DBS *Dialogues*

Plugged-In Research
Second Phase Report

January 2010

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Research Background

DBS Dialogues is an online site created exclusively for entrepreneurs to explore and get inspired. It's where you can find interesting video interviews, helpful advice, practical tips and valuable business insights from Singapore's leading entrepreneurs.

The latest addition to DBS Dialogues is our Plugged-In Survey Initiative, which aims to share with you, insights into today's competitive market and consumers' buying behaviour.

Researched by TNS, this survey was conducted in Singapore amongst 400 consumers and 100 SME owners. The survey questions were voted by site visitors, with an aim to helping you understand the thinking that goes in before buying, and the ins and outs of expanding an enterprise.

You can now plug in to what your consumers want and what other businesses are thinking. This report shares with you, the results of the last phase of this Plugged-In Survey Initiative.

Research Design – Second Phase

Coverage	Singapore
Target Audience	1) Consumers aged 18-54 years old, even mix of gender 2) Business Owners of SMEs
Sample Size	n=400 consumers, n=100 business owners
Methodology	Online
Questionnaire	15 minutes with no open-ended questions All interviews conducted in English

Summary of Key Findings – Business Owners

On Business

- Entrepreneurs agree that keeping costs manageable and ensuring sufficient funds to sustain and grow the business are the two key factors they consider when expanding.
- A high percentage of SMEs are keen on obtaining government loans / grants. However, SMEs indicate that the rigorous review process of government loan / grant applications is a big deterrence.
- Hence, SMEs are appreciative of banks that assist them in simplifying the loan application process. Unfortunately, half of the SMEs surveyed state that this bank assistance is rarely extended, implying that banks should play a more proactive role in simplifying loan processes for SMEs.
- In retrospect, a large number of respondents wished they had a better sense of the market potential for their business when they started out.
- Moving forward, SMEs predict that environmentally-friendly products will be the next 'in-thing' for consumers – an area of opportunity for SMEs.

Summary of Key Findings – Business Owners

On Marketing

- Surprisingly, SMEs allocate only S$20,000 on marketing their products. 8% say that they do not even have a marketing budget.
- A third of SMEs that allow for marketing expenses channel their money towards online media, followed by viral marketing. Less than half focus on traditional media like print (13%) and television (5%).

On Staff Rewards

- Entrepreneurs and business owners prefer motivating their staff through profit-sharing schemes and performance-based salary increases, rather than incentive trips.

On Economy Outlook

- SMEs surveyed are generally optimistic about the economic situation, as they believe that the economy will improve in the next 6 months. A quarter says that the economy will improve considerably, while half foresee at least minimal improvements to the economic landscape.

Summary of Key Findings – Consumers

On Product Purchase

- Brand image is an important factor in the purchase decisions particularly among male and young consumers.
- Most respondents trust product reviews they read on blogs and discussion forums, and have made purchases based on these online opinions. The ones who buy are of the younger set, while non-buyers tend to be older.

On Online Product Purchase

- As Internet transactions become commonplace, consumers have also become more comfortable with purchasing goods and services online.
- Online buyers are generally younger, with 80% having made web purchases in the past 6 months. Consumers who do not buy online tend to be older, with almost half aged 50 years and above.
- Majority of online buyers have purchased products on sites leading from social networking sites and blogs e.g Facebook, Multiply, etc.
- Convenience, competitive prices, and unavailability of products in Singapore are key factors for buying online.
- Among the large number of shopping websites on the Internet, eBay (42%) stood out as the most-mentioned site for online purchases, followed by Amazon at 20%.

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Summary of Key Findings – Consumers

On e-billing

- Generally, consumers are comfortable with e-transactions (e-billing), with most stating that these help simplify and speed up purchase transactions.
- However, a quarter is concerned about unauthorised viewing of the credit card / bank details.

On Advertising

- Print ads e.g. in newspapers and magazines appear to be most impactful when influencing a consumer's purchase decision. Television commercials come second, with radio advertisements garnering higher buy-rates with 18-24 year olds.

On Necessity Products vs. Luxury Products

- Respondents are mostly loyal to their current brand and a majority will pay more for their current brand over the next best competitor for both necessity and luxury products.
- However, this willingness to pay a premium does not extend beyond 10% more for necessity products, and 20% for luxury products.

On Economy Outlook

- Consumers are as optimistic as SMEs on the economic landscape in the next 6 months. This optimism is most obvious amongst the 18-29 year olds.

