



Internationally-focused small & medium companies prosper in 'global village'

- **Study shows that SMEs engaged in international markets are twice as likely to be successful as those only operating domestically**
- **Growing focus on international trade among SMEs**
- **'20th century infrastructure, high customs duties and an information gap on international trade' present SME stumbling blocks**

Bonn, Germany, January 30, 2013: International trade and cooperation has become a key driver of small business success according to an in-depth and wide-ranging DHL Express study by IHS, the leading global source of information and analytics.

The macro-economic analysis and survey of 410 SME directors in G7 and BRICM¹ economies reveals that SMEs engaged in international markets are twice as likely to be successful as those that only operate domestically². Of the SMEs surveyed, 26% of the companies that were trading internationally significantly outperformed their market, in contrast to only 13% of those with operations only in their home country. SMEs cited the key benefits of this international approach as the access to new markets that it provides them with, as well as access to know-how and technology, and diversification of their products or services.

The research also reveals an increasing pace of globalization and a sharper international focus among smaller businesses, with SMEs that were founded in the last five years more likely to have international business operations than older SMEs, despite having had less time to grow their businesses. Significantly, the majority of SMEs who had out-performed their markets over the last three years indicated that they also planned to increase the percentage of exports in their turnover over the next three years, despite the uncertain economic environment.



The report does however highlight that inadequate business infrastructure is constraining competitiveness by reducing business efficiency, and that SMEs are having to work harder to overcome infrastructure inefficiencies, particularly compared to larger companies with greater resource. SMEs biggest concerns relating to international trade are a lack of available information on foreign markets, high customs duties and the difficulty of establishing contacts with foreign partners and an overseas customer base. Most of the better-performing SMEs identified in the study employ over 50 people, underscoring the importance of resource in overcoming barriers to international growth.

The research reveals the interesting finding that developed world SMEs are lagging behind emerging market SMEs in terms of the internationalization of their businesses. While this is a function of the developed world still boasting significantly higher consumption per capita than emerging markets, which incentivizes BRICM SMEs to do business internationally, it does suggest that G7 SMEs face a major challenge to develop their international operations as the balance of power inevitably shifts eastwards. Significantly, BRICM SMEs placed more emphasis on logistics as a positive influence on their international operations than their G7 counterparts, suggesting that they rely more on efficient transportation and customs processes to overcome infrastructure obstacles, but also that they see logistics services as a competitive differentiator for their business.

“The strong correlation between improved business performance and cross-border trade suggests that there is a clear benefit for SMEs in going global,” said Ken Allen, CEO, DHL Express. “As the world leader in international express delivery, we also firmly support the view that international trade creates tremendous value for SMEs. It not only opens up new markets for their products and services, but also gives them access to international best practices and innovations. Perhaps most significantly, competing internationally forces them to sharpen their own internal operations and processes, which benefits their business in their home market as well as abroad.”

“There are clearly still some hurdles that remain for small businesses with global aspirations, but we are delighted to see that more and more SMEs are looking at the fantastic opportunity that international trade represents. Our raison d’être as a global



logistics company is to make this process more efficient, and we will continue to tailor our services and solutions to help SMEs grow and compete in the global village.”

Finally, and impacting all SMEs, despite the significant contribution made by SMEs to employment and value added to an economy, there is a real lack of reliable and up-to-date information about SMEs on a country-by-country basis. “This lack of information is itself a restraint upon SMEs since it restricts SMEs’ ability to organize themselves and present their case around credible data and information, basically to have a ‘voice’. There is clearly an opportunity for policy makers, but also for large companies, to support this sector as a means to create more jobs, add value, and increase export earnings by developing personalized solutions to help SMEs to grow.” said Dick Buttigieg, Managing Director, IHS.

The IHS and DHL Express report, *Internationalisation – a driver for business performance*, can be accessed at www.dp-dhl.com/content/dam/presse/pdf/2013/sme-competitiveness-study.pdf.

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Notes to editors

All figures, unless otherwise stated, are from a study by IHS conducted between September and November 2012. The research was commissioned by DHL Express and incorporated analysis of IHS proprietary data, recent studies of SMEs and an online survey of 410 employees, director-level and above, at small and medium sized enterprises in G7 countries and in Brazil, Russia, India, China and Mexico. The study focuses entirely on businesses with between 10 and 249 employees and an annual turnover of less than €50 million. As such, it excludes ‘micro enterprises’ with fewer than 10 employees.

¹ BRICM means Brazil, Russia, India, China and Mexico

² Based on three-year average annual growth rates, IHS and DHL Express research, September – November 2012.



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