SME
e-commerce
survey

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 Entreprises (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.
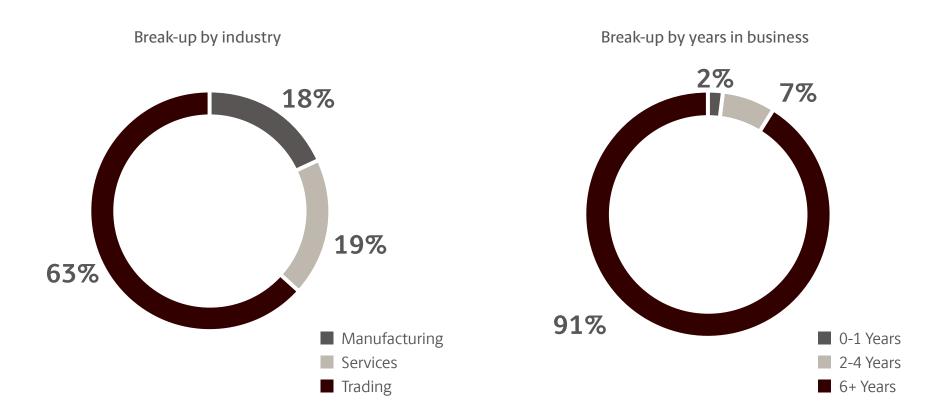
Survey respondents' profile

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.

Survey respondents' profile (1/2)

Break-up by industry

18%

19%

63%

- ■ Manufacturing
- ■ Services
- ■ Trading

Break-up by years in business

2% **7%**

91%
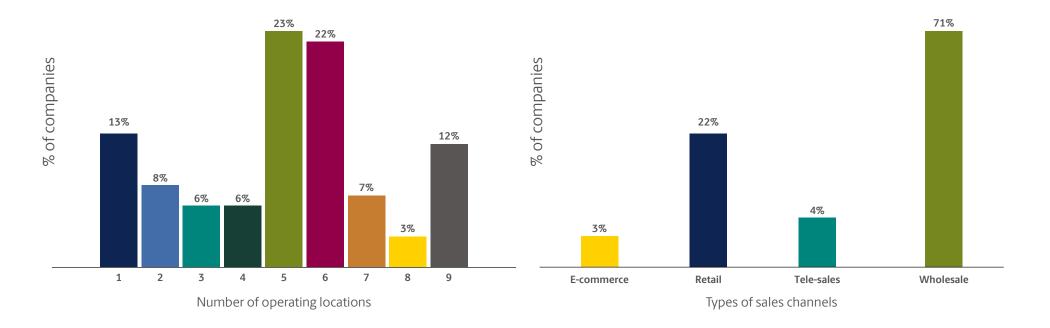
- ■ 0-1 Years
- ■ 2-4 Years
- ■ 6+ Years

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)

UPS

Break-up by number of operating locations worldwide

% of companies

1	13%
2	8%
3	6%
4	6%
5	23%
6	22%
7	7%
8	3%
9	12%

Number of operating locations

Break-up by sales channels

% of companies

E-commerce	3%
Retail	22%
Tele-sales	4%
Wholesale	71%

Types of sales channels

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%	**31%**	**36%**
of SMEs don't foresee their current provider having the ability to offer an app for tracking	were not confident about their provider being able to fulfil same-day deliveries	of surveyed SMEs expressed an interest to switch to a new partner for order fullfilment and logistics

Top three key takeaways

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.

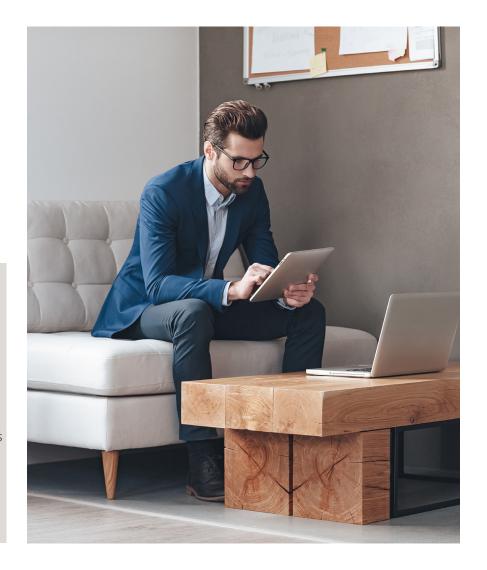## 50%
of their customers that shop online consider 'free returns' as a critical aspect to their purchase.

