



Hong Kong SMEs strike an optimistic note for 2024, despite increasingly challenging business environment, QBE survey unveils

- QBE's survey suggests SMEs are not buying the most appropriate insurance for today's operating environment. Despite SMEs having a moderate or high level of concern for multiple business risks, they also do not purchase adequate insurance coverage to meet these risks.
- The complexity of today's risks is prompting customers to favour an omnichannel sales experience, combining online information with in-person expertise and insights.
- 70% of Hong Kong SMEs are expecting 2024's economy to outperform last year's, with 63% of respondents recording increased sales in 2023, and 70% expecting further sales increases for 2024.

Hong Kong, 6 March 2024 – QBE insurance's annual survey of Hong Kong small and medium-sized enterprises (SMEs) strikes an optimistic note for the year ahead, despite looming business risks. This was the overall finding of this year's edition, which surveyed the views and experiences of 616 SME business decision-makers between December 2023 and January 2024. *

While generally positive, SMEs remain cognisant of the business challenges ahead. Some 40% of survey respondents cited increased costs and reduced profitability as a key business challenge for 2024; while 39% cited staff acquisition and retention as a top issue, with 34%, 33% and 32% respectively saying cashflow and access to financing, a shortage of orders, and customer acquisition and retention were also key challenges.

These issues are expected to linger, with main business concerns being: 35% showing concern for the cost of running a business; 33% concerned with acquiring new customers; 33% having to consolidate their services; 31% are apprehensive about the cost of staff; and 30% anxious over the profitability of their respective companies.

SMEs are largely underinsured, despite having one or more insurance policies

Some 79% of local SMEs experienced at least one business issue in 2023. Being 'hacked', where sensitive data and information was stolen via the internet, was the number-one issue among survey respondents. This is a significant rise from last year's survey results where only 18% of respondents experienced this issue, versus 30% for 2024. 20% of this year's participants experienced loss of income due to business interruption, while 17% underwent infringement of intellectual property rights – a noteworthy 8% increase from last year. 16% said they had lost key members of staff, while this same proportion had undergone losses caused by equipment breakdown.

Despite having a moderate or high level of concern for multiple business risks, many respondents have yet to purchase insurance coverage to address them. 63% of participants were concerned over loss of income due to business interruption, yet only 22% have policies to cover this risk. Likewise, with 61% being moderately-to-highly concerned about loss of money while being handled by third parties, a mere 25% of respondents are insured in this area.

Mr. Andex Fung, Head of SME Segment, Asia, commented, "Our survey shows that many SMEs are not covered for the risks they are most concerned about, for example business interruption, cyber liability and more. This is straightforward to rectify, and I would encourage SME owners and business leaders to start by speaking to their trusted insurer or intermediary to better understand what protection exists – and what the best combination of cover for their business is. Doing so in advance of any negative event will pay dividends."

An omnichannel sales experience is preferred

Customers are seeking bespoke solutions that encompass a wide range of policies, the survey found: 76% of respondents prefer an insurance package tailored to their industry needs, and covers multiple business risks. The need for expert advice is also reflected in the preference for an omnichannel sales experience. All touchpoints across research, buy and pay, customer service, and making claims, saw an increase both online and offline during 2023.

“In our experience, customers are comfortable browsing information and asking questions online, while wanting to tap into the knowledge and experience of intermediaries, including agents, brokers, and banks. This is where our digital initiatives like Qnect¹ play a key role in providing intermediary support, allowing them to instantaneously provide their SME customers with indicative insurance premiums and coverage,” said Ms. Lei Yu, CEO for North Asia.

Preferences for offline and online purchasing remain the same as they were last year, at 57% and 43% respectively. These findings accentuate the trust customers place on in-person relationships with intermediaries and insurance companies, while simultaneously they affirm the high quality, seamless service that they expect from an omnichannel sales experience.

A more positive year awaits

Although significant risks linger, optimism about the Hong Kong economy and company sales have surged year-on-year. In last year’s survey, 47% of respondents believed the next 12 months would present better economic conditions, whereas today, this number stands at 70%. Similarly, last year 47% of respondents expected an increase in sales in the coming year, versus 70% this year. 63% of SMEs recorded an increase in sales in 2023.

