



2020

FedEx customer sentiment report

OPTIMISM AND OPPORTUNITIES AHEAD

Our recent research shows that European businesses are overwhelmingly positive heading into the next 12 months, with many showing a growth mind-set and international outlook despite an uncertain business environment.

Our four key findings

84%

of SMEs are optimistic about the future of their business

68%

of SMEs see an opportunity to sell to new customers, within existing markets and/or in a new market



Fast-growth businesses are more likely to have or plan to have an e-commerce capability

(66% vs 52% for the whole sample)

77%

of customers export to markets outside of their domestic country

About the survey

We polled a total of 2,242 customers across 31 countries and territories in August 2020, split across 7 industry sectors, with an almost even mix of parcel (43%) and freight (57%) shippers. Of those that responded to the question about the size of their business, 92% have fewer than 250 employees (70% have fewer than 50 employees).

Executive summary

Welcome to our customer sentiment report for 2020.

It's been a difficult year for many, with disruption and uncertainty being the dominant features across the board. Yet if there's one thing that shines through from our survey this year, it's optimism.

You'd be forgiven if you found that to be surprising. After all, our polls were conducted in the midst of the COVID-19 pandemic, and with the post-Brexit trading relationship between the UK and EU still very much undecided.

But over 80% of you said that you are optimistic about the future of your business. What's more, over a third of you are confident of growth over the next 12 months, while almost 4-in-10 expect business stability.

Perhaps much of this can be put down to the opportunities many of you are targeting, whether in attracting new customers, expanding to new markets or launching new products. It's also clear that e-commerce is a growth driver for many. The channel was already showing fast-track expansion across the small and medium-sized enterprises (SME) sector, but COVID-19 has accelerated its development even further.

And it's heartening to see that many of you are still globally minded, despite the challenges 2020 has brought. Three-quarters of you are exporters, with many shipping to more than one region.

This report gives you a chance to see how your peers in the wider SME sector are feeling, and to understand potential future opportunities through their eyes. It also gives us better insights into how we can provide more support for you in the future.

We'd like to thank everybody that took part, and for helping us to see – and to show – how you view the outlook for 2021 and beyond.

How businesses have adapted to the pandemic

The vast majority of customers have taken steps to safeguard their business in the wake of COVID-19, with 89% saying they are ensuring the safety of staff and customers.

But businesses have been adapting in other ways too. Just under a third of SMEs (31%) have increased the digitisation of their internal processes, while a significant minority are looking at ways to spread their risk. New suppliers are being sought by 17% of SMEs, while 12% are now sourcing goods from new markets.

And 15% of SMEs say they have pivoted their business, which shows how they have been able to react quickly to changing circumstances.

SMEs are optimistic about the future

Businesses thrive on confidence, and it's satisfying to know that there's a great deal of it around among our customers. And when placed in the context of current uncertainties, it shows a remarkable strength of spirit exists among SMEs.

Our survey showed that 84% of our SME customers are optimistic about the future of their business.

Digging a little deeper, 35% of our customers are expecting to grow over the next 12 months. But just as pleasing is the 38% of customers who expect their business to remain stable over the same period. In today's climate, that's no mean feat.

"Our Customer Sentiment Report highlights the resilience that SMEs are showing in the face of adversity," says Brenda McWilliams, Vice-President, Communication, Brand and Marketing Operations, FedEx Express. "The fact that so many are looking ahead to 2021 with optimism is an extremely positive sign, and that confidence is likely to serve them well over the next 12 months as they look to take advantage of any new opportunities that emerge in the market."

“ 84% of our SME customers are optimistic about the future of their business.”





58%

of customers see an opportunity to expand in existing markets by selling to new customers.

“

SMEs see opportunities to grow

As well as a general feeling of optimism, many of our SME customers are backing that up by identifying specific opportunities for their business.

Over two-thirds (68%) see an opportunity to sell to new customers. Looking at the figures more closely, 58% of customers see an opportunity to expand in existing markets and almost a third (30%) have identified opportunities to expand to new markets.

And it's not just new customers that SMEs are targeting. Almost two thirds (61%) see an opportunity to sell more of their products to existing customers.

Some SMEs, meanwhile, are looking to innovation and the development of their offer to expand over the next 12 months. Twenty-seven percent of customers are looking to launch or sell a new product, while 23% are aiming to sell more through online channels.

“Ambitious businesses should keep an open mind as to where the opportunities will present themselves, and position themselves – whether through their products, their sales channels or their international capabilities – to move quickly when the moment is right,” said Brenda McWilliams, Vice-President, Communication, Brand and Marketing Operations, FedEx Express.

“Faster deliveries, increased economy options, easier returns and time-definite deliveries are all great ways to help you stand out from your rivals.”