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
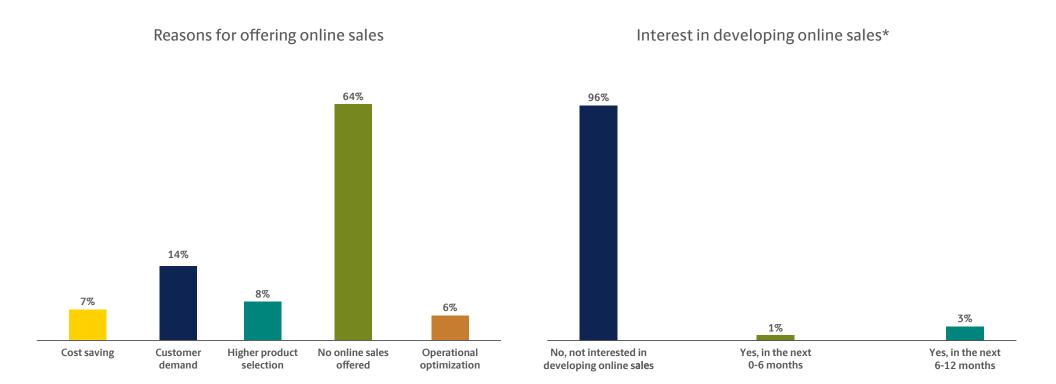
Survey results - part 1: e-commerce

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.

Reasons for offering online sales

- Cost saving: 7%
- Customer demand: 14%
- Higher product selection: 8%
- No online sales offered: 64%
- Operational optimization: 6%

Interest in developing online sales*

- No, not interested in developing online sales: 96%
- Yes, in the next 0-6 months: 1%
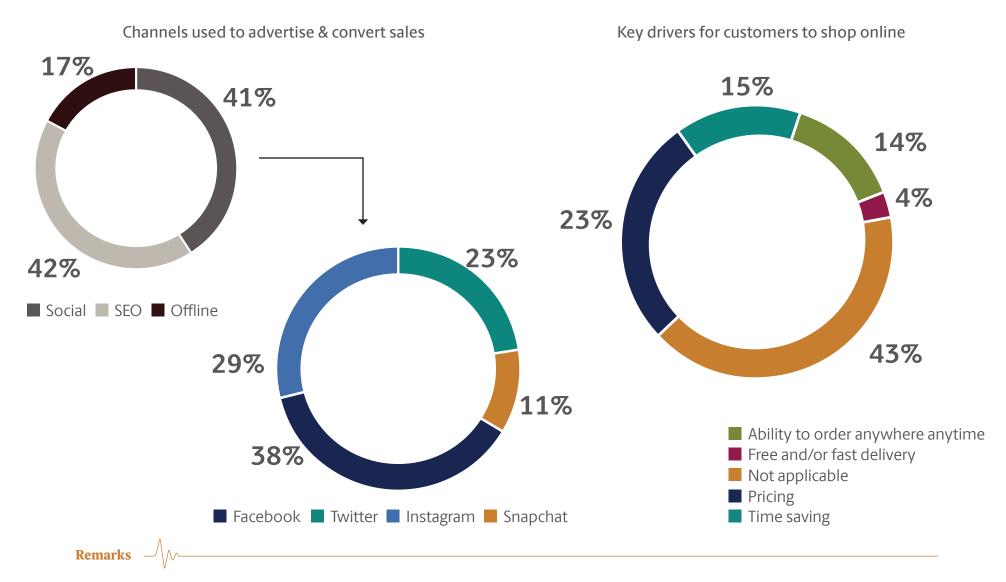- Yes, in the next 6-12 months: 3%

Remarks

*Based on 742 responses

- 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.

