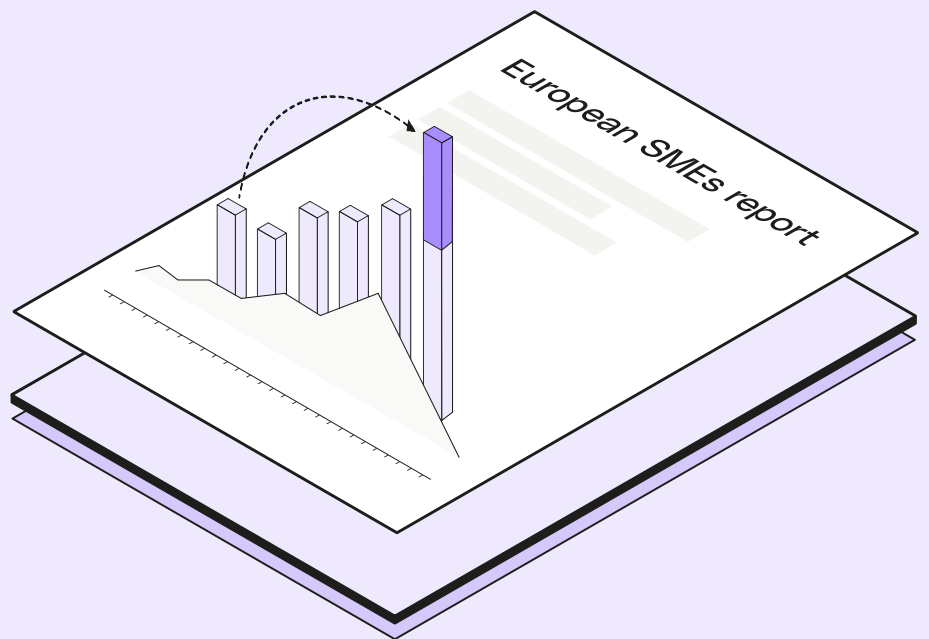


Qonto

Overperforming in 2023, optimistic for 2024

Data paints a positive picture
for European SMEs



Qonto.com

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Introduction

Small and Medium Enterprises (SMEs) in the EU's four biggest markets have enjoyed a much better 2023 than expected, according to a study commissioned by Qonto. The data shows that business sentiment is generally positive in Germany, France, Italy, and Spain, despite some lingering concerns over inflation in the wider economy.

The report examines the factors that have helped and hindered SMEs over the course of 2023, as well as the opportunities they've identified for the year to come. The study was carried out by market research platform Appinio, which surveyed CEOs, CFOs and other high-level finance executives of 2,000 companies with fewer than 250 employees, 500 such SMEs from each of the four markets studied.

The goal is to gauge the business climate for SMEs as we approach the start of 2024. SMEs make up the “backbone of the European economy,” according to the European Commission, representing 99% of all businesses in the EU and employing more than two thirds of the EU workforce.

A context of economic volatility

SMEs began 2023 faced with an uncertain and unsettled European economy. Inflation in the EU was still high - at over 10% in December 2022 (source: [Eurostat](#)) - driven by volatile energy prices that increased costs for many businesses and their customer bases. Consumer confidence in Europe was well below the long-term average and the European Commission warned of a “difficult period ahead with slowing growth.”

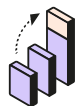
Inflation had calmed by the time this survey was carried out in October 2023, [falling below 5% in the EU, according to Eurostat]. EU indicators show the European economy has grown over the course of the year, albeit weakly and not across all countries.

Data suggests grounds for optimism

The results of our survey paint a generally encouraging picture for the German, French, Italian, and Spanish markets, revealing Europe-wide trends as well as needs that are specific to each of those countries. In our summary of this report, we explore:

- the reasons behind this optimism,
- the obstacles to past and potential growth,
- the investments SMEs expect to make,
- the level of adoption of digital tools,
- small business' environmental commitments,
- and the levers decision-makers intend to activate to drive business performance in 2024 and beyond.

Key findings



Business performance exceeds expectations

95% of the SMEs surveyed say they have performed as well as or better than their executives expected in 2023, with more than 70% over-performing compared to their forecasts.



Inflation the main blocker to performance

The biggest perceived hindrance to business performance this year has been inflation, with 6 in 10 businesses citing it as a factor that has impacted them negatively.



A hopeful outlook around 2024 revenue

Optimism around next year's performance is paired with the identification of customer acquisition and improved finance management as the top priority needs.



