



VISA

Open for Business

SME Landscape and Female Founders
in Hong Kong





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1. HONG KONG'S ECONOMIC LANDSCAPE PROVIDES A THRIVING GROUND FOR LOCAL BUSINESSES

Hong Kong Special Administrative Region has been one of the top destinations in the world to set up and run businesses. As a free port, the city ranks first or is among **the top five in the world¹** for ease of doing business, competitiveness, and economic freedom.

This report looks at the state of entrepreneurship in Hong Kong, with a special focus on female business owners.

As a business-friendly economy, Hong Kong provides an ideal thriving ground for entrepreneurs. **Small and medium-sized enterprises (SMEs) represent 98% of all enterprises and provide 44.5% of all private sector jobs²**. The services sector, in particular, contributes to more than 90% of the GDP. Thanks to an efficient and transparent economy, it is easier to do business in the city, **with Hong Kong being placed third overall³** – out of 190 economies – on World Bank's Ease of Doing Business scale.

Yet challenges and opportunities are equally abound. The research seeks to shed lights on how corporates and government agencies, as well as the civic sector, can better support SMEs. Hong Kong has a solid foundation in transparent government regulation, simple tax structure, and straightforward permit and license application make it simple for entrepreneurs to start and conduct business in the city. In addition, the government has in place a number of **subsidies and funding schemes⁴** to aid business development.

Hong Kong's geographic location is key to its entrepreneurial ecosystem as well, resulting in **close trading ties with Mainland China⁵**. In the past decade alone, the value of the city's exports to Mainland China went up from US\$69.9 billion in 2000 to US\$296.1 billion in 2019. Not only that, due to its unique status as a special administrative region, the city is also an important export hub for the country and is the third-largest trading partner with the Mainland, according to the statistics released by China Customs in 2019. Hong Kong's location and trade contacts with China also make the territory an excellent launching pad into not just China but the larger Asian markets. For local businesses and SMEs, this means they can not only thrive on the city's entrepreneurial landscape but can also take advantage of its geographic location to potentially grow their business beyond the city.

Thanks to this conducive ecosystem, there are currently **more than 340,000 SMEs⁶** functioning in Hong Kong, according to the city's Trade and Industry Department. Small business owners in Hong Kong believe that they are part of the city's cultural heritage, a reflection of the lives of the people in the city. On these pages, we unravel the profiles of SME owners, their motivations, challenges, and needs, and look at how the landscape of entrepreneurship in Hong Kong facilitates economic growth and improves the community.

¹ ICAC – HK International Rankings; ² TID Success HK – SME in HK; ³ The World Bank – Ease of Doing Business Ranking; ⁴ HK Gov – Funding Support; ⁵ HK Gov – HK Trading Statistics; ⁶ TID HK – SME Statistics



2. PROFILE OF HONG KONG ENTREPRENEURS

Hong Kong's entrepreneurs vary by sectors and experiences, but what unites them is youth, independence, digital dexterity, and a global mindset

Small and mid-sized business owners are as spread out across sectors as they are by age and experience.

Our total representation below is a simple summation of an equal representation of male and female entrepreneurs, no weighting has been applied between the genders.



- Key stats include:**
- The average HK entrepreneur is just under 40 years old
 - They have been in business for about 5 years and have around 10 employees on average
 - Three out of five operate out of a rented space
 - Nearly two-third are sole owners of their business
 - Over three quarters of them have an annual turnover of more than HK\$500,000 and nearly three out of five use both traditional and online channels to drive their sales
 - Three-fifth of them have operations outside of HK

The proportion of industry is controlled based on industry figures obtained from SUCCESS (Support and Consultation Centre for SMEs)²

²TID Success HK – SME in HK

3. MOTIVATIONS AND CHALLENGES

Flexibility, passion, and work-life balance are key motivators, but finding customers, dealing with competition, and raising funds are top challenges

While Hong Kong provides a conducive environment for entrepreneurs, starting a business is a life-changing decision, nonetheless. What makes people want to start their own business in the first place? Attitudes, passions, and life situations all have a role to play.

One of the key drivers is flexibility, with most SME owners saying that they like the fact that have more control over their working arrangement and that they don't need to be bound by a fixed schedule.

Following dreams

Entrepreneurs have the passion to follow their dreams and take their business to the next level; indeed, though they spend more work hours in their business than in their previous employment, with nearly 57% of them saying their work hours have increased, but 70% feel they have much more flexibility to work according to their own schedules. Entrepreneurs aged 40 and above find the added flexibility and work-life balance awarded to them to be the most beneficial.

Meanwhile, SMEs with Hong Kong-based operations have a relatively stronger motivation to create something of their own with nearly half saying that they are driven by the need to follow their dreams. Yet, less than one-third of SMEs with global scale operation share the same idea of wanting to create something of their own. 40% or more of these globally operating SMEs see flexibility and being financial able as stronger motivators.

Overcoming hurdles

While entrepreneurs are bolstered by Hong Kong's competitive advantages, finding customers, dealing with competition, and raising funds are the top 3 challenges for the city's entrepreneurs.