Survey results - part 1: e-commerce

UPS

Channels used to advertise & convert sales

17%

41%

42%

■ Social ■ SEO ■ Offline

23%

29%

38%

11%

■ Facebook ■ Twitter ■ Instagram ■ Snapchat

Key drivers for customers to shop online

15%

14%

4%

23%

43%

■ Ability to order anywhere anytime
■ Free and/or fast delivery
■ Not applicable
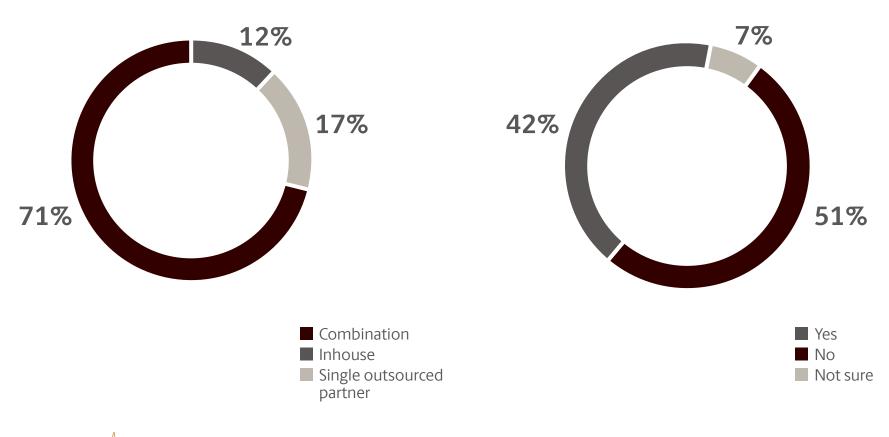■ Pricing
■ Time saving

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 any where, anytime is also a key factor.

Survey results - part 1: e-commerce

UPS

Type of partners for order fulfilment

12%

17%

71%

- Combination
- Inhouse
- Single outsourced partner

Customer willingness to pay for expedited shipping
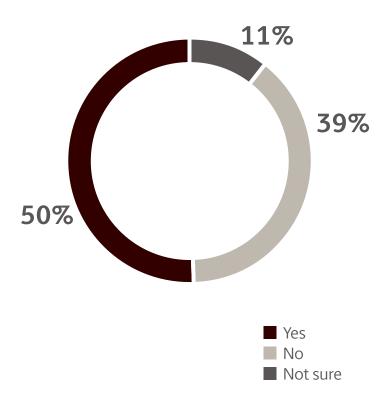
7%

42%

51%

- Yes
- No
- Not sure

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?

11%

39%

50%

- Yes
- No
- Not sure

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.

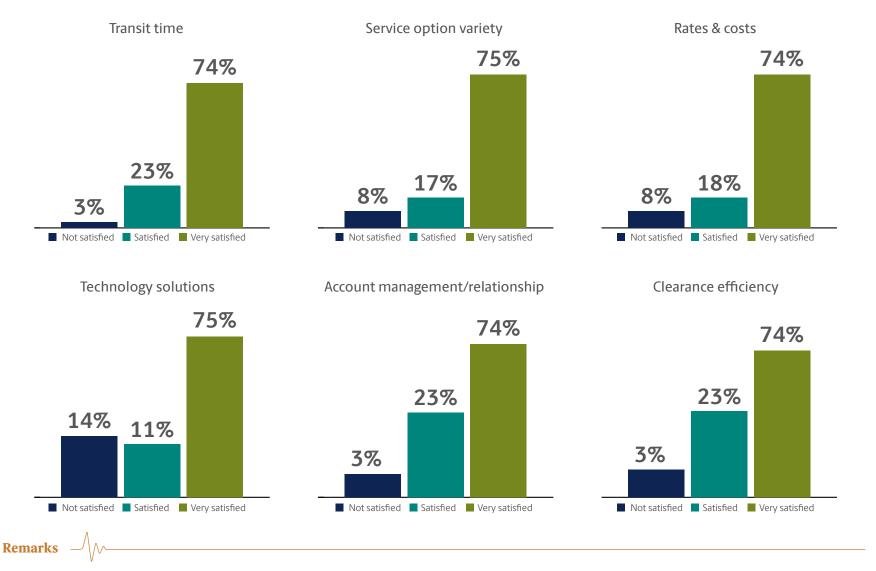# Survey results - part 2: Logistics & current provider relationship

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%
23%
3%

■ Not satisfied ■ Satisfied ■ Very satisfied

Service option variety

75%
17%
8%

■ Not satisfied ■ Satisfied ■ Very satisfied

Rates & costs

74%
18%
8%

■ Not satisfied ■ Satisfied ■ Very satisfied

Technology solutions

75%
14%
11%

■ Not satisfied ■ Satisfied ■ Very satisfied

Account management/relationship

74%
23%
3%

■ Not satisfied ■ Satisfied ■ Very satisfied

Clearance efficiency

74%
23%
3%

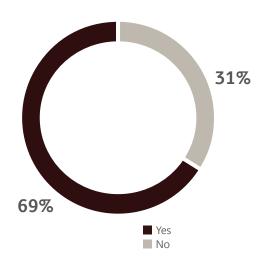■ Not satisfied ■ Satisfied ■ Very satisfied

