



FUTURE OF BUSINESS SURVEY

TRADE REPORT

JULY 2017

CREATED IN COLLABORATION WITH

facebook





INTRODUCTION¹

In January 2017, we published a [report](#)² based on findings from the Future of Business survey about how small and medium-sized enterprises (SMEs) with a digital presence are trading internationally. Approximately one in five of these SMEs surveyed - covering 33 countries with diverse income levels - reported importing or exporting. Moreover, engagement in trade was positively correlated with business confidence and job creation.

In the past, only large multinationals could, effectively, scale globally. Today, small businesses have a menu of digital tools that allow them to leverage global connections and market directly to potential customers all over the world.³ In this report, we investigate **how online tools play a role in SMEs' ability to trade internationally and, consequently, to grow.**

To respond to these issues, we added a new module to the Future of Business survey over the period March-May 2017, from which we obtained responses from **49,081 SMEs** (see Page 03).

This report has been co-authored by a team including Nancy Blair, Molly Jackman, and Chaya Nayak at Facebook; Nadim Ahmad and Mariarosa Lunati at the OECD; Joshua Seth Wimpey at the World Bank; and Axel Bichler and Martin Degen at FactWorks.

Definitions

Traders

are defined as businesses being involved in import and/or export, whereas exporters only qualify for the latter.

¹ The names of countries and territories used in this joint publication follow the practice of the World Bank Group. The opinions expressed and arguments employed herein are those of the author(s) and do not necessarily reflect the official views of the OECD, the World Bank Group, or of the governments of their Member countries. This document, as well as any data and any map included herein, are without prejudice to the status of or sovereignty over any territory, and to the delimitation of international frontiers and boundaries.

² Future of Business Survey, 2017. *Trade report, January 2017*.

³ World Trade Organization, 2016. *World Trade Report 2016: Leveling the trading field for SMEs*.



KEY FINDINGS

Consistent with past results, SMEs that trade internationally are more confident and more likely to increase jobs:

Traders are 5 percentage points more confident in their businesses, and 10 percentage points more likely to have added jobs in the last six months than non-traders.

For exporting SMEs, trade is at the core of their business models and success:

Among exporting SMEs, 4 in 10 report that >25% of their revenue comes from international trade.

Exporters rely on online tools to trade internationally: Nearly half of exporting SMEs (45%) report that more than 75% of their international sales depend on online tools.

SMEs attribute growth - in revenue, resources, and employees - to their use of online tools to trade internationally:

58% of exporters agree that using online tools for selling internationally has increased their revenue.

However, **International trade is a challenge to SMEs, and only a minority of SMEs trade internationally.** Furthermore, almost half of exporters (48%) identified “selling to foreign countries” as a challenge.



ABOUT THE FUTURE OF BUSINESS SURVEY

The Future of Business survey is a collaboration between Facebook, the OECD and the World Bank to provide monthly data on the perceptions, challenges, and outlook of online Small and Medium Enterprises (SMEs). The survey includes questions about perceptions of current and future economic activity, challenges, business characteristics and strategy. A first [report](#)⁴ with initial findings and discussion of methodology, limitations, and future prospects was published in September 2016. For more information, and access to the data and this report, visit www.futureofbusinesssurvey.org

The target population consists of the 60 million SMEs that have an active Facebook business Page and includes both newer and longer-standing businesses, spanning a variety of sectors. A random sample of firms, representing the target population in each country, is selected to respond to the Future of Business Survey each month. With more businesses using online tools each day, the survey provides a lens into a new digital economy and, in particular, insights on the actors: a relatively unmeas-

ured community worthy of deeper consideration and considerable policy interest. Leveraging social media as a sampling frame has three advantages:

Scale: When the survey was initially launched in February 2016, it included 22 countries. Today, it includes 42. Since January 2017, we have added: **Czech Republic, Ecuador, Hungary, Nigeria, Pakistan, Portugal, Romania, Russia, and Taiwan, China.** The 42 Future of Business countries now represent economies accounting for 40% of the world's population⁵ and 73% of global GDP⁶.