Top Motivators for Starting a Business



42% Flexibility



40% Pursuing Passion



40% Making More Money



35% Creating Something Own



29% Better Work-family Balance

Spend More Time as Owner



Time More Flexible as Owner



Better Work-family Balance



All Ages	57%	70%	29%
40 Years Old & Above	55%	74%	36%
Below 40 Years Old	58%	67%	24%



There are some profile-specific challenges as well. One-fourth of those who have been managing their business for more than 5 years find it hard to balance work and family commitments, while entrepreneurs who have started their business within the last 5 years say it is more challenging to get knowledge, information, and advice related to their field of business compared to those who have been in the business longer.

Key Start-up Challenges by Business Operating Platforms

■ % Online Only
■ % Online and Offline
■ % Offline Only



Finding Customers



Dealing with the Competition



Fund-raising



Raising Profile of Company



Developing an Online Presence



Keeping up with Trends



Growing as Fast as I Needed



Balancing Work-family Commitments



Implementing a Payment System



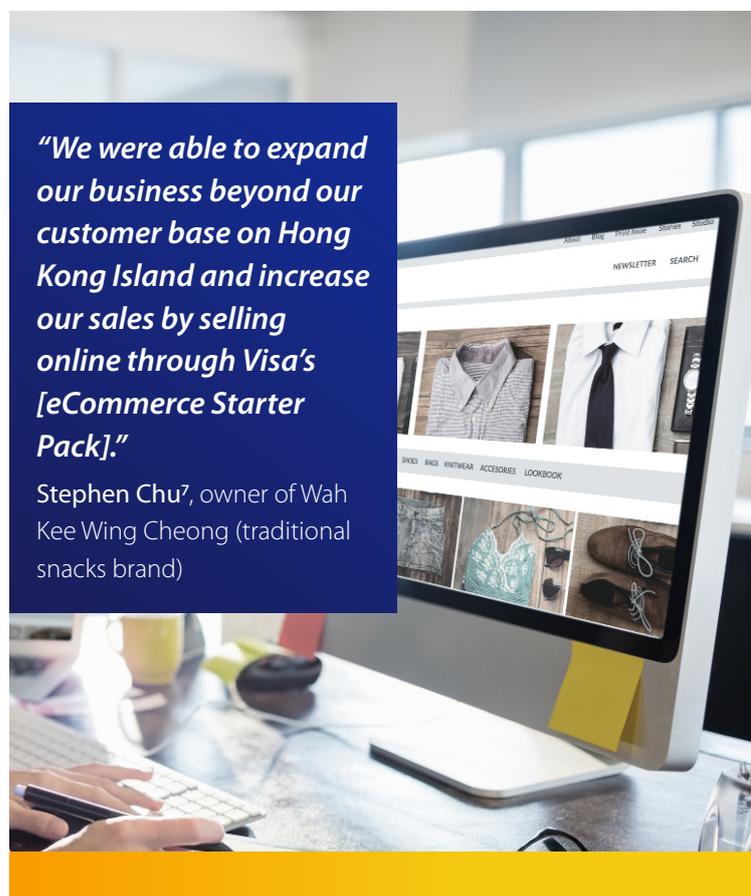
Finding the Tools to Grow & Manage My Business

In addition, offline-only businesses face challenges in dealing with competition, while online-only businesses have a greater number of challenges to tackle on average, as they struggle more to find the right customers and the right tools to grow their businesses, including the development of an online presence.

With the intention of supporting such local businesses, Visa has harnessed the power of its network to create #SupportSmall, an initiative that fosters small businesses to help them with digital transformation and encourage people to shop local. With Visa's support, many have been able to increase their online sales, helping them to transform to the future.

Community support is also crucial in this aspect – hence, to grow their business, entrepreneurs are open to attending workshops or seeking advice from other entrepreneurs on a number of fronts, from ways to improve networking and social media usage to exploring different types of payment options and cost management.

⁷ Visa #SupportSmall testimonial/promotional video



4. BUSINESS NEEDS

Digital payments and marketing are the way forward, but Hong Kong’s entrepreneurs need guidance

An SME owner’s business needs are multifaceted – they evolve with time and in response to global trends. One such trend is the increasing thrust towards digital payments. **The Hong Kong Productivity Council (HKPC) in 2019⁸** revealed that most Hong Kong SMEs are keen about digital payments – 8 out of 10 agree that going digital is critical to their success – but they lack the overall strategy and resources to accelerate the pace of transformation.



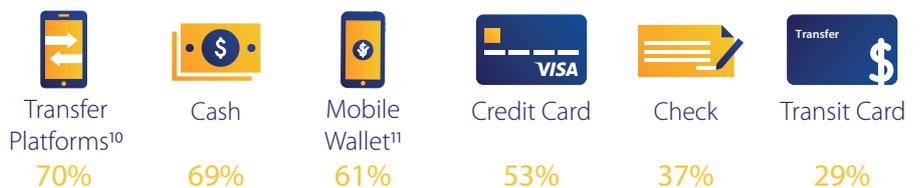
Going digital

Digital payment is penetrating all sectors and all SME profiles, but in varying degrees. While cash is still largely prevalent in Hong Kong’s society, our **Consumer Payment Attitudes Study in 2019⁹** found out that more than half of Hong Kong residents (53%) have tried to go cashless.