Sustainability: a glass half full

Just over half of SMEs (52%) are already working actively to reduce their impact on the environment, while only 8% say they are not at all committed to sustainable initiatives.



Businesses ready to invest in Tech

Company leaders singled out technology as their biggest required investment, and feel generally positive around new tools like AI and Fintech.



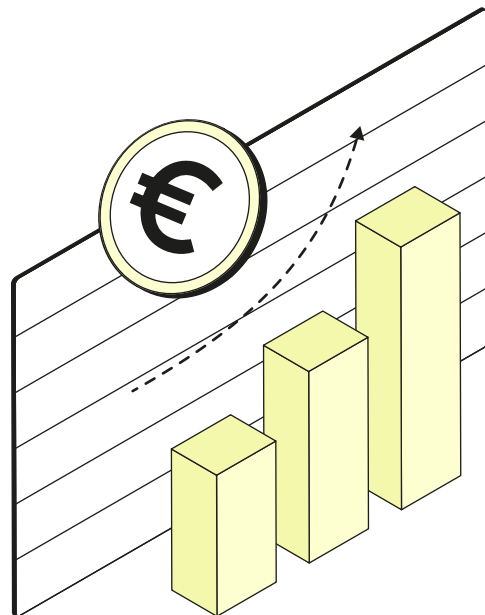
The gender gap threatens to widen further

Women continue to be under-represented in leadership roles; the data suggests they are less likely than men to found their own companies within the next 3 years.

2023: much better than expected for EU businesses

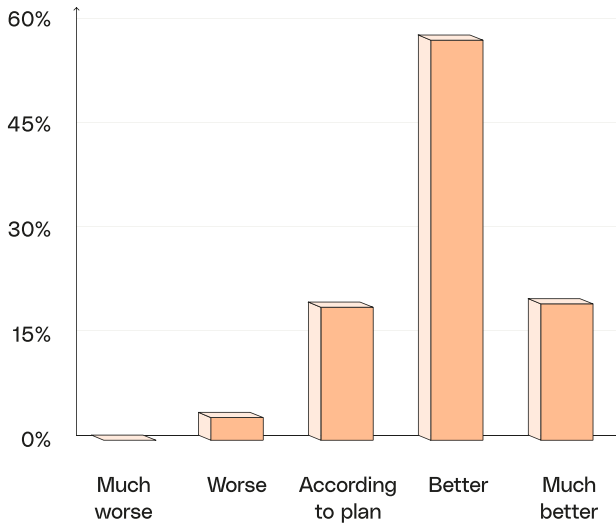
For the most part, business leaders in the EU's main markets said their companies' 2023 performance had, so far, exceeded expectations and that is true of all four of the markets in question. Only around 5% of respondents said their business' performance failed to meet their expectations. Almost a quarter said their performance was aligned with what they'd forecast, leaving a strong majority (71%) that said their outcome was either "better" or "much better" than expected.

German and Spanish business leaders reported the highest over-performance in relation to expectations, with 78% and 75% respectively claiming to have outperformed. That's compared to 68% in Italy and 63% in France.

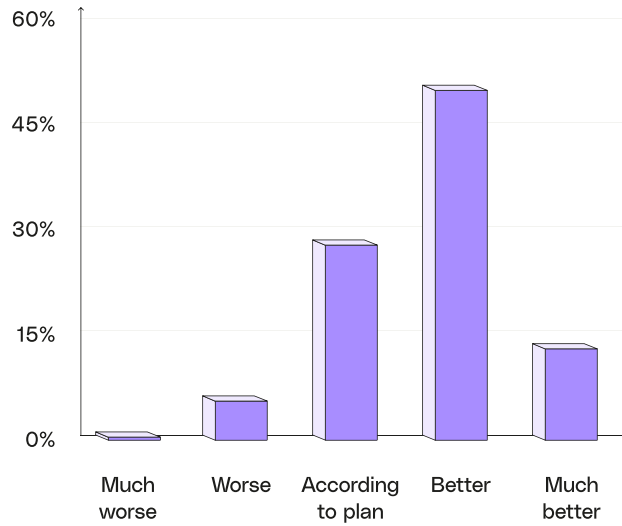


How SME leaders feel their companies have performed thus far in 2023, vs expectations