Reach: To date, more than 218,000 Facebook business Page owners, from both younger and longer-standing companies across a wide range of sectors, have taken the monthly survey - nearly a 60% increase since January 2017.

Adaptive: The format is flexible, meaning we are able to revise it to include new questions based on feedback from the academic, policy, and business communities. For example, this report is based on a new module focused on the causal connection between international trade, digital tools, and SME growth.⁷

⁴ Future of Business Survey, 2016. *Launch report, September 2016.*

⁵ Population Reference Bureau, 2016. *2016 World Population Data Sheet.*

⁶ The World Bank (2017). *Data, GDP (current US\$).*

⁷ Thank you to the World Trade Organization and Industry Canada for consulting on this module.



PREVALENCE OF TRADE AMONG SMES

From March-May 2017, approximately one in five SMEs surveyed (19%) reported trading internationally, including 6% importing and exporting, 5% exporting exclusively, and 8% importing exclusively. These results are similar to previous findings: from February-December 2016, across 33 countries, 17% of SMEs reported trading internationally, including 5% importing and exporting, 5% only exporting, and 7% only importing.

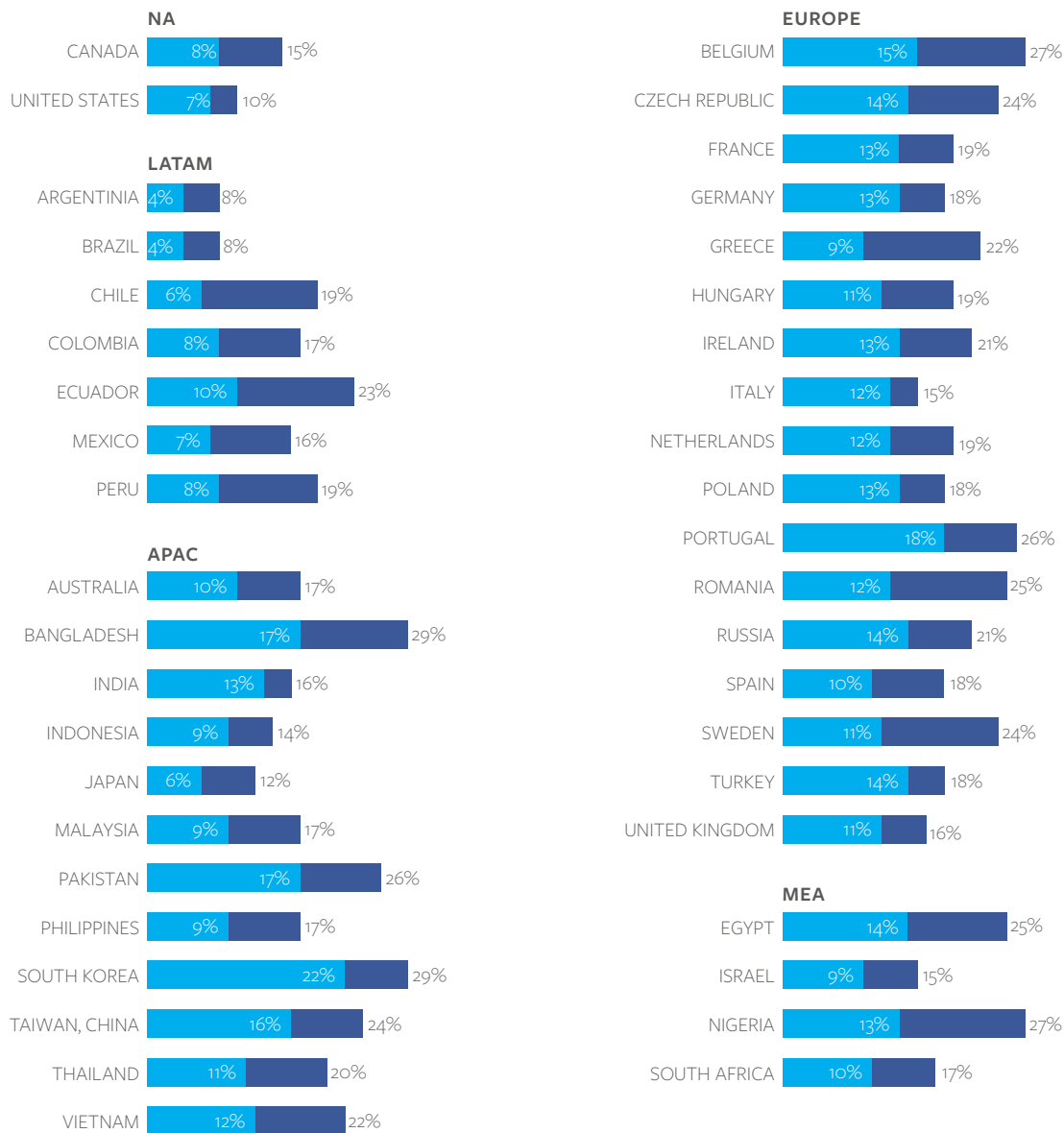
There is wide variation in the percentage of SMEs trading in each country and region, which reflects a number of factors. One particularly important factor concerns the representativeness of surveyed SMEs.⁸ The survey by design only covers those firms with a Facebook presence. In advanced economies, this cohort of firms is likely to be more representative than in developing economies, which may at least, in part, explain the relatively high rates of trading for lower-income countries like Bangladesh, Nigeria and Pakistan.