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Business Owners

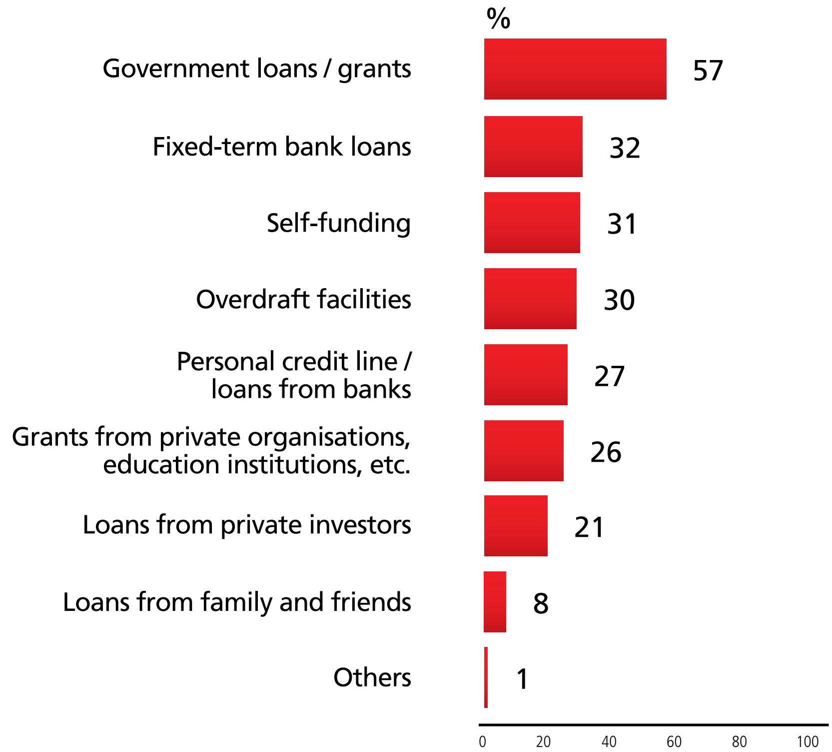
Topmost concerns facing SMEs when expanding their business are cost-related i.e. keeping costs manageable and having enough funds to support growth.

Greatest challenges faced in expanding

Base: All respondents (n=100)
Q1. What are the greatest challenges you face in expanding your business?

On average SMEs look to obtain funding from at least 2 sources, topmost being government loans / grants, followed by banks and personal funds. Over half of the respondents look to the government for funding assistance.

Most suitable form of financing mix for SMEs

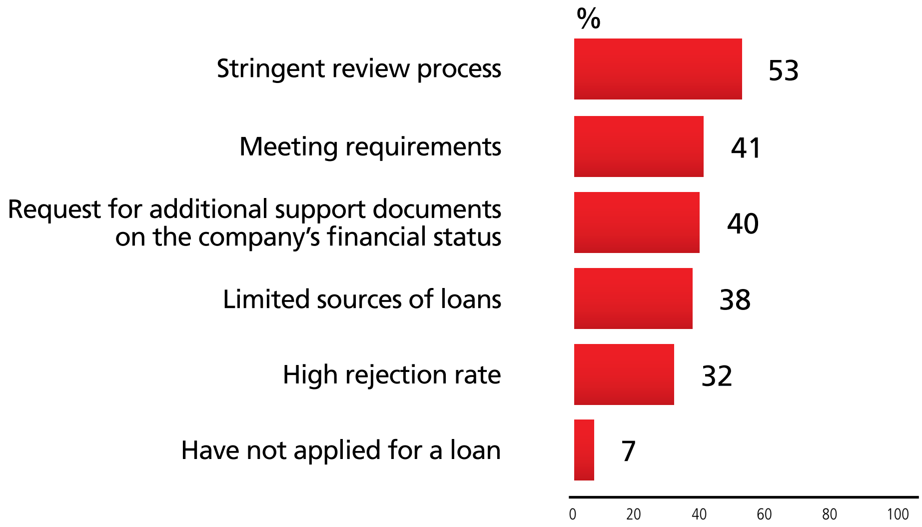


Average no. of mentions: 2.3

Base: All respondents (n=100)
Q6. What form of financing mix would be most suitable for SMEs?

Business owners typically face a stringent review process when applying for loans – a potential opportunity for new services providing assistance in this area.

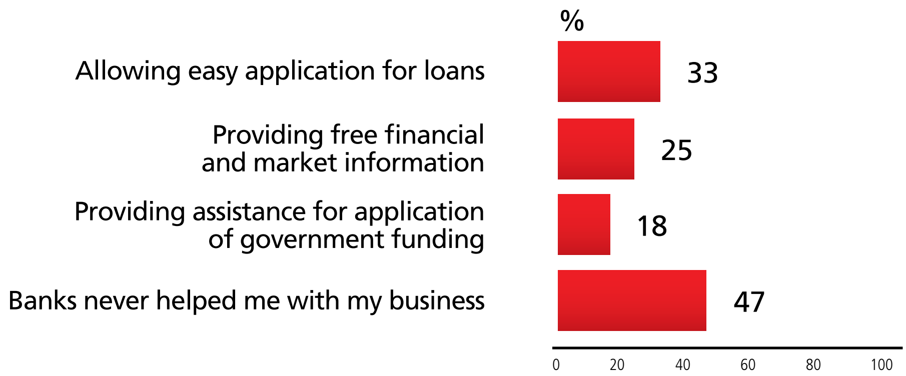
Problems usually encountered when applying for a loan for expansion



Base: All respondents (n=100)
Q7. What type of problems do you usually encounter when applying for a loan for business expansion?

Banks help a third of SMEs surveyed via a simple loan application process and free information.

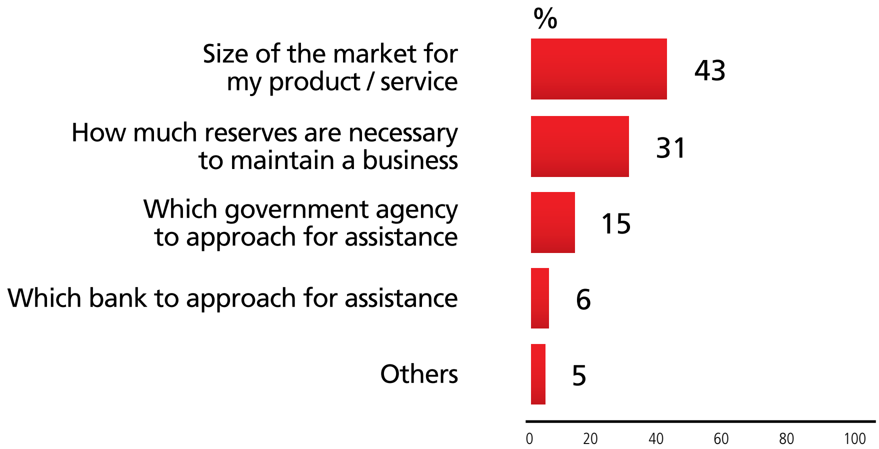
How banks helped in making a difference to the business



Base: All respondents (n=100)
Q8. How did banks help make a difference to your business?