Just under 1 out of every 10 customers we surveyed expects to grow by 20+% over the next 12 months. And there are some common characteristics among them that set them apart from the rest:

Fast-growth businesses are:

- more likely to have or plan to have an e-commerce capability (66% vs 52% for the whole sample)
- more likely to be exporters (82% vs 77%)
- more likely to have identified opportunities to expand in existing markets and sell to new customers there (66% vs 58%)
- more likely to see opportunities to sell to new customers in new markets (50% vs 30%)

SMEs see e-commerce as a growth driver

The COVID-19 pandemic has given e-commerce a big push. Half of the businesses we surveyed with an e-commerce capability have seen sales increase through this channel over the past six months.

Our survey also illustrates that those companies with an e-commerce capability are more optimistic about future growth, with 43% expecting their business to increase over the next 12 months. That compares to just 31% of businesses with no e-commerce capability.

These figures help to show why e-commerce is a crucial channel for many businesses, and are an indication of why over 1-in-10 SMEs (12%) said they are planning to launch their first e-commerce offering within the next six months.

“COVID-19 has changed the landscape,” says Chris Hodge, E-commerce Marketing Manager, FedEx Express “It has rapidly accelerated the development of e-commerce among the SME sector, and not just because of changes in consumer behaviours. It’s also due to a growing understanding of how fragile existing systems can be when a crisis hits, and of the importance of strengthening and increasing the connections between businesses and customers.

“We’ve seen the growth of e-commerce at first hand, and we’ve adapted and added to our tools and services to help businesses take full advantage. For us it’s about getting the two most important aspects right – simplicity and flexibility – and we’re really excited to see how far our customers can go.”



SMEs think globally

Our survey shows that the majority of customers operate businesses with international connections. Take a look at this infographic to understand how important cross-border trading is to the success of today's SMEs, and how market diversification can be an integral part of revenue generation, risk management and business resilience.



77%

of customers export to markets outside of their domestic country

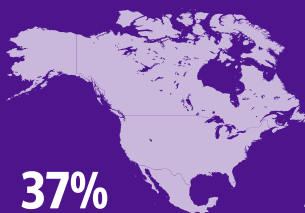
— of these:

95%

ship to other European markets (EU and non-EU)

58%

ship to non-European markets



37%

ship to North America



34%

ship to Asia Pacific



27%

ship to the Middle East



24%

ship to Latin America and the Caribbean



20%

ship to Africa

— And many don't just export to one region

35%

ship to both European markets and U.S. markets

22%

ship to European markets, Asia Pacific markets and North American markets

Global opportunities

Global opportunities – Latin America and the Caribbean



Javier Orci, Marketing Manager, FedEx Express

The LAC region has been hit hard by COVID-19, but many markets are recovering well and some – such as Brazil – have exceeded expectations.

This is good news for businesses in the region, and for European SMEs looking to trade with them. E-commerce and B2C have seen the biggest growth recently, so those sectors could offer good potential for European SMEs as they expand.

And among the countries in the region, Mexico in particular could offer lots of opportunities to European SMEs. The country has a strong focus on auto parts and aerospace and, while these sectors have suffered recently, auto in particular is starting to recover.

Global opportunities – Asia Pacific

Masahiro Kiyosawa, Managing Director, Marketing, NPAC, FedEx Express

Asia can be a major market for SMEs in Europe to focus on. There are currently great opportunities to sell in places such as China, Japan, Hong Kong SAR and South Korea, and European goods remain popular across Asia.

Products in demand include luxury high-end goods, furniture, lighting, fashion, bags and shoes. But it's not just big brands – specifically with fashion, buyers are interested in smaller producers and designers too.

What's really interesting is that many countries in the region are growing as import markets. That provides plenty of opportunities but, of course, exports are still key in the region. On that basis, Asian countries can still be key import partners for European SMEs, whether for raw materials or for lower cost manufactured goods to use as components in their own products.





Global opportunities – U.S.

Amar Sakaan, Marketing Director, FedEx Express

We're seeing lots of businesses wanting to ship direct to the customer to avoid the cost of going through a middle man, so this could be something for European SMEs that haven't shifted to e-commerce yet to consider.

At the minute, the air market is seeing higher European export volumes of raw materials to

the U.S., as well as products such as chemicals and other goods that need special handling.

Confidence and reliability are key demands, in addition to price, when serving customers in the market, so the biggest opportunities for European SMEs will likely fall to those who can cater to these needs.

How FedEx can help customers to ship outside the EU

Common challenges raised by SMEs



**Reliable
delivery times**



**Customs
clearance**



**Shipping
costs**



**Brexit
uncertainty**

FedEx solutions

A complete range of time- and day-definite shipping options, including next-day delivery.

