

UPS Asia Business Monitor

Executive Summary 2010 China



Overview of Methodology



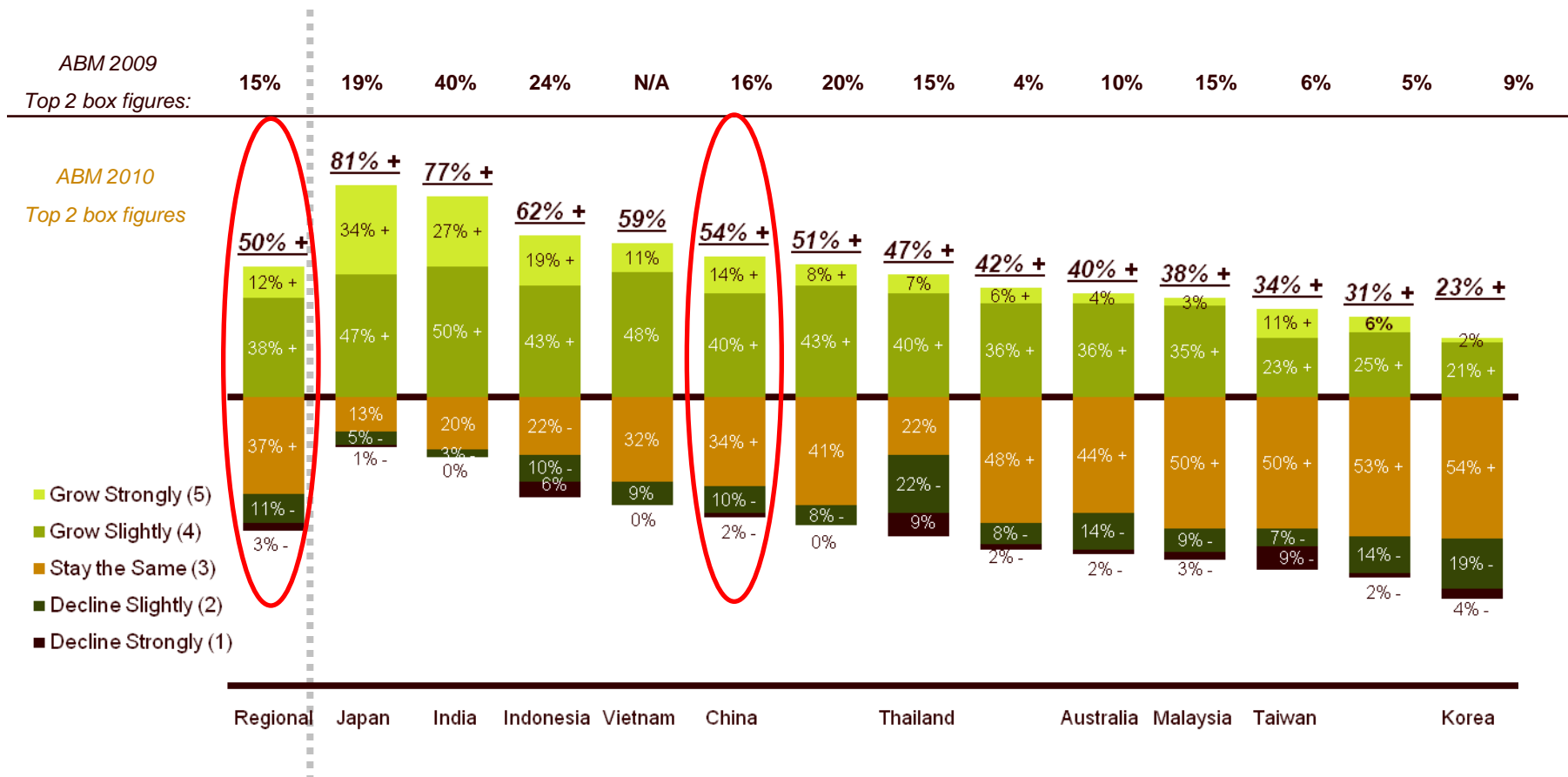
- **Fieldwork period:** March 11, 2010 – April 20, 2010
- **Interviewing method:** Computer Assisted Telephone Interviewing using native- language B2B interviewers
- **Average interview length:** 36 minutes
- **Total sample:** 1,351
- **Respondent Qualification:**
 - Locally-based & Privately held companies
 - Maximum 250 employees
 - Key Strategic Decision-Makers
- **Sample breakdown by market:**

- China: 150	- Indonesia: 100	- Philippines: 100
- Australia: 100	- Japan: 100	- Singapore: 100
- Hong Kong: 100	- Korea: 100	- Taiwan: 100
- India: 101	- Malaysia: 100	- Thailand: 100
		- Vietnam: 100

ASIA REGION ECONOMIC AND BUSINESS OUTLOOK

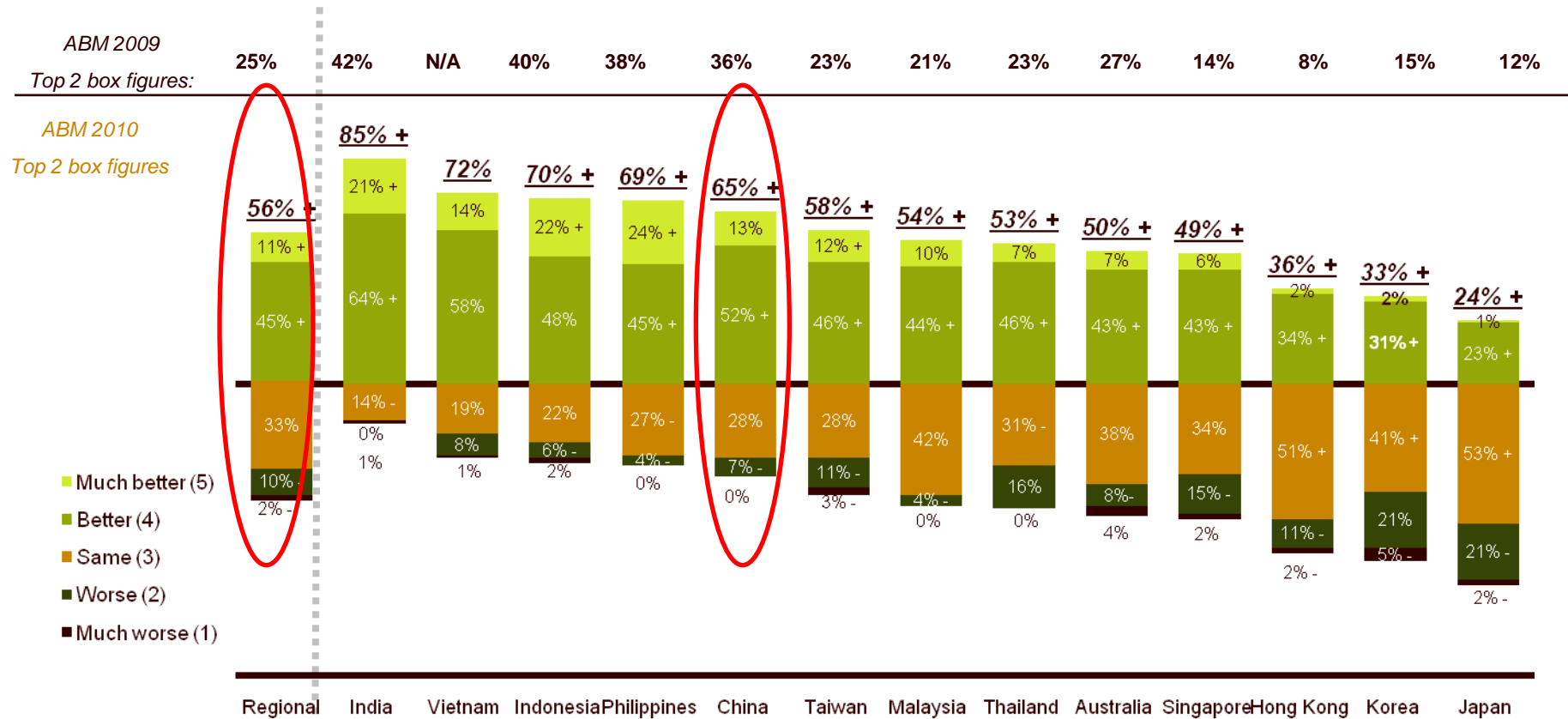
Nearly half of all respondents were optimistic about the economic outlook of the Asia Pacific region in 2010