International trade by country (March-May 2017); countries sorted alphabetically within region

FIGURE 1

in %

■ SMEs trading internationally ■ SMEs exporting



⁸ See initial report from September 2016, p.25 regarding potential frame or coverage errors.



Across sectors (Table 1), international trade is most common among *manufacturing* SMEs (39%), followed by *retail/wholesale* businesses (32%). These sectors also have among the highest share of exporters (31% first and 14%, third, respectively).

International trade/export by sectors; sorted by international trade

TABLE 1

	Traders per sector	Exporters per sector
N	49,081	49,081
Manufacturing	39%	31%
Retail or wholesale	32%	14%
Automotive repair or services	23%	10%
Media, communication or information	22%	16%
Transportation or storage	17%	12%
Professional services	16%	12%
Arts, entertainment or recreation	16%	11%
Non-profit/charity organization	12%	9%
Accommodation	12%	8%
Construction or home repair	12%	6%
Healthcare	12%	7%
Personal services	12%	5%
Education	10%	7%
Real estate	9%	6%
Restaurant/café or other food services	8%	4%



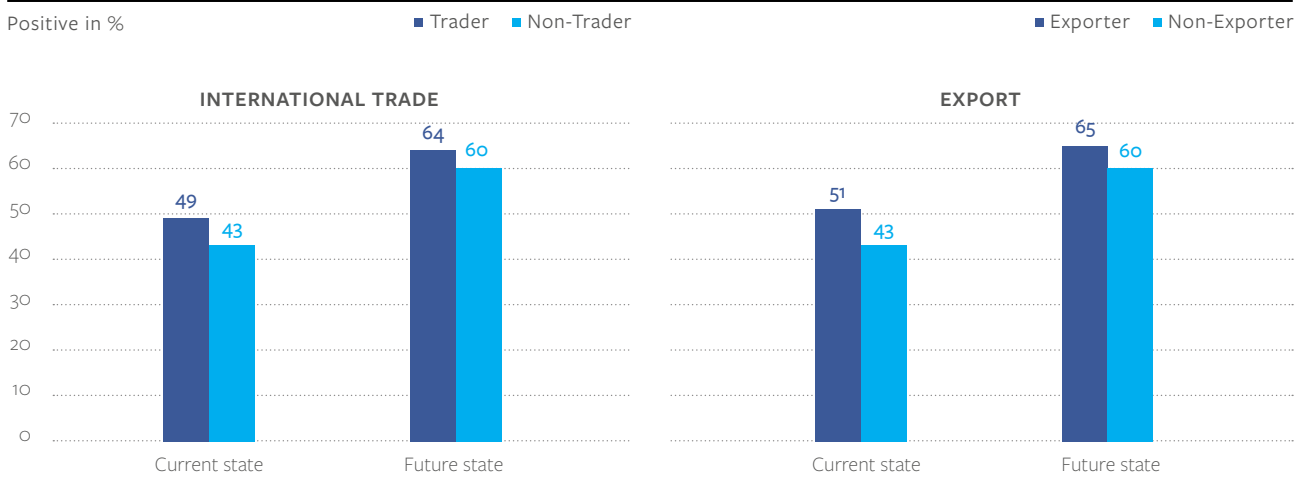
RELATIONSHIP BETWEEN TRADE AND BUSINESS CONFIDENCE

Consistent with past results⁹, businesses that trade internationally are more confident in the current state and future outlook of their businesses, and are also more likely to increase jobs (see Figure 2 and 3):

- 49% of traders in comparison to 43% of non-traders are positive about their current business state.
- 64% of traders in comparison to 60% of non-traders are positive about their future business outlook.
- 27% of traders in comparison to 17% of non-traders report having hired employees in the last 6 months.
- 49% of traders in comparison to 40% of non-traders anticipate hiring employees in the next 6 months.

Relationship between Trade and Business Confidence

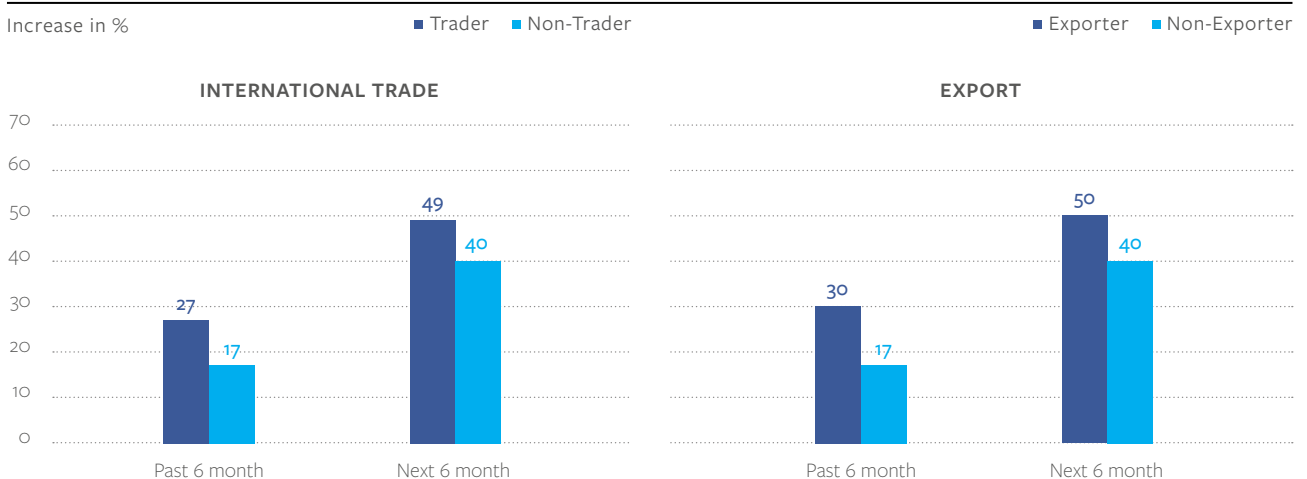
FIGURE 2



Note: All differences between traders and non-traders are statistically significant at the 1% level in two-tailed tests.

Relationship between Trade and Job Growth

FIGURE 3



Note: All differences between traders and non-traders are statistically significant at the 1% level in two-tailed tests.

