

UPS Asia Business Monitor 2010



Survey conducted by



Overview of Methodology



Fieldwork period: March 11, 2010 – April 20, 2010

Interviewing method: Computer Assisted Telephone Interviewing using native-language B2B interviewers

Average interview length: 36 minutes

Total sample: n=1,351

Respondent Qualification:

- Locally-based & Privately held companies
- Maximum 250 employees
- Key Strategic Decision-Makers

Sample breakdown by market:

Australia	China	Hong Kong	India	Indonesia	Japan
n=100	n=150	n=100	n=101	n=100	n=100

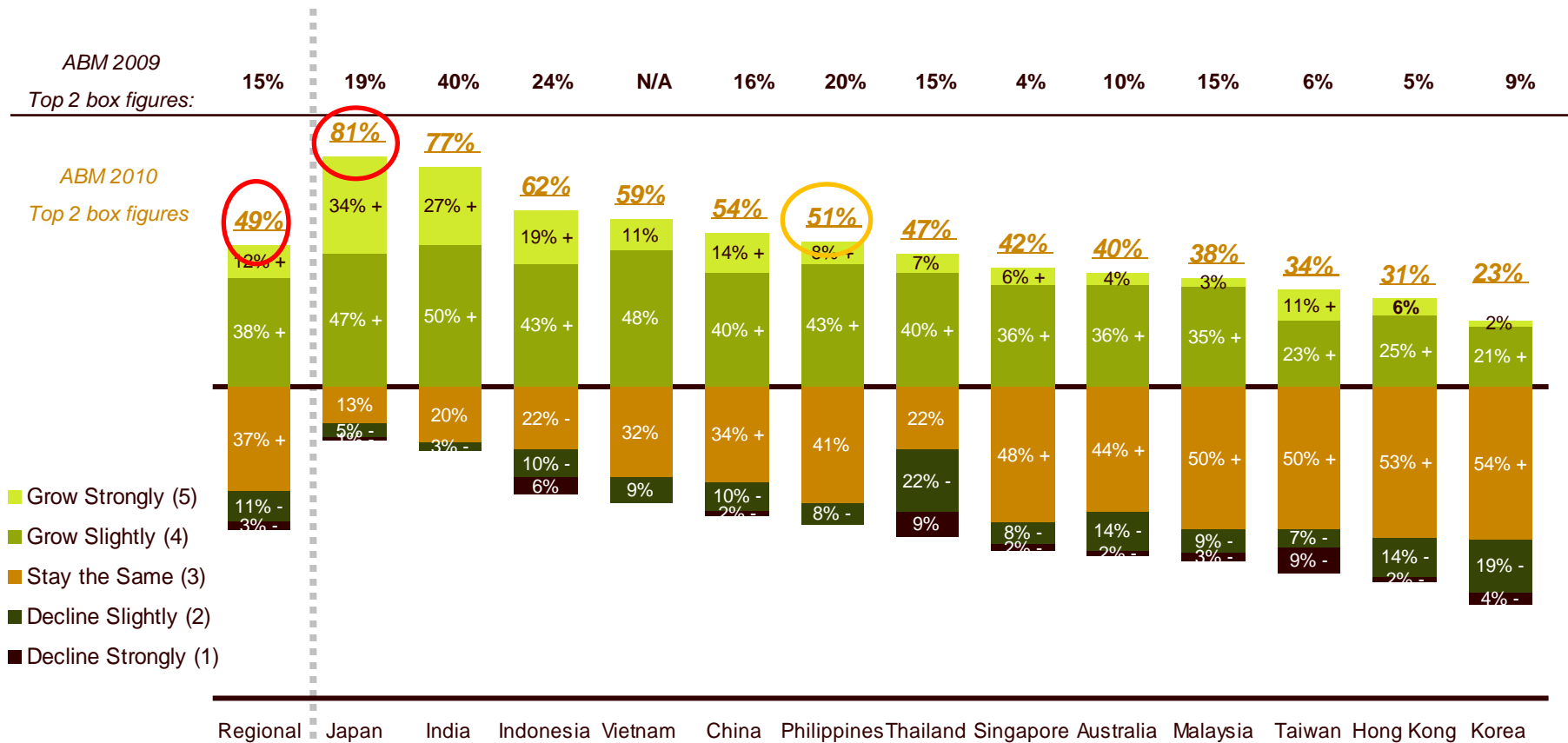
Korea	Malaysia	Philippines	Singapore	Taiwan	Thailand	Vietnam
n=100	n=100	n=100	n=100	n=100	n=100	n=100



**Post-meltdown, SMEs are getting
back to positive thinking...**

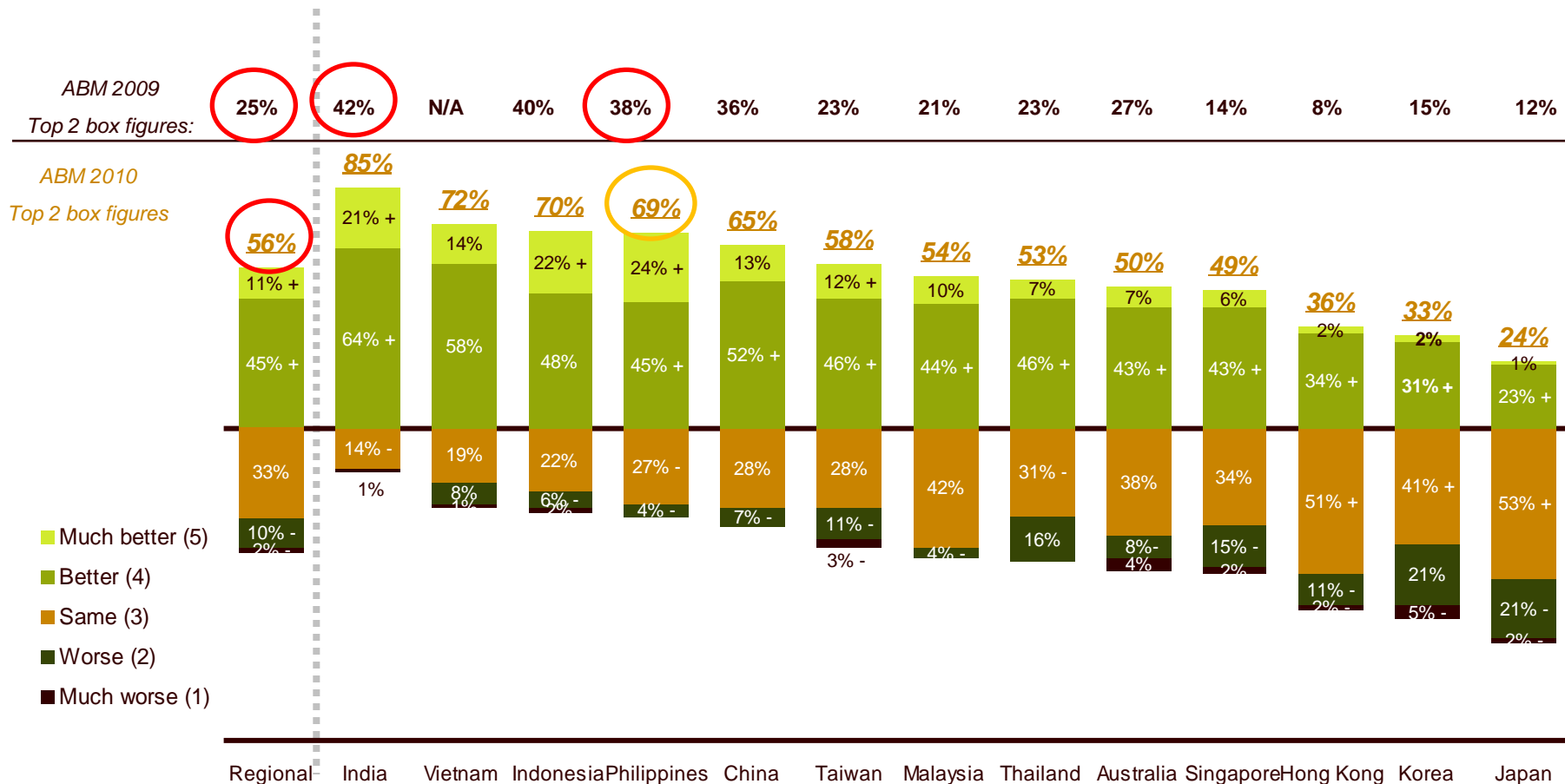


How do you rate the prospects for economic growth across the region in 2010?





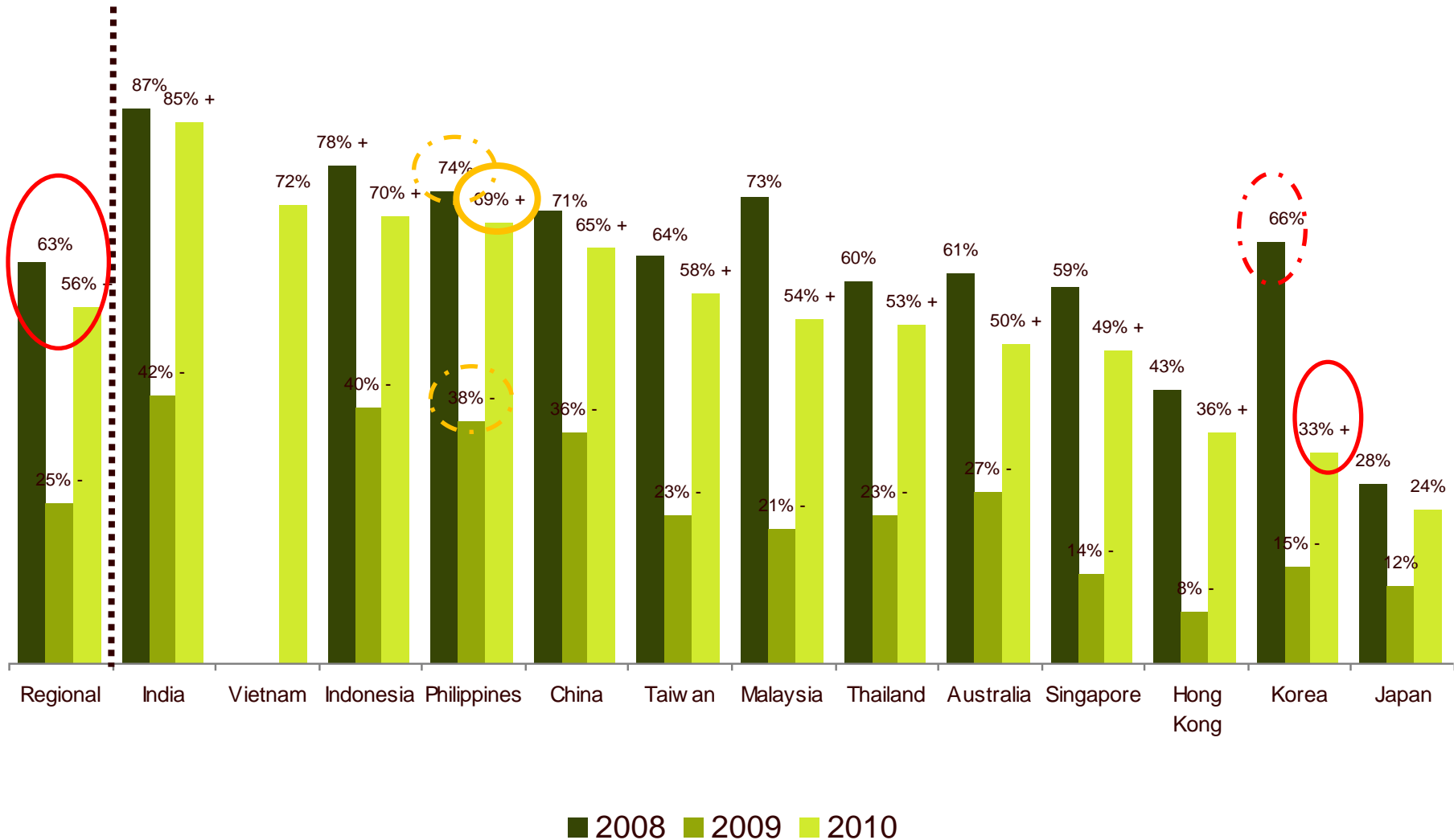
Do you think your company's overall prospects 2010 will be better, worse or about the same as 2009?