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



Compared to 2009, SMEs in the Asia Pacific region more optimistic overall

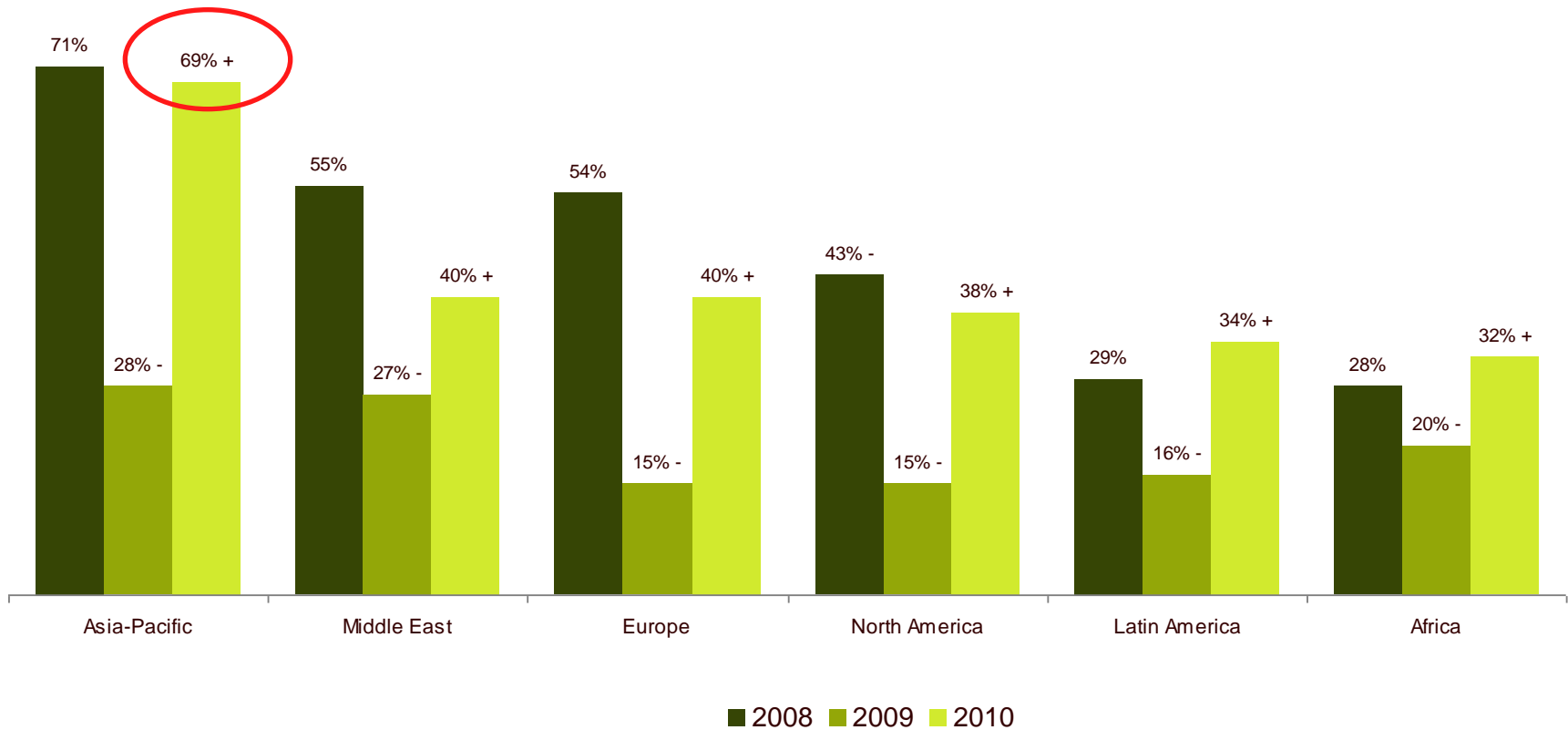
Q. Do you think your company's overall prospects 2010 will be better, worse or about the same as 2009?



Base : Asia Pacific in 2009, 2010
 Vietnam is new market in 2010
 +/- : Significant change versus 2009 (at 95% confidence level)

Prospects for trade growth from 2008 to 2010 – Regional

Q. Do you think the prospects for volume of trade growth between your country and the following in 2010 will be better?



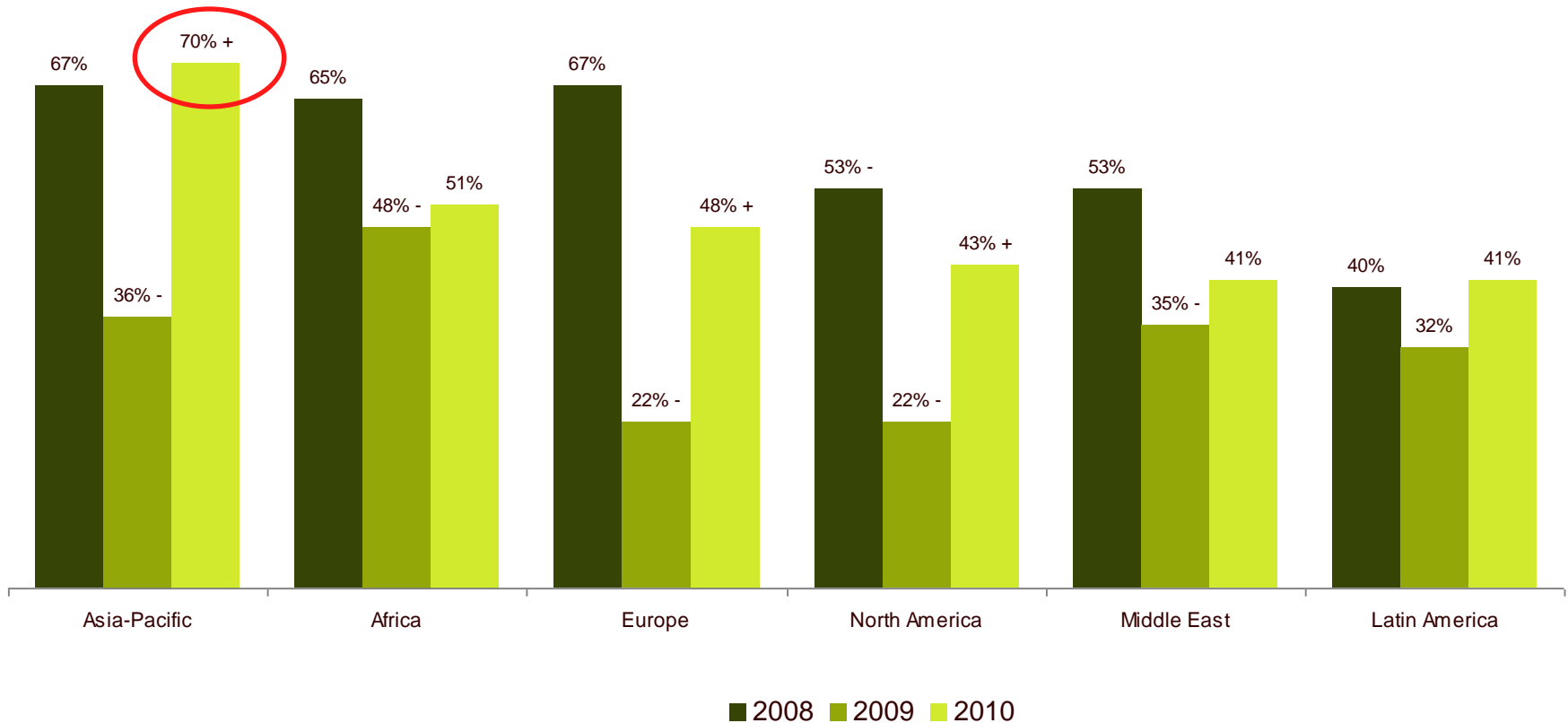
Base : Asia Pacific in 2008, 2009 and 2010