⁹ cf. footnote 1



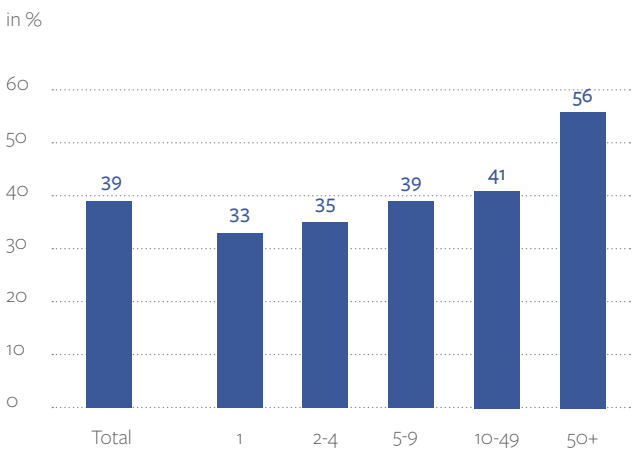
ONLINE TOOLS ENABLING TRADE AND GROWTH

There is a clear and persistent relationship between international trade and business confidence and growth. **But does trade cause businesses to grow and scale? And, if so, what role do digital tools play?**

To begin to answer these questions, we asked the subset of SMEs engaged in exporting (n=5,461) about how international trade impacts their revenue, their reliance on online tools, and their perception of how those tools affect growth. Three findings emerged:

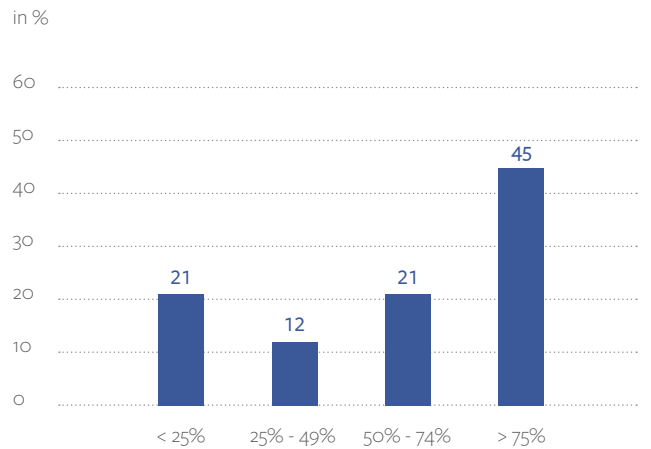
First, **for exporting SMEs, trade is at the core of their business models and success.** Indeed, among exporters, 39% report that >25% of their revenue comes from international trade (see Figure 4). This result is relatively consistent even if we control for business size, with the exception of larger businesses making more revenue through exports.

Exports revenue >25% by company size FIGURE 4



Second, **SMEs rely on digital tools to trade internationally.** Exporters were asked to consider the online tools that help them sell internationally, and to identify the proportion of international sales that depend on those tools. Two in three exporting SMEs (67%) SMEs said that >50% of their international sales depend on online tools. **Moreover, nearly half of exporters (45%) report that more than 75% of their international sales are reliant on online tools** (see Figure 5).

International sales dependent on online tools FIGURE 5



Third, **exporters recognize that online tools contribute to their success in international trade.** Exporters were asked how their use of online tools to sell internationally impacted their businesses in four dimensions: (1) *revenue and sales*, (2) *expanding their businesses (e.g., opening another store)*; (3) *investment (e.g., in equipment and durable goods)*; (4) *adding employees*. Responses indicated that SMEs' use of online tools for international sales is having measurable effects on their success:

- 58% of exporters say that using online tools for selling internationally has increased their revenue or sales.
- 28% of exporters say that using online tools for selling internationally has allowed them to increase their employees.
- 38% of SMEs say that using online tools for selling internationally has allowed them to increase their investment in equipment/durable goods.
- 42% of SMEs have expanded their businesses (e.g., opened another store) as a result of using online tools to sell internationally.



Notwithstanding the issues pertaining to representativeness mentioned above, the impact of online tools on exporting firms with a digital presence appears to be even greater in lower-middle income countries.¹⁰ SMEs (with a digital presence) in these developing markets seem to rely more on online tools to reach external markets, and, as a result, scale their businesses. (see Table 2).

