



FUTURE OF BUSINESS SURVEY

TRADE REPORT

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CREATED IN COLLABORATION WITH

facebook





..... **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). It was first launched in 17 countries in February 2016 and it has expanded to currently include 33 countries. The survey is administered each month by German research company FactWorks.

The target population consists of SMEs that have an active Facebook business Page and include both newer and longer-standing businesses, spanning across a variety of sectors. To date, more than 60 million SMEs have created a Page, and 141,785 of these Facebook Page owners have taken the survey. With more businesses leveraging online tools each day, the survey provides a lens into a new mobilized, digital economy and, in particular, insights on the actors: a relatively unmeasured community worthy of deeper consideration and considerable policy interest.

The survey includes questions about perceptions of current and future economic activity, challenges, business characteristics and strategy.

A first report 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

..... **Definition**

Business Confidence Score

is the weighted average of responses to the questions: “How would you evaluate the current state of your business?” and “What is your outlook for the next 6 months of your business?” Possible answers include “Positive”, “Negative” or “Neutral”. Scores range from -100 to +100, where -100 indicates that all firms for a given unit of analysis share a negative current and future outlook, and +100 indicates the opposite.



HIGHLIGHTS INTERNATIONAL TRADE

Connections between people around the world have reached unprecedented levels. The same is true for small business owners who can participate directly in the global economy and reach customers across the globe just as easily as those on the same street.

When small businesses engage in international trade, they thrive. Here, we report new results from the Future of Business Survey, a collaboration between Facebook, the OECD, and the World Bank to measure small business sentiment in, currently, 33 countries (see previous page). To date, 141,785 small business Facebook Page owners have taken the survey, providing the following highlights:

1. Digital presence matters for international trade: 17% of small businesses with a digital presence are engaged in international trade.
2. Small businesses engaged in international trade are more confident (see definition on previous page) about the present and near-term outlooks of their businesses than non-traders.
3. Small businesses that use digital tools for a higher number of purposes are more likely to engage in international trade.



REACHING ACROSS BORDERS

Small businesses can leverage global connections to market directly to potential customers all over the world.¹ There are now over 60 million small business Pages on Facebook. More than 35% of the fan connections to these Pages are cross border – a five percentage point increase since 2015.

The businesses that participate in the Future of Business survey are *not* large multinationals. Indeed, 85% report fewer than 10 employees. Despite their small size, 17% of these firms report engaging in international trade. Indeed, there is a clear relationship between firm size and involvement in international trade. Whereas only 11% of sole proprietors are engaged in international trade, it is 18% for firms with 2-9 employees and 29% for firms with more than 9 employees.

International trade and business sentiment

In a recent report, McKinsey Global Institute proclaimed this the new era of globalization for the little guy, where “SMEs can become micromultinationals in their own right, and start-ups can be ‘born global.’”² Are these micromultinationals, in fact, more successful?

International traders are 7 points more confident in their businesses than non-traders, significant at the 5% level.³ The average Business Confidence Score for traders is 43.3, compared to 36.5 for non-traders (see Figure 1). Moreover, the effect is even stronger for exporters, which are 10 points more confident than non-exporting SMEs (46.7 exporters v. 36.7 non-exporters). This result is consistent with previous research showing that SMEs that export are 20% more productive, have 20% greater job growth, and are 9% more likely to stay financially solvent.⁴

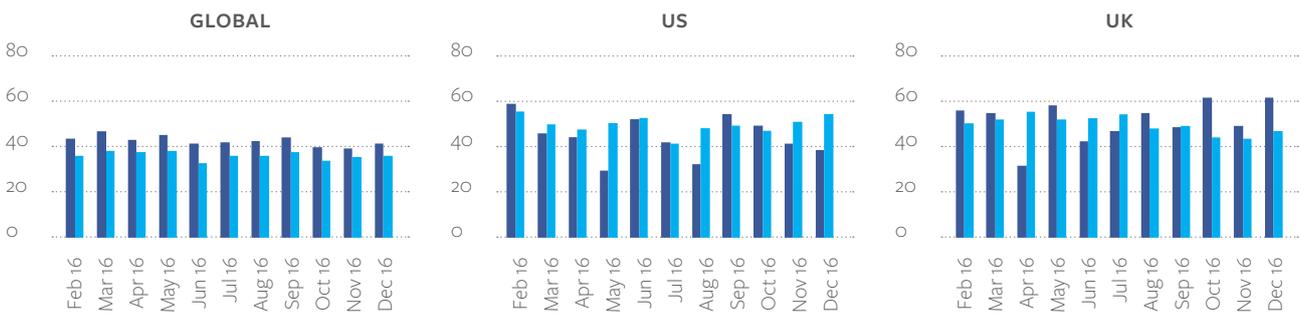
When we look within countries, the same general patterns tend to hold with some notable variation corresponding to local shocks. For example, traders in the UK were more confident than non-traders in February, March, and May 2016 (though in April 2016, the opposite was true). During the time of the Brexit referendum (June/July 2016), results changed and non-traders were more confident than traders, providing some evidence that the referendum indeed affected sentiment for businesses. Likewise, in the US, confidence among traders increased in September/October 2016 and traders were more confident than non-traders. However, in November and December 2016, confidence among traders dipped and increased among non-traders, perhaps reflecting instability related to the US presidential election.