Base : Asia Pacific in 2009, 2010
 * Vietnam is new market in 2010



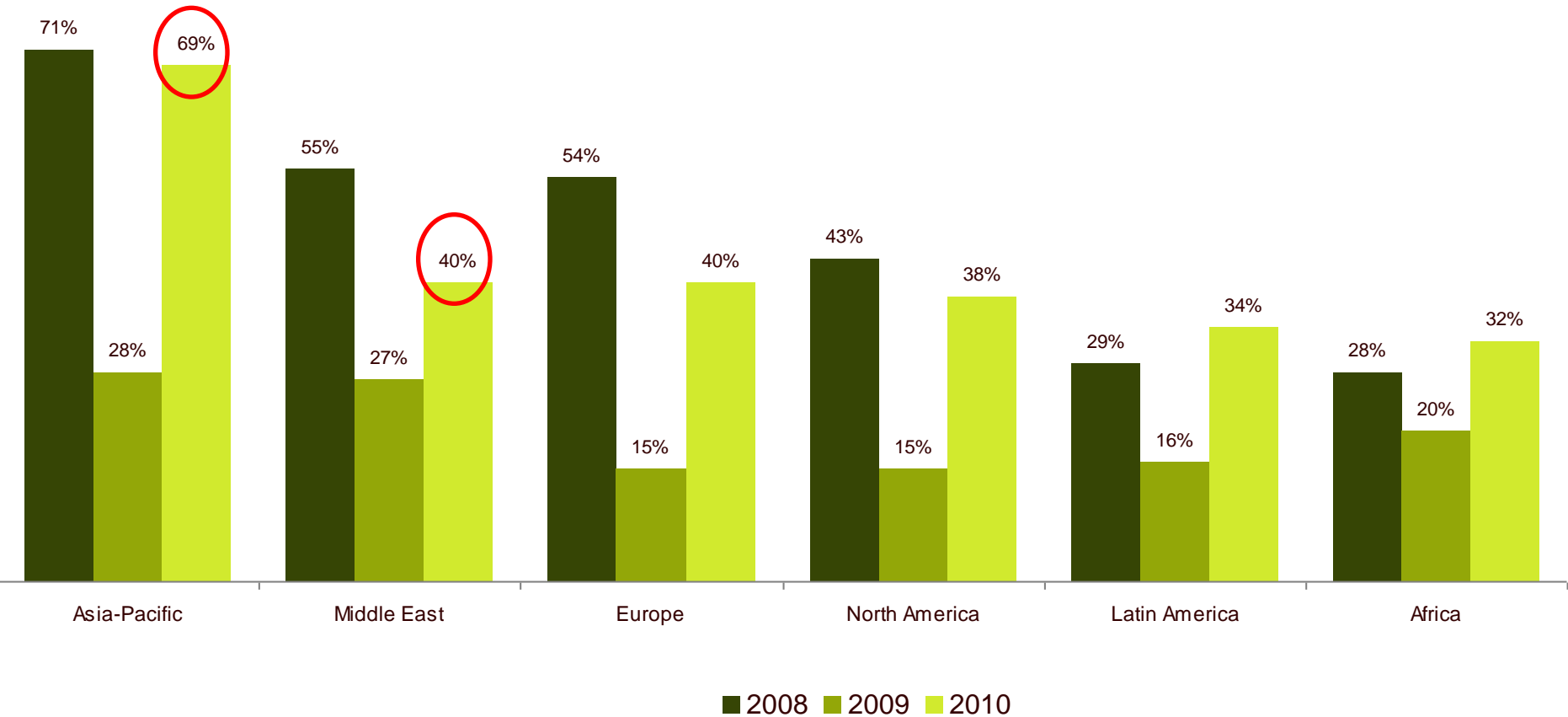
Do you think your company's overall prospects in 2010 will be better, worse or about the same as 2009?



Base : Asia Pacific in 2008, 2009, 2010
* Vietnam is new market in 2010



How do you rate the prospects for volume of trade growth between your country and the following in 2010?



* North America past figures are from combining US and Canada. Asia Pacific labeled as Intra-Asia in 2008-2009

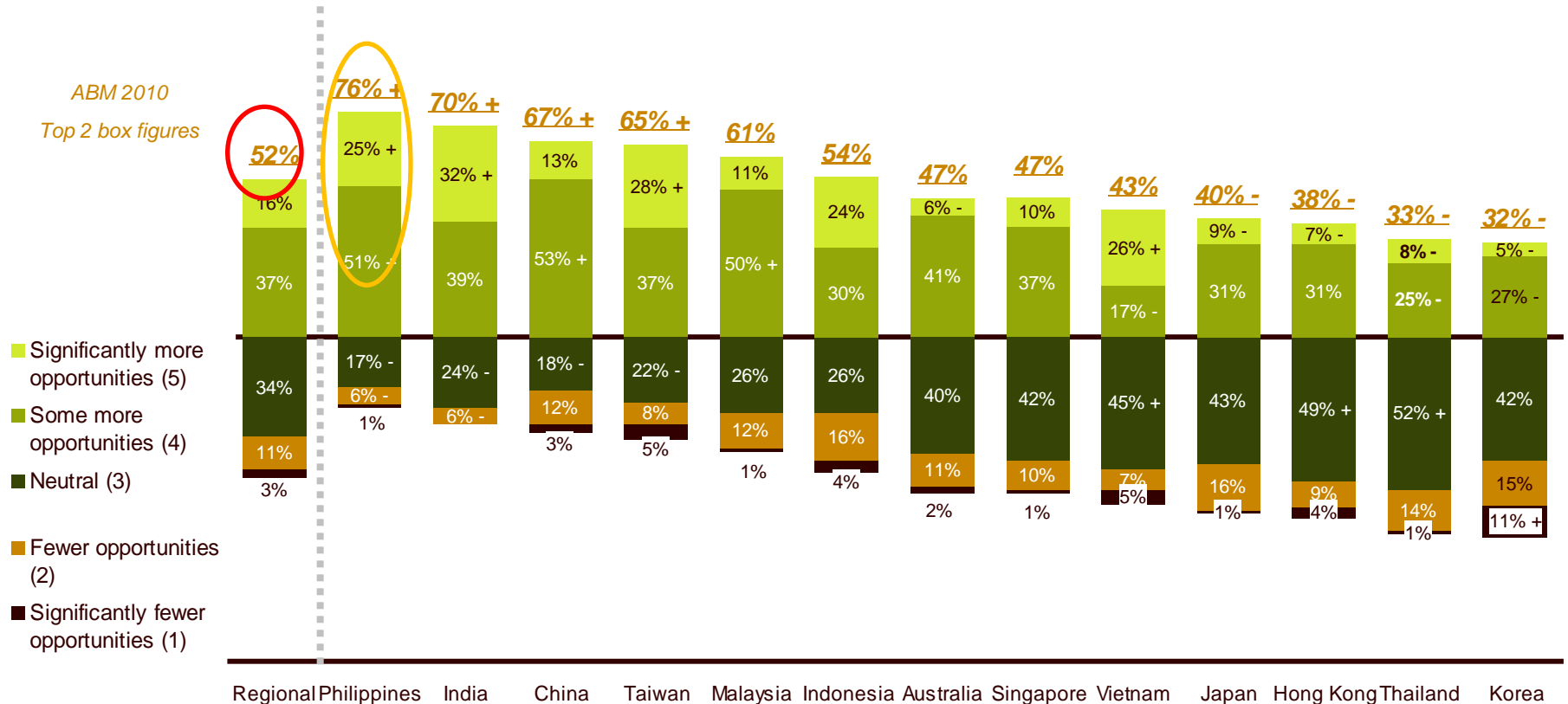
Base : Asia Pacific in 2008, 2009 and 2010

* Vietnam is new market in 2010

+/- : Significant change versus previous year (at 95% confidence level)



Looking specifically at opportunities for SMEs in your country in 2010 versus 2009, what level of opportunities do you see for your business in 2010? Would you say there are....



Base : Asia Pacific in 2010

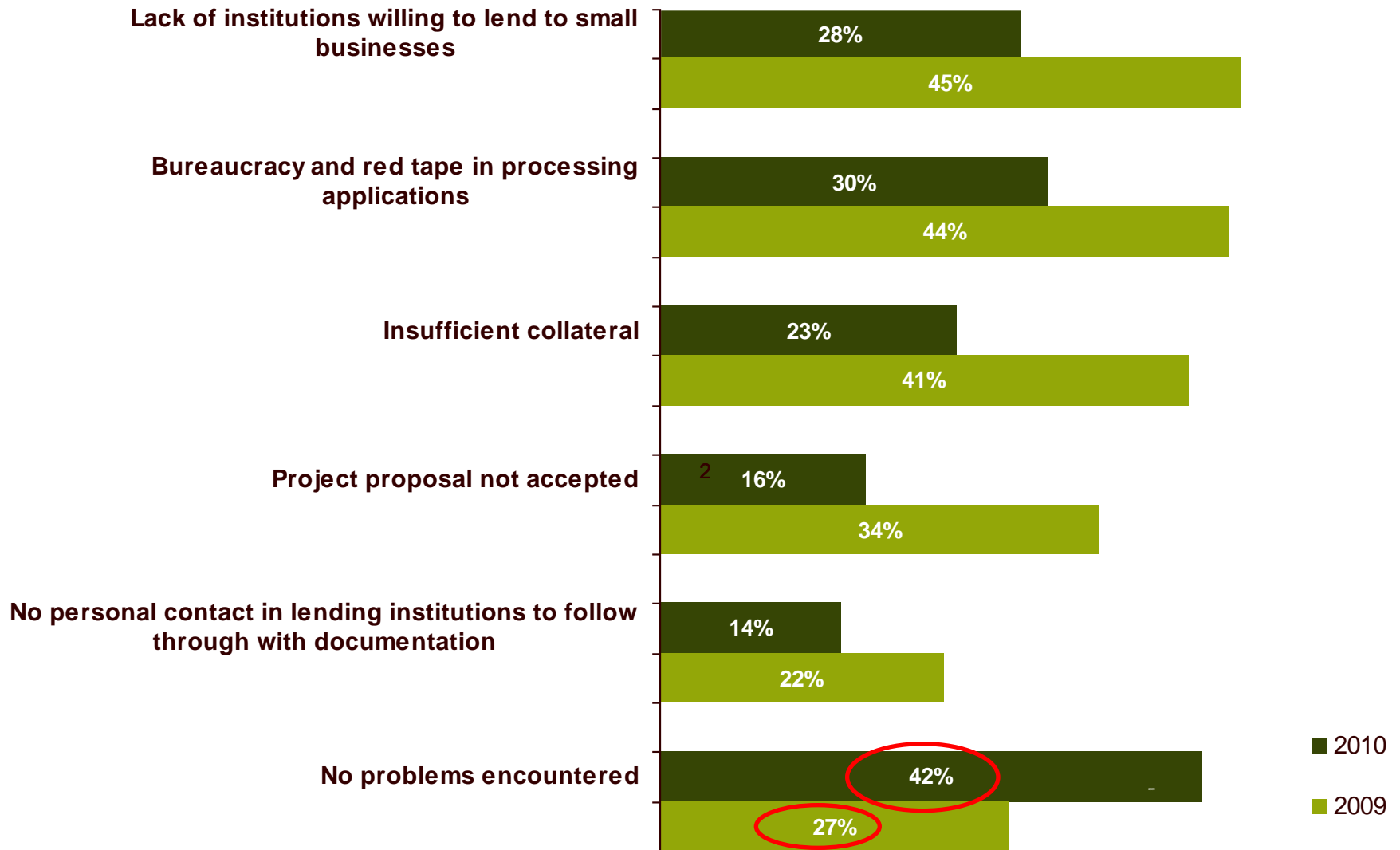
+/- : Significant difference versus Total (at 95% confidence level)