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

The above percentages represent the number of SMEs surveyed

Prospects for trade growth from 2008 to 2010 – China

Q. Do you think the prospects for volume of trade growth between your country and the following in 2010 will be better?



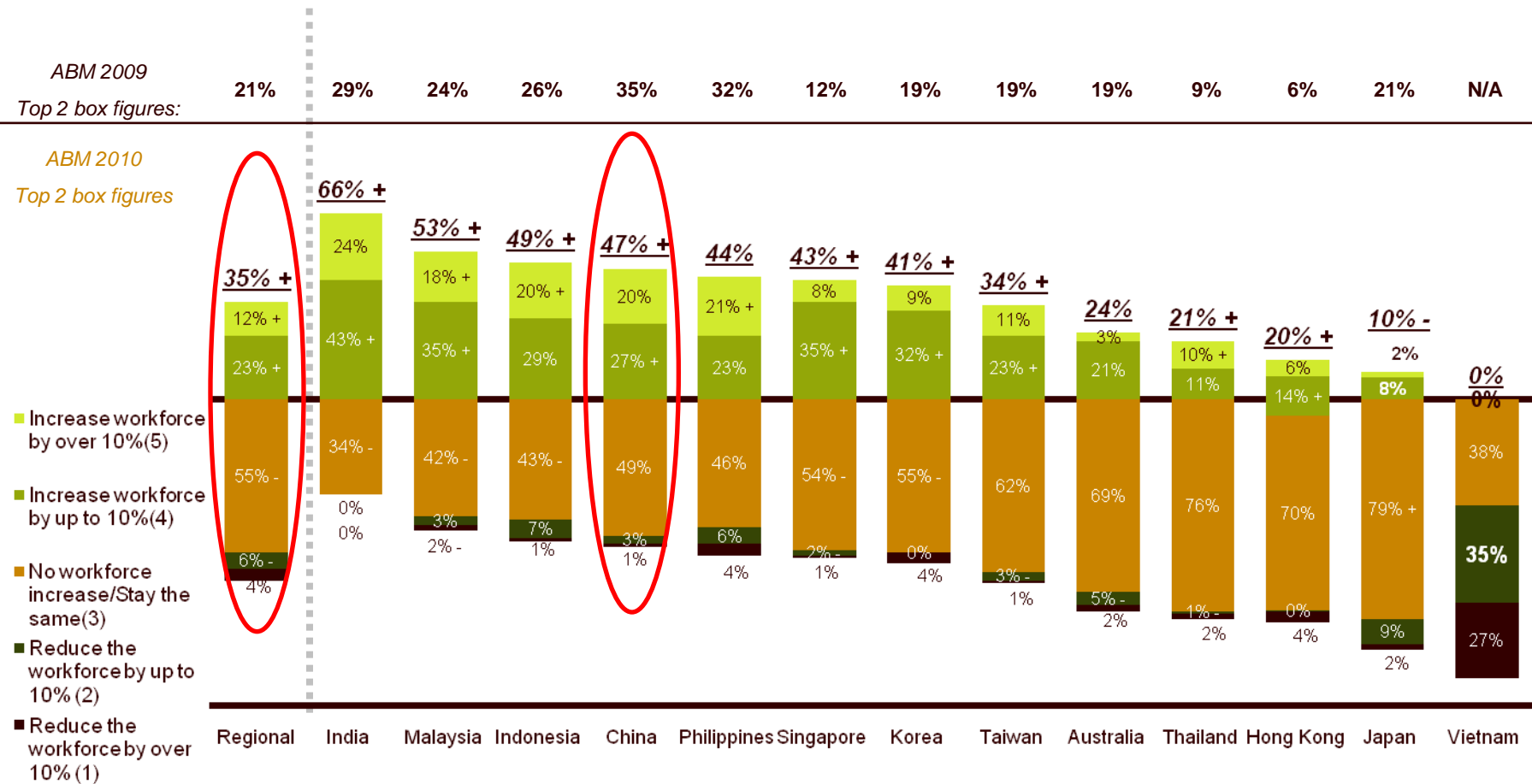
Base : Asia Pacific in 2008, 2009 and 2010

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

The above percentages represent the number of SMEs surveyed

Workforce projections in the Asia Pacific region have improved significantly; will increase by 35%

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



SMEs in the region are emphasizing business development within the Asia Pacific

Q. 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

Prospects for business expansion: Over half of SMEs hope to expand their businesses within the Asia Pacific region

Q. Which of the following regions do you anticipate expanding into over the 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>	<u>13%</u>	7%	<u>13%</u>	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>

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

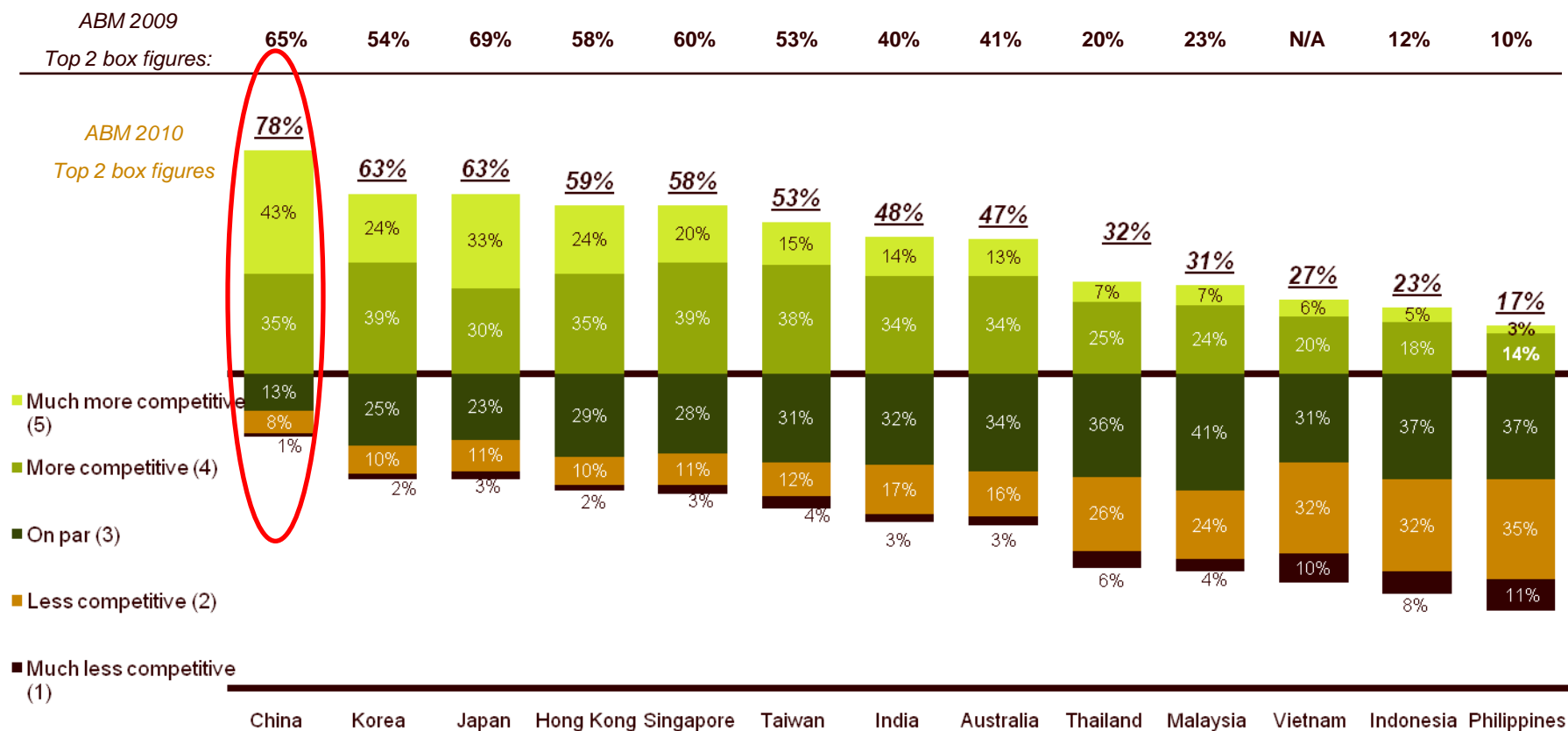
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SME COMPETITIVENESS