Online tool use by trade status

TABLE 2

	Total	High-income	Upper-middle-income	Lower-middle-income
N	5,416	2,853	1,346	1,217
Revenue or sales	58%	57%	55%	65%
Expanding business (e.g., opening another store)	42%	36%	40%	58%
Investment (e.g., in equipment and durable goods)	38%	31%	36%	57%
Employees	28%	22%	27%	46%

¹⁰ Bangladesh, Egypt, India, Indonesia, Nigeria, Pakistan, Philippines, Vietnam



DISCUSSION

The establishment of an exporting branch in businesses can play a major role in business success and growth as new markets are opened.

However, almost half of exporting SMEs (48%) identified “selling to foreign countries” as a challenge (and these challenges might be even higher among SMEs that want to export but have not been able to do so).

Overcoming challenges for export is a key factor to business success. The main export barriers (Table 3) included *finding business partners* (63%), *market access limitations* (41%), and *regulations* (38%).

Challenges exporters	TABLE 3
Finding business partners	63%
Market access limitations	41%
Different regulations in other countries	38%
Customs regulations	35%
Language and/or cultural gap	33%
Securing export finance	31%
Poor online payment alternatives to sell online	29%
Large geographical distance from home country	26%
Poor internet connection to sell online	18%

It is perhaps not surprising to see ‘regulations’ featured prominently on the list of challenges, and governments and policy makers actively look to address these challenges. But what is surprising is that difficulties in finding business partners is reported as the number one challenge: an area where there has been less direct policy intervention.

However, even if policy makers cannot optimally match cross-border buyers and sellers, they can help to better support businesses by providing them with the tools and resources (for example web-design, electronic payment mechanisms, overcoming language/cultural barriers) necessary to overcome these challenges.

In our digitized global economy, the use of online tools is a matter of course (e.g. online shops, communicating with suppliers or customers online etc.). Access to online tools with extended coverage of relevant business areas (e.g., contract management, compliance management, payments) has the potential to streamline business processes, provide access to new markets and customers (e.g., by opening an online store) or make it easier to deal with authorities and thus can help businesses grow. For instance, 29% of businesses report that poor online payment alternatives make it difficult to do business online across borders. **Policy makers and the corporate sector could work to build online payment tools that facilitate cross-border financial transactions in a seamless, and risk-free, way.**

In addition to building digital tools, **policy makers should work to encourage regulatory frameworks that further facilitate SME trade**, including standardizing trade regulations across countries to allow SMEs to maneuver multiple markets without being hindered by costly certification procedures; reducing burdensome customs regulation, and encouraging e-commerce participation which has been attributed to helping businesses partially overcoming trade barriers.¹¹

When businesses have the tools they need to reach new markets, and overcome regulatory barriers, business revenue, and economies grow – it’s a win-win for all.

¹¹ cf. footnote 1



REFERENCES

Future of Business Survey, 2016. *Launch report, September 2016.*

Available at https://eu.futureofbusinesssurvey.org/manager/sso.aspx?target=sSjKubKzDAsTO%2fmcnnn1hmlQzm6AYB6kPcmcMS-d5ldl%3d&project=%c2%b1%c2%b7%c2%b9%c2%b9%c2%b8&file=Future_of_Business_Survey_Report.pdf

Future of Business Survey, 2017. *Trade report, January 2017.*

Available at <https://eu.futureofbusinesssurvey.org/manager/sso.aspx?target=sSjKubKzDAsTO%2fmcnnn1hmlQzm6AYB6kPcmcMS-d5ldl%3d&project=%c2%b1%c2%b7%c2%b9%c2%b9%c2%b8&file=Future%20Of%20Business%20Survey%20-%20Trade%20Report%20January%202017.pdf>

Population Reference Bureau, 2016. *2016 World Population Data Sheet.*

Available at <http://www.prb.org/Publications/Datasheets/2016/2016-world-population-data-sheet.aspx>

The World Bank, 2017. *Data, GDP (current US\$).*

Available at <http://data.worldbank.org/indicator/NY.GDP.MKTP.CD>

World Trade Organization, 2016. *World Trade Report. Levelling the trading field for SMEs.*

Available at https://www.wto.org/english/res_e/booksp_e/world_trade_report16_e.pdf