* New question in 2010



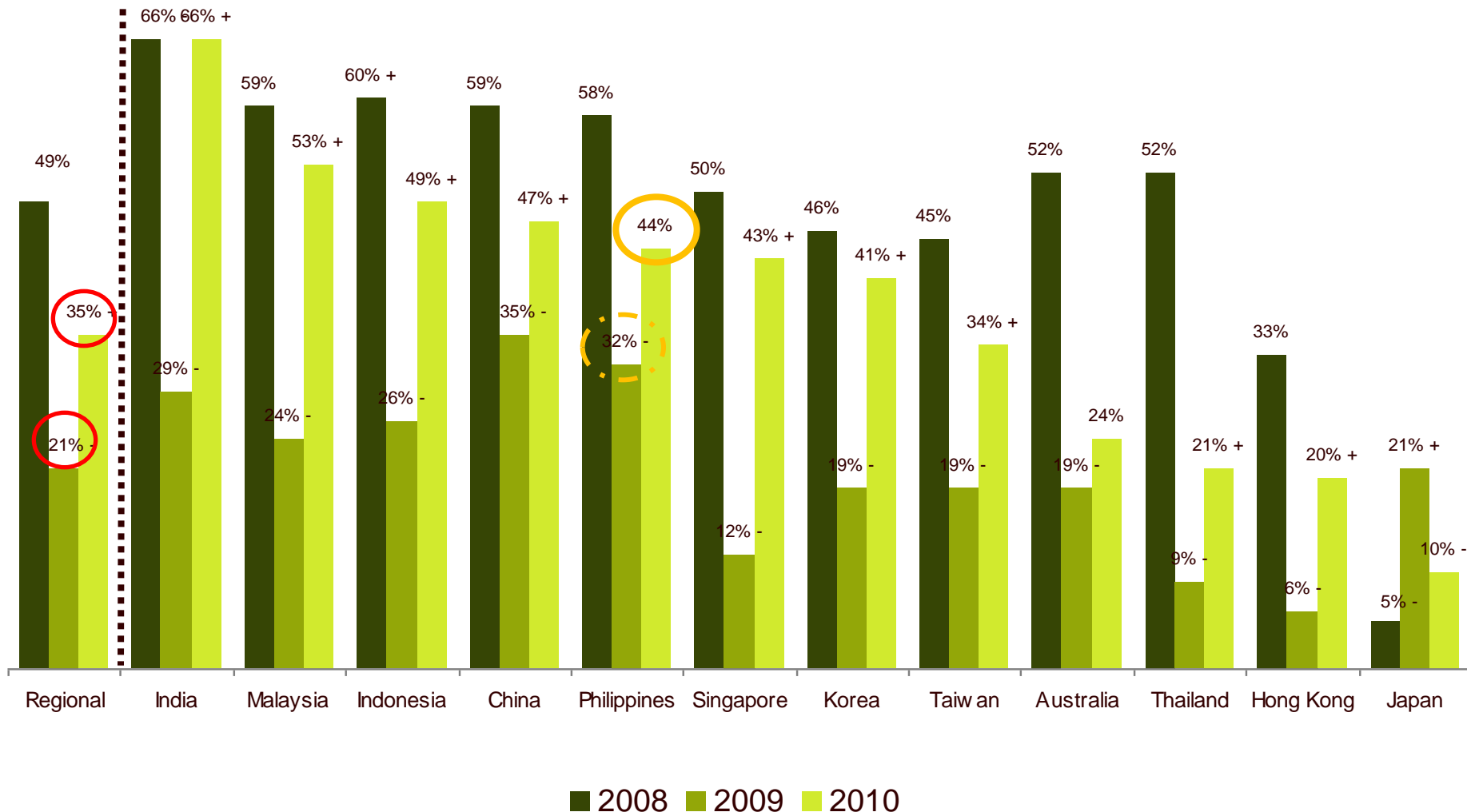
**There is a growing sense of
confidence among SMEs**

Which of the following problems have you encountered in financing your business?





In 2010, what workforce projection do you have for your company?



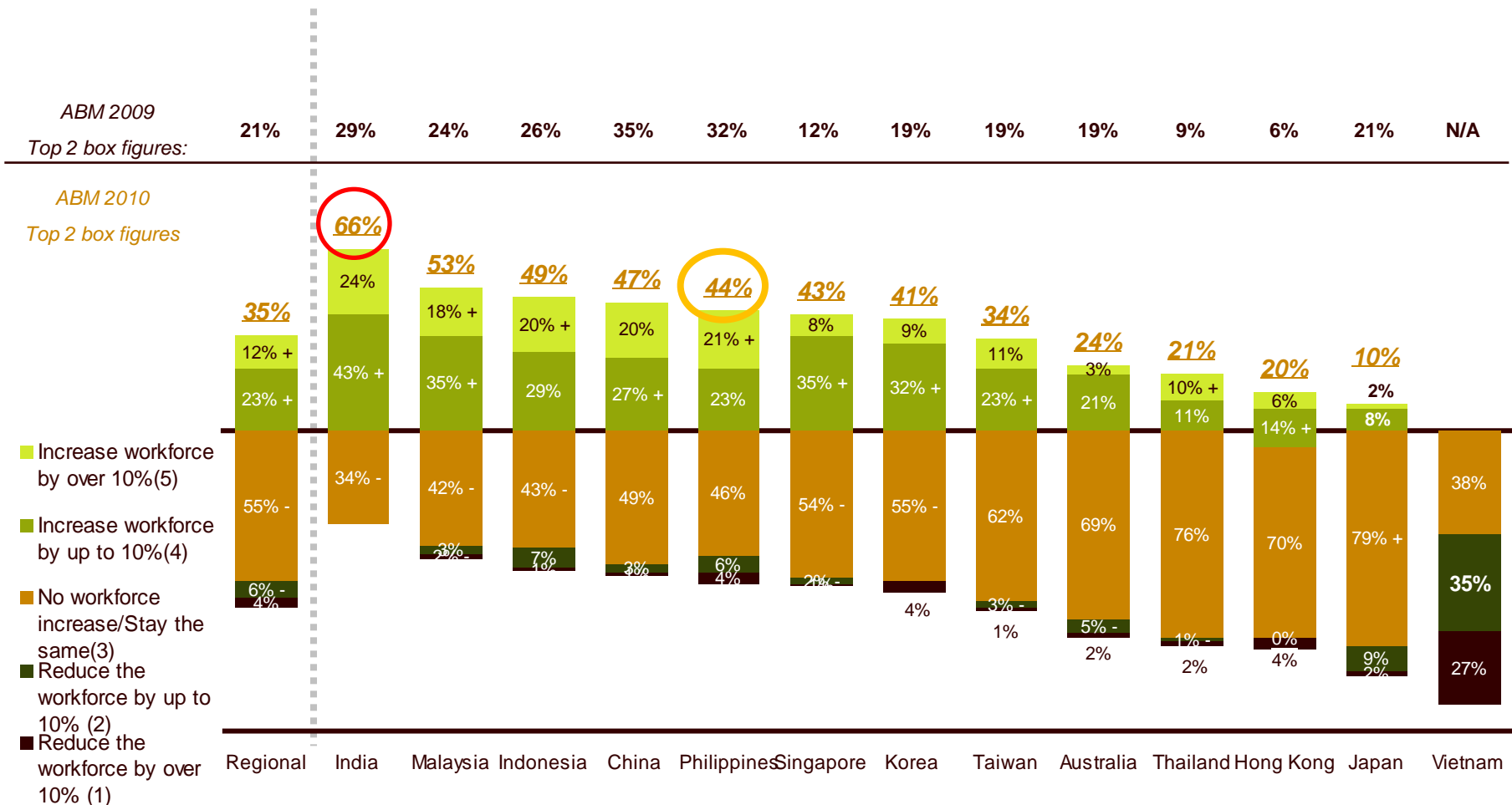
Base : Asia Pacific in 2008, 2009, 2010

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+/- : Significant change versus previous year (at 95% confidence level)



In 2010, what workforce projection do you have for your company?



Base : Asia Pacific in 2009, 2010
 * Vietnam is new market in 2010



What can SMEs offer that big enterprises can't?

All Markets (n=1351)

Top 5 Mentions

More flexible/ flexibility	20%
Better services/ better quality/ Quality service	14%
Offer better prices/ cheaper rates	11%
Local/ Personalised/ Tailored service	8%
Faster services/ prompt services/ quicker services	8%

Australia (n=100)

Top 5 Mentions

Local/ Personalised/ Tailored service	36%
Better services/ better quality/ Quality service	33%
More flexible/ flexibility	27%
Faster services/ prompt services/ quicker services	15%
Offer better prices/ cheaper rates	14%

China (n=150)

Top 5 Mentions

More employment opportunity	30%
More flexible/ flexibility	19%
SME business helps the economy to improve better	17%
Target a niche market / Less Red Tape	13%
Offer better prices/ cheaper rates	11%

Hong Kong (n=100)

Top 5 Mentions

More flexible/ flexibility	45%
Faster services/ prompt services/ quicker services	17%
Better services/ better quality/ Quality service	13%
Offer better prices/ cheaper rates	9%
Target a niche market / Less Red Tape	7%

India (n=101)

Top 5 Mentions

Better services/ better quality/ Quality service	24%
Offer better prices/ cheaper rates	19%
Local/ Personalised/ Tailored service	14%
More efficient than large company	12%
Faster services/ prompt services/ quicker services	11%

Indonesia (n=100)

Top 5 Mentions

More efficient than large company	10%
Offer better prices/ cheaper rates	9%
More employment opportunity	8%
Better services/ better quality/ Quality service	7%
Able to give credit/ Longer Credit terms	6%

Japan (n=100)

Top 5 Mentions

More flexible/ flexibility	40%
Faster services/ prompt services/ quicker services	20%
Target a niche market / Less Red Tape	17%
Artisan skills	15%
Better services/ better quality/ Quality service	13%

Korea (n=100)

Top 5 Mentions

Using higher technology/ following the latest technology	10%
Target a niche market / Less Red Tape	10%
Better services/ better quality/ Quality service	6%
Local/ Personalised/ Tailored service	6%
Offer better prices/ cheaper rates	5%

Malaysia (n=100)

Top 5 Mentions

Offer better prices/ cheaper rates	18%
Better services/ better quality/ Quality service	12%
Local/ Personalised/ Tailored service	6%
Give you innovative/ creative ideas/ solutions	6%
Target a niche market / Less Red Tape	5%

Philippines (n=100)

Top 5 Mentions

Offer better prices/ cheaper rates	15%
Better services/ better quality/ Quality service	10%
More flexible/ flexibility	9%
Local/ Personalised/ Tailored service	7%
Give you innovative/ creative ideas/ solutions	4%

Singapore (n=100)

Top 5 Mentions

More flexible/ flexibility	27%
Better services/ better quality/ Quality service	20%
Local/ Personalised/ Tailored service	16%
Faster services/ prompt services/ quicker services	14%
Offer better prices/ cheaper rates	12%

Taiwan (n=100)

Top 5 Mentions

More flexible/ flexibility	40%
More employment opportunity	8%
Give you innovative/ creative ideas/ solutions	7%
Local/ Personalised/ Tailored service	5%
Available of new product/ new product development/ has own patent	3%

Thailand (n=100)

Top 5 Mentions

More flexible/ flexibility	26%
Better services/ better quality/ Quality service	17%
More efficient than large company	9%
SME business helps the economy to improve better	7%
Faster services/ prompt services/ quicker services	7%

Vietnam (n=100)

Top 5 Mentions

Better services/ better quality/ Quality service	31%
Offer better prices/ cheaper rates	26%
More flexible/ flexibility	11%
Faster services/ prompt services/ quicker services	8%
With lower operational cost, SMEs are able to produce more	8%

Base : Asia Pacific in 2010

Note: - Green text indicates higher than regional average

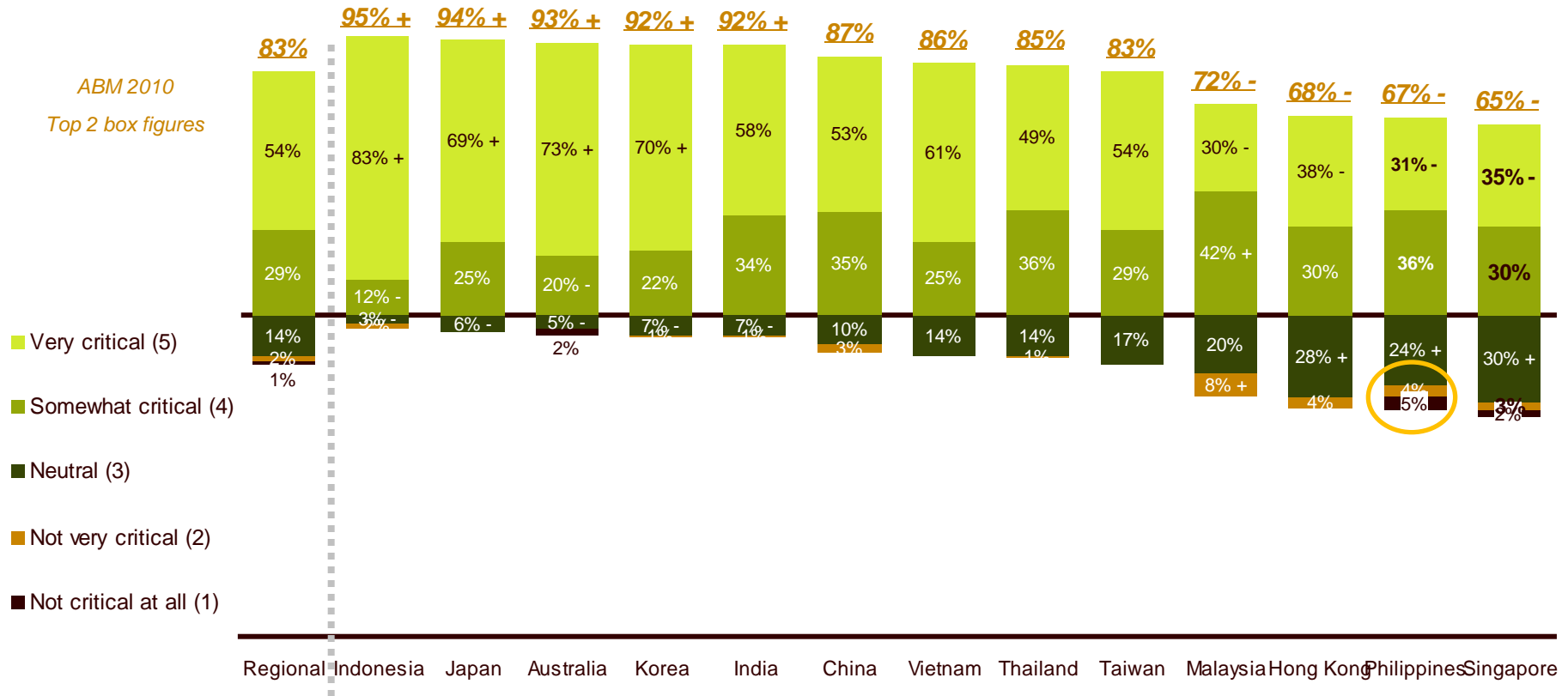
- Red text indicates lower than regional average

- Bold/underline indicates the country with the highest and lowest scores

* New question in 2010



How critical are SMEs to the future of your country's economy?



