

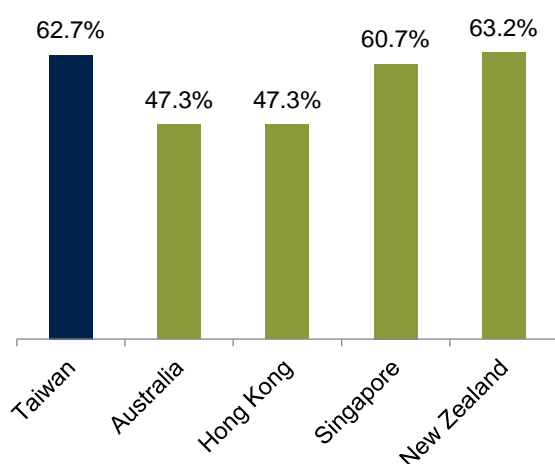
# ASIA-PACIFIC SMALL BUSINESS SURVEY 2018

## TAIWAN MARKET SUMMARY

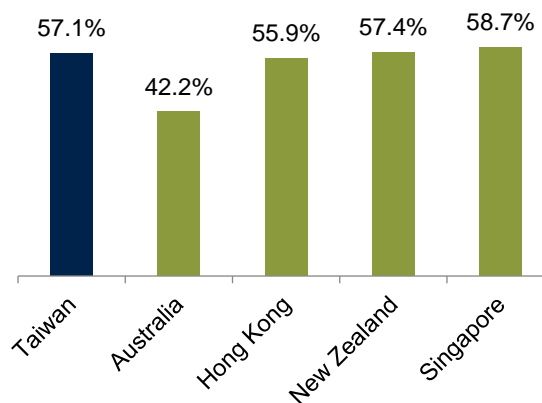
### Data snapshot

#### Business and economic growth

Small businesses that expect to grow in next 12 months - Taiwan against other developed economies



Small businesses that reported growing in the previous 12 months - Taiwan against other developed economies



	2018	Survey average 2018	Rank 2018
Businesses that grew in the last 12 months	57.1%	66.3%	8/10
Businesses that expect to grow in the next 12 months	62.7%	68.8%	7/10
Businesses that expect the local economy to grow in the next 12 months	44.2%	58.4%	8/10

## Business activity over the past 12 months

	2018	Survey average 2018	Rank 2018
Increased employee numbers	20.8%	30.3%	7/10
Improved business management had a major positive impact on the business	13.9%	21.8%	8/10
Increasing costs had a major negative impact on the business	29.4%	39.9%	10/10
Required funds from an external source	37.3%	53.1%	8/10
Sought external funds for business growth	46.0%	58.6%	8/10
Found it easy or very easy to access external finance	21.2%	30.2%	7/10
A bank was the business's main source of external finance	29.2%	38.1%	10/10

## Planned business activity over the next 12 months

	2018	Survey average 2018	Rank 2018
Expect to increase employee numbers	29.4%	41.2%	7/10
Will introduce a new product, service or process unique to their market or the world	13.9%	20.8%	7/10 <sup>^</sup>
Expect revenue from overseas markets to grow strongly	10.6%	15.0%	7/10
Will seek external funds	11.9%	22.9%	8/10
Expect easy to very easy access to finance	19.5%	25.1%	7/10

<sup>^</sup>Equal seventh with Singapore

## Social media, ecommerce and technology

	2018	Survey average 2018	Rank 2018
Did not earn any revenue from online sales	34.0%	28.5%	4/10
Did not use social media for business purposes	16.8%	18.3%	4/10
Social media platform the business gets most value out of	Facebook	Facebook	N/A
Investment in technology by the business over the past 12 months has improved profitability	33.0%	48.0%	6/10
Technology your business invested in most heavily over the past 12 months	Computer equipment	Computer equipment	N/A
Consider your business likely to be subjected to a cyberattack in next 12 months	37.3%	39.4%	6/10
Reviewed your business's cybersecurity protections in last six months	42.2%	49.4%	5/10
More than 10 per cent of sales is received through digital payment options such as PayPal, Alipay, WeChat Pay	31.4%	55.1%	10/10

## Factors that had positive and negative influences on business in 2018

Top four factors that had a positive influence on small business in 2018	Top four factors that had a negative impact on small business in 2018
Customer loyalty	Increasing costs
Good staff	Poor overall economic environment
Cost control	Increasing competition
Introduced a new product or service	Staff cost <sup>^</sup> Political instability

<sup>^</sup>Equal fourth

## Demographics

	2018	Survey average 2018	Rank 2018
Business has been established for 10 years or less	60.4%	63.2%	7/10
Respondent is aged under 40	44.9%	52.5%	6/10
Respondent is the business owner	14.2%	36.8%	8/10
Business has 10 to 19 employees	21.5%	35.7%	7/10

## Summary

2018 was a reasonable year for small businesses from Taiwan, with over half stating that they grew. Despite challenging global economic conditions, 2019 looks like it will also be a positive year for most of Taiwan's small businesses with nearly two-thirds expecting to grow.