Nearly 30% of younger entrepreneurs and 30% of those operating in Hong Kong only, as well as 34% of those with offline-only businesses are seeking ways to better control and track their costs, while almost 35% of online-only SMEs want to make better use of digital marketing to grow their business. In this respect, initiatives such as Visa’s #SupportSmall bolster these small enterprises by building capability and paving the way forward.

With **Hong Kong’s consumers carrying less cash than they would have three years ago⁹**, businesses have to keep up. At present, almost 69% of entrepreneurs are most dependent on cash transactions, but many are adopting a variety of digital payment methods like online transfer including real-time payment and credit card. With mobile-first experience has become prevalent, 61% of entrepreneurs receive payments through mobile wallets.

Payment Receive



Businesses that operate in both online and offline channels now offer almost twice as many payment options to satisfy eCommerce shoppers as well as traditional brick and mortar shoppers than those that operate only on a single platform, while more than 60% of online-only businesses utilize more of online bank transfer for their businesses. Hong Kong-only businesses, however, are heavily reliant on cash.

⁸ Hong Kong Productivity Council–Digital Transformation in HK Enterprises; ⁹ Visa – Consumer Payment Attitudes Study; ¹⁰ Transfer Platforms include online bank transfer, FPS, PPS, and PayPal; ¹¹ Mobile Wallet include WeChat Pay, AliPay, PayMe, ApplePay, SamsungPay, GooglePay, O!ePay, and TnG



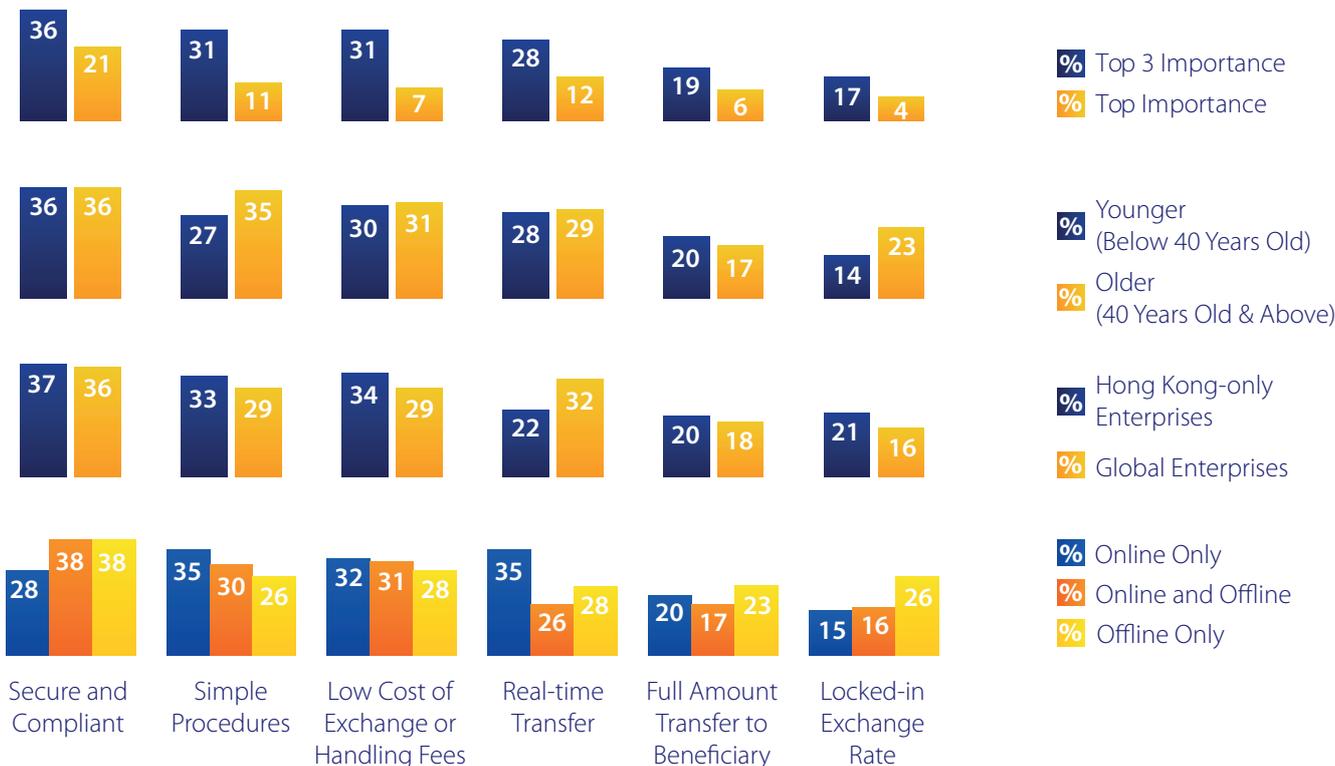
45%
of offline and Hong Kong-only businesses perceive relatively more risk if they stop accepting cash

Younger entrepreneurs, meanwhile, are more open to digital options, offering on average, 6 payment options, while older entrepreneurs aged 40 and above offer 5.5 modes of payment options on average.

