

## **SME & Mid-Scale Business Sentiment Survey(OCCI) Highlights**

### **I. Future Business Activity**

- (1) In response to the question “What are your main concerns regarding your ability to continue operating your business?”, the most commonly cited concern was declining, or slow recovery of, demand (57.8%). The next most common responses were: decreasing, or slow recovery of, business with existing clients (42.4%); securing enough workers (i.e., labor shortages) and training (35.9%); delays in finding new clients and developing new sales channels (32.3%); increasing cost of raw materials, distribution, fuel, etc. (29.0%); and worsening cash flow (25.5%). These results indicate growing concern about stagnant demand and turnover, maintaining an appropriate workforce, and higher costs at a time when sales are down.
- (2) In response to the question “What are the main challenges you intend to tackle?”, the most commonly cited priorities were: finding new clients (64.1%); expanding business with existing clients (52.5%); establishing new revenue sources, e.g., by expanding into new areas and developing new products and services (49.0%).

### **II. Wage Trends**

- (1) In response to the question “What is your intention regarding wage increases in FY2021?”, 55.8% of respondents said they intended to raise the wages paid to regular employees, down from 65.8% in FY2019. There was a sharp drop in respondents who said they intended to raise wages by more than the preceding year’s raise (24.0% in FY2019, 8.3% this year), and an increase in respondents who said they intended to forego a wage raise and keep wages at their current level (28.1% in FY2019, 31.6% this year).
- (2) The most commonly cited reasons for intentions regarding wage increases were: unclear outlook for the future (38.6%); securing and retaining workers (33.8%); and the company’s poor or worsening business performance (28.0%).
- (3) In response to the question “What is your thinking regarding the proposed raising of the minimum wage this year?”, the most common response was “The government should not raise the minimum wage until the Covid-19 pandemic is over, and should keep the minimum wage at its current level in the meantime” (56.8%).
- (4) In response to the question “What measures do you think are necessary to deal with a minimum wage increase, the most common responses were: reduction in business owners’ tax burden and social insurance premiums (51.5%); assistance for maintaining employment and hiring workers (37.4%); assistance for developing new sales channels and expanding business (36.4%); and assistance for productivity improvements, e.g.,

capital investment, digitalization, and computerization (29.5%).

### **III. Digitalization Efforts**

- (1) In response to the question “What kind of actions are you taking or considering regarding digitalization?”, the most common responses were: online banking (53.3%); use of online conferencing systems, e.g., for sales and marketing, negotiations (43.9%); use of computerized attendance management, payroll calculation, and accounting systems (38.6%); and switch to paperless operations (35.6%). Conversely, only a few companies (regardless of scale) said they kept electronic records of skills, techniques, and know-how (7.8%); used collected data for product development or improving services (5.3%); shared data with other companies for product development or improving services (2.3%).

### **IV. Cross-Border e-Commerce**

- (1) In response to the question “What kind of cross-border e-commerce initiatives do you have in place?”, the most common response was “I am not interested and I have no e-commerce plans for the future” (65.9%). Notably, however, almost a third of respondents said they were interested but had yet to take any action (28.8%). Only 4.3% of respondents said they were already active in cross-border e-commerce.
- (2) In response to the question “What challenges do you face regarding cross-border e-commerce?”, the most commonly cited challenges were: language difficulties, e.g., dealing with buyers and communicating with overseas e-commerce platform operators (46.6%); laws and business regulations of the target countries (39.7%); lack of staff capable of handling cross-border e-commerce (38.2%); and credibility issues regarding payment methods and systems (36.6%).