In retrospect, a big percentage of entrepreneurs wished they had a better sense of the market potential for their products / services when they started out.

Things SMEs wished they knew in the first 5 years of their business



Base: All respondents (n=100)
Q2. What's the one thing that you know now, that you wish you knew in the first 5 years of your business?

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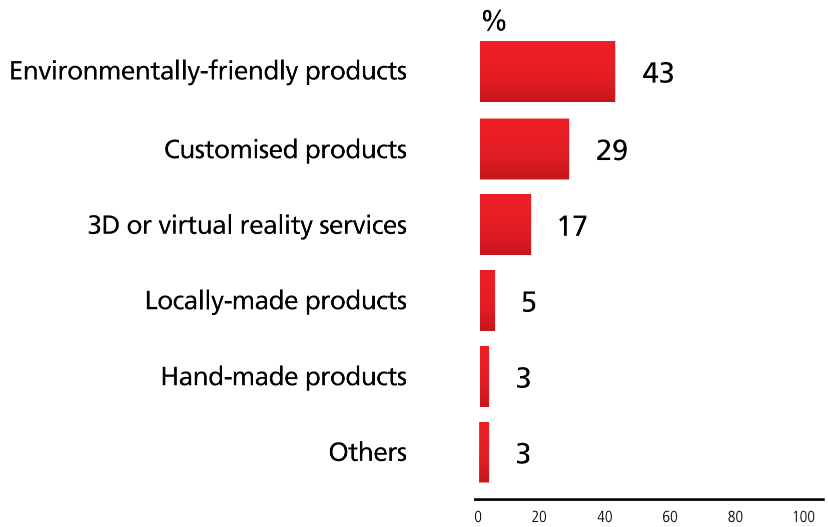
Moving forward, 'green' products are perceived to be the next 'in-thing' among consumers.

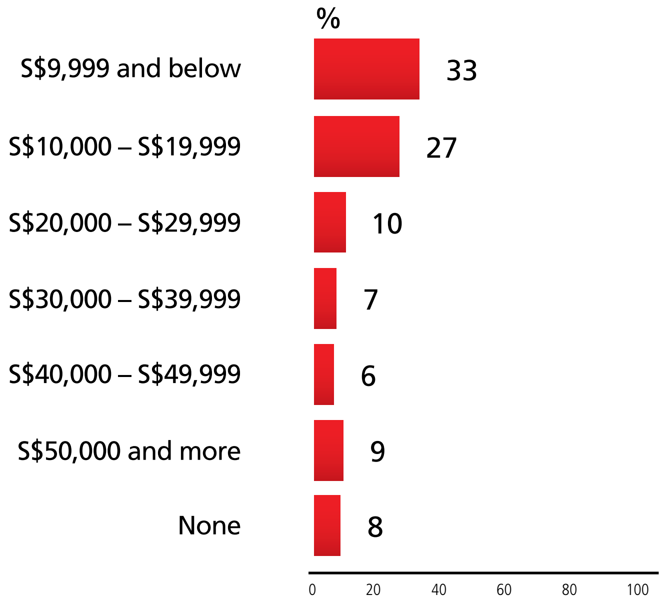
The next 'in-thing' in business



Base: All respondents (n=100)
Q3. In your opinion, what is the next 'in-thing' for future business people to pursue in Singapore?

SMEs surveyed generally cap their marketing budget at under S$20,000.

Marketing budget allotted per year

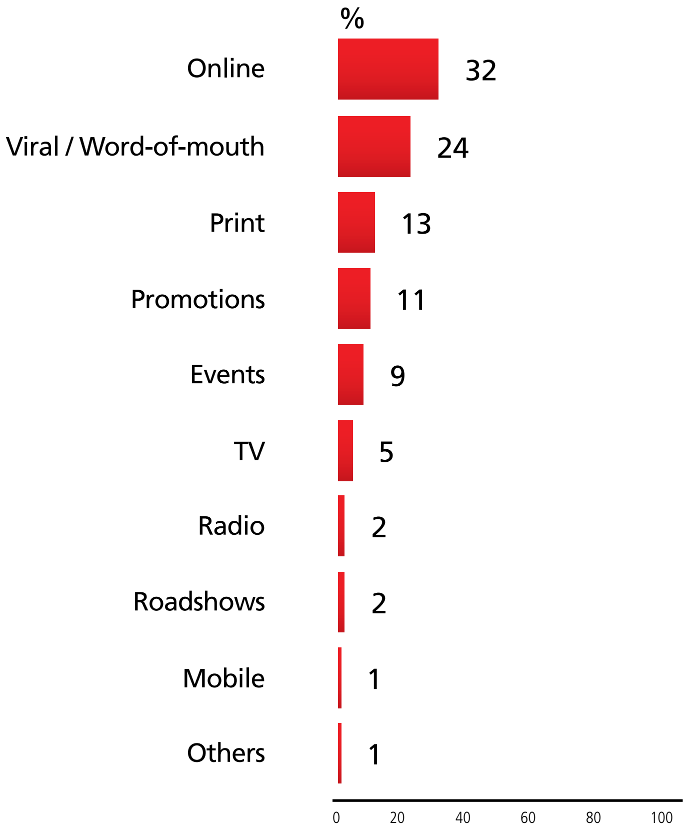


Average: 19,891

Base: All respondents (n=100)
Q4a. On average, how much would you allot for marketing per year?