The top three economic conditions that most concern Hong Kong SMEs are investor/consumer confidence (63%), increasing operating costs (60%) and decreasing customer demand domestically (55%). In tackling these concerns, cost control is their first priority (73%), followed by customer base and business diversification (50%), and looking to shore up domestic demand and local business opportunities (48%).

Ms. Yu commented, “Hong Kong-based SMEs are clearly concerned about today’s operating environment, especially with regards to managing rising costs and falling profitability. The recently announced Hong Kong Budget 2024-25² echoes these findings with the announcement of measures that will help SMEs tackle their capital-flow problems, tap into new markets, and accelerate upgrading and transformation. This year’s surge in optimism among Hong Kong SMEs bodes well for the Hong Kong economy and QBE is poised to help our SME customers navigate the risk landscape with bespoke solutions that can best address their concerns across business interruptions, supply chain management, employee talent retention, and liabilities.”

For results of the same survey conducted with Singapore SMEs, please visit this [link](#).

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¹ Qnect is a QBE portal providing intermediaries with a unified digital experience to manage end-to-end transactions across multiple lines and types of business. The portal is into its 10th year of use this year.

² <https://www.budget.gov.hk/2024/eng/budget09.html>

***Notes to editors:**

This is the first of a two-part survey results: A second analysis focused on operational risks that affect SMEs covering the areas of artificial intelligence, cyber risks, workplace safety and health will be ready and released before the second half of 2024.

Hong Kong-Singapore SME survey: Business outlook summary

2024 vs. 2023 results	Hong Kong	Singapore
Top 5 business challenges (2024 : 2023)	<ol style="list-style-type: none"> 1) Increasing costs / reduced profitability (40% : 12%) 2) Staff acquisition and retention / labour shortage (39% : 12%) 3) Finances (cash flow, funding, investments, forex etc.) (34% : 7%) 4) Shortage of orders / business decline / closing down (33% : 29%) 5) Customer acquisition and retention / changing customer expectations (32% : 17%) 	<ol style="list-style-type: none"> 1) Increasing costs / reduced profitability (50% : 16%) 2) Sales growth / reduced customer spending (40% : 15%) 3) Increased competition (39% : 3%) 4) Staff acquisition and retention / labour shortage (37% : 23%) 5) Finances (cash flow, funding, investments, forex etc.) (36% : 8%)
Top 5 business concerns (2024 : 2023)	<ol style="list-style-type: none"> 1) Cost of running the business (35% : 34%) 2) Getting new customers / keeping customers (33% : 37%) 3) Consolidating services (33% : NA) 4) Cost of staff (31% : 20%) 5) Long-term profitability (30% : 29%) 	<ol style="list-style-type: none"> 1) Cost of running the business (39% : 40%) 2) Getting new customers / keeping customers (37% : 33%) 3) Long-term profitability (34% : 28%) 4) Cost of staff (33% : 33%) 5) Hiring and keeping the right staff (33% : 27%)
Business outlook (2024 : 2023)	<p>Economic confidence</p> <ul style="list-style-type: none"> • Better (70% : 47%) • Unchanged (14% : 25%) • Worse (16% : 28%) <p>Business sales outlook</p> <ul style="list-style-type: none"> • Increase (70% : 47%) • Unchanged (20% : 27%) • Decrease (10% : 20%) 	<p>Economic confidence</p> <ul style="list-style-type: none"> • Better (60% : 59%) • Unchanged (22% : 23%) • Worse (18% : 17%) <p>Business sales outlook</p> <ul style="list-style-type: none"> • Increase (62% : 58%) • Unchanged (25% : 31%) • Decrease (13% : 10%)

About QBE Hong Kong

QBE has been serving Hong Kong for more than a century. Today, QBE Hong Kong operations include QBE Hongkong & Shanghai Insurance Limited, QBE General Insurance (Hong Kong) Limited, and QBE Mortgage Insurance (Asia) Limited. As a leading general insurer, QBE Hong Kong provides a comprehensive range of non-life insurance solutions for both business and personal customers. QBE Hong Kong operates through an extensive network of professional insurance agents and brokers and has an exclusive distribution partnership with Manulife. QBE Hong Kong is part of the QBE Insurance Group, a general insurance and reinsurance company. To learn more about QBE Hong Kong, please visit www.qbe.com/hk

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