Chinese SMEs lead the Asia Pacific region in overall competitiveness

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



Base : Asia Pacific in 2009, 2010
 Vietnam is a new market in 2010
 + / - : Significant change versus 2009 (at 95% confidence level)

Chinese SMEs' competitive advantage I: More employment opportunities

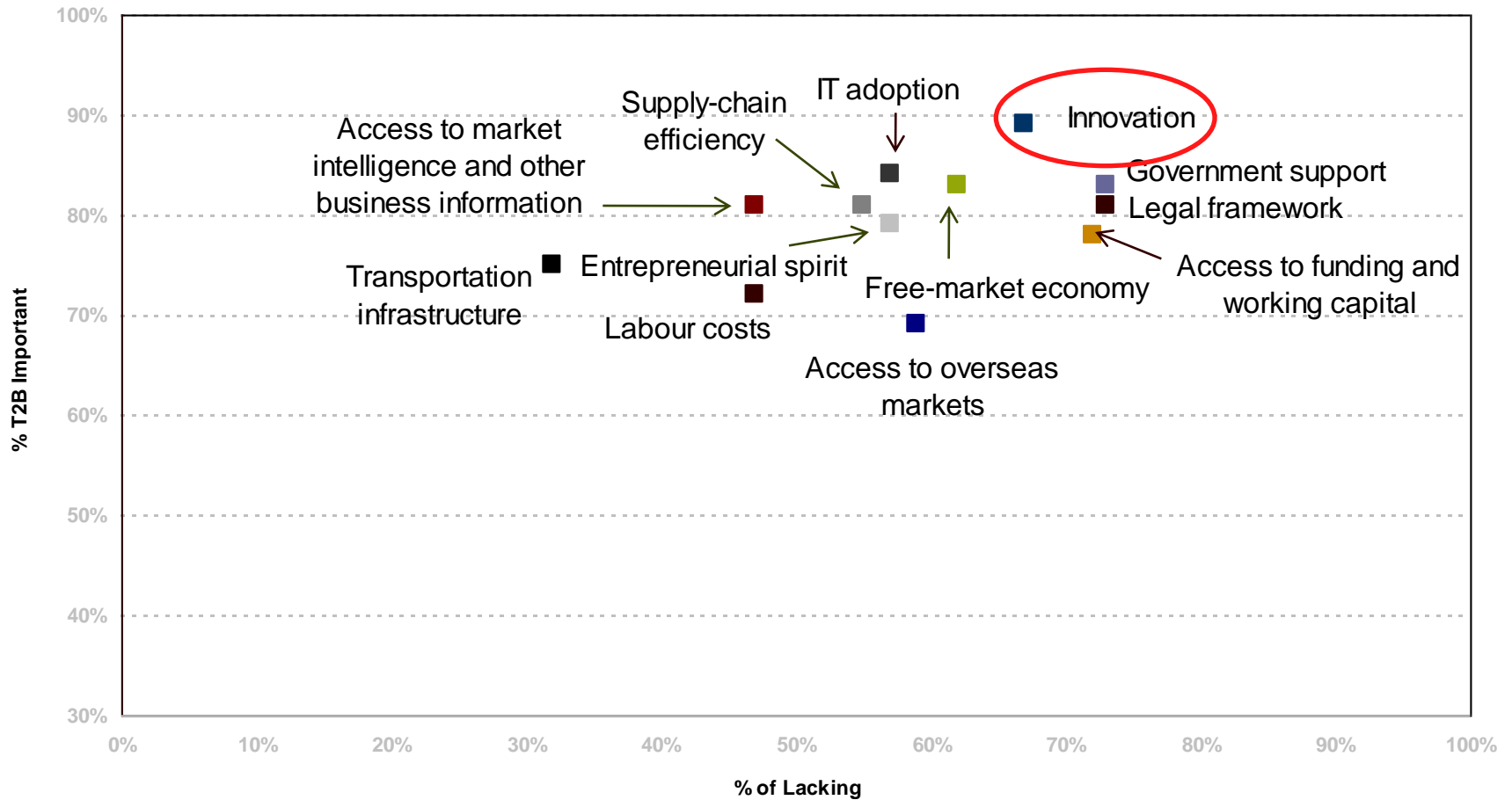
Q. What can SMEs offer that big enterprises can't?

All Markets		Australia		China		Hong Kong		India	
Top 5 Mentions		Top 5 Mentions		Top 5 Mentions		Top 5 Mentions		Top 5 Mentions	
More flexible/ flexibility	20%	Local/ Personalised/ Tailored service	36%	More employment opportunity	30%	More flexible/ flexibility	45%	Better services/ better quality/ Quality service	24%
Better services/ better quality/ Quality service	14%	Better services/ better quality/ Quality service	33%	More flexible/ flexibility	19%	Faster services/ prompt services/ quicker services	17%	Offer better prices/ cheaper rates	19%
Offer better prices/ cheaper rates	11%	More flexible/ flexibility	27%	SME business helps the economy to improve better	17%	Better services/ better quality/ Quality service	13%	Local/ Personalised/ Tailored service	14%
Local/ Personalised/ Tailored service	8%	Faster services/ prompt services/ quicker services	15%	Target a niche market / Less Red Tape	13%	Offer better prices/ cheaper rates	9%	More efficient than large company	12%
Faster services/ prompt services/ quicker services	8%	Offer better prices/ cheaper rates	14%	Offer better prices/ cheaper rates	11%	Target a niche market / Less Red Tape	7%	Faster services/ prompt services/ quicker services	11%
Indonesia		Japan		Korea		Malaysia			
Top 5 Mentions		Top 5 Mentions		Top 5 Mentions		Top 5 Mentions			
More efficient than large company	10%	More flexible/ flexibility	40%	Using higher technology/ following the latest technology	10%	Offer better prices/ cheaper rates	18%		
Offer better prices/ cheaper rates	9%	Faster services/ prompt services/ quicker services	20%	Target a niche market / Less Red Tape	10%	Better services/ better quality/ Quality service	12%		
More employment opportunity	8%	Target a niche market / Less Red Tape	17%	Better services/ better quality/ Quality service	6%	Local/ Personalised/ Tailored service	6%		
Better services/ better quality/ Quality service	7%	Artisan skills	15%	Local/ Personalised/ Tailored service	6%	Give you innovative/ creative ideas/ solutions	6%		
Able to give credit/ Longer Credit terms	6%	Better services/ better quality/ Quality service	13%	Offer better prices/ cheaper rates	5%	Target a niche market / Less Red Tape	5%		
Philippines		Singapore		Taiwan		Thailand		Vietnam	
Top 5 Mentions		Top 5 Mentions		Top 5 Mentions		Top 5 Mentions		Top 5 Mentions	
Offer better prices/ cheaper rates	15%	More flexible/ flexibility	27%	More flexible/ flexibility	40%	More flexible/ flexibility	26%	Better services/ better quality/ Quality service	31%
Better services/ better quality/ Quality service	10%	Better services/ better quality/ Quality service	20%	More employment opportunity	8%	Better services/ better quality/ Quality service	17%	Offer better prices/ cheaper rates	26%
More flexible/ flexibility	9%	Local/ Personalised/ Tailored service	16%	Give you innovative/ creative ideas/ solutions	7%	More efficient than large company	9%	More flexible/ flexibility	11%
Local/ Personalised/ Tailored service	7%	Faster services/ prompt services/ quicker services	14%	Local/ Personalised/ Tailored service	5%	SME business helps the economy to improve better	7%	Faster services/ prompt services/ quicker services	8%
Give you innovative/ creative ideas/ solutions	4%	Offer better prices/ cheaper rates	12%	Available of new product/ new product development/ has own patent	3%	Faster services/ prompt services/ quicker services	7%	With lower operational cost, SMEs are able to produce more	8%