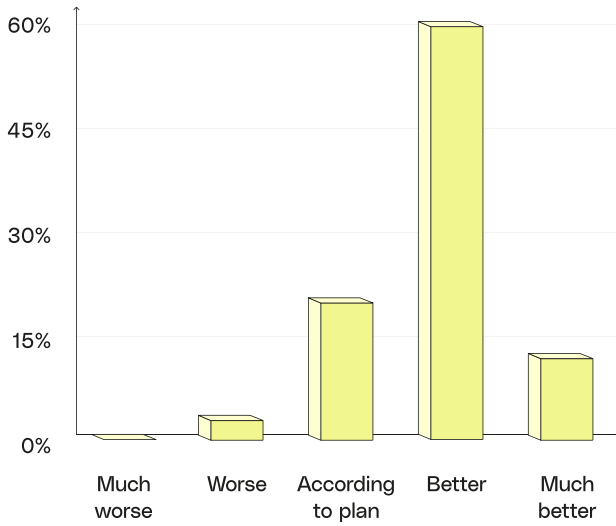
Germany



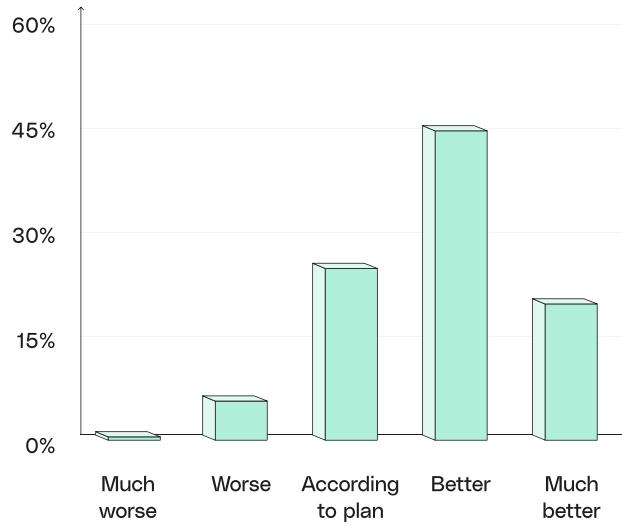
France



Spain

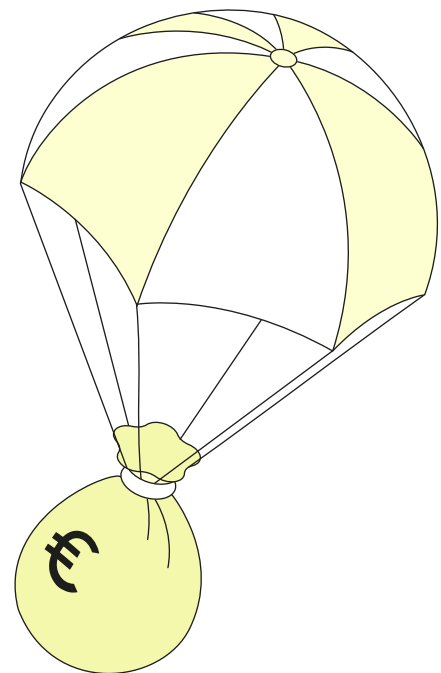


Italy



Success led by investments and financing

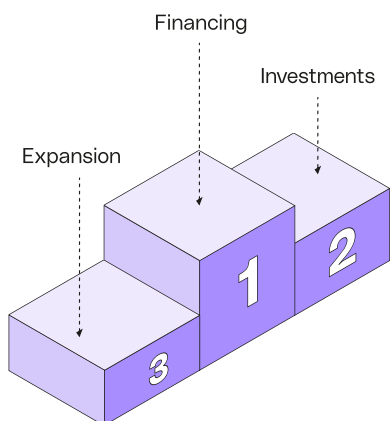
When asked which factors had contributed positively to their business performance, the two most common answers given in all markets combined were investments and securing financing, which were cited by 34% and 32% of respondents respectively. Behind these two front-runners came organizational qualities: management (30%) and operational efficiencies (29%). Just over one quarter (26%) attributed part of their performance to digitalization and technology.



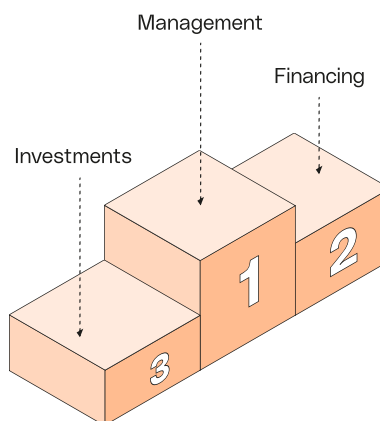
Broken down by market, we do notice some national variations in the most cited success factors for each country.