More payment options mean more choices for consumers and more potential to grow one's business. It is only through a firm foundation in digital payments that Hong Kong's SME owners can tap into this potential. This is seen in the adoption of many other payment options across credit card, digital wallet, and real-time payment. Global businesses that need to be in various markets offer far more payment options and are already paving the way for this through using digital channels.

However, around 45% of offline and Hong Kong-only businesses perceive relatively more risk if they stop accepting cash, as both segments depend on cash payments for their operations.

Cross-border Transfer Expectations



Cross-border payments

When it comes to cross-border vendor payments, small business owners consider factors such as swift transactions, real-time transfer, full amount transfer, and locked-in exchange rate in their vendor payments. Global businesses that have accounts to settle across multiple markets place high value on real-time transfers. In this respect, providing simple, user-friendly applications for fluctuations in exchange rates would prove useful and offer peace of mind to older entrepreneurs who are not as savvy with technology. Meanwhile, around 30% of entrepreneurs below 40 years of age, as well as those with online-only businesses, and those operating internationally are using more of P2P payment apps between their vendors, as they all prefer real-time transfers and simple procedures.



Cross-border Payment Platform Used

P2P Payment App



Virtual Bank

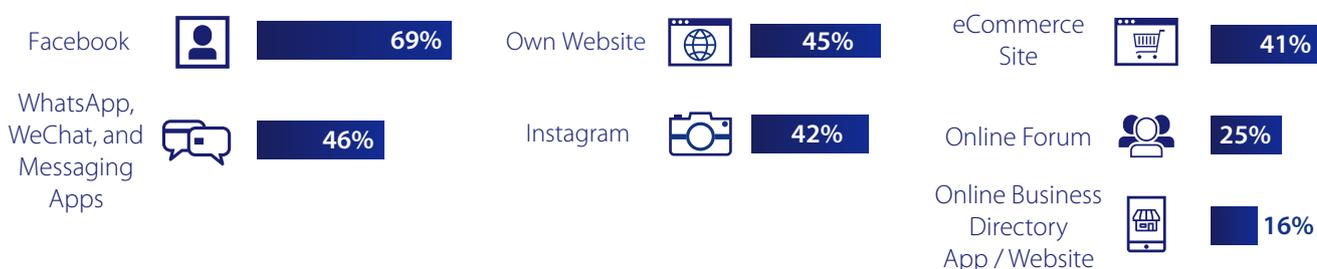


Around 15% of younger entrepreneurs have also shown interest in virtual banking services when it comes to cross-border transaction. Secure payment, real-time transfer, and handling fees are also important considerations when dealing with vendor payments. Businesses with offline-only presence are relatively more cost-conscious – close to one-third expect a locked-in exchange rate from their cross-border transaction service provider.

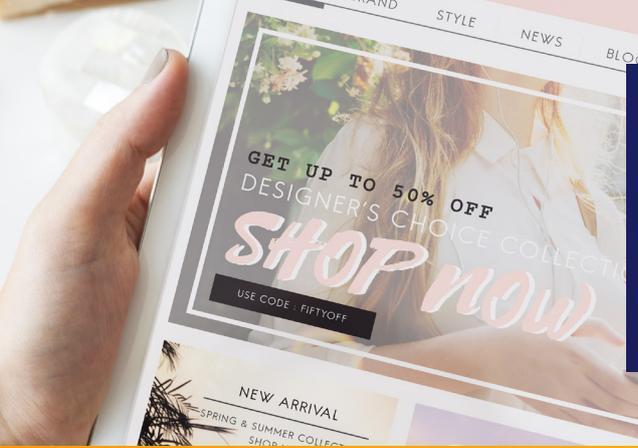
Global businesses and tech-savvy young entrepreneurs too prefer real-time transactions, simple procedures, same-day or next-day transfers, all of which are important considerations for businesses looking to take that digital leap of faith.

Using digital marketing tools

Facebook is one of the most popular channels through which Hong Kong companies drive their online business, with 69% businesses relying on it. Instagram is also quite a popular tool among women, with 55% using it to promote business. WhatsApp, WeChat, Yahoo Shopping, HKTVmall, Carousell, and Amazon are other preferred channels. However, some businesses with offline-only presence perceive these to be just another sales channel and don't find it appealing enough.



With social distancing restrictions being in place due to COVID-19, online sales have increased, and most SMEs have had to move to online marketing platforms to secure their future development. In view of this, Visa partners with eCommerce platforms to launch programs that will make selling online easier for SMEs. In a recent collaboration, Visa subsidized subscription fees for eligible SMEs and provided additional resources for digital advertising. Visa has also launched the Digital Transformation Toolkit and eCommerce Starter Package to help SMEs survive in the current economic landscape through cost cutting, finding new sales channels online, and expanding to new business segments. For example, the eCommerce Starter Package targets small to micro sellers looking to sell online for the first time with a 50% discount on subscription.



“On eCommerce sites, customers are very cautious when it comes to the payment platform. They consider if it is secure, if there are additional charges, and other factors. With Visa’s support, our customers can easily make purchases from our online store with an easy mind.”