Most SMEs focus on online and word-of-mouth marketing.

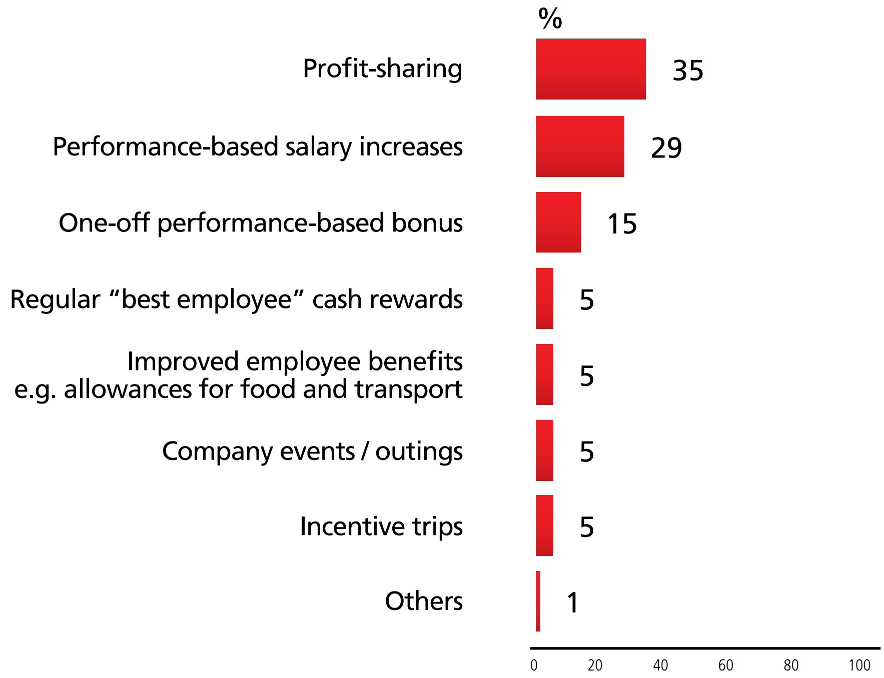
Media mainly used for marketing



Base: Those who allot marketing budget (n=92)
Q4b. Which media would your marketing strategy be focused on?

Profit-sharing is deemed as the best reward for motivating employees, followed by performance-based salary increases.

Rewards to motivate staff



Base: All respondents (n=100)
Q5. What is the best reward to motivate your staff?

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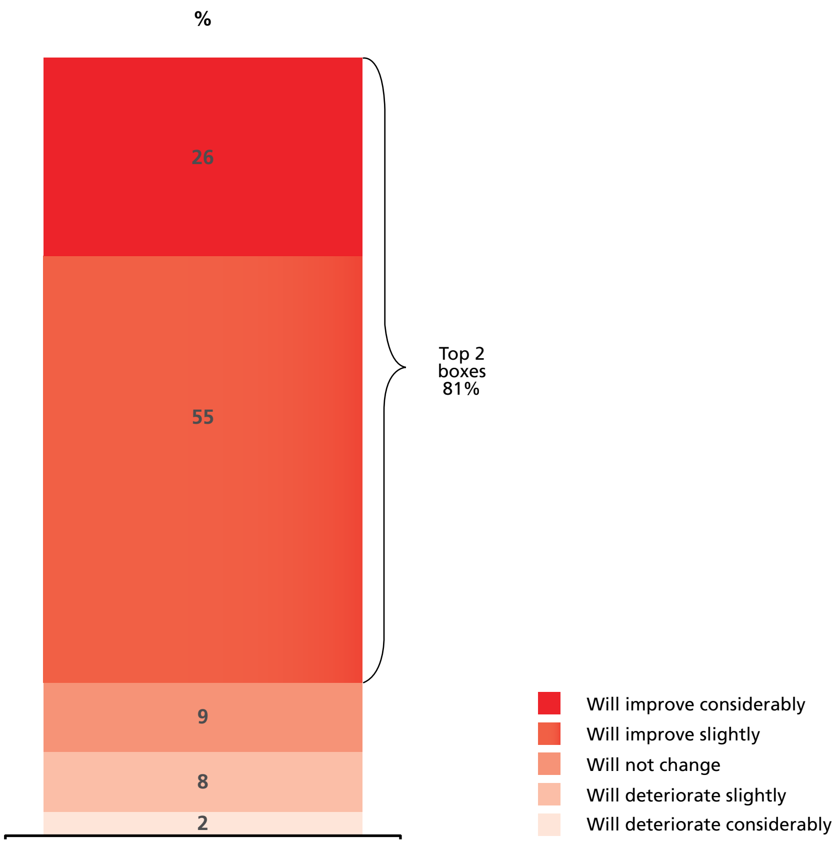
SMEs surveyed are optimistic about the future – over 80% feel that the economy will improve in the next 6 months.