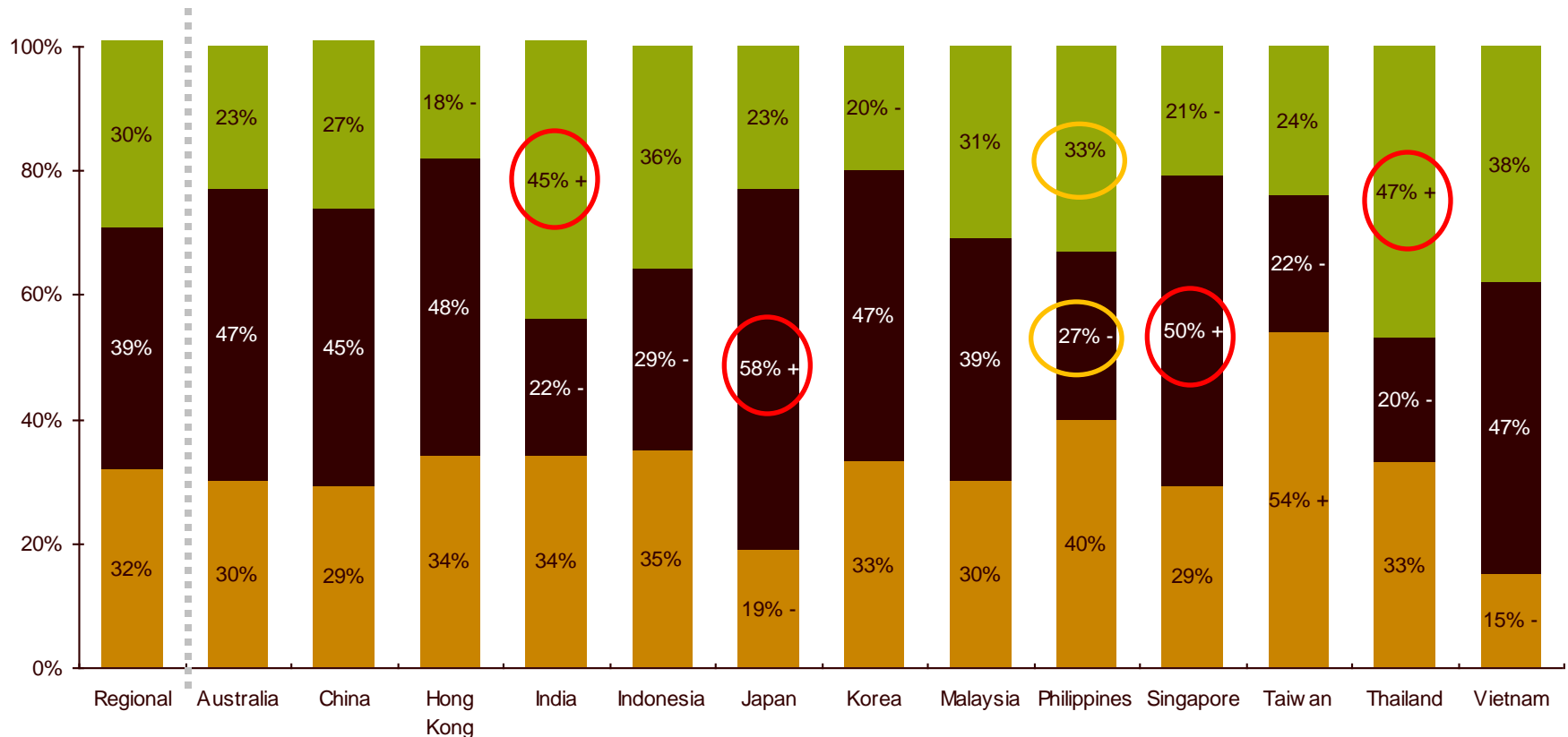
Base : Asia Pacific in 2010

+/- : Significant difference versus Total (at 95% confidence level)

* New question in 2010



Which of the following best describes your current thinking about your company and the environment?



- I can achieve long-term cost savings by investing in environmentally conscious mechanisms today
- Investing in environmentally conscious mechanisms has a place - but not in my 2010 plans
- Investing in environmentally conscious mechanisms should be addressed by government and big businesses, not SMEs

Base : Asia Pacific in 2010

+/- : Significant difference versus Total (at 95% confidence level)

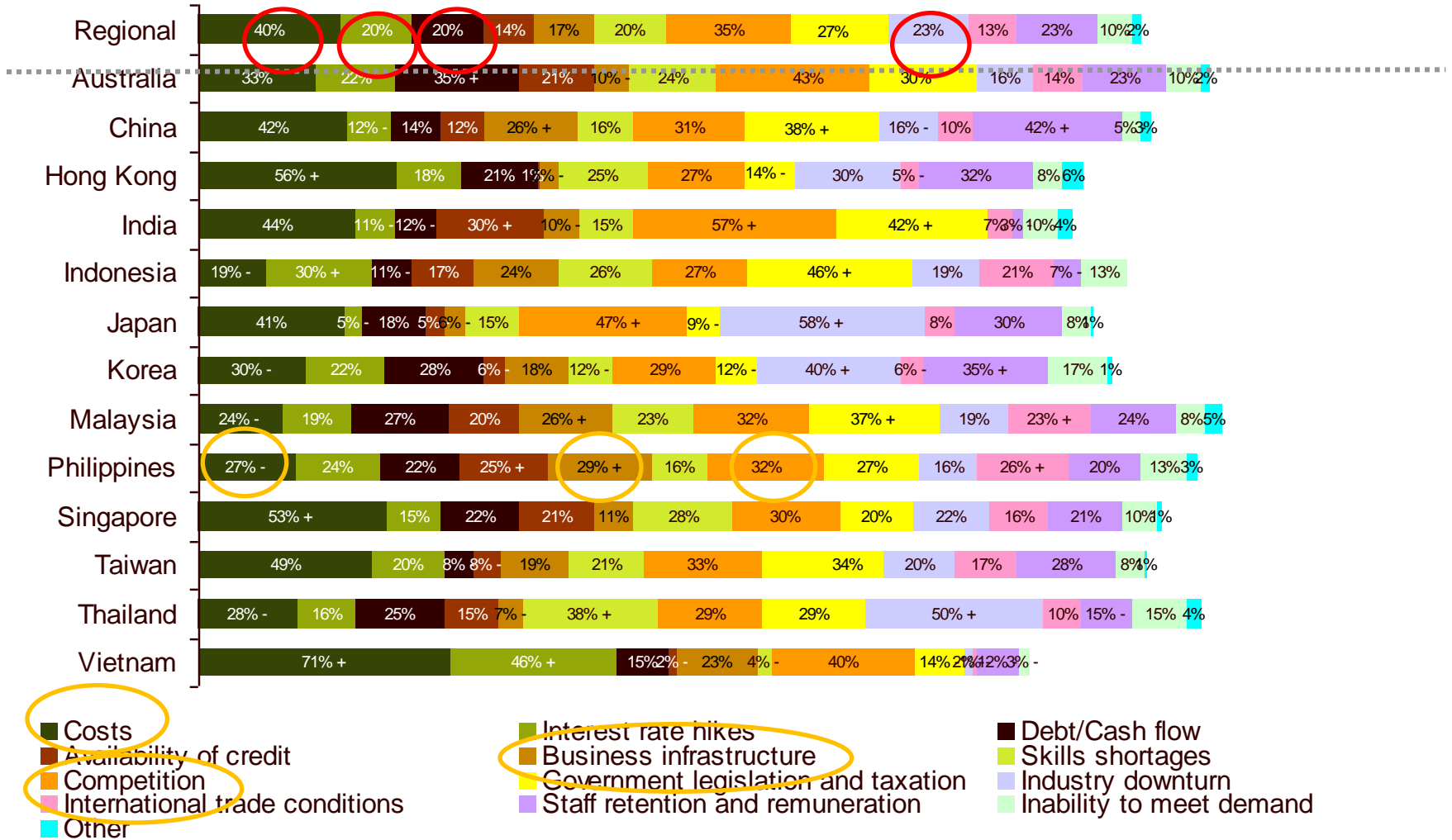
* New question in 2010



**Despite the surer footing,
money is still an issue**



What are your most pressing business concerns in 2010?



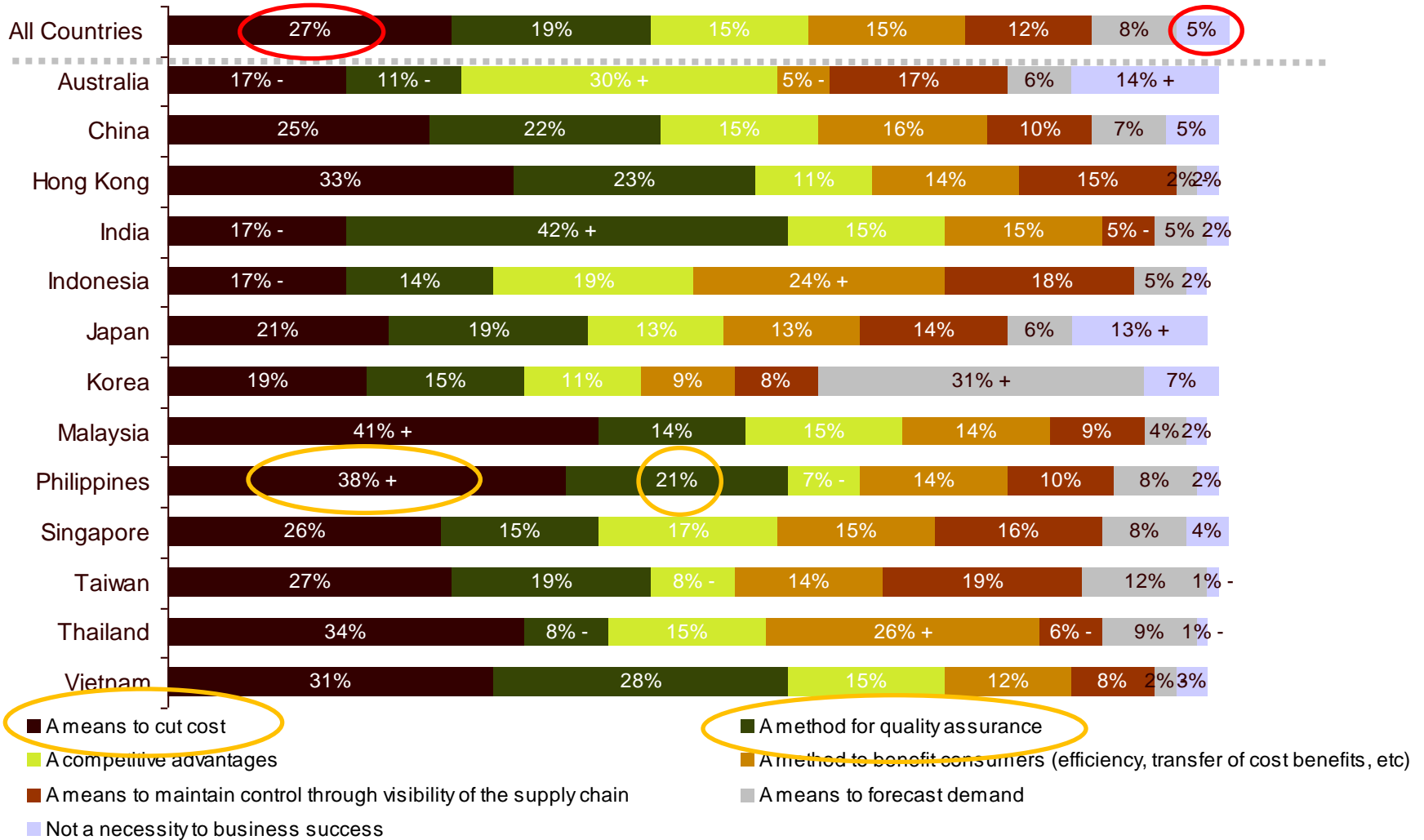
Base : Asia Pacific in 2010

+/- : Significant difference versus Total (at 95% confidence level)

* New question in 2010



Do you see supply chain management as:



Base : Asia Pacific in 2010

+/- : Significant difference versus Total (at 95% confidence level)