Business Confidence Score by trade

FIGURE 1

% of all respondents by trading status

■ Traders ■ Non-traders



Traders are not only more confident, but also more likely to report and anticipate job growth. Nearly 27% of SMEs engaged in international trade say that they increased jobs in the last six months, compared to 16% of SMEs that do not trade internationally. Traders are also 8 percentage points more likely to state that they want to hire new staff in the next 6 months

(45% traders v. 37% non-traders). Digitization means that small businesses can focus on finding the customers that care about their products, whether they live in one country or thirty. It’s no surprise that this flexibility and reach inspires confidence and growth.

¹ World Trade Organization, 2016. *World Trade Report 2016: Levelling the trading field for SMEs*.
² Manyika, J., and Lund, S., 2016. *Globalization for the little guy*.
³ Unless otherwise noted, results reported in the remainder of this report are statistically significant at the 5% level in two-tailed tests.
⁴ Brutto, D., 2009. *Small Business, Big World*.



CONNECTING BUSINESSES TO PEOPLE ONLINE

In a pre-digital era, businesses had to target whole countries for expansion. Trading required massive infrastructure and expertise. Although many barriers to trade remain, digitization and global connectivity in particular have helped to lower them, and enabled businesses to reach people with the click of a button.

Indeed, traders tend to use digital tools for more purposes than non-traders (see Table 1). The Future of Business survey asks respondents to report their use of digital tools for six discreet purposes. Traders not only use online tools for more purposes (3.8 traders/3.5 non-traders), but are also six percentage points more likely to report using online tools for all six purposes listed.

When we examine how businesses use online tools for each purpose, traders report higher rates of use for all but one purpose listed (“providing information”). The differences between traders and non-traders are particularly pronounced for:

- Selling products and services: 71% for traders, 56% for non-traders.
- Managing internal business processes: 27% for traders, 20% for non-traders.

Online tool use by trade status

TABLE 1

	Trade internationally		Difference
	Yes	No	
Advertise to potential new customers	76%	75%	+2
Show products/services	78%	74%	+5
Provide information	64%	65%	-1
Communicate with customers or suppliers	68%	63%	+5
Sell products/services	71%	56%	+15
Manage internal business processes	27%	20%	+7
Used for all purposes listed	17%	10%	+6
Average number of purposes used for	3.8	3.5	+0.33

Note: Blue font color indicates that differences are significant at the 5% level in a two-tailed t-test.



EXPORT CHALLENGES

Although businesses that trade report more positive sentiment than their nationally-oriented counterparts, all businesses face challenges. Indeed, 33% of trading businesses report “selling to a foreign market” as a challenge that they confront.

For the companies that trade internationally and report “selling to foreign markets” as a challenge, the survey examines the specific export challenges these businesses face (see Table 2):

- The most commonly reported challenges are finding business partners (60%), market access limitations (41%) and customs regulations (39%).
- 38% of businesses reported challenges related to different regulations in other countries and 34% related to language and/or cultural gaps.
- Technological barriers, e.g., “poor online payment alternatives to sell online” and “poor internet connection to sell online”, were less common, and indicated by 28% and 18% of the businesses, respectively.

Export Challenges	TABLE 2
Finding business partners	60%
Market access limitations	41%
Customs regulations	39%
Different regulations in other countries	38%
Language and/or cultural gap	34%
Securing export finance	31%
Poor online payment alternatives to sell online	28%
Large geographical distance from home country	28%
Poor internet connection to sell online	18%



DISCUSSION

Research shows that increased trade, especially in emerging markets and with the appropriate policies, corresponds to decreased poverty, more jobs, economic growth, and increased productivity.⁵

Digital tools have the ability to decrease the barriers to entry into the international economy by allowing even micromultinationals access to inputs, consumers, and the marketing and management systems that enable their businesses to thrive.

Policymakers, companies, and organizations should continue to invest in the infrastructure to enable digital trade to thrive. This includes expanding the global connectivity

to the 4.3 billion people that are not online, and creating policies and products that enable smoother ecommerce and payments.

Small businesses drive economic growth and are responsible for the vast majority of jobs in economies around the world.

Connections – to each other and to customers around the world – can help them grow. We hope that the Future of Business Survey allows businesses to learn from each other, and encourages them to use technology to further their reach.

⁵ World Bank Group and World Trade Organization, 2015. *The Role of Trade in Ending Poverty*.



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