Economy outlook in the next 6 months



Base: All respondents (n=100)
Q5. Where do you see the economy heading in the next 6-12 months?

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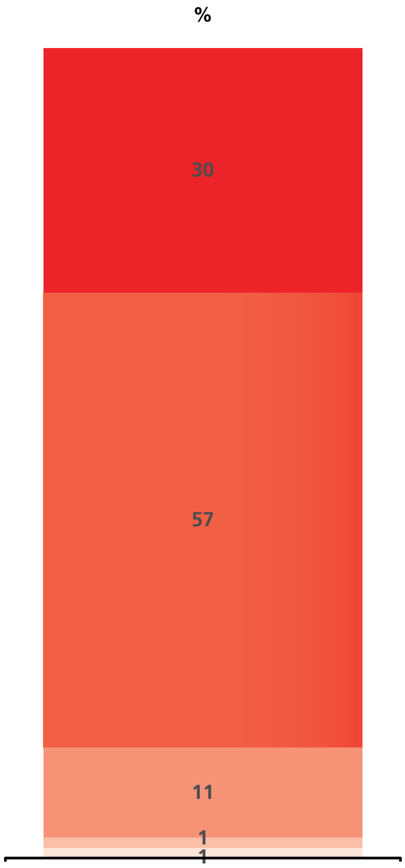
Consumers

Brand image is considered fairly important in purchase decisions, more so among males and younger consumers.

Importance of brand image in purchase decisions



	Male	Female	18-29 yrs	30-39 yrs	40-49 yrs	>49 yrs
Base:	*200*	*200*	*74*	*164*	*117*	*45*
	91	84	97	90	79	87
	35	26	38	30	25	33
	56	59	60	60	54	53
	7	15	3	10	17	11
	1	1	0	1	2	0
	2	1	0	0	3	2

% of respondents

- Extremely important
- Slightly important
- Neither important or not important
- Slightly not important
- Not at all important

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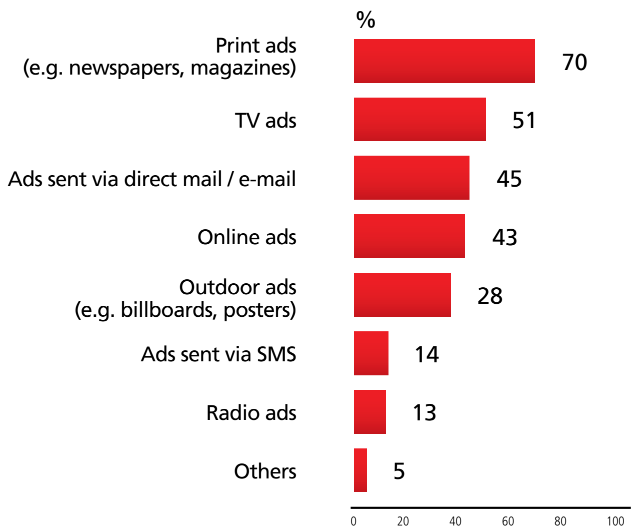
Base: All respondents (n=400)
Q1. How important is the product's brand name or brand image in your purchase decisions?

Ads which consumers see on newspapers / magazines appear to have the most weight in their purchase decisions, followed by TV commercials.

Types of advertisements with the highest impact on purchase decisions



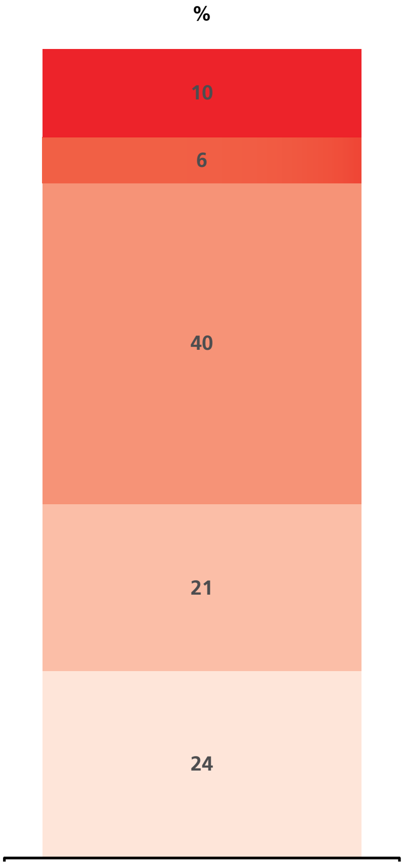
	Male	Female	18-29 yrs	30-39 yrs	40-49 yrs	>49 yrs
Base:	*200*	*200*	*74*	*164*	*117*	*45*
	70	69	58	73	71	73
	48	55	47	54	50	49
	45	45	54	44	44	42
	46	41	47	46	41	33
	31	25	23	31	29	20
	16	12	19	13	14	11
	16	11	22	13	10	7
	2	8	5	6	3	2

% of respondents

Base: All respondents (n=400)
Q5. Which of the following types of advertisements has the most impact on your purchase decision?

Younger consumers are more comfortable with purchasing new goods and services over the Internet based on the product reviews they read online.

Online purchases of new products based on reviews on blogs / discussion forums



	Male	Female	18-29 yrs	30-39 yrs	40-49 yrs	>49 yrs
Base:	*200*	*200*	*74*	*164*	*117*	*45*
	10	11	22	10	5	7
	7	6	18	3	3	4
	41	39	41	46	34	29
	22	20	18	18	27	22
	21	26	3	24	31	38

% of respondents

- Yes, more than 5 times
- Yes, 4-5 times
- Yes, 2-3 times
- Yes, once
- No, never

Base: All respondents (n=400)
Q2. Have you ever purchased a new product / service based on what you've read on blogs or discussion forums?