The performance of Taiwan's small businesses in 2018 was typically positive, with 57.1 per cent stating that their business grew. These positive results are expected to continue in 2019, with 62.7 per cent of businesses expecting to grow. Given major uncertainties such as global trade tensions and Brexit, and Taiwan's externally-focused business sector, this is a good result and reflects the resilience of the sector in the face of such uncertainties.

The challenges Taiwan faces is best reflected in only 44.2 per cent of Taiwan's small businesses expecting their local economy to grow, below the survey average of 58.4 per cent. Concerns over global trade tensions is chief amongst the concerns of Taiwan's small businesses, with 41.6 per cent of respondents forecasting that a global trade war could have negative impacts on their business.

Reflecting 2018 being a reasonable year for Taiwan's small businesses, over one in five (20.8 per cent) added to their headcount in 2018. Despite forecast challenges and uncertainties, 29.4 per cent of Taiwan's small businesses expect to increase their headcount in 2019, again reflecting the resilience of the sector.

A positive feature of Taiwan's small businesses is their relatively strong focus on digital technologies, especially in comparison to Australian small businesses. For example:

- 38.0 per cent of businesses generate more than 10 per cent of their sales online, compared with 24.6 per cent of Australian small business
- Only 16.8 per cent of Taiwan's small businesses do not use social, compared with 44.8 per cent of Australian small business
- 33.0 per cent of Taiwan's businesses that invested in technology in 2018 found that such an investment was already profitable, compared with 16.4 per cent of Australian small business.

However, there is room for improvement. We suggest that Taiwan's small businesses would benefit from a stronger focus on:

- Online sales. While Taiwan does relatively well in comparison to Australia, Mainland China's small businesses are the clear leaders in e-commerce with 81.3 per cent of businesses generating more than 10 per cent of their sales online.
- Using digital payments technology. Taiwan's small businesses were the least likely of the markets surveyed to be generating more than 10 per cent of their sales through digital and online payment technologies, such as PayPal, Apple Pay and WeChat Pay. Only 31.4 per cent of Taiwan's small businesses generated more than 10 per cent of their sales through such technology, in comparison to 87.1 per cent of small businesses from Mainland China.
- Using social media to improve understanding of customers. Taiwan's small business should find that using social media to gain a better understanding of customer behaviours, and to receive and monitor customer feedback, will help with business growth.
- Cybersecurity. While 42.2 per cent of Taiwan's small businesses reviewed their cybersecurity measures in the past six months, this is below the survey average of 49.4 per cent.

Overall, only 9.9 per cent of Taiwan's small businesses stated that technology had one of the most positive impacts on their business in 2018, compared with 33.2 per cent of businesses that grew strongly and 38.0 per cent of businesses from Indonesia.

We make these suggestions as the survey results indicate that there is a link between a focus on e-commerce and technology and business growth. Further, with businesses from Taiwan indicating that staff costs were the costs most detrimental to their business in 2018, a stronger focus on technology, such as automation, can reduce the

need for staff or free up staff to perform higher value-added tasks.

Taiwan's small businesses faced several challenges in addition to global trade tensions in 2018, with increasing costs being the issue Taiwan's businesses are most likely to nominate as a barrier to growth. Other issues of concern include economic conditions and increasing competition.

In addition to a stronger focus on technology in some areas, Taiwan's small businesses would also benefit from a stronger focus on innovation as only 13.9 per cent of Taiwan's businesses declared they will innovate in 2019 compared with a survey average of 20.8 per cent and 35.6 per cent of businesses from the Philippines.

While 57.1 per cent of Taiwan's businesses grew in 2018, only 37.3 per cent required funds from an external source. This reflects positively on the management capability of Taiwan's small businesses, as they are making better use of existing assets to grow their business. Further, it suggests that some are funding their growth from internal sources, which reflects good cash flow management.

The relatively low level of demand for finance may also reflect that many did not experience easy conditions when seeking external finance in 2018, with only 21.2 per cent stating that they found access to finance easy, below the survey average of 30.2 per cent. Of interest, Taiwan's small businesses were the least likely to nominate a bank as their main source of finance from the markets surveyed.

2019 looks to be a challenging year for Taiwan's small businesses, however there is a stronger sense of optimism in their own business's prospects than in the general economy. That aside, if more of Taiwan's small businesses want to grow, we suggest they consider making larger investments in technology and have a stronger focus on improving customer satisfaction and business strategy.