Jay Ho, co-founder of Eco-Greenergy (an environmental social enterprise)

One such success story which benefited from this collaboration is Yixing Zhengzong, an otherwise traditional business selling Chinese teapots, exquisite tea trays, and accessories for about two decades. Since joining Visa’s eCommerce program, in two months, half of their transactions were through electronic payments, while 40% of their traffic came from Facebook and 36% from Google – which is quite high for a traditional business.

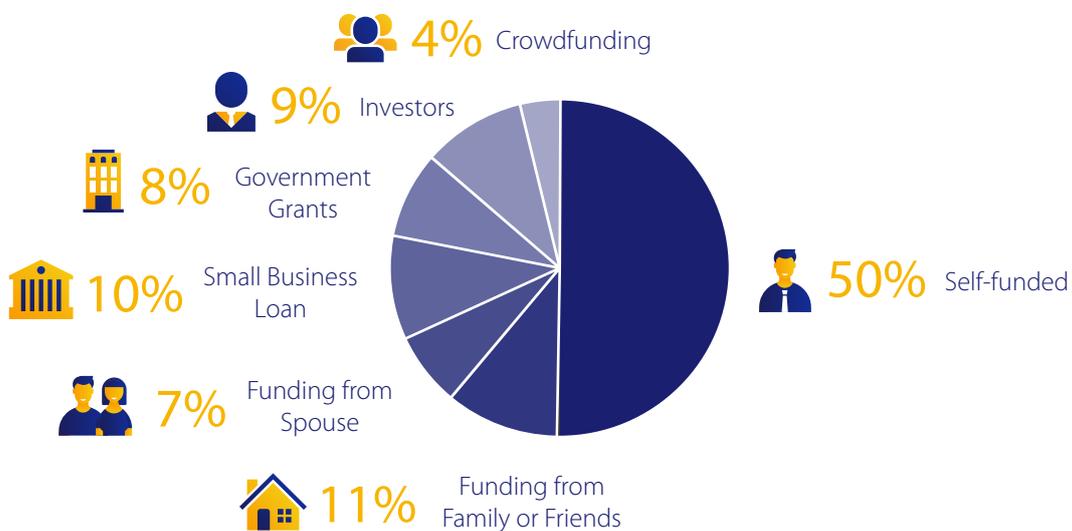
Start-up capital

Apart from digital payment transformations and digital marketing channels expansion, the one thing that all entrepreneurs need at every point of their journey is funds. Nearly 30% of entrepreneurs have said that finding funds to start their business is a challenge – and it is a challenge that can continue even beyond the start-up phase. Obtaining funds is especially difficult for those with less experience and those with international and online-only operations.

Funding is such an issue that 1 out of 2 entrepreneurs self-fund their company when starting out. Funding from family, through business loans, government grants, and crowdsourcing are much less commonly sought-out options.



Main Fund for Starting Business



While funding is a challenge, small business owners need the funding crucially for several reasons:



For the above, and more such reasons, funding can be said to be an ongoing need. Nearly 7 out of 10 younger entrepreneurs find it somewhat difficult to obtain funding. An overwhelming majority of almost 70% of owners across categories of online and offline business, offline-only, and Hong Kong-only businesses face somewhat difficulty in getting funding.

All SME owners realize that the uncertain economic outlook of the city, with the negative impact of COVID-19 on businesses, could lead to more stringent approval or collateral requirements while obtaining funds. Nearly 25% of entrepreneurs also feel that their lack of network hampers their chances of getting a fund.

While 41% of SMEs list business loan as their top funding option, government grants are also one of their preferred choices at 37%. Especially with the government extending a full guarantee on loans of up to **HK\$5 million for each SME and extended subsidies on utility bills¹³**, this means that small-scale businesses have been given a lifeline while dealing with the economic adversity brought on by COVID-19.

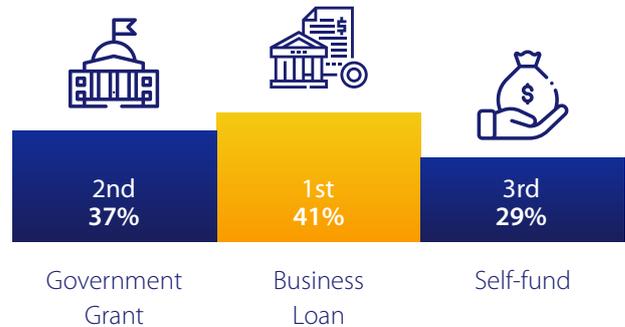
¹³ HKMA – Special 100% Loan Guarantee of the SFGS (Special Financing Guarantee Scheme)

“Investigate funding opportunities earlier so you can get that injection of cash to hire additional talents, invest in marketing and technology, so you can move that little bit faster.”