Base : Asia Pacific in 2010
Vietnam is a new market in 2010

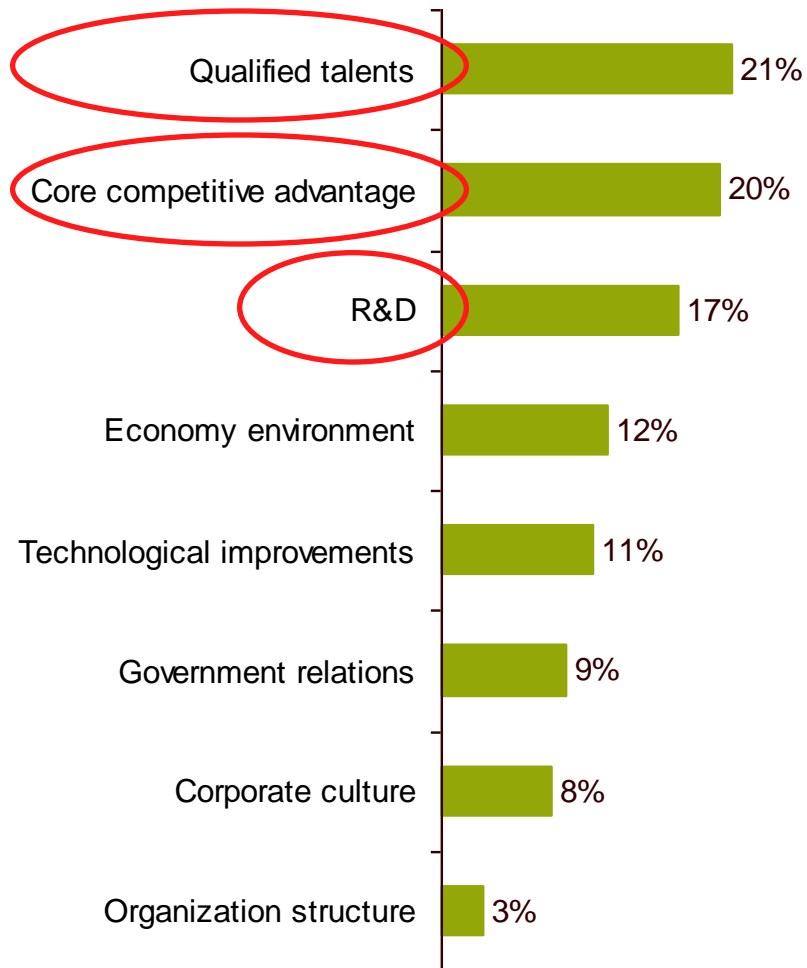
Innovation is the most important contributing factor to Chinese SMEs' competitiveness

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



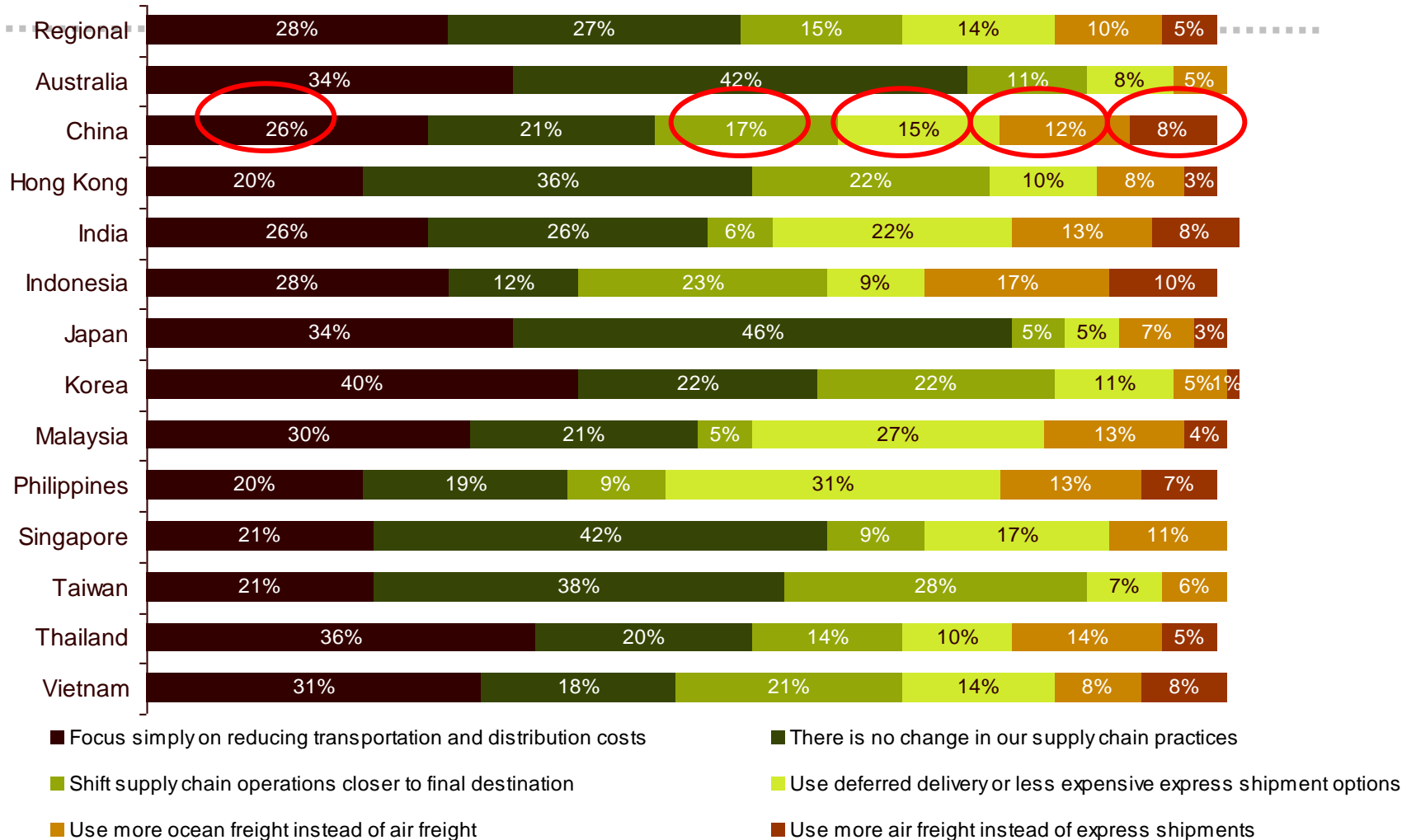
Critical influencers of sustainable innovation development for Chinese SMEs

Q. Which of the following best describe the indispensable factors to Chinese SMEs to maintain a sustainable innovation development for their company?