* Vietnam is a new market in 2010



**Still feeling the heat, SMEs are
looking for new options**

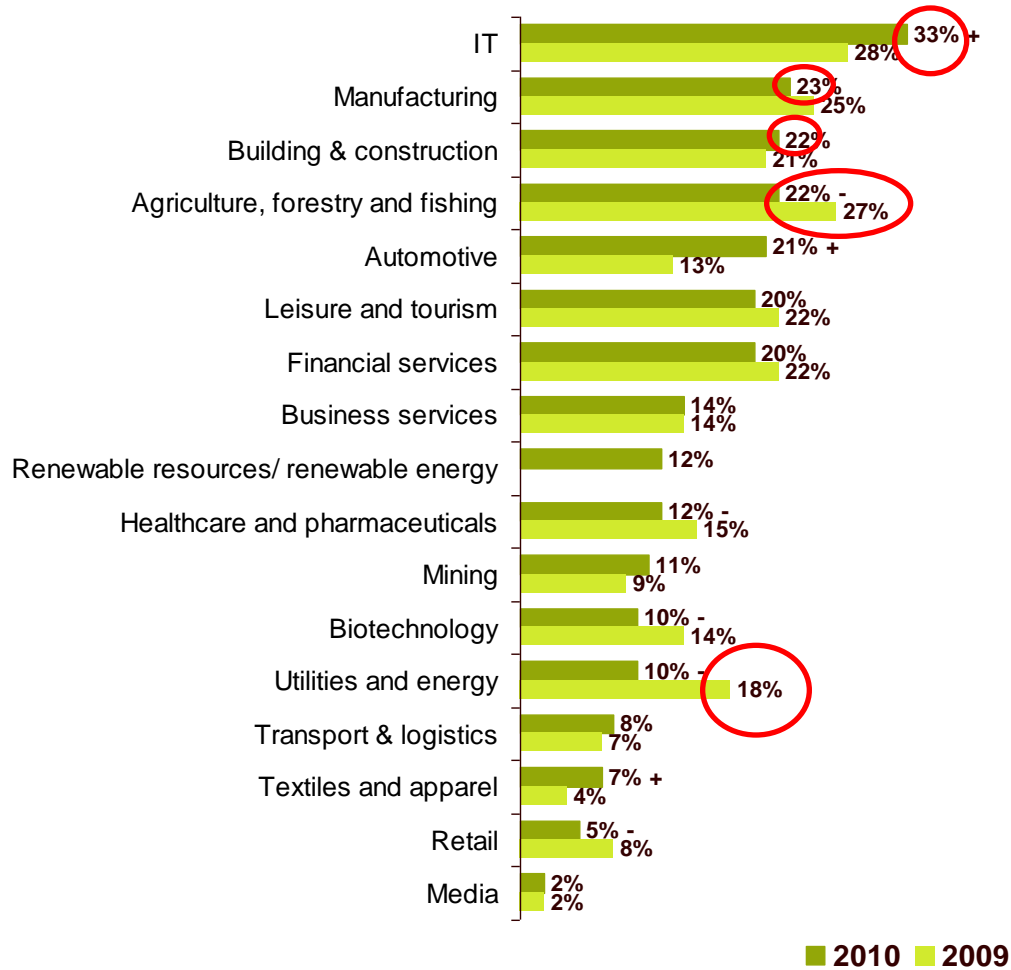


Which three industry sectors will present the biggest growth opportunities for SMEs in Asia in 2010?

%	IT	Manufacturing	Automotive	Building & construction	Agriculture, forestry and fishing	Leisure and tourism	Financial services	Business services	Healthcare and pharmaceuticals	Renewable resources/renewable energy	Biotechnology	Textiles and apparel	Utilities and energy	Transport & logistics	Mining	Retail	Media
All Markets (2010)	37%	26%	20%	20%	17%	16%	15%	14%	12%	11%	11%	10%	10%	9%	8%	7%	3%
(2009)	27%	23%	7%	18%	26%	14%	10%	17%	23%	N/A	13%	6%	19%	7%	5%	13%	4%
Australia	14%	19%	4%	19%	10%	16%	13%	18%	7%	18%	3%	1%	2%	6%	54%	3%	3%
China	42%	32%	10%	23%	5%	21%	14%	14%	6%	14%	5%	9%	14%	11%	5%	5%	1%
Hong Kong	20%	15%	2%	10%	2%	24%	53%	17%	8%	11%	11%	6%	3%	17%	1%	23%	4%
India	52%	37%	35%	33%	28%	1%	12%	13%	25%	0%	3%	25%	6%	18%	3%	3%	3%
Indonesia	22%	7%	29%	9%	57%	21%	8%	5%	5%	6%	1%	37%	2%	7%	17%	5%	1%
Japan	33%	35%	45%	10%	8%	4%	5%	5%	9%	25%	13%	3%	8%	3%	2%	9%	2%
Korea	62%	23%	29%	17%	5%	6%	6%	4%	5%	19%	24%	3%	11%	3%	1%	0%	9%
Malaysia	41%	35%	15%	22%	14%	20%	16%	27%	16%	5%	20%	0%	15%	7%	2%	4%	3%
Philippines	48%	39%	8%	26%	21%	11%	3%	27%	13%	11%	6%	5%	9%	11%	3%	14%	5%
Singapore	19%	38%	6%	24%	8%	26%	20%	16%	38%	10%	19%	2%	19%	11%	3%	11%	3%
Taiwan	67%	17%	14%	12%	9%	17%	18%	21%	12%	19%	43%	4%	10%	6%	2%	1%	3%
Thailand	22%	14%	36%	5%	40%	13%	1%	5%	8%	5%	1%	23%	30%	8%	2%	5%	0%
Vietnam	36%	22%	26%	53%	18%	28%	19%	10%	9%	1%	3%	14%	4%	4%	6%	4%	5%

Note: - Green text indicates higher than regional average
 - Red text indicates lower than regional average
 - Bold/Underline indicates the country with the highest and lowest scores

Given the changes in the financial services sector, which three industries will be the key economic pillars for your country over the next 3 to 5 years?



Base : Asia Pacific in 2009 and 2010

* "Renewable resources/ renewable energy" is a new code in 2010

* Vietnam is a new market in 2010

+/- : Significant difference versus previous year (at 95% confidence level)



What percentage of your business is with the following regions now?

% Growth	Asia Pacific	Europe	North America	Middle East	Latin America	Africa
All Markets	80.6	8.1	6	2.9	1.5	0.9
Australia	92.1	3.9	<u>2.5</u>	0.6	<u>0.2</u>	0.8
China	78.2	9.7	6	2.8	1.3	2
Hong Kong	<u>65.5</u>	19.2	10.7	1.4	2.3	1
India	79.6	6.3	6.3	5.6	1.2	1
Indonesia	76.5	12.1	5.9	2.1	2.3	1.1
Japan	95.4	<u>1.1</u>	2.9	<u>0.2</u>	0.5	<u>0</u>
Korea	85.3	4.3	3.4	3.7	2.3	1
Malaysia	75.2	9.2	7.9	5.4	1.1	1.2
Philippines	69.1	11.8	12.6	3.3	2.2	1
Singapore	80.4	7.3	4.7	5.5	1.4	0.8
Taiwan	74.1	9.8	8.8	3.6	3.3	0.4
Thailand	84.6	7.3	3.3	3.2	0.9	0.8
Vietnam	93.3	2.1	3.3	0.5	0.3	0.5

Note: -Green text indicates higher than regional average, Red text indicates lower than regional average
 - Bold/ underline indicates the market with the highest and lowest scores
 - North America past figures are from combining US and Canada. Asia Pacific labeled as Intra-Asia in 2006-2009

Which of the following regions do you anticipate expanding into over next 3 years?



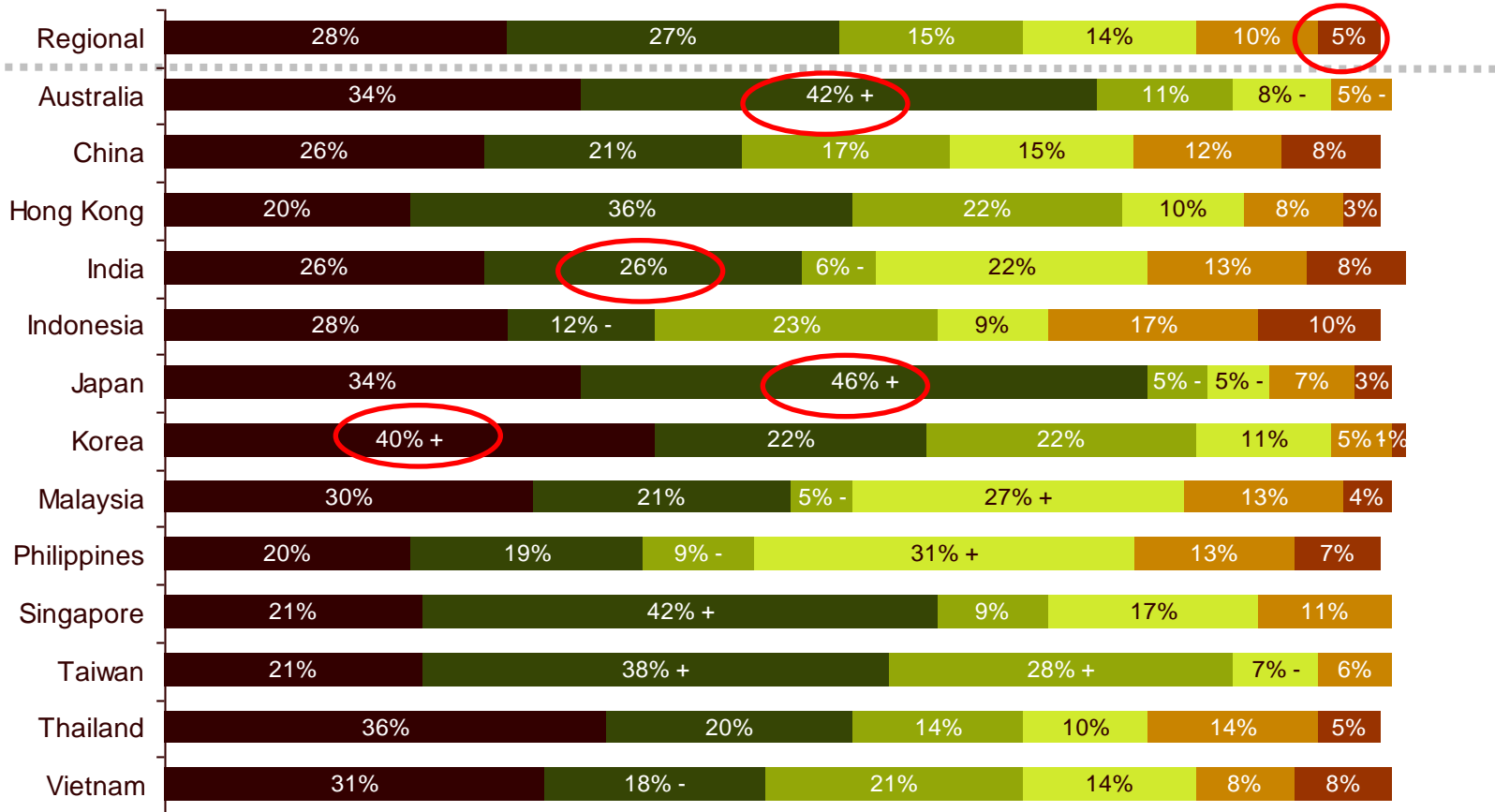
%	Asia Pacific	Europe	Middle East	North America	Africa	Latin America
All Markets	56%	20%	19%	14%	12%	11%
Australia	29%	5%	5%	5%	<u>1%</u>	<u>1%</u>
China	<u>19%</u>	13%	7%	13%	9%	6%
Hong Kong	41%	12%	19%	10%	7%	14%
India	35%	16%	8%	13%	9%	4%
Indonesia	86%	42%	47%	27%	25%	22%
Japan	68%	<u>3%</u>	7%	6%	4%	8%
Korea	50%	5%	18%	5%	17%	11%
Malaysia	80%	30%	37%	15%	15%	8%
Philippines	77%	35%	18%	25%	8%	16%
Singapore	81%	12%	23%	<u>4%</u>	9%	7%
Taiwan	47%	30%	16%	27%	5%	17%
Thailand	78%	49%	45%	21%	41%	31%
Vietnam	57%	8%	<u>2%</u>	9%	<u>1%</u>	<u>1%</u>

Base : Asia Pacific in 2010

Note: - Green text indicates higher than regional average, Red text indicates lower than regional average

- Bold/underline indicates the country with the highest and lowest scores

What changes are needed in your supply chain practices to support future growth?