Nicole Denholder¹², founder of Next Chapter Ventures (crowdfunding platform for female entrepreneurs)

¹² Visa – She’s Next News

Top 3 Funding Options



5. PLANS FOR THE FUTURE

COVID-19, economic contraction, and other headwinds are causing a pessimistic outlook, but entrepreneurs are being agile in digital strategy and future fund management

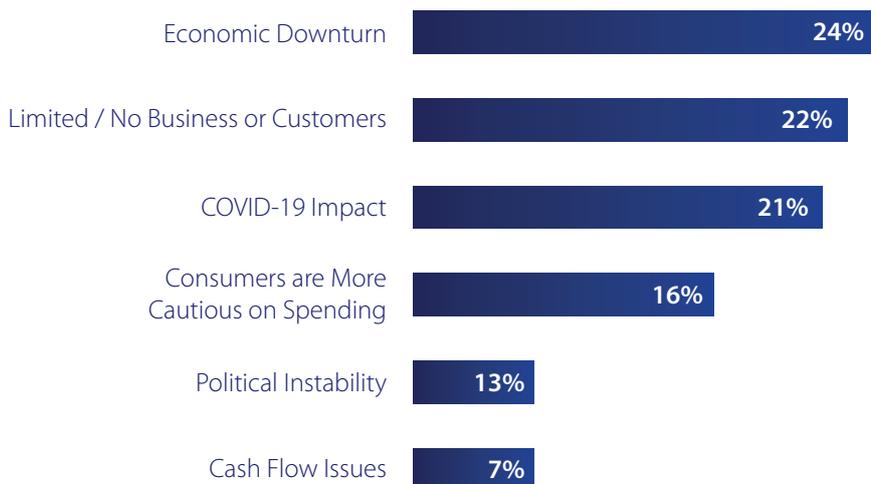
The outbreak of COVID-19 poses additional challenge to the city’s economy which has been technically in recession since 2019. Nearly 8 in 10 businesses are pessimistic about their business growth.

Outlook on Business in Next 12 Months



Though the Hong Kong government has offered to grant loans of up to **HK\$5 million to SMEs at low interest rates**¹³, limited customers and further impact of COVID-19 have hampered confidence, so much so that only 12% of business owners feel that the economy will recover soon. In contrast, in citing reasons for concern, nearly 24% of businesses are worried about economic downturn, 22% about limited business, 15% about consumers’ decrease in spending power, and nearly 13% about political upheavals. How to maintain cash flow has also caused anxiety in 7% of business owners.

Reason for Pessimistic Outlook in Next 12 Months



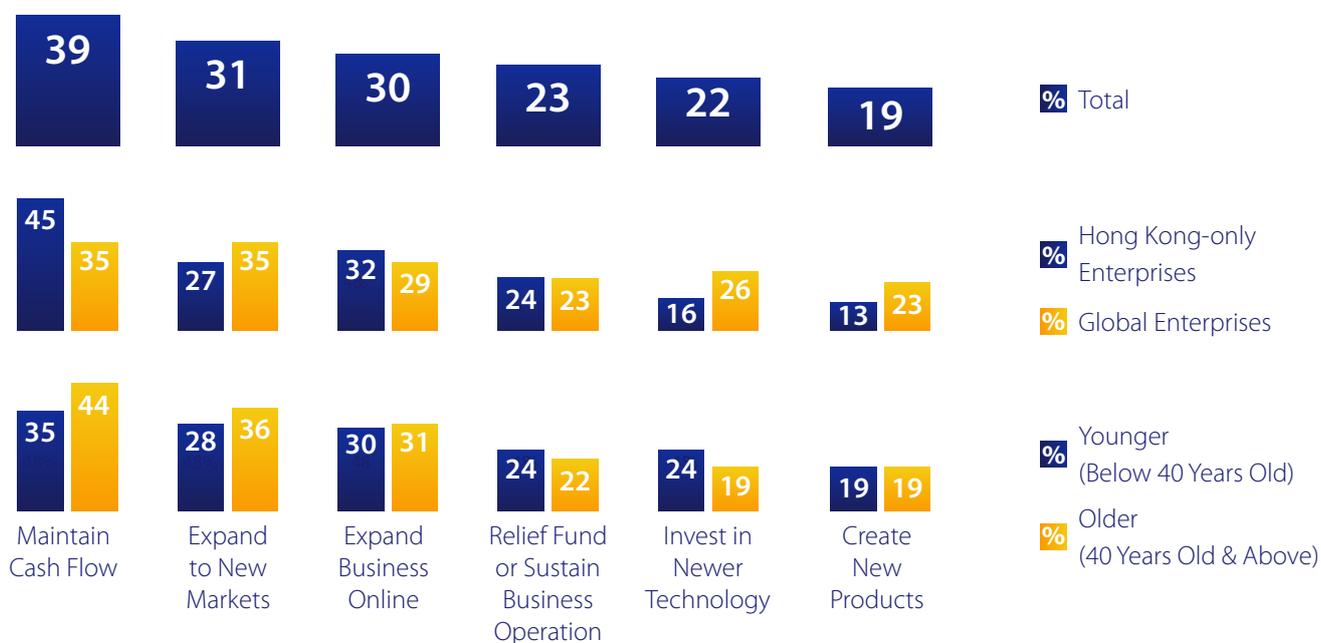
¹³ HKMA – Special 100% Loan Guarantee of the SFGS(Special Financing Guarantee Scheme)





Given the current economic situation, most Hong Kong SME owners have funding needs to help their business in future. The planned usage of funds varies according to SME profiles; so, we have younger entrepreneurs and online-only companies needing funds to invest in newer technology, and offline-only businesses seeking transformation with plans to acquire newer facilities and equipment. Hong Kong-only enterprises need funding to maintain their cash flow while giving them the resources to look for opportunities in new markets and online platforms. Similarly, those with international operations have plans to use the fund to invest in new technology to create new products that will help drive their new business online and into new markets. Indeed, going online has been the go-to option for a lot of local businesses hit by COVID-19.