TOP 3: factors contributing positively to company performance in 2023

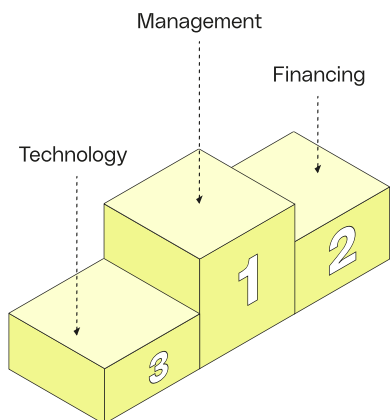
France



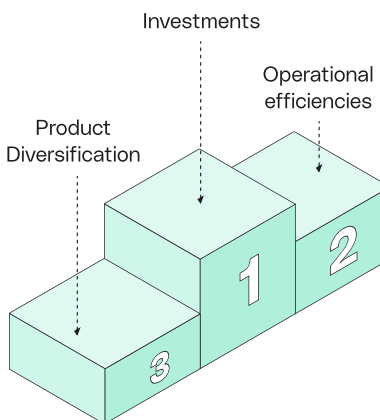
Germany



Spain



Italy



France: 1. Financing (39%); 2. Investments (36%); 3. Expansion (27%)

Germany: 1. Management (34%); 2. Financing (31%); 3. Investments (29%)

Spain: 1. Management (37%); 2. Financing (35%); 3. Technology (30%)

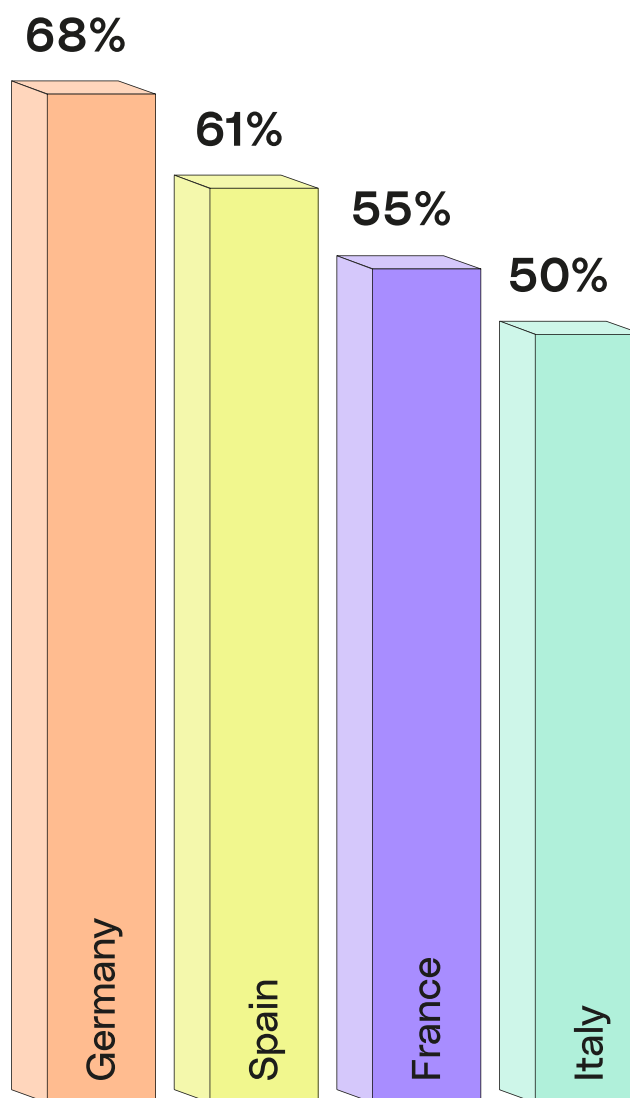
Italy: 1. Investments (42%); 2. Operational efficiencies (39%); 3. Product diversification (31%)

Inflation: the blocker for most companies

Inflation is, by far, the most commonly cited negative factor to have impacted businesses in 2023, with almost 60% of those asked claiming it had held their company back.

The problem is felt even more acutely in certain countries: German-based SMEs appear to be the hardest hit by inflation - it was a reason given by 68% of business leaders there.