- Focus simply on reducing transportation and distribution costs
- There is no change in our supply chain practices
- Shift supply chain operations closer to final destination
- Use deferred delivery or less expensive express shipment options
- Use more ocean freight instead of air freight
- Use more air freight instead of express shipments

Base : Asia Pacific in 2010

+/- : Significant difference versus Total (at 95% confidence level)

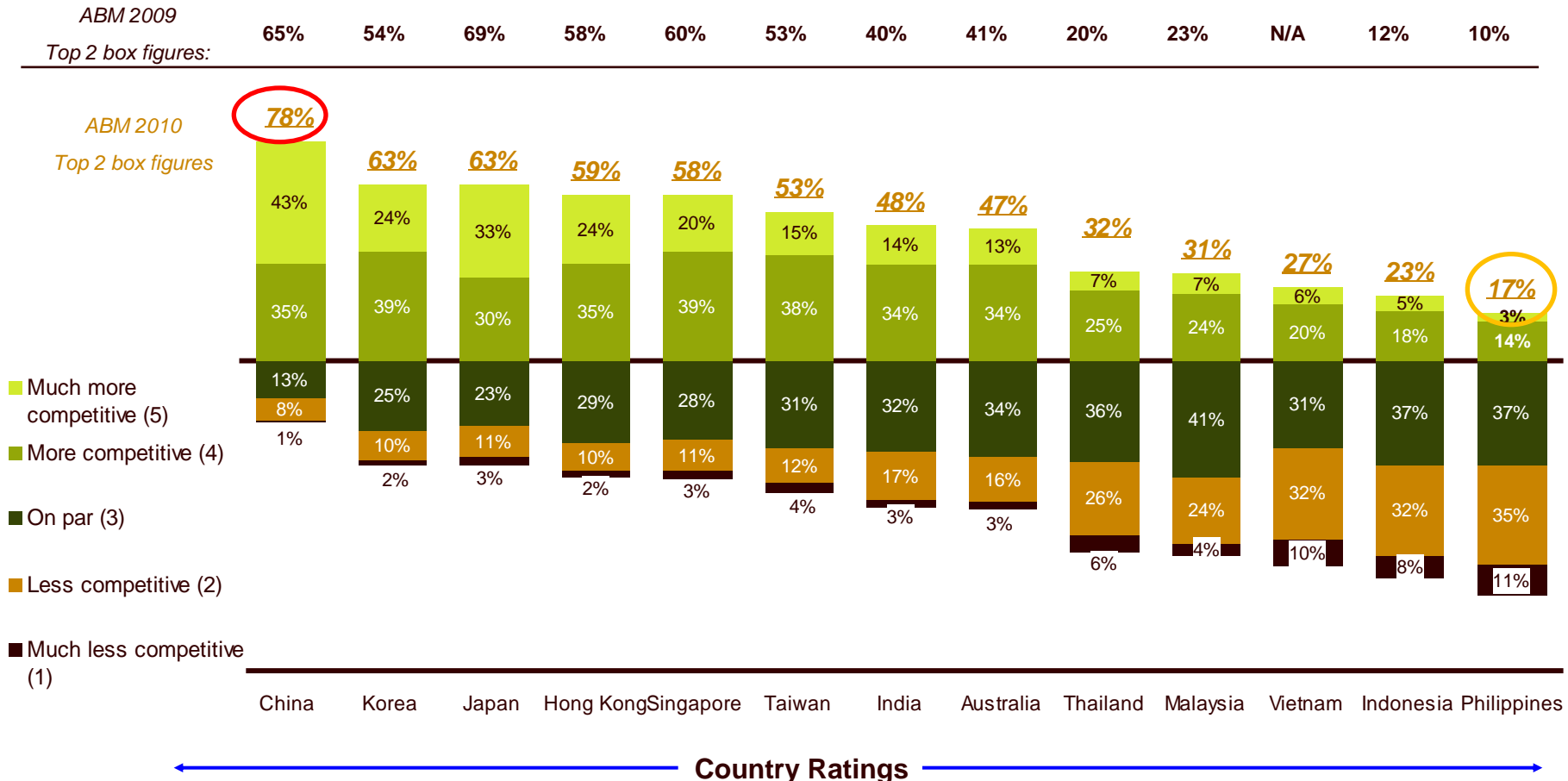
* New question in 2010



**Mirror, mirror on the wall,
who is the most competitive of them all?**



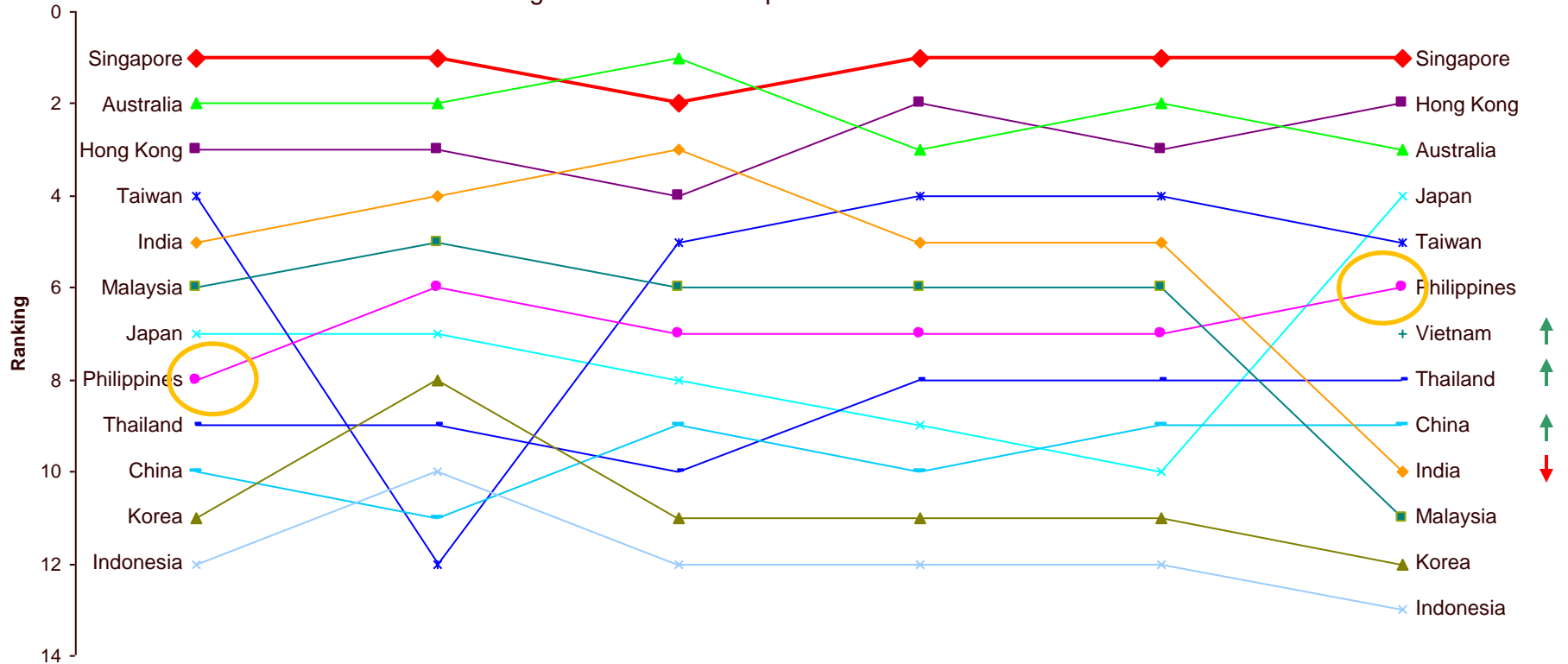
How would you rate SMEs in each of the following countries compared with SMEs in your own country?



SME Competitiveness over the past 5 years



Ranking Order of SME Competitiveness Index since 2005



* Vietnam is a new market in 2010



Opportunity Index

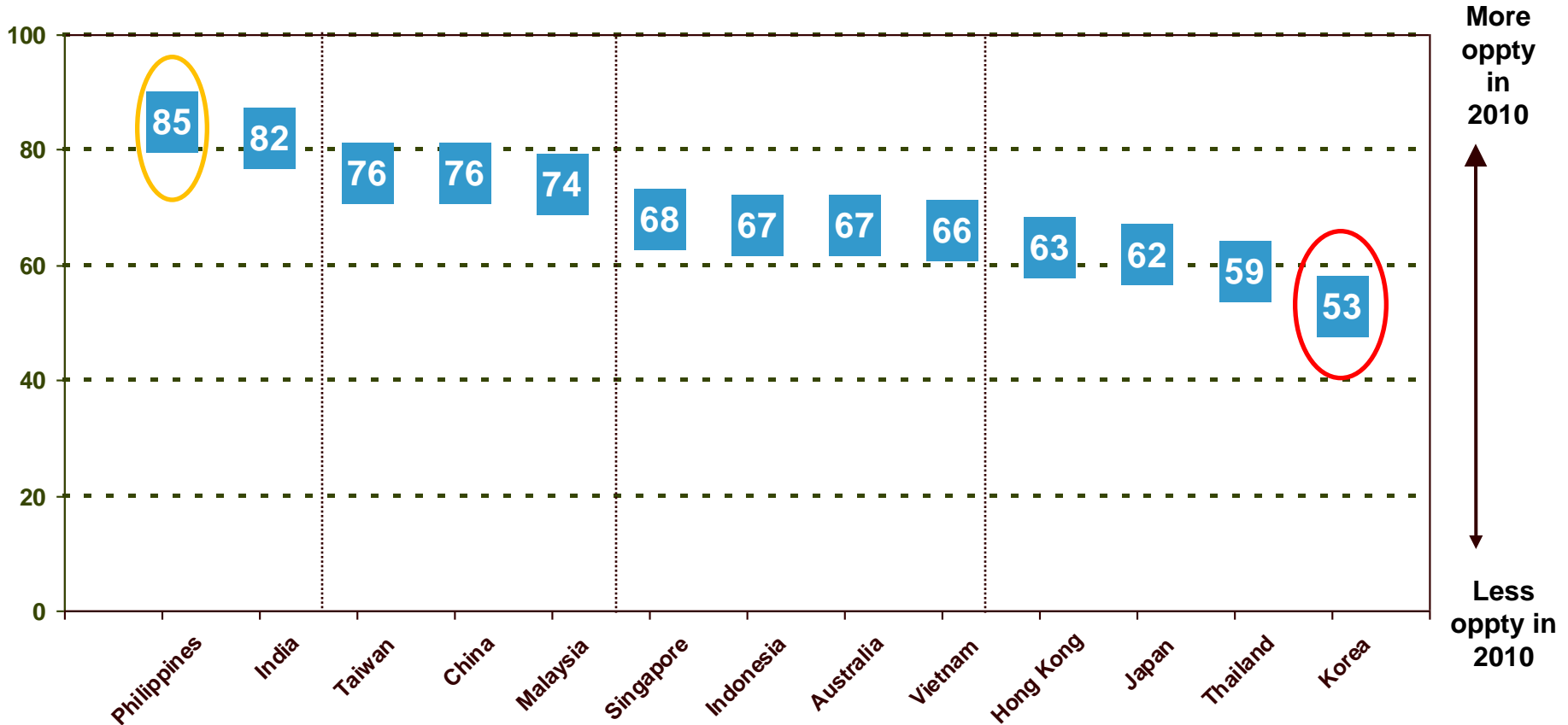


What is SME Opportunity Index?

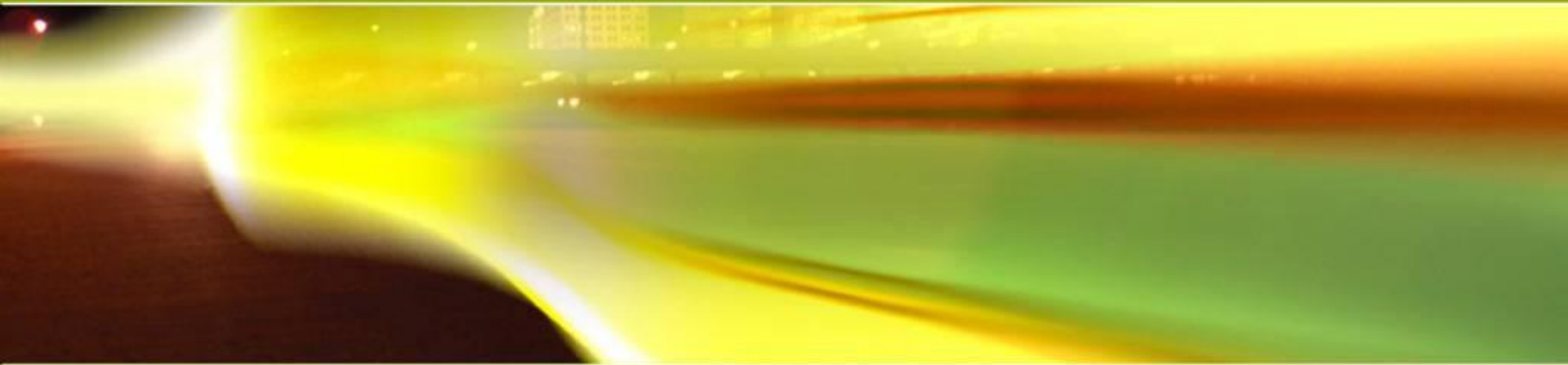
- The SME Opportunity Index reflects SME's outlook on opportunities in their own country in 2010 versus 2009.
- The Index is based on a single-question approach which directly captures the sentiments of the SME respondents.
 - **“Looking specifically at opportunities for SMEs in your country in 2010 versus 2009, what level of opportunities do you see for your business in 2010?”**
- The index is the “nett” of positive responses minus negative responses.
- The index ranges from 0 to 100
- The higher the number, the greater the level of opportunities SMEs expect will exist for them in 2010 compared to 2009.