Authorised Economic Operator (AEO) status to fast-track shipments and a team of thousands of experts that help ensure customs compliance.

Economy shipping options to provide the most cost-effective solutions.

A frequently updated knowledge hub with guides, explainers and the latest information on changes to shipping processes.

2021 outlook: the findings in detail

Healthcare is the most confident sector

While this year's survey shows that, broadly, the sector a business operates in has little relevance to its confidence for the year ahead, Healthcare does lead as the sector where the most SMEs are optimistic that their business will either grow or remain stable. At the other end of the scale, fashion/clothing shows the least confidence.

Freight customers expect e-commerce growth

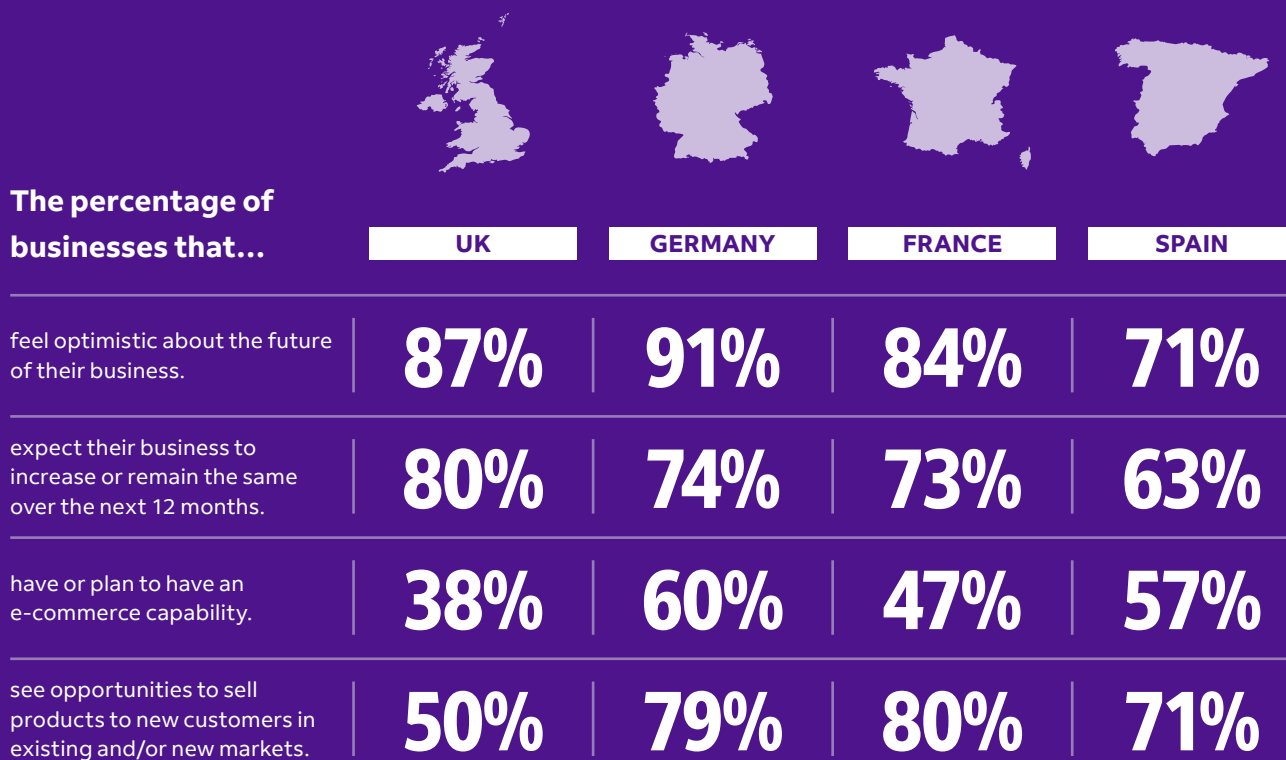
Just over half of freight customers (51%) have or plan to have an e-commerce facility, and 61% of these expect their e-commerce revenue to grow over the next 12 months.

Optimism is not size-dependent

Larger businesses are no more (and no less) confident than smaller ones.



What do SMEs in the 4 major markets think?



Next steps for your business

The findings throughout our report show that European businesses are showing impressive levels of optimism, and considerable resilience, despite an uncertain trading environment across the world.

That confidence can breed success, and the fact that many businesses are seeing opportunities to sell to new customers – and to develop their e-commerce operations – is a strong reflection of the potential that remains in both domestic and international markets.

At FedEx, we have the knowledge, experience and expertise to help you to achieve your ambitions and make the most of the opportunities that our shipping capabilities can bring. To find out more, [visit fedex.com](https://www.fedex.com).