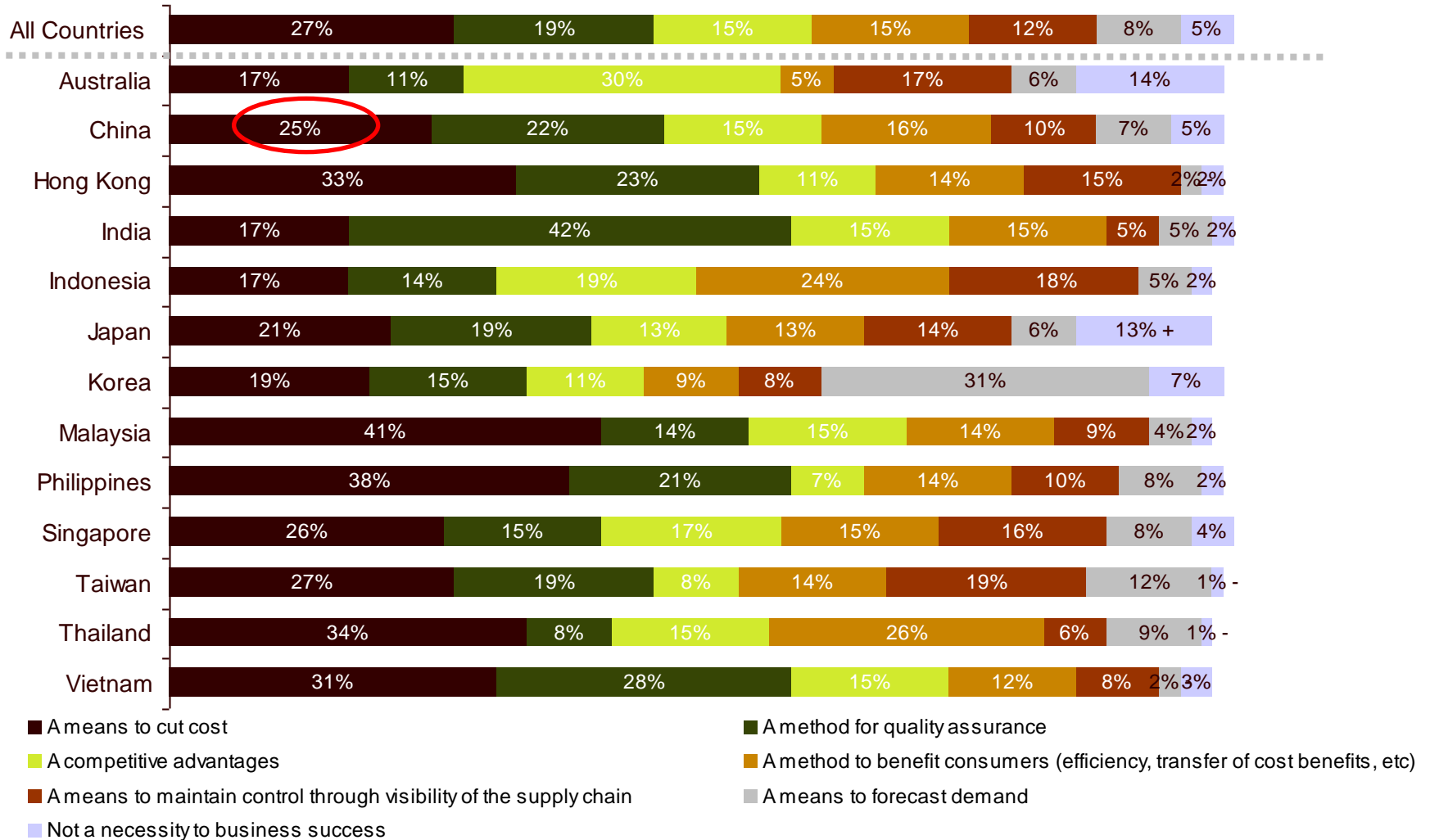
Almost 80% of Chinese SMEs feel the need to change their supply chain practices to increase competitiveness

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



SMEs view supply chain management primarily as a means to cut costs

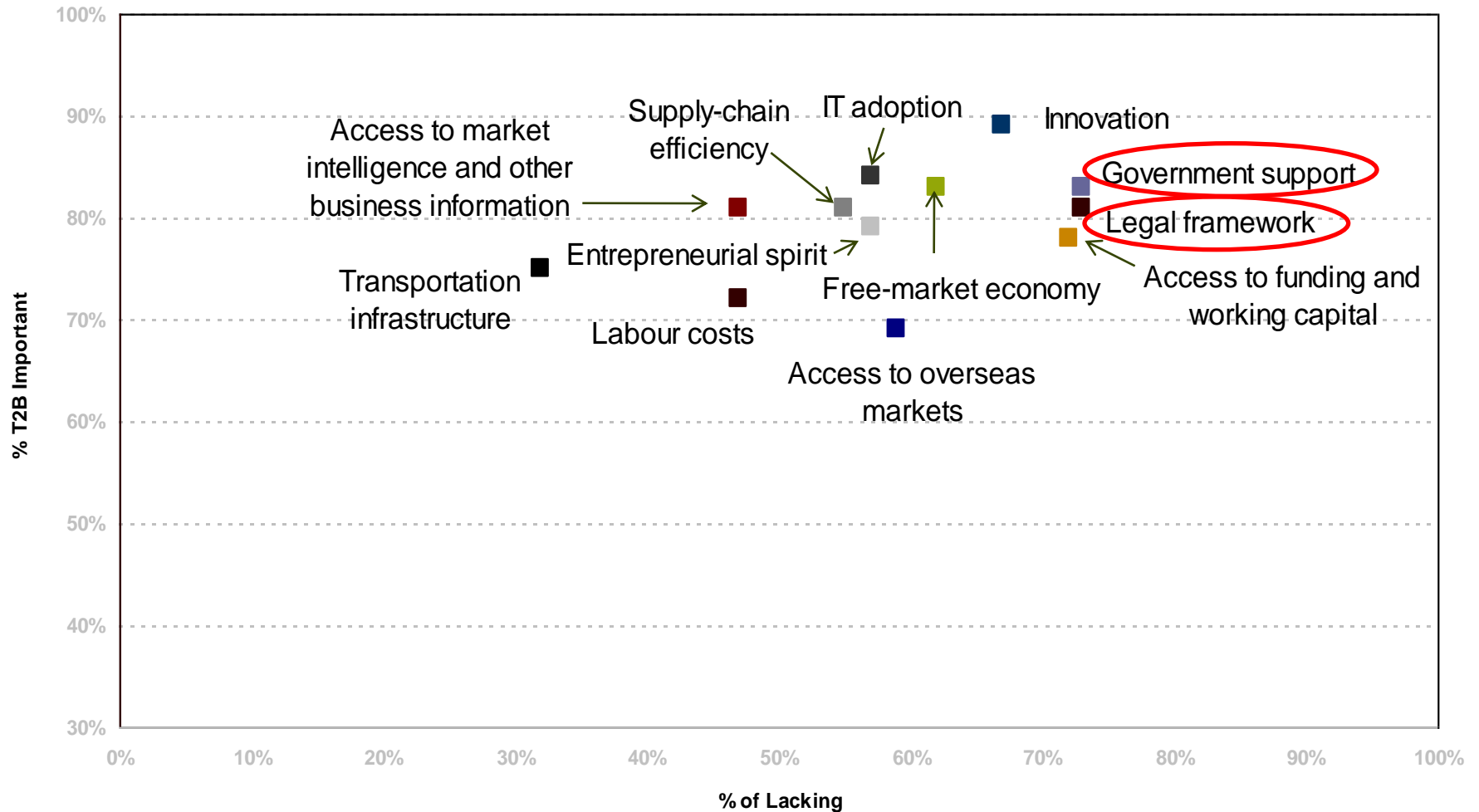
Q. Do you see supply chain management as:



OBSTACLES TO SME COMPETITIVENESS

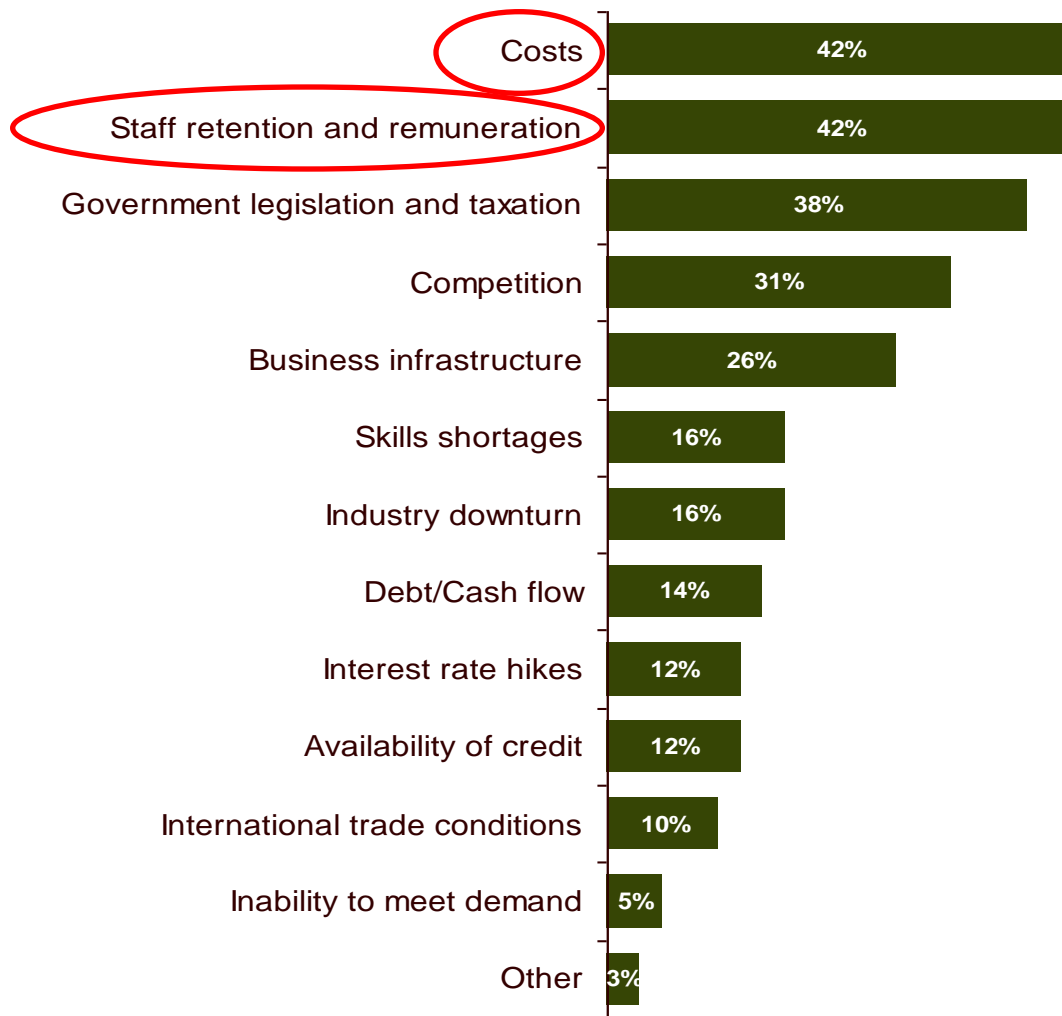
Major Obstacles to Chinese SMEs' Competitiveness