Not surprisingly, young consumers are frequent online buyers while majority of those who have never made purchases online are aged 30 and above.

Frequency of online purchases in the past 6 months

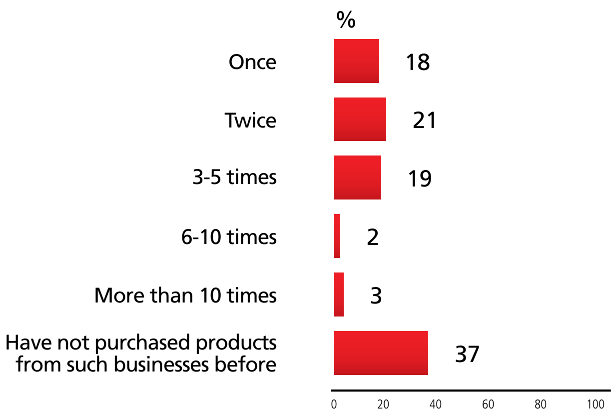
	Male	Female	18-29 yrs	30-39 yrs	40-49 yrs	>49 yrs
Base:	*200*	*200*	*74*	*164*	*117*	*45*
	17	17	8	18	21	16
	20	22	20	22	21	20
	31	25	37	27	27	20
	9	10	15	8	9	4
	6	10	15	9	3	4
	18	18	5	16	21	36

% of respondents

Base: All respondents (n=400)
Q3a. How often have you bought products over the Internet in the past 6 months?

Among online buyers, just under two-thirds have bought products from small businesses via / leading from social networking sites and blogs.

Frequency of online purchases via / leading from social networking sites / blogs



	Male	Female	18-29 yrs	30-39 yrs	40-49 yrs	>49 yrs
Base:	*164*	*165*	*70*	*138*	*92*	*29*
	20	17	16	18	20	21
	22	19	19	19	24	24
	14	23	26	20	14	10
	1	4	7	1	0	3
	2	4	6	4	1	3
	42	33	27	39	41	38

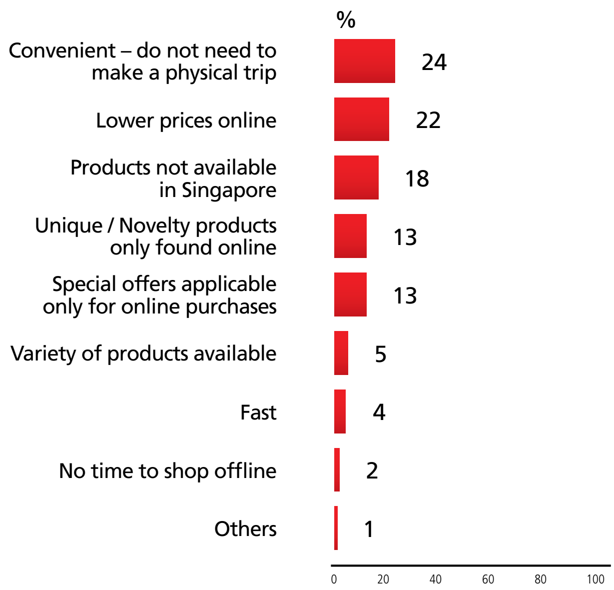
% of respondents

tns

Base: Those who have purchased products online (n=329)
Q3b. Specifically, how often have you bought products / services from small businesses that sell via / leading from social networking sites and blogs?

Convenience, better prices and unavailability of products in Singapore are key drivers for online purchases.

Reasons for buying products online



	Male	Female	18-29 yrs	30-39 yrs	40-49 yrs	>49 yrs
Base:	*164*	*165*	*70*	*138*	*92*	*29*
Convenient – do not need to make a physical trip	23	25	27	23	21	28
Lower prices online	22	21	20	24	24	7
Products not available in Singapore	16	19	17	17	20	17
Unique / Novelty products only found online	13	13	17	12	12	10
Special offers applicable only for online purchases	13	12	10	12	11	28
Variety of products available	3	7	4	6	5	3
Fast	7	1	1	4	4	3
No time to shop offline	2	2	3	1	2	0
Others	1	1	0	1	1	3

