Note

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SMEs waken to cyber risks and reputational damage but optimistic on growth

- Competition on margins and lack of consumer demand remain key concerns for nearly one-third of SMEs
- Risk awareness has improved, with over 90% of SMEs surveyed now aware of the risks facing their business
- Concern over the risk of cybercrime almost tripled between 2013 and 2016, while fears about reputational damage more than doubled

Zurich, September 27, 2016 – The risks posed by cyber attacks and reputational damage are increasingly worrying small and medium-sized enterprises (SMEs), according to Zurich Insurance Group's (Zurich) fourth annual global SME survey. The impact of competition on margins and lack of consumer demand continue to lead business' growth concerns.

The survey polled 2,600 C-suite executives and managers at SMEs across 13 countries in Europe, the Americas and Asia Pacific. Among respondents, concerns about cybercrime have almost tripled since 2013 (11% vs 4%), while worries about reputational damage have also increased (14% vs 8% three years ago). These were the fastest growing perceived risks since the survey began in 2013.

Just under a third (31%) rated the impact of competition on margins as the greatest risk facing their business, a slight decline from previous years. Lack of consumer demand continued to be the second-greatest risk, and has increased in prominence since 2013 (30% vs 24%). Globally, SMEs' risk awareness increased over the past years – only 7% don't see any risks for their business in 2016.

Global economic recovery and growth have led SMEs to be more optimistic about growth. In 2016, only 8% saw no opportunities for growth, down from 16% in 2013. Despite this, SMEs are more focused on their home markets, reducing foreign expansion ambitions (10% vs 14% in 2013). As in previous years, SMEs have continued to reduce their costs and expenses to fund growth (33% vs 26%).

European SMEs bolstered by low interest rates

European SMEs' awareness and perception of various types of risk have increased since the survey started in 2013. Concerns about cybercrime tripled among European SMEs (12% vs 4%), while the perceived risk of reputational damage doubled (14% vs 7%). Concerns about fire risk also doubled (10% today vs 5%).

More positively, European SMEs continue to benefit from low interest rates. They rank attractive credit terms among the top five opportunities – much higher than their peers in the rest of the world. A growing proportion expects costs and expenses to decline (33% vs 24%) and are exploring new customer segments (32% vs 27%).

Latin America: more worried about catastrophes

Growth priorities and perceived risks in Latin America differ significantly from those in other regions. Since 2013, concerns about natural catastrophes have almost tripled (14% vs 5%). Worries about the risks of damage to corporate transport – including corporate fleets and vehicles -- have more than doubled (13% vs 5%). But, on the bright side, confidence in partners and suppliers has increased (12% see risks here, as opposed to 23% in 2013).

While SMEs in Latin America see fewer opportunities to diversify their offerings to customers, they are more ambitious in their merger and acquisition plans than companies in other geographies, seeing acquisitions as a viable route to growth (11% vs 6% in 2013).

Asia Pacific more optimistic about growth

SMEs in Asia Pacific are worried about fire, cybercrime, technological vulnerabilities, health and safety of customers or employees, and corruption, which have almost doubled. However, the fastest-growing concern is the threat of reputational damage, which rose to 12% from 2%.

SME's expectations regarding growth are encouraging; SMEs in this region are far more optimistic about growth than in the past – in 2016, only 13% saw no opportunity to grow, vs 29% in 2013. Confidence has increased; many SMEs are diversifying their offerings (29%), new business technologies (16%) and acquisition of competitors (14%) are viewed as increasingly viable growth opportunities.

U.S. worried by technology failures

In the U.S., risk awareness has risen across the board. Interestingly, technology failures and vulnerabilities feature among the top three risks in the U.S. – significantly higher than in the other regions surveyed. The SMEs' concerns over risks of theft (18% vs 9%) and damage related to corporate transport (14% vs 6%) also roughly doubled.

One-third of SMEs surveyed in the U.S. see potential to grow by exploring new sales channels – almost twice as many as in other regions. But only 6% believe that investing in the workforce would help them to grow, a much lower percentage than in other parts of the world.

Further information

Zurich's fourth annual SME survey was carried out by the research company GfK. The leaders of 2,600 small and medium sized enterprises (0 to 250 full-time employees) around the world were asked to identify up to three risks faced by their business in 2016, and up to three opportunities to grow. A representative sample of 200 CEO/owners, general managers, CFO/treasurers and COO/head of operations from each of the following 13 countries were included: Australia, Austria, Brazil, Germany, Hong Kong, Ireland, Italy, Mexico, Portugal, Spain, Switzerland, Turkey and the U.S.

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Contact

Zurich Insurance Group Ltd
Austrasse 46, 8045 Zurich, Switzerland
www.zurich.com
SIX Swiss Exchange/SMI: ZURN, Valor: 001107539

Media Relations

phone +41 (0)44 625 21 00, fax +41 (0)44 625 26 41
twitter @Zurich
media@zurich.com