SME Opportunity Index – All markets



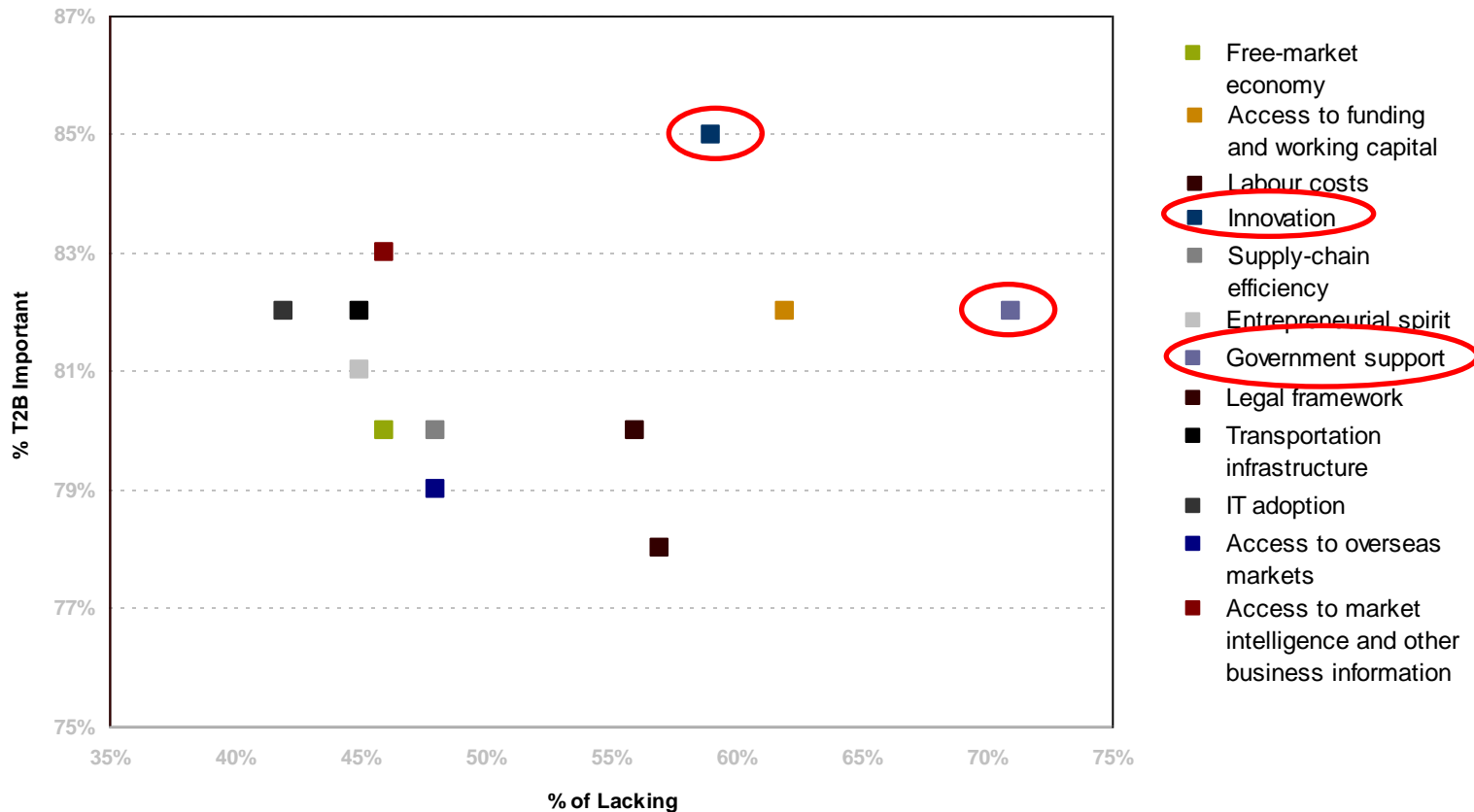
COMPETITIVENESS APPENDIX





How important are each of the following factors in contributing to SME competitiveness in your country?

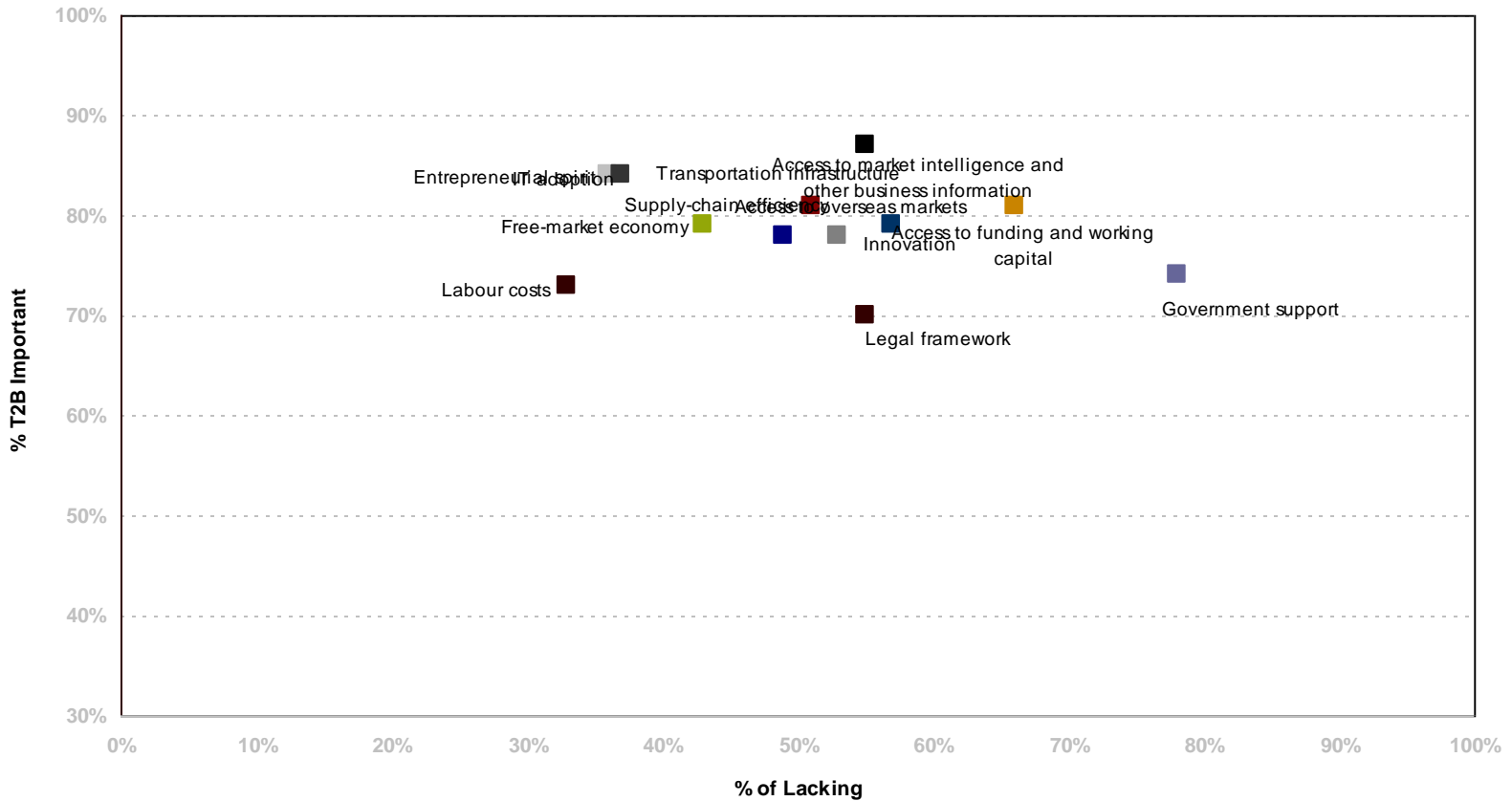
Which of the following factors do you consider to be lacking and which therefore are obstacles to SME competitiveness in your country?



Contributions & Obstacles to SME Competitiveness – Philippines



How important are each of the following factors in contributing to SME competitiveness in your country?
 Which of the following factors do you consider to be lacking and which therefore are obstacles to SME competitiveness in your country?





What factors are contributing to the SMEs opportunities?

Country	Philippines	India	Taiwan	China	Malaysia	Singapore	Indonesia	Australia	Vietnam	Hong Kong	Japan	Thailand	Korea
Opportunity Index	85	82	76	76	74	68	67	67	66	63	62	59	53
Internal	***	**	***	**	***	***	**	***	***	**	***	***	***
External	**	***	**	*****	***	**	***	*	***	***	***	**	***
Regional	*	*			**	*	***	**	*	*		**	*
Worldwide	**	***	***	**	*	**		***	*	***	***	**	

Key: 45% or more * * * * 30%-44% * * * 16%-29% * * 15% or less *

 Highlighted green - Highest influence

Internal: Areas that SMEs will focus on within their organization

External: Factors within own country

Regional: Impact from regional economic prospects

Worldwide: Impact from global trade and focus on expanding business in overseas

Key External Factors of Development



How do you think each of the following external factors will develop in your country in the coming year (i.e., 2010)? Please rate on a scale of 1 to 5.

Market	All Markets	Australia	China	Hong Kong	India	Indonesia	Japan	Korea	Malaysia	Philippines	Singapore	Taiwan	Thailand	Vietnam
Access to market intelligence and other business information	61%	54%	64%	53%	79%	66%	64%	<u>42%</u>	58%	66%	59%	49%	59%	77%
Access to overseas markets	59%	50%	47%	46%	80%	68%	48%	62%	60%	76%	71%	<u>42%</u>	48%	74%
Transportation infrastructure	55%	40%	63%	48%	69%	48%	<u>28%</u>	49%	56%	69%	69%	45%	43%	78%
Free-market economy/ Free Trade Agreements	51%	31%	48%	45%	69%	65%	<u>23%</u>	48%	43%	58%	63%	45%	53%	74%
Availability of qualified workforce	51%	<u>31%</u>	48%	41%	75%	60%	32%	35%	55%	77%	52%	39%	59%	56%
Access to funding and working capital	48%	34%	44%	43%	74%	59%	<u>19%</u>	22%	51%	<u>56%</u>	59%	47%	51%	62%
Labour costs	42%	34%	55%	26%	63%	62%	<u>14%</u>	31%	47%	48%	36%	<u>14%</u>	36%	74%
Property leasing and management costs	42%	32%	37%	37%	77%	64%	<u>16%</u>	22%	52%	53%	43%	23%	44%	53%
Government support	38%	20%	47%	<u>12%</u>	45%	42%	26%	24%	49%	33%	59%	29%	45%	54%
Legal framework	35%	18%	42%	27%	50%	42%	<u>10%</u>	25%	42%	31%	46%	25%	32%	55%

Base : Asia Pacific in 2010

Note : - Green text indicates higher than regional average, Red text indicates lower than regional average

- Bold/underline indicates the country with the highest and lowest scores

- New question in 2010

Key Internal Factors of Development



To what extent do you see your company focusing on each of the following? Please rate on a scale of 1 to 5.