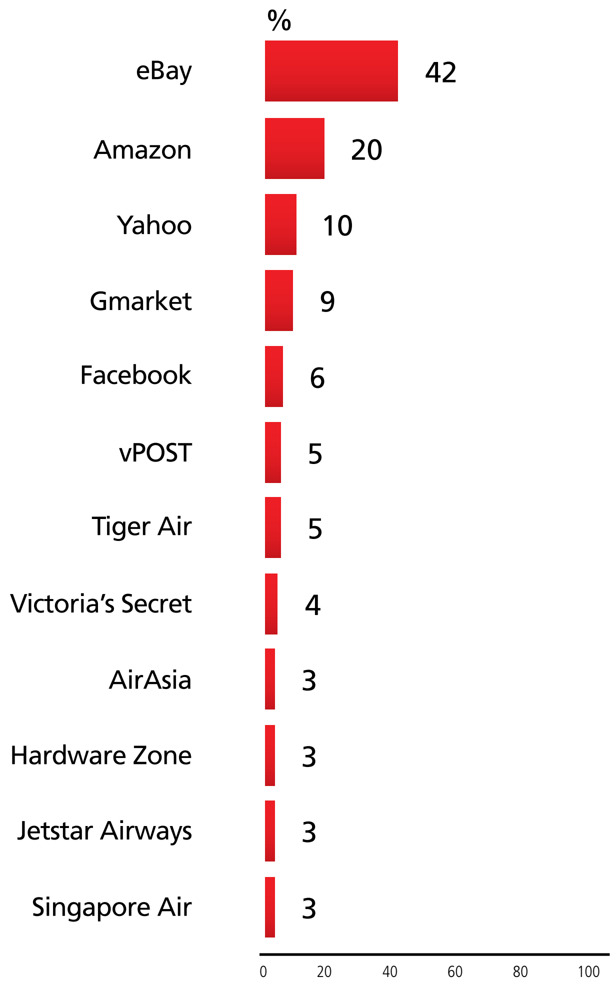
% of respondents

tns

Base: Those who have purchased products online (n=329)
Q3c. What is the topmost reason for you buying products online?

Among respondents with online purchase experience, eBay stood out as the number one site. All three budget airlines available in Singapore were also mentioned.

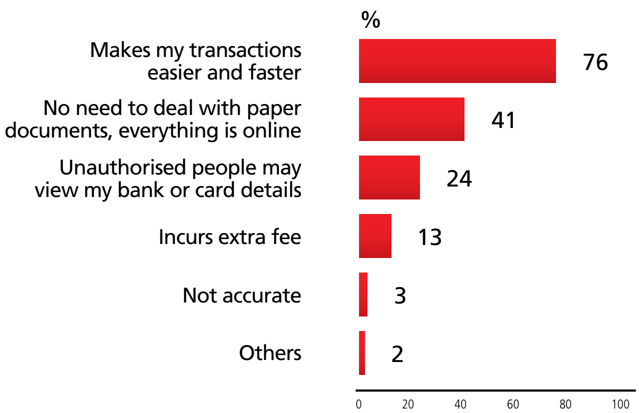
Websites where products are usually purchased



Base: Those who have purchased products online (n=329)
Q3d. Which websites do you usually purchase products from?
Please key-in up to 5 websites.

Generally, e-billing is perceived positively, by doing away with paper documents and speeding up transactions.

Impression of e-billing



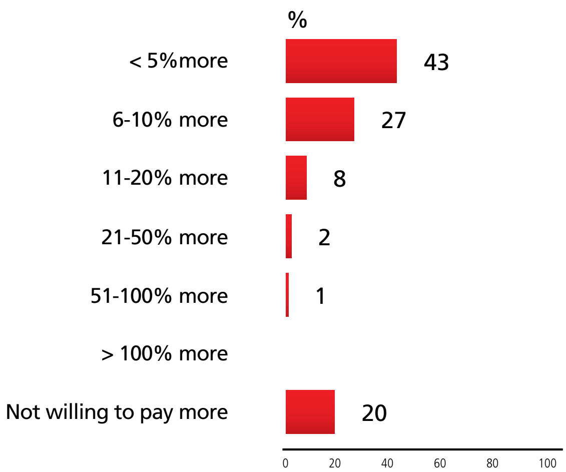
	Male	Female	18-29 yrs	30-39 yrs	40-49 yrs	>49 yrs
Base:	*200*	*200*	*74*	*164*	*117*	*45*
	77	76	76	80	74	67
	44	39	42	40	42	44
	20	28	26	22	26	22
	12	14	16	14	10	11
	2	4	3	5	0	2
	2	3	0	2	3	4

% of respondents

Base: All respondents (n=400)
Q4. What is your impression of e-billing (billing and payment processed online e.g. eNETS, Paypal, credit card)?

For products / services considered to be necessities, most respondents are willing to pay more to stay with their current brand, but only up to 5-10% more. Older consumers appear more price-sensitive.

Willingness to pay more for current brand over the next best competitor (necessity products)



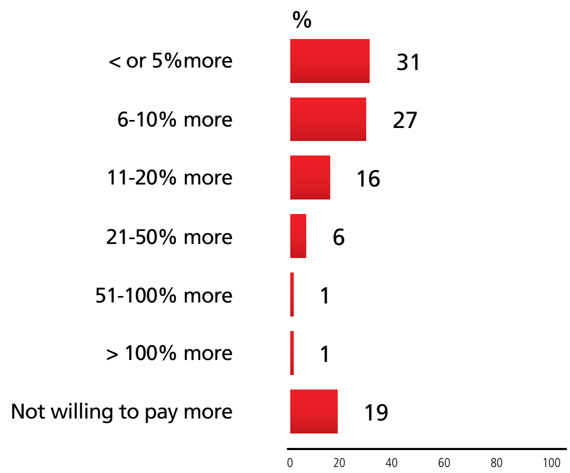
	Male	Female	18-29 yrs	30-39 yrs	40-49 yrs	>49 yrs
Base:	*200*	*200*	*74*	*164*	*117*	*45*
	42	44	55	39	39	44
	27	28	31	31	21	22
	10	7	5	8	11	4
	2	2	1	2	2	0
	0	1	1	1	0	0
	0	0	0	0	0	0
	21	19	5	20	27	29

% of respondents

Base: All respondents (n=400)
Q6a. For necessity products / services, how much more are you willing to pay for your current brand over the next best competitor?

Similarly for luxury products, most respondents are willing to pay up to 20% more for their current brand.

