from brick-and-mortar stores to e-commerce, however, how many business owners are currently online? And what percentage anticipate more of their business being conducted online? The first section of our survey encapsulates the SME sentiment on e-commerce.
Survey results - Part 1: e-commerce

Remarks

• 64% of SMEs currently don’t offer online sales. Meanwhile, SMEs that do offer online sales rate customer demand as the top driving factor for doing so. Other factors that also play a critical role are (higher product selection, cost savings and operational optimization).

• Out of the 64% of SMEs that currently don’t offer online sales, 96% aren’t fully prepared or interested to conduct online services.

*Based on 742 responses
Survey results - part 1: e-commerce

Channels used to advertise & convert sales

- **Social**: 42%
- **SEO**: 23%
- **Offline**: 17%

Key drivers for customers to shop online

- **Ability to order anywhere anytime**: 43%
- **Free and/or fast delivery**: 15%
- **Not applicable**: 4%
- **Pricing**: 14%
- **Time saving**: 23%
- **Ability to order anywhere anytime**
- **Free and/or fast delivery**
- **Not applicable**
- **Pricing**
- **Time saving**

Remarks

- A large section of respondents use SEO to promote services and generate business, followed by offline media such as direct mailing, networking events, print media and social media. Within social media, Facebook is cited as a most used channel.

- It is believed that the main driver to shop online is pricing. Customers also prefer time saving and ability to order anywhere, anytime offered by saving time and the convenience of purchasing anywhere, anytime is also a key factor.
Survey results - part 1: e-commerce

Remarks

- Majority of SMEs prefer to partner with a combination of outsourced partners for their order fulfilment, transportation and final mile delivery. The remaining prefer their in-house order fulfilment solution or a single outsourced partner.

- There is a divided opinion amongst SMEs regarding their customers’ willingness to pay an additional fee for expedited shipping with 51% saying their customers will not be willing to do so and 42% expressing they would.
Survey results - part 1: E-commerce

Is “free returns” an important consideration for a purchase?

- Yes: 39%
- No: 50%
- Not sure: 11%

Remarks

- A large proportion of the SMEs (50%) believes their customers prefer the option of free returns giving them the freedom to choose whether they like the product or not.
Survey results - part 2: Logistics & current provider relationship

With an increasing number of SMEs entering the e-commerce landscape, there is a continuing need to work with partners that have up-to-date technology and upgraded systems. SMEs believe that the capabilities of their logistics partners are as important as their own to remain competitive in their industries. The next part of the survey explored the current state of the relationship between SMEs and their logistics providers.
Survey results - part 2: logistics & current provider relationship
Satisfaction with current logistics provider based on the following factors:

- **Transit time**: 74% Very satisfied, 23% Satisfied, 3% Not satisfied
- **Service option variety**: 75% Very satisfied, 17% Satisfied, 8% Not satisfied
- **Rates & costs**: 74% Very satisfied, 18% Satisfied, 8% Not satisfied
- **Technology solutions**: 75% Very satisfied, 11% Satisfied, 14% Not satisfied
- **Account management/relationship**: 74% Very satisfied, 23% Satisfied, 3% Not satisfied
- **Clearance efficiency**: 74% Very satisfied, 23% Satisfied, 3% Not satisfied

**Remarks**

- When asked about the overall rate of satisfaction with their current logistics and shipping solutions provider based on several factors, SMEs rated service option variety and technology solutions as the areas of greatest satisfaction.
- Based on their rating, SMEs are most dissatisfied with their current providers due to lack of ability in areas such as account management, customs and clearance efficiency and transit time.
Remarks

- Majority of SMEs foresee their current provider to have capabilities such as same-day shipping, a defined delivery slot option and an app to track deliveries in real-time. This is aligned with the current trends with the e-commerce landscape and the preferences of customers.

*Based on 1146 responses
Survey results - part 2: logistics & current provider relationship

While a majority of SMEs are satisfied with their current outsourcing partner, 36% would consider switching to a new outsourcing partner.

*Based on 1018 responses
Survey results - part 3: additional insights

The last part of the survey asked a few additional questions in order to better understand the profile of SMEs and how they would like to receive information moving forward.
**Survey results - part 3: additional insights**

### Preference of training format

<table>
<thead>
<tr>
<th>Format</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>In-person</td>
<td>28%</td>
</tr>
<tr>
<td>Online</td>
<td>51%</td>
</tr>
<tr>
<td>Pre-recorded</td>
<td>21%</td>
</tr>
</tbody>
</table>

### Preference for media channel to receive information

<table>
<thead>
<tr>
<th>Channel</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>E-mail</td>
<td>93%</td>
</tr>
<tr>
<td>Telephone</td>
<td>2%</td>
</tr>
<tr>
<td>Text message</td>
<td>0%</td>
</tr>
<tr>
<td>WhatsApp</td>
<td>4%</td>
</tr>
<tr>
<td>Other</td>
<td>1%</td>
</tr>
</tbody>
</table>

**Remarks**

- Survey respondents largely prefer online formats followed by in-person sessions, for future training on methods to succeed in doing business locally and abroad.
- 93% of respondents suggested communication via e-mails to receive updates and information; others included online channels such as whatsapp/social media or offline channels such as telephone, newspaper, meetings etc.
Survey results - part 3: additional insights

Remarks

- 82% of participating SMEs export either regularly or intermittently, which demonstrates that most of them are heavily dependant on trade as the primary channel for revenue generation.
Summary infographic

42% of SMEs believe their customers will pay additional for expedited shipping.

23% of SMEs consider pricing to be a top consideration when making an online purchase.

50% of SMEs consider ‘free returns’ to be an important consideration when making an online purchase.

69% of SMEs foresee their current provider having the capability to fulfil same-day delivery.

77% of SMEs foresee their current provider offering the choice to have a defined delivery slot.

62% of SMEs foresee their current provider having the capability to track deliveries in real-time via an app.

36% of SMEs are open to switching to a new outsourcing partner for order fulfilment and logistics.

14% of SMEs are still not satisfied with the technology solutions that their current logistics/order fulfillment provider offers.