Percentage of SMEs saying inflation did impact company performance

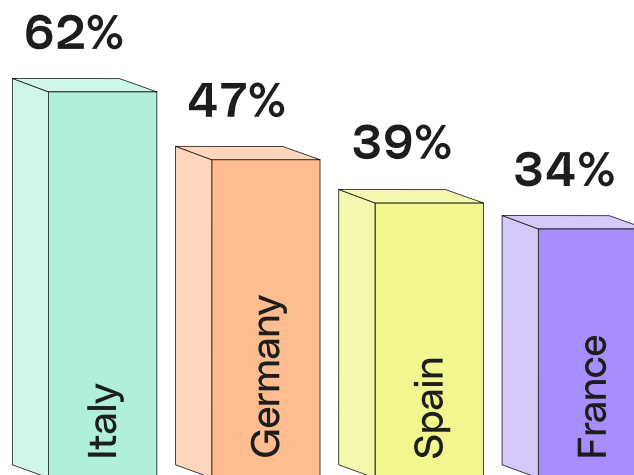


Survey 4-market average: 57%

While they may to some extent be seen as factors associated with inflation, the next most common reasons given were:

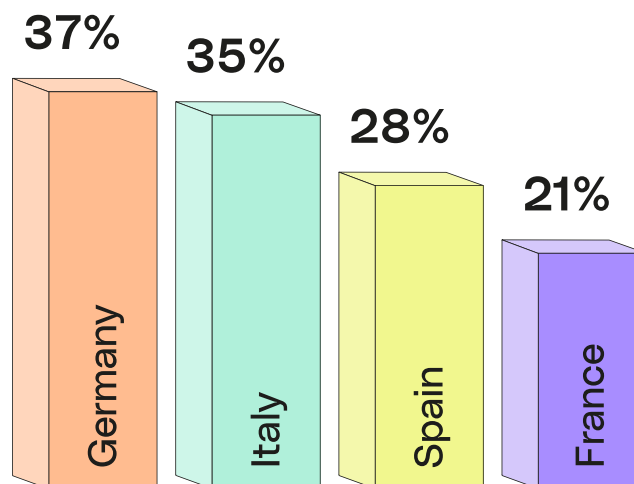
- lack of demand, which has particularly affected businesses in Italy; it was cited as a negative impact by 62% of respondents there, compared to 57% as a 4-market average.
- geopolitical events, such as the conflict in Ukraine and its economic consequences, were given as a negative factor by 29% of respondents in all markets combined; that figure rises to 37% in Germany, which was particularly vulnerable to a Russian gas shutoff following the outbreak of conflict in Ukraine.