Willingness to pay more for current brand over the next best competitor (luxury products)



	Male	Female	18-29 yrs	30-39 yrs	40-49 yrs	>49 yrs
Base:	*200*	*200*	*74*	*164*	*117*	*45*
	26	36	34	28	33	33
	31	23	32	31	18	24
	18	14	20	15	15	11
	6	6	4	7	8	0
	1	1	1	1	0	2
	1	1	3	0	0	0
	19	20	5	18	27	29

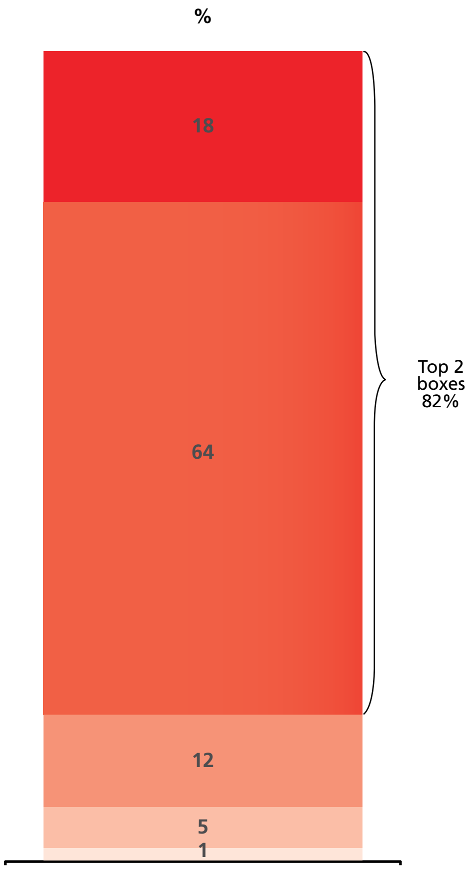
% of respondents

tns

Base: All respondents (n=400)
Q6b. For luxury products / services, how much more are you willing to pay for your current brand over the next best competitor?

Consumers have a positive outlook on the economic status in the next 6 months, especially among the younger set.

Economy outlook in the next 6 months



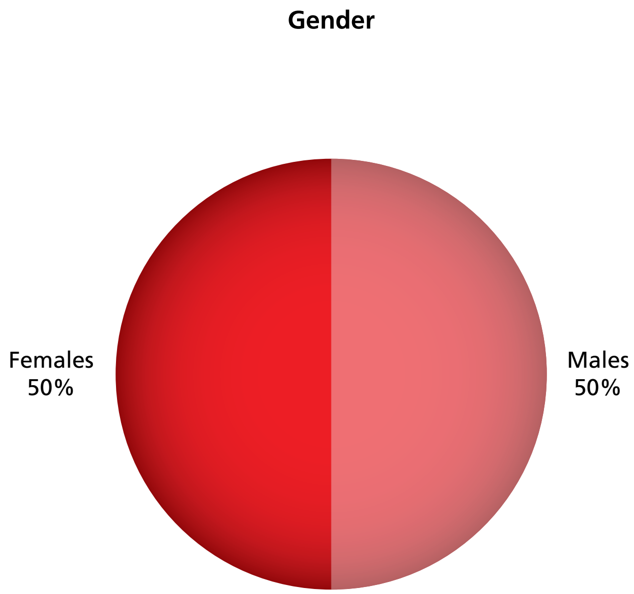
	Male	Female	18-29 yrs	30-39 yrs	40-49 yrs	>49 yrs
Base:	*200*	*200*	*74*	*164*	*117*	*45*
	83	81	84	81	80	87
	20	16	34	13	17	11
	63	65	50	68	63	76
	11	14	12	13	12	9
	5	6	3	6	7	4
	2	0	1	1	1	0

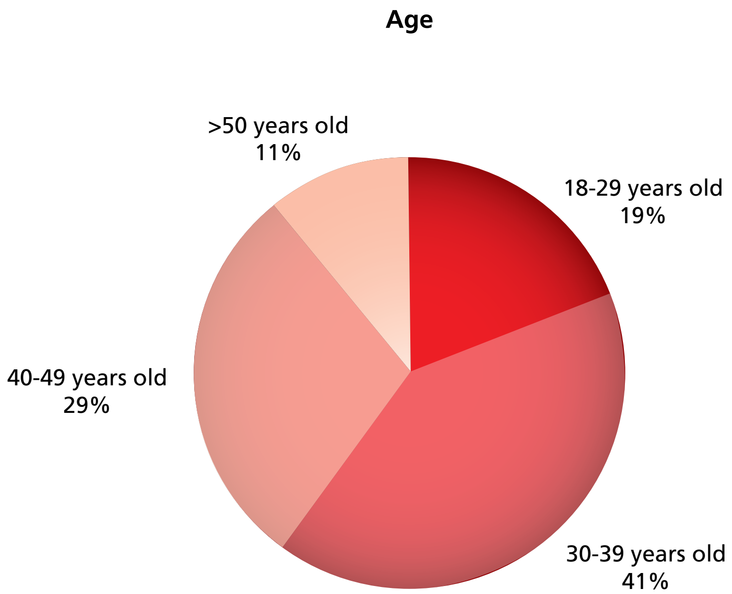
% of respondents

- Will improve considerably
- Will improve slightly
- Will not change
- Will deteriorate slightly
- Will deteriorate considerably

Base: All respondents (n=400)
Q7. Where do you see the economy heading in the next 6-12 months?

Age and gender splits





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