Funding Need Now - Total Market



"Since the outbreak, our retail sales have been heavily impacted, and our marketing activities and large-scale events have had to be cancelled. In the past, we hardly promoted our business online because we thought that people like to try their hand at it and experience it in person before buying a board game, but then we realized, due to COVID-19, everyone is home-bound, and more and more parents are playing board games with their kids. Due to this, we have seen an increased traffic flow on our website and more sales on online stores."

Thomas Wong, board game designer and founder of People On Board



Female Entrepreneurship in Hong Kong



6. FOCUS: WOMEN ENTREPRENEURS IN HONG KONG

Female SME owners have a can-do attitude and are facing challenges head on to grow their business

In Hong Kong, women account for **48% of the entrepreneurial community**¹⁴, according to a survey by BNP Paribas in 2018. Women in Hong Kong are motivated to follow their passion, overcome challenges, grow their business across channels, and are eager to embrace digitalization.

Key highlights

- In starting a business, flexibility is a key driver for as many as 47.3% women
- Funding is a pain point for both genders, but women are more inclined towards government grants to meet their funding requirements
- More women than men face family resistance while starting a business



Key stats include:

- The average women business owners in the city are less than 40 years old
- Women have experience of running a business for slightly less than 5 years and have around 11 employees on average
- Three out of five operate out of a rented space
- Three out of five are sole owners of their business
- About one-third of them have an annual turnover of less than HK\$500,000 and nearly three out of five use both traditional and online channels to drive their sales
- Three-fifth of them have operations outside of HK

The proportion of industry is controlled based on industry figures obtained from **SUCCESS (Support and Consultation Centre for SMEs)**²

¹⁴ BNP Paribas 2018 - 2018 Global Entrepreneur Report; ² TID Success HK – SME in HK

More than one-third of women entrepreneurs below 40 years of age seek funding from family or government rather than taking a small business loan



Motivations for SME women entrepreneurs in Hong Kong

One of the top motivators for women entrepreneurs is flexibility. Nearly 1 out of 2 women say they have a strong desire to work flexibly. Women are also more motivated to create something of their own and to seek work-life balance, while their male counterparts see money-making as an important driving force.

More than 7 in 10 women also said they have more control over their working arrangement now than before, as they don't need to be bound by a fixed schedule.

Others are driven by the motivation to bring about a positive change in society. One such woman entrepreneur is **Rachel Chan, founder of InnoFoco¹⁵**, who talking about what drove her to start an SME, says *"I see myself as a catalyst pushing for change and, sometimes in this role, it is better to be a small player."*



Challenges faced by women entrepreneurs in Hong Kong

While Hong Kong is not an especially difficult place for a woman to do business, women entrepreneurs do face some gender-related challenges such as family resistance, technology-related decisions, and more. Of course, funding is an area that both men and women struggle with. If a business is jointly owned, female entrepreneurs feel that it is even more challenging to raise funds. It is interesting to note that more than one-third of women entrepreneurs less than 40 years of age choose to seek funding from family or spouse or government rather than taking a small business loan from a financial institution.

Some Other Challenges Include:



COVID-19 too has brought its own set of challenges for women entrepreneurs. With many female-led businesses operating in the beauty and wellness sector, 1 in 4 women entrepreneurs is worried about having limited or no customers due to the pandemic situation.

¹⁵The Women's Foundation – 2014 Women's Economic Empowerment Through Entrepreneurship in Hong Kong

Though most entrepreneurs interviewed did not see a specific gender having an edge over the other when it comes to dealing with businesses challenges, the number of real and perceived challenges that women face are greater in number and range from family resistance and fund raising to technology-related decisions and vendor management.

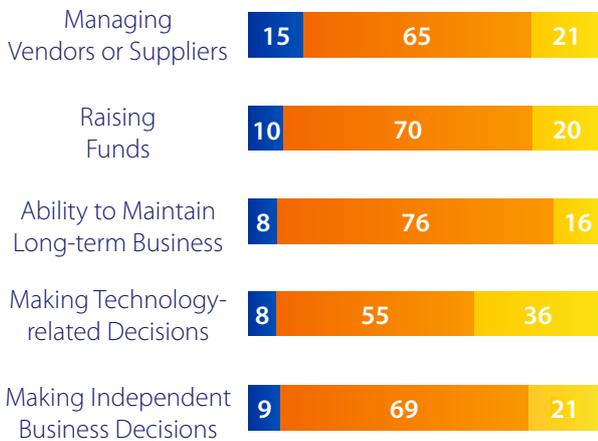
Winsome Lok, designer and founder of Winsome Fashion¹⁵, for instance, confesses that she is **“poor with numbers”** and has a bookkeeper to take care of her accounts for her. She believes her passion and skills are in design, whereas running the business side of things presents many challenges. Men, on the other hand, face more soft-skill-related challenges like hiring and retaining good employees.