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.
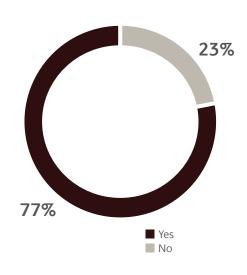
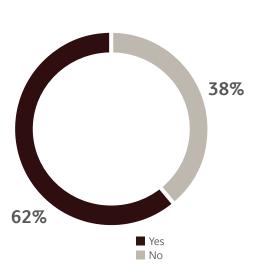# Survey results - part 2: logistics & current provider relationship

UPS

Current provider capability to fulfill same-day shipping in future

31%

69%

■ Yes
■ No

Defined delivery slot option with current provider*

23%

77%

■ Yes
■ No

Delivery tracking app with current provider*
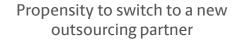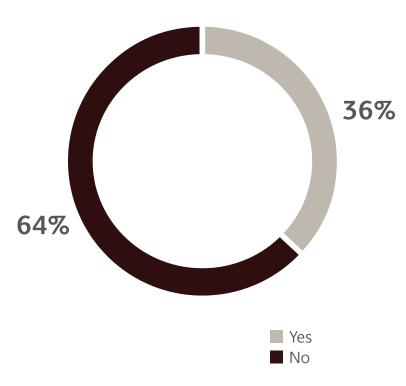
38%

62%

■ Yes
■ No

Remarks

*Based on 1146 responses

- 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.

Survey results - part 2: logistics & current provider relationship

Propensity to switch to a new
outsourcing partner

36%

64%

■ Yes
■ No

Remarks

- While a majority of SMEs are satisfied with their current outsourcing partner, 36% would consider switching to a new outsourcing partner.
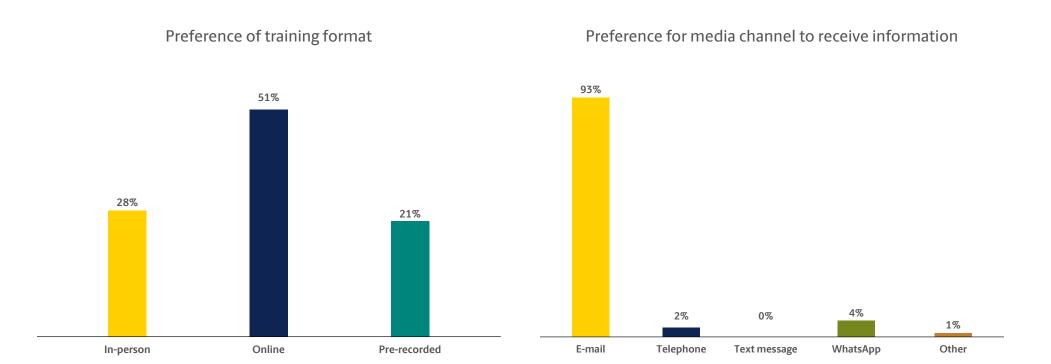
Survey results - part 3: additional insights

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

In-person	28%
Online	51%
Pre-recorded	21%

Preference for media channel to receive information

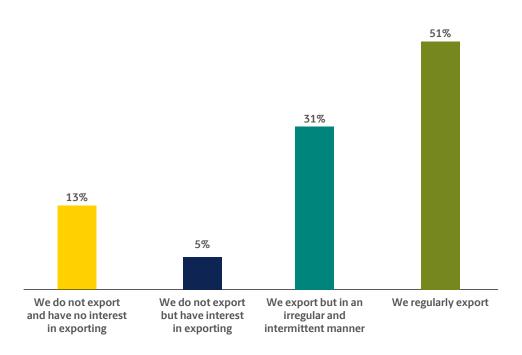|	
E-mail	93%
Telephone	2%
Text message	0%
WhatsApp	4%
Other	1%

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

Export trends

- We do not export and have no interest in exporting: **13%**
- We do not export but have interest in exporting: **5%**
- We export but in an irregular and intermittent manner: **31%**
- We regularly export: **51%**

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

UPS

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

23%
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