Market	All Markets	Australia	China	Hong Kong	India	Indonesia	Japan	Korea	Malaysia	Philippines	Singapore	Taiwan	Thailand	Vietnam
Higher quality standards	79%	78%	85%	67%	87%	79%	79%	<u>63%</u>	73%	88%	69%	82%	83%	85%
Better Management practices	73%	73%	82%	54%	93%	72%	76%	<u>46%</u>	79%	81%	61%	73%	79%	76%
Customized products and services	68%	62%	64%	63%	90%	79%	58%	<u>44%</u>	63%	79%	54%	67%	76%	87%
Maximizing use of IT/ Technology	67%	68%	73%	64%	75%	68%	57%	<u>45%</u>	68%	75%	66%	61%	76%	75%
Innovation in products/ service offerings	66%	60%	84%	49%	81%	71%	51%	<u>42%</u>	67%	72%	53%	78%	71%	71%
Better supply-chain efficiency	63%	53%	75%	52%	79%	60%	<u>33%</u>	39%	69%	66%	56%	78%	78%	73%
Faster to enter market	62%	43%	75%	55%	74%	71%	<u>38%</u>	40%	54%	73%	53%	72%	73%	75%
Lower operational costing	61%	51%	77%	58%	73%	48%	77%	<u>35%</u>	45%	64%	39%	82%	74%	65%
Greater risk taking ability and entrepreneurial spirit	56%	40%	57%	48%	81%	67%	37%	<u>34%</u>	53%	66%	41%	75%	70%	64%
Expanding into other markets	53%	<u>33%</u>	57%	49%	72%	59%	34%	37%	62%	51%	45%	66%	61%	65%

Base : Asia Pacific in 2010

Note : - Green text indicates higher than regional average, Red text indicates lower than regional average

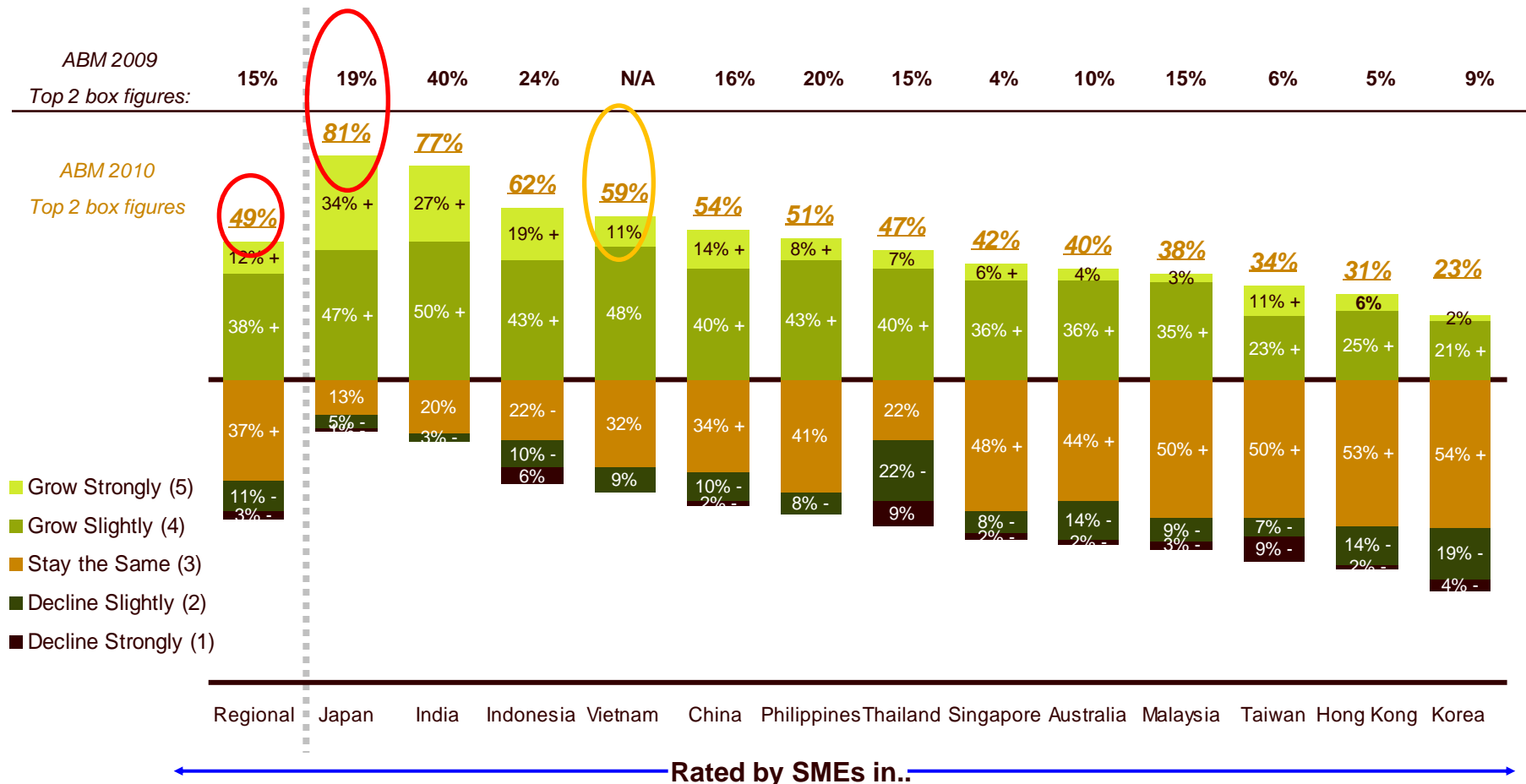
- Bold/underline indicates the country with the highest and lowest scores

- New question in 2010

Regional Factors



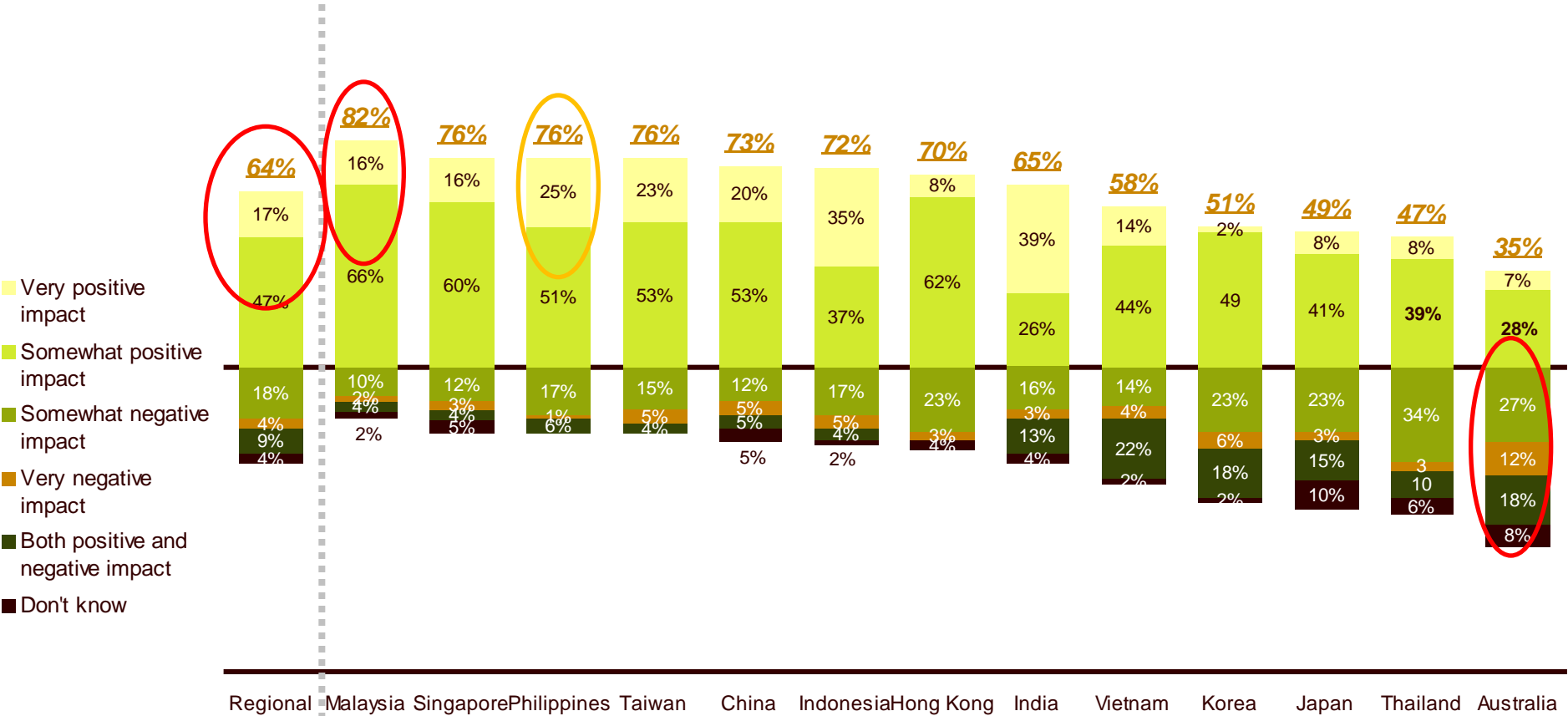
On a scale of 1 to 5, where 5 equals “grow strongly” and 1 equals “decline strongly”, how do you rate the prospects for economic growth across the region in 2010?



Global Factors



Overall, has global trade had more of a positive or more of a negative impact on your business growth?



Base : Asia Pacific in 2010

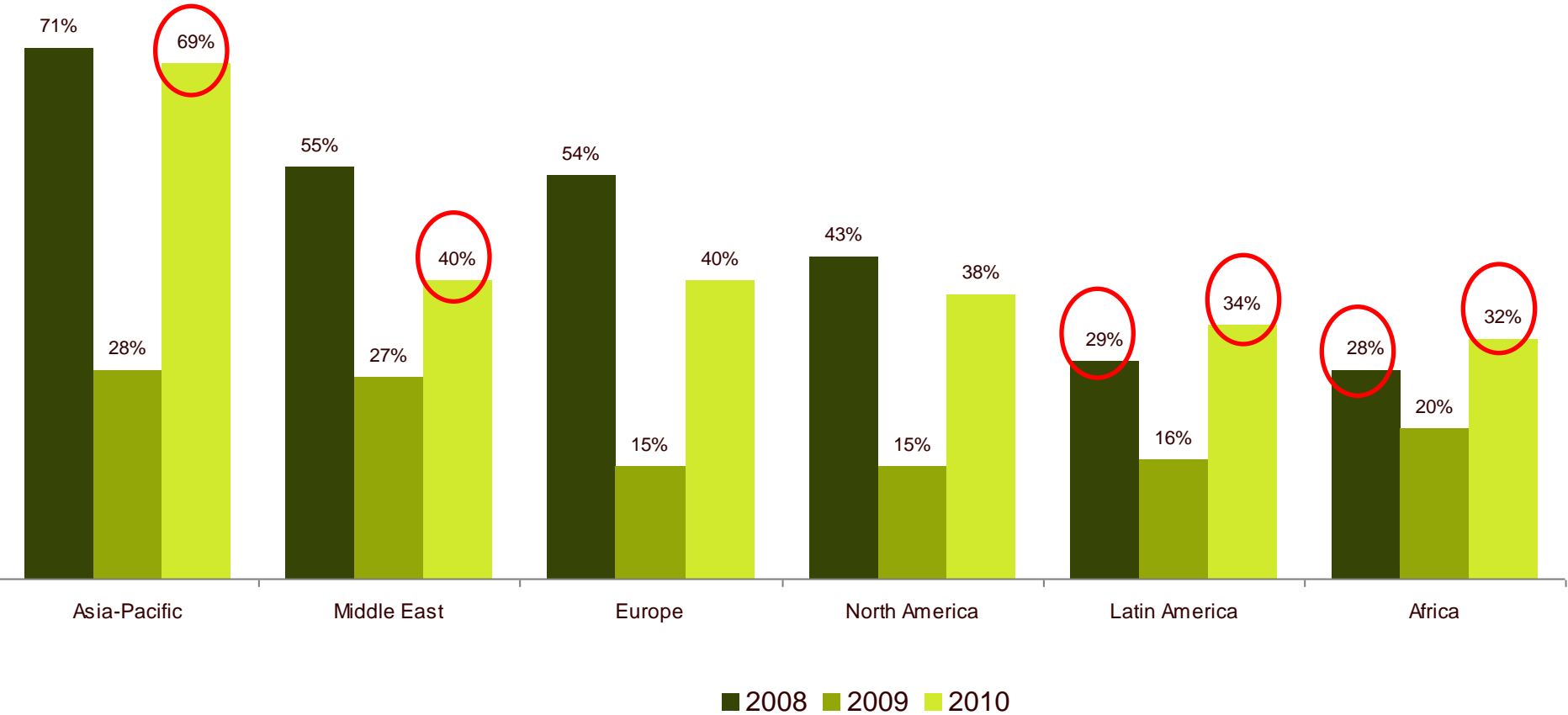
+/- : Significant difference versus Total (at 95% confidence level)

* New question in 2010

Global Factors



How do you rate the prospects for volume of trade growth between your country and the following in 2010?



* North America past figures are from combining US and Canada. Asia Pacific labeled as Intra-Asia in 2008-2009
 Base : Asia Pacific in 2008, 2009 and 2010

* Vietnam is new market in 2010

+/- : Significant change versus previous year (at 95% confidence level)



Conclusion



From the global economic downturn we see that SMEs across the Asia-Pacific region are indeed bouncing back. Philippine SMEs have proven their resilience yet again by actively seeking ways to be more competitive.



Recommendations

Government



- Fiscal policies must be in place so that SME access to funding may be improved.
- An efficient and cost-effective transportation and communication infrastructure must be in place to optimize efficiency and productivity
- Task related government agencies, including LGUs, to gather business intelligence that can help SMEs navigate through local and international markets
- Government must spearhead research and development efforts such as testing centers or standardization agencies that ensure product quality and consistency

Philippine SMEs



- Forge partnerships with other SMEs to maximize efficiencies and improve access to markets
- Take the initiative to explore other business models and strategies including funding and R&D opportunities
- Plan to move to high-value products and services
- Align with chambers of commerce and other business organizations to help improve access to technologies, markets and business intelligence

Thank you