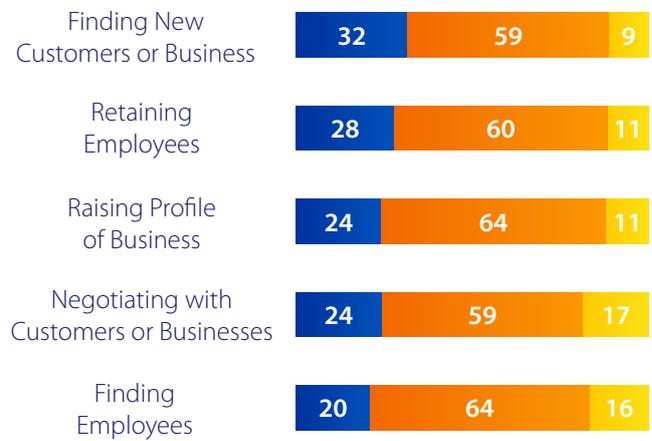
“I found it really productive to talk with other founders to get tips and know that I wasn’t alone. She’s Next engages female founders and shares their insights which are an effort to support and champion women business owners as they advance their businesses.”

Sarah Fung, owner and founder of TheHula.com (a sustainable fashion marketplace for pre-owned luxury and designer goods)

Female Perspective



Male Perspective



■ % Easier for Women ■ % Equal ■ % Easier for Men

In a bid to understand the challenges and potential of female-owned businesses, Visa launched the She’s Next, Empowered by Visa initiative, which boosts women-owned small businesses around the world through shared research, experience, and technologies. Since its launch in the US, the program has hosted workshops around the world to connect like-minded women founders with industry experts to help inspire and provide them with networking opportunities to grow their vision. For the Hong Kong chapter, Visa brought together local female founders and provided them with education and networking opportunities so that they could fund, run, and grow their business by tapping into Visa’s network and resources.

¹⁵ The Women’s Foundation – 2014 Women’s Economic Empowerment Through Entrepreneurship in Hong Kong



“Visa is committed to empowering women business owners through a year-long program of education, cutting-edge digital payment technology, and a powerful peer network. There is never enough time or enough resources, but when we work together to support each other, amazing things can happen.”

Suzan Kereere¹⁶, Global Head of Merchant Sales & Acquiring at Visa

¹⁶ Visa – She’s Next News

7. METHODOLOGY AND CONCLUSION

Visa commissioned a survey of 404 small business owners (201 male and 203 female) to assess their attitudes toward entrepreneurship in Hong Kong SAR. The small business study was conducted on behalf of Visa by independent research firm, Kantar Hong Kong Limited. The online survey took place in May 28 – June 15, 2020.

Digital transformation, connection, and partnership will be crucial in the continued empowerment of entrepreneurs in Hong Kong

Overall, Hong Kong entrepreneurs are highly driven by their passion, as 4 out of 10 of them started down this path in pursuit of this. The flexibility gained through starting their business is also desired as entrepreneurs feel they are able to work according to their own schedules more.

Entrepreneurs have aspirations to expand their operations outside of Hong Kong and view eCommerce as the key to opening that pathway. Those who already have an online presence have plans to continue riding the eCommerce bubble and hope to do so at a global level through market expansion. The infrastructure needed for setting up eCommerce is proving as an economic roadblock particularly for brick-and-mortar businesses. Setting up an eCommerce platform presents an even bigger hurdle for female entrepreneurs as nearly 40% feel it is easier for men to take technology-related decisions.

With the ongoing COVID-19 pandemic and uncertain economic outlook, businesses are put under pressure and are trying to sustain themselves. Entrepreneurs see the need for market expansion and expanding online to keep operating, both of which require additional funding from external sources.

Fundraising is a task dreaded by most entrepreneurs but is more evident among females. While female entrepreneurs are great at internal communication and building up company's profile, there is a sense of reluctance for them to engage in business events which limits their opportunity to seek funding from like-minded entrepreneurs or potential investors.





VISA is here to help you

The She's Next initiative, Empowered by Visa, encourages women-owned small businesses around the world. Through this initiative, Visa aims to drive robust business outcomes by harnessing the skills and creativity of female business leaders. At the workshops and webinars conducted through this initiative, women entrepreneurs can learn about new approaches to developing their business, gain knowledge to grow their existing projects and build new ones. Coming up with business strategies, dealing with crisis, developing leadership qualities, and negotiating effectively are all covered under the program.

What's more, female business owners can get inspiration from influential women entrepreneurs who have developed their own successful businesses. They share their stories, discuss their difficulties, and share advice and tips.

Apart from this, Visa has also introduced the Visa Digital Transformation Toolkit and Visa eCommerce Starter Package to address key challenges faced by Hong Kong's SMEs during this unprecedented time.

With consumer patterns changing rapidly, this is an opportunity for businesses to transform and grow, and as a leader in digital payment for 60 years, Visa is striving to help businesses do just that as part of its long-term commitment to the future of commerce in Hong Kong.

"Many SMEs had gone into the pandemic with limited digital footprint. Now that eCommerce is the norm, we need to continuously improve the overall digital commerce offerings, from security to customer experience. A dose of optimism: 63% of SMEs think they are well prepared in the event of similar pandemic in the future."

Maaik Steinebach, Visa General Manager for Hong Kong and Macau

