

Innovative Strategies to Drive Growth

Canadian SME's are optimistic and tackle challenges head on

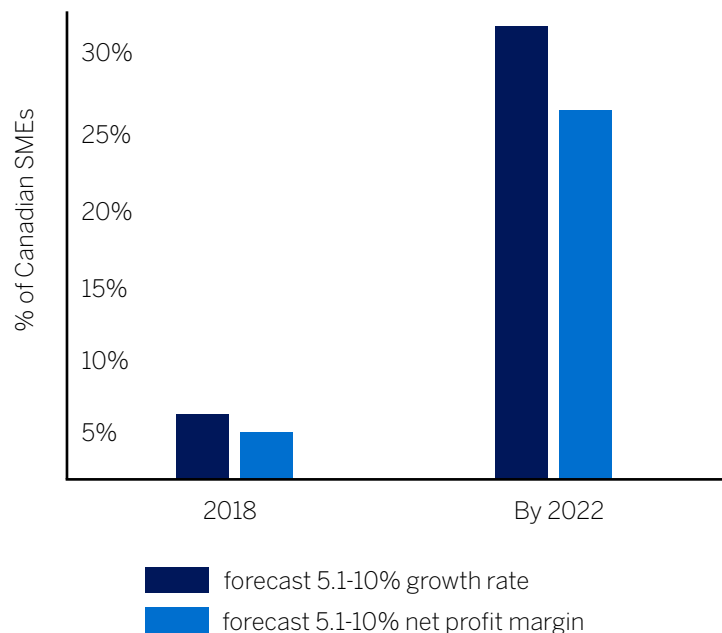


DON'T
do business
WITHOUT IT



From economic uncertainty to geopolitical issues, the business landscape in Canada can present unique challenges for small and medium-sized enterprises (SMEs). Respondents from the third annual American Express SME Pulse Survey are optimistic about their potential for future growth, but external pressures from fierce market competition, changing customer demands and disruptive technologies are challenges that are difficult to navigate.

In this brief, we look closely at the latest perspectives from the Canadian SME community to uncover insights on how business leaders are implementing innovative strategies to drive growth and tackle economic, technological and demographic changes over the next 5 years.



Canadian SMEs appear optimistic about their future when it comes to revenue and profit compared to previous years. Over the next 3 years, more than 4x the number of SMEs anticipate they'll achieve 5.1-10% growth and net profit margins.

"TODAY, Canadian SMEs are undoubtedly facing pressures due to declining profit margins and shifting customer demands. Regardless, what is abundantly clear from our study appears to be SMEs resiliency when it comes to remaining nimble and implementing strategic shifts in their business to drive future growth."

Paul Roman,
Vice President and General
Manager of Global
Commercial Services,
American Express Canada.

ADAPTING TO MEET EVER-CHANGING CUSTOMER EXPECTATIONS

Not surprisingly, most SMEs, both in Canada and globally, say that driving revenue growth is their primary long term-objective. An overwhelming majority Canadian SMEs expect to generate at least 75% of that revenue through domestic sales, today and into the future (compared to 84% of SMEs globally).

Today's SMEs understand there is tremendous opportunity in being transparent when providing products and services that are ethically and sustainably sourced. This understanding demonstrates how SMEs are adapting to meet evolving customer demands, not only when it comes to providing new and tailored products and services, but also when looking to market more ethically and sustainably sourced options to consumers. In fact, Canadian SME leaders are beginning to recognize these areas as opportunities for growth and improved profitability.

For most SMEs, understanding changing consumer demands sits at the top of their list of strategies to drive revenue growth. To help with this effort, more than half plan to increase their use of technology and tools to collect and better analyze customer data.



90%

expect to generate
majority of their revenue
through domestic sales



76%

are beginning to recognize
sourcing ethical and
sustainable goods & services
results in growth and
improves profitability



51%

plan to increase use
of tech tools to better collect
and analyze customer data





HARNESSING THE POWER OF TECHNOLOGY

While it is well-understood that implementing the latest technologies can help improve customer experiences, enhance operational efficiencies and drive overall business growth, there are contrasting perspectives on whether or not these new technologies can offer the same benefits and opportunities for SMEs.

A majority of SMEs surveyed agree digital technology provides new opportunities, yet some are still unsure about the value it can provide to their business.

More specifically, when it comes to implementing new technology as part of their business strategies, less than half of SMEs consider applying technology to redesign products and services, and even fewer think of using it to modernize processes to improve operational efficiencies.

Nearly one third of SMEs believe they are ineffectively applying the latest technology compared to others in their industry.

Yet, the survey revealed another third of respondents say they feel they're leveraging innovative tech tools successfully. What's clear is that SMEs have diverse experiences when it comes to technology adoption; some are hesitant it seems due to a lack of experience or knowledge, and others simply don't seem to see much value of investing in new tech at this stage.

When looking towards the future, there's more consensus. **It's clear that technology will remain an area of continued focus for the overwhelming majority of SMEs**, who say that applying the latest technology will continue to remain a key business challenge they plan to work hardest to address over the next three years.



62%

agree digital technology provides new biz opportunities

SMEs understand the importance of investing in the right technology to boost their bottom lines.



40%

consider applying technology to redesign products and services

SMEs are working to focus more on implementing new tech in order to create products and services that their customers need.



84%

say applying latest tech will remain a key business challenge that they plan to address

SMEs are focused on addressing challenges associated with implementing new technologies



38%

plan to prioritize tech to enhance processes

SMEs are looking at new technologies to help enhance processes, improve quality control and management decision making

WORKING CAPITAL TO FUND SME GROWTH

It's clear that SMEs feel optimistic about their prospects as most feel confident in their company's current strategy, with more than half stating they consider themselves more likely to be a disruptor than to be disrupted. What's more, SMEs appear willing to take big risks in favour of big rewards. However, they understand that in order to run their business effectively, they need to maintain a healthy cash flow above all else.

Today, most SMEs are using existing working capital as their primary source of funds, followed closely by bank loans. They expect to continue to rely primarily on working capital over the next year, as it will remain their core funding source compared to other methods like asset-based finance or overdraft.



81%

feel confident in their current company's strategy for sourcing working capital



59%

are more likely to be a disruptor than be disrupted by changes to the economic climate

CONCLUSION

All in all, SMEs seem optimistic about the future and have a strong focus on putting a myriad of strategies in place to meet their growth targets. Their ability to be nimble, to adapt in order to meet ever-changing customer demands, as well as to use new technologies and their working capital as a long-term source of funding are key factors that will determine their success.

To explore more business trends and insights visit www.americanexpress.ca/trends-and-insights

About American Express Global Commercial Services

Through its Global Commercial Services division, American Express offers powerful backing and support that helps companies of all sizes gain financial savings, control and efficiency. The company provides a suite of payment and lending products, solutions for travel and everyday business spending, cross border payments, global currency solutions and business financing. American Express Global Commercial Services.

Methodology About SME Pulse Survey 2019

In October and November 2018, Oxford Economics surveyed senior executives at 3,000 SMEs ranging in size from 10 to 250 employees across 12 countries and 16 industries. Telephone interviews were used to explore opportunities and threats, business prospects, strategies, investments and how SMEs could be better supported by changes to regulation, financing and government support.