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



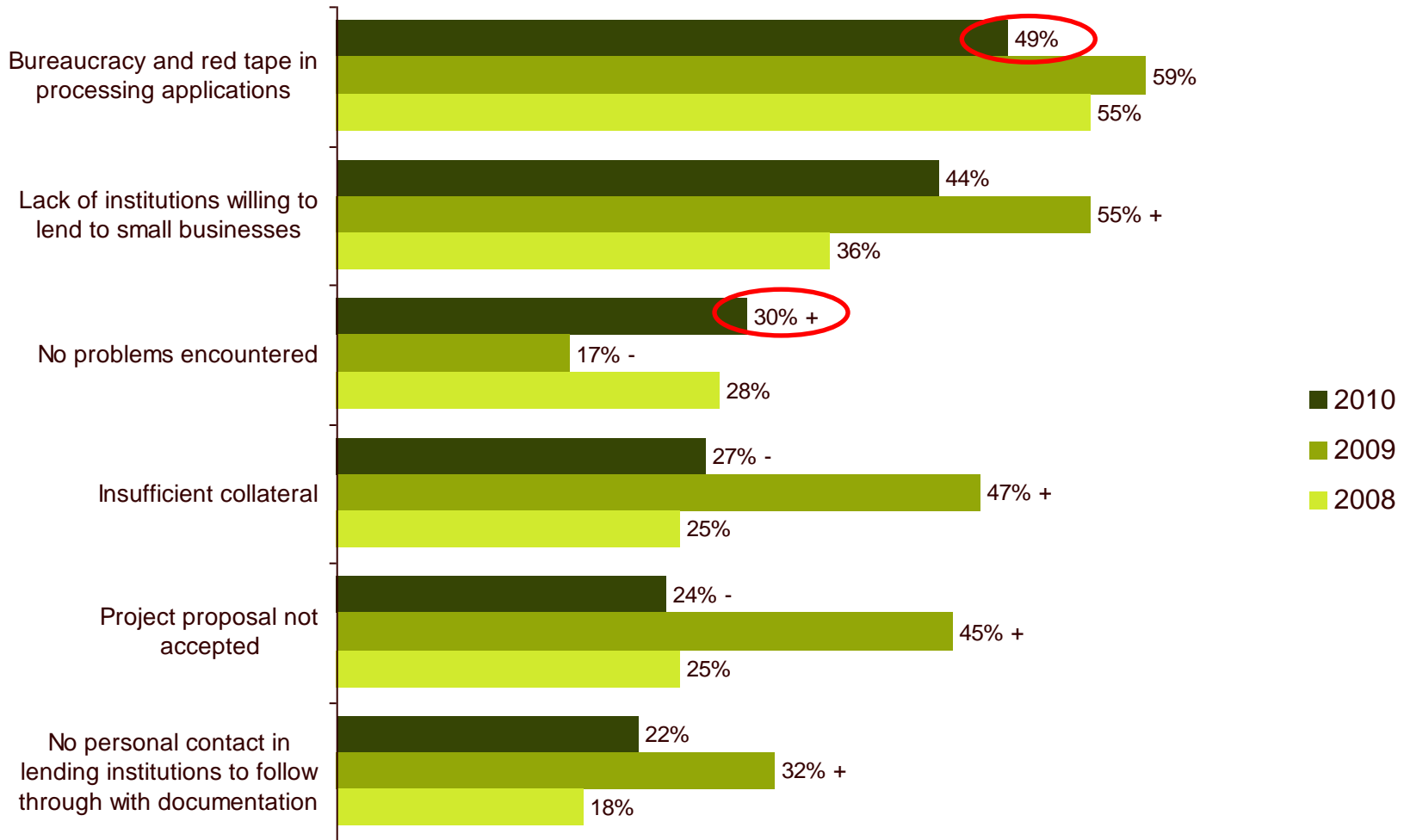
Key Business Concerns of Chinese SMEs

Q. What are your most pressing business concerns this year (2010)?



Problems Encountered in Financing Business for Chinese SMEs

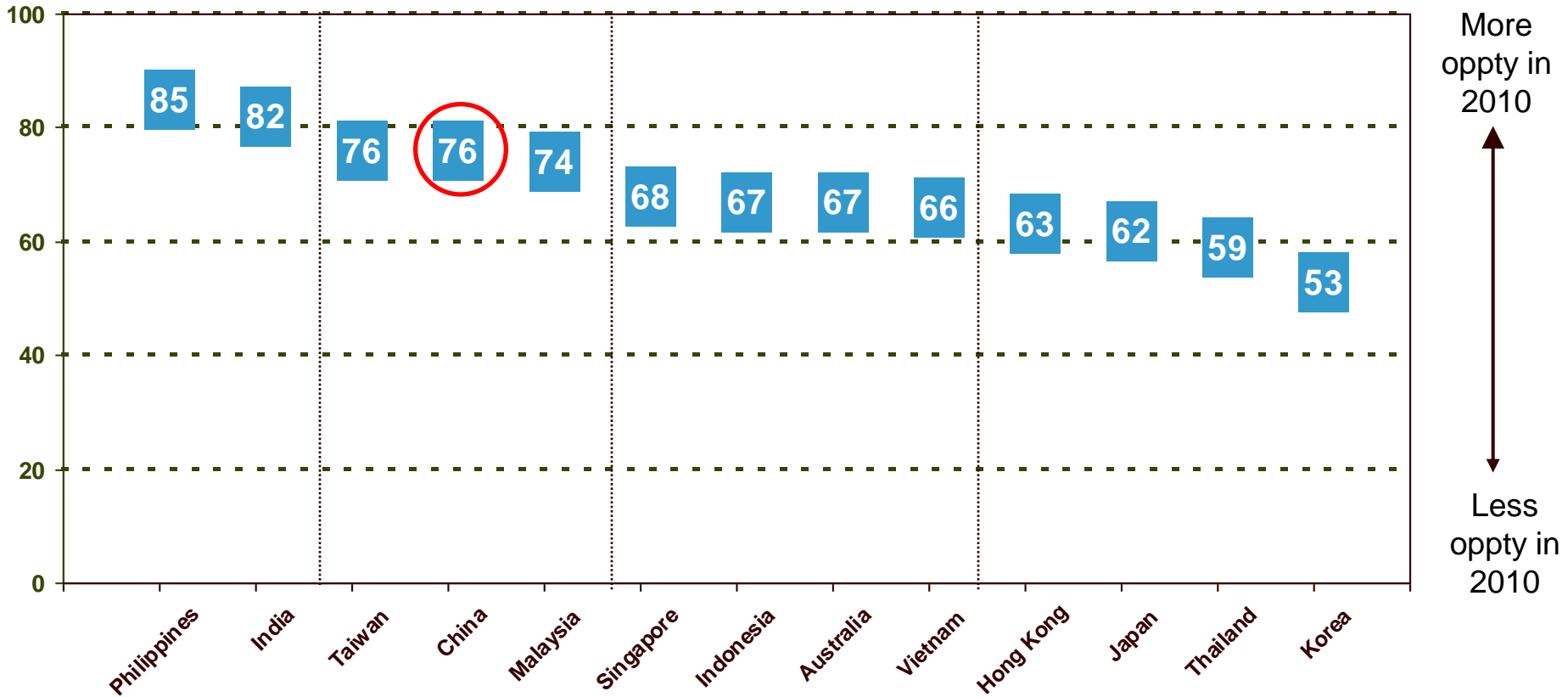
Q. Which of the following problems have you encountered in financing your business?



