



## **Key factors for assuring the prosperity of SMEs**

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MONTRÉAL, Oct. 23, 2014 /CNW Telbec/ - Under the banner of SME Week, and based on the current economic situation, Laurentian Bank Securities (LBS) has developed an overview of the key elements to be considered by small and medium-sized enterprise (SME) leaders in order to assure the prosperity of their businesses.

SMEs account for a little over half of all economic activity in Canada. In 2012, there were more than 1.08 million businesses of this kind operating in the country and employing close to 8,000,000 people earning 54% of all wages paid. As such, SMEs constitute the backbone of the nation's economy.

### **Progress Rests on Innovation**

Today's digital revolution has given rise to a major transformation of market economies. "The explosion of e-commerce and the arrival of new platforms like cloud computing and 3D technologies have completely changed lifestyles, and businesses must also adapt in order to be able to ride the wave," underlines Sébastien Lavoie, Assistant Chief Economist at LBS.

One of the principal priorities is to adopt an effective mobile strategy, especially for SMEs in wholesale and retail commerce. Their growth is particularly tied to offering products and services online in view of the burgeoning of Web-based commerce and the decline of traditional sales. In fact, Canadian companies sold more than \$136 billion worth of goods and services via the Internet in 2013 — up 11% from the previous year. For their part, retail sales at conventional stores only grew by 4% in 2013.

"Consumers now want to be able to conduct their transactions how and when they wish, and this is a trend to which entrepreneurs must adhere," emphasizes Sébastien Lavoie. "Even if it could entail considerable fixed costs, SMEs must change their business model so as to survive in a context of globalization and consolidation where the giants of this world are claiming the greatest market share."

### **Thinking Local Before Global**

The scars left behind by the economic crisis are slowly healing, and small Canadian businesses were not as scathed as their medium and large-sized counterparts, having been less affected by economic conditions south of the border. Nevertheless, the state of the American economy continues to have a major influence on the export capabilities of Canadian businesses.

According to Sébastien Lavoie, "it could be advantageous for Canadian SMEs to place their focus on inter-provincial and inter-regional commerce — in other words, to sell their products to neighbouring provinces and within other regional markets before thinking of exports to the United States or Europe." Presently, only 10% of Canadian SMEs are exporting internationally, thus underlining the importance of capitalizing on nationwide sectorial and regional diversity.

According to an Industry Canada study, SMEs involved in inter-provincial commerce are more focused on international exports, with 41.4% of these businesses selling abroad as compared to only 3.5% of those not involved in inter-provincial commerce. Moreover, the same study found that businesses conducting pan-Canadian commerce are also more focused on growth and are more innovative.

### **Bridging the Labour Shortage Gap**



Based on a survey conducted by the Canadian Federation of Independent Business, 19% of business owners in Canada plan to add full-time personnel to their ranks in the coming months. However, the hiring of new employees is a significant issue for SMEs. The same survey found that the principal concern of entrepreneurs is the shortage of labour limiting their production and sales. There has indeed been a decline in the size of the working age population. During the 1990s and 2000s, this population grew annually by approximately 1.25%, while, presently, growth is estimated at only 0.60% per year. Given the ageing of the population, businesses are literally fighting over the acquisition of young, specialized workers.

In order to be competitive as employers, SMEs must be able to offer working conditions that are favourable for mobility. In that regard, the importance of adhering to technological innovation is further underlined. Like consumers, employees want greater flexibility and solutions adapted to their reality and lifestyle.

In addition to the labour shortage, the lack of new workers and transfers of ownership are formidable issues for businesses. According to the Community Economic Development and Employability Corporation (CEDEC), close to \$1.9 billion of business assets will change hands over the next five years, and that figure will rise to close to \$3.7 billion by 2022.

"This is a highly significant phenomenon attributable to demographic conditions related to an ageing population," explains Sébastien Lavoie. Indeed, the Canadian population aged 65 and older will represent 23% of Canada's population in 20 years, against 15% today. "That means SMEs will need to focus more than ever on the hiring and management of qualified personnel, as well as on effective succession planning and business transfer in the short and medium-terms."

### **Favourable Conditions for Credit**

Ultimately, one element that continues to work in favour of SMEs is ready access to credit. For example, this is vital for growing businesses that want to invest in equipment or improve their mobile offerings.

A recent Bank of Canada study clearly demonstrated that general credit conditions for businesses are continuing to be more flexible in line with a trend that has remained virtually unchanged since the end of 2009. Thus, businesses should be taking full advantage of this tendency and acquiring the means to assure their prosperity.

### **About Laurentian Bank Securities**

Laurentian Bank Securities (LBS), is an integrated full-service investment dealer, focusing on five lines of business. The well respected Institutional Fixed Income division has a strong presence in Government and Corporate underwritings, as well as in secondary markets. In addition, the Institutional Equity division is solidly established across the country and focuses on serving clients through research, trading and investment banking in the small capitalization sector. The fast-growing Retail division and Discount Brokerage division currently serve clients through 16 offices in Quebec, Ontario and Manitoba. Furthermore, LBS' corresponding business provides complete back office support to a wide range of customers.

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