Percentage of SMEs saying lack of demand did impact company performance



Survey 4-market average: 45%

Percentage of SMEs saying geopolitical events did impact company performance



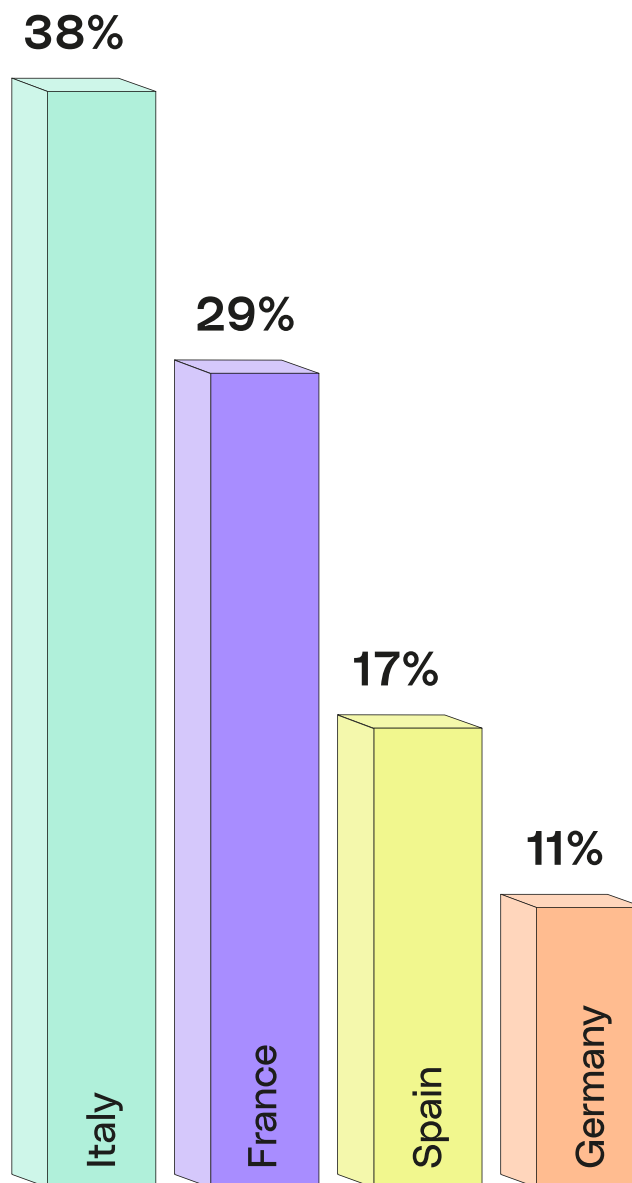
Survey 4-market average: 29%

Blockers specific to national markets

While the three factors mentioned previously (inflation, lack of demand, and geopolitical events) were universally negative across all four surveyed markets, there were some specific localized blockers to business performance that differed from country to country.

- Competition was particularly fierce in Italy, where 38% of business leaders identified it as a negative factor, and relatively strong in France (29%), compared to just 11% in Germany.

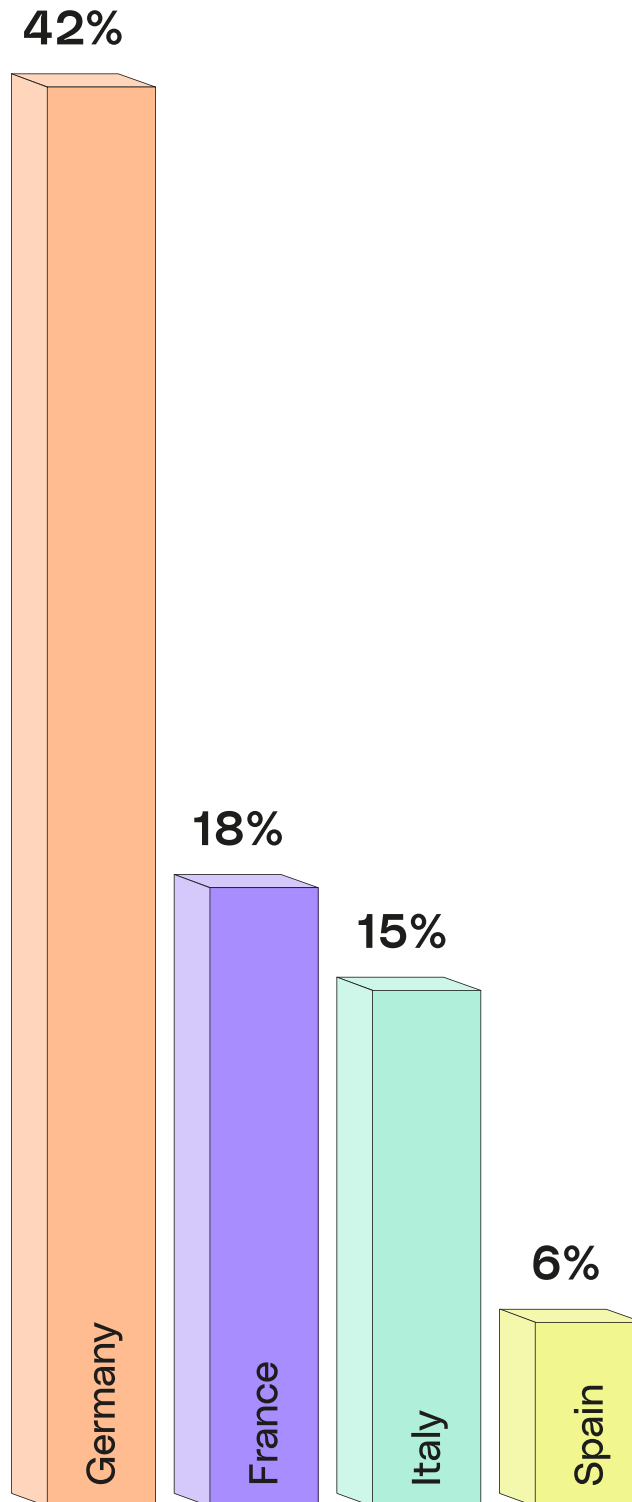
Percentage of SMEs saying competition did impact company performance



Survey 4-market average: 26%

- A lack of qualified workers was a common complaint in Germany: 42% of German-based business leaders said a shortage of talent has held their companies back (vs just 6% in Spain).

Percentage of SMEs saying talent shortages did impact company performance

