

SMME business resilience takes a collective focus

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Small, Micro and Medium Enterprises (SMMEs) are major contributors to job creation and continue to be a critical driving force for socio-economic growth. In 2019, SMMEs provided employment to just under half¹ of South Africa's workforce and contributed more than 22%² to GDP.

These stats signify the crucial role of small businesses in socio-economic growth and clearly highlights the sector's untapped potential. Funding remains the greatest challenge for these businesses; while larger businesses tend to enjoy the benefit of access to credit/investors, etc. SMMEs often have to navigate with little or no funds. To make matters worse, since the onset of the pandemic, the pressure on this sector has been excessively compounded.

RELATIONSHIP BETWEEN NECESSITY AND INNOVATION

The pandemic and government's response to it has meant that SMMEs have had to contend with significantly reduced demand for services and products (also resulting

in much lower levels of income), disruption in the supply chain and in some instances - not being able to trade for periods of time. But, Plato may have inspired the proverb, "Necessity is the mother of invention", however, SMMEs live it on a daily basis. Surviving these uncertain times has required tremendous innovation and so many SMMEs have valiantly responded.

SMMEs have re-evaluated their business models by incorporating new products, services and adapting existing ones to respond to evolving needs. They have also integrated a range of contactless methods for the delivery of products and services. What has also become apparent is the creative use of technology to develop new offerings in a cost-effective manner. Interestingly, the *SWOP Anything* platform, described as "South Africa's first bartering website", allows for the exchange of goods and services; while *Cloudy Deliveries*, founded by a group of teenagers - is proving to be an affordable delivery option for the Langa community in Cape Town. The level of creativity, innovation and resourcefulness these businesses display, remain inspiring.

However, often these aren't efforts that can secure relevance and growth for the business beyond the short term. SMMEs - like any other business - cannot go at it alone, which is why we're continuing to see more, innovative collaborations that are expanding awareness and access to, or enhancing, the SMME value proposition.

MANAGING RISK TO SECURE REWARDS

As SMME businesses are adapting and evolving, so too are their needs from partners and service providers. What it also means is that their exposures are changing. However, the reality though is that risk management's value in driving business resilience is often overlooked. For SMMEs, particularly insurance is often perceived as an optional rather than a necessary business investment. Creating an appreciation for the importance and value of effective risk mitigation is imperative. What's clear is that from a risk management perspective, there are some fundamentals which - if properly understood and factored into solutions - can tilt the balance in the SMME's favour.

- **SMME businesses are very unique; a standard offering just won't do:** They require partnerships that can comprehensively understand the specific exposures their enterprises face. Solutions must be bespoke, i.e. fit for purpose. These should be designed to respond to the very real challenges they are likely to encounter, often in the immediate and short-term.
- **Easy access to products, advisory and other services is vitally important:** Intermediaries have a vital role to play in facilitating awareness of the value

of risk mitigation and its ability to catalyse growth. What's important is ensuring a distribution network that enables seamless access to risk products and services.

- **Often, employees wear many hats:** They sometimes need to make decisions based on a limited understanding of the many facets of risk management – of which insurance is one. Risk management solutions must be uncomplicated, easy to understand and effective in de-risking businesses – especially ones that may not have the financial means to bounce back after an incident.
- **SMMEs resources (funds, skills, etc.) are very limited – both within and outside their business:** For example, access to legal advice is limited and where available, can be very expensive. Bryte's Smart Legal product offering is one that is well-suited for small businesses as it serves as a much-needed safety net. Business owners have easy access to high-quality legal assistance which can be invaluable in managing disputes and securing business resilience.

On the other hand, bolstering employee value propositions to attract talent remains a growing focus. Especially in the context of COVID, the value of funeral cover has become more apparent. Bespoke solutions such as Bryte Life's Group SME Funeral Policy is aimed at empowering businesses by introducing more attractive benefits in a manner that is cost-effective and sustainable. The product is designed to provide some level of financial security for those who play an essential role in the business's growth. This benefit, which gives families the peace of mind that they are able to provide their loved ones with a fitting send-off, is immeasurable in times of great need. The crux of it is that supporting the growth and sustainability of SMMEs requires a meaningful and collaborative approach. It also takes peeling away the layers to understand the nuances of the business, the reality of the constraints it continually faces and the environment in which it continues to sustain itself. For all of this, the role of the insurance industry - from underwriters to brokers - can thus be invaluable in empowering the sector and supporting its resilience as well as growth.

Five Risk Trends Affecting SMMEs

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The world certainly looks very different a year later, and nowhere is it more apparent than in the Small, Medium and Micro Enterprises (SMME) space.

The sector has faced more than its fair share of obstacles during the COVID-19 pandemic amidst a contracting economy and lockdown measures that reduced income streams to a trickle.

The SMME sector is critical to South Africa's economic growth, [employing around 80% of the African continent's workforce](#). It is also the sector that has been hardest hit by the pandemic and the subsequent lockdowns, making it crucial for SMMEs to identify the trends impacting their businesses and finding ways to leverage new opportunities. [Aon South Africa](#), risk advisors and insurance brokers, delves into the top five trends affecting the SMME sector:

1. CHANGING CONSUMER BUYER BEHAVIOUR

The key factor in demographics is not just how the world's population will grow, but how consumer buyer behaviour is changing amidst an upended world. Failure to innovate and meet customer needs was one of the top ten risks, rated at number nine in Aon's [2019 Global Risk Management survey](#). The pandemic shifted the importance of this risk into top gear. Many companies had to scramble to reimagine their product delivery and consumer purchasing journey in a pronounced shift into a digital world that is likely to remain long after COVID-19

has abated. In fact, 86% of respondents in a [PWC Global Consumer Insights Survey 2020](#), said they are likely to continue to shop online when social distancing measures are removed. Innovation is a necessity, not an option. It also means that disruptive technologies, such as artificial intelligence, blockchain or the Internet of Things may be the key to transforming the current playing field. Start-up companies tend to be more agile in their efforts to meet the changing needs of consumers. The fine line between success and failure is defined by an organisation's ability to reinvent itself in an ever-changing market where disruption is fast becoming the norm.

2. TECHNOLOGICAL RELIANCE

As companies become more reliant on technology, technological developments and increases in data and analytical power create unlimited opportunities for business; But also [bring risks around cyber security and data privacy](#). Cyberattacks on South African organisations show no signs of abating. Whether a large or small business, a cyber breach has the potential to inflict enormous reputational damage, cause major interruption to normal business operations and income potential, and can also have legal ramifications if personal and financial information is compromised in context of the Consumer Protection Act (CPA), the Electronic Communications and Transactions Act (ECT) and the Protection of Personal Information Act (POPI). South Africa will continue to see large-scale ransomware attacks that target administration credentials to gain access to and infect, wider networks – often targeting SMMEs and