SME DEVELOPMENT OPPORTUNITIES

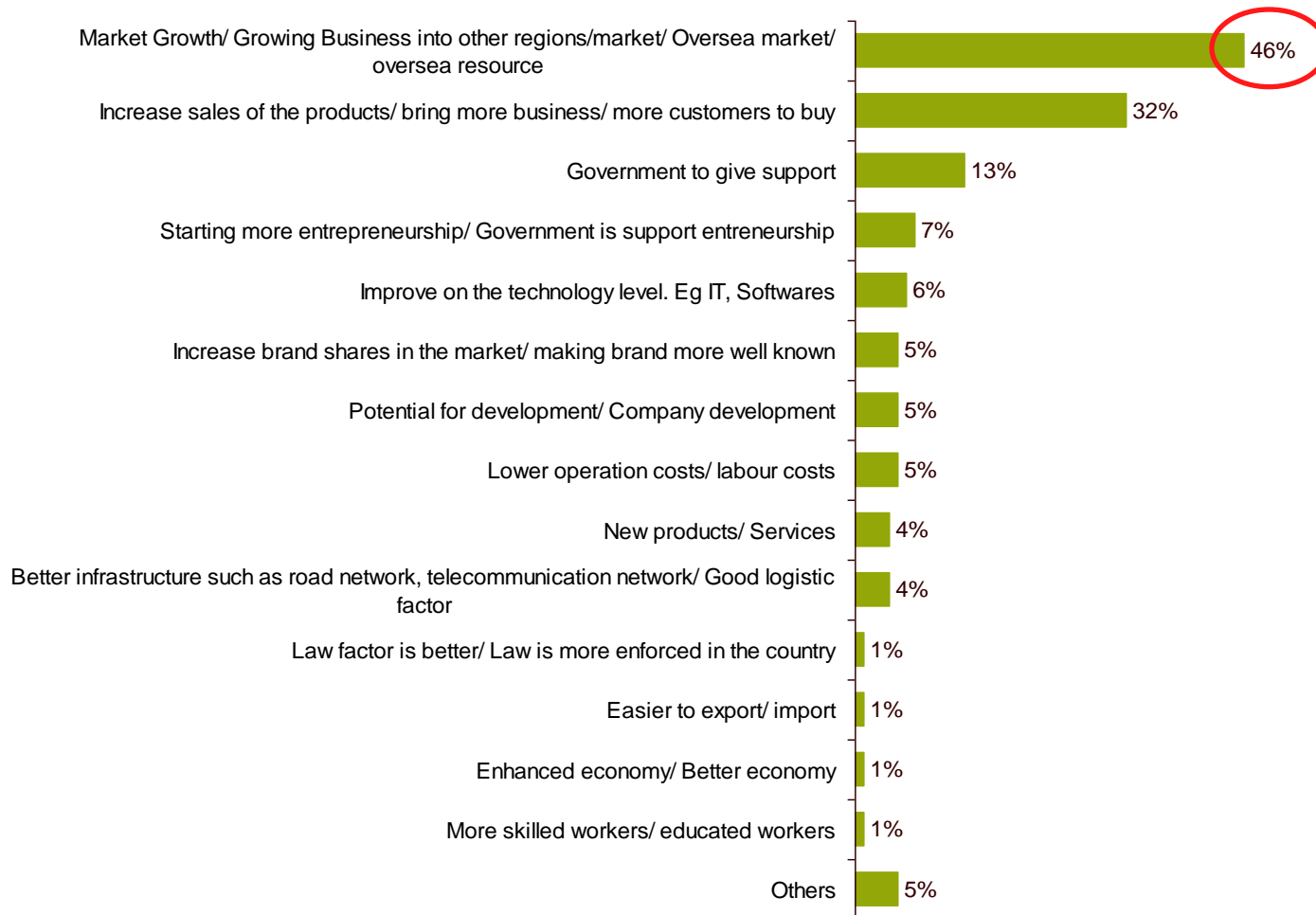
The Opportunity Index for Chinese SMEs

Q. 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?



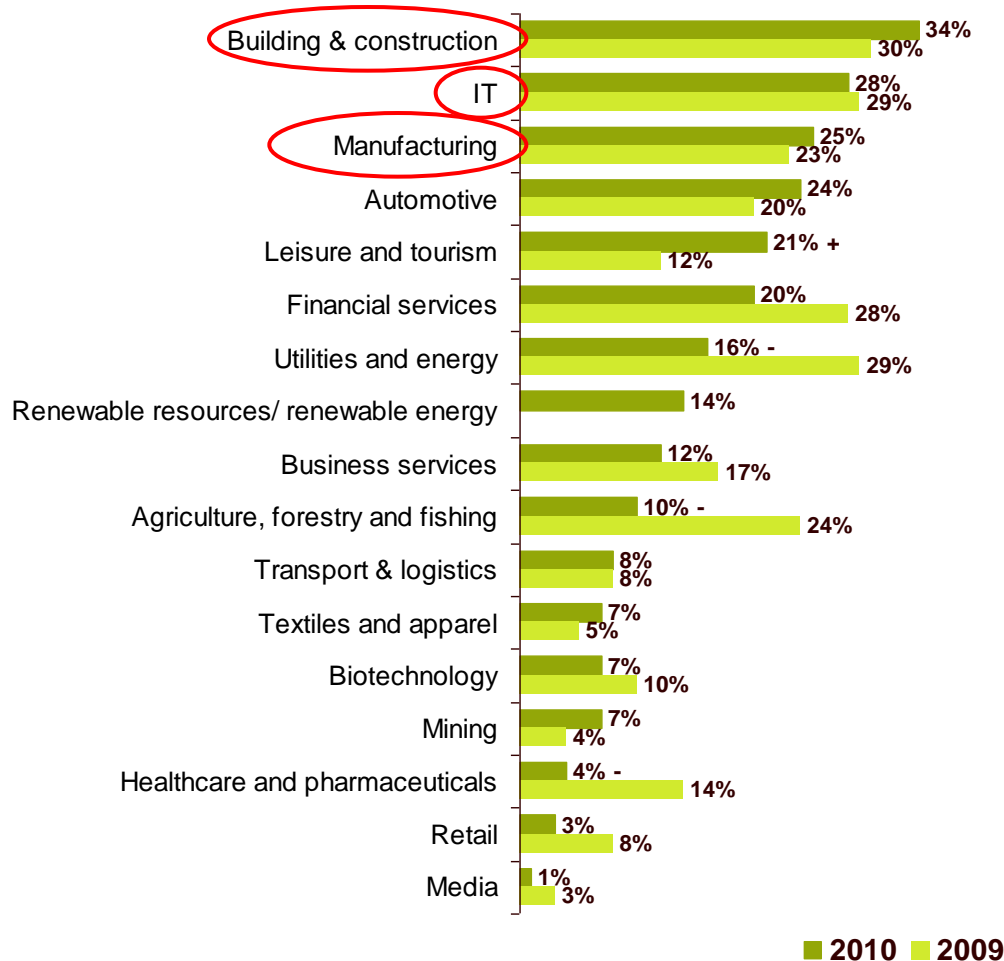
Almost half of Chinese SMEs hope to explore business opportunities through “Market growth”

Q. What type of opportunity would that be?



Chinese SMEs' choice of key economic pillars for the next 3 to 5 years are different than in the past

Q. 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 : China in 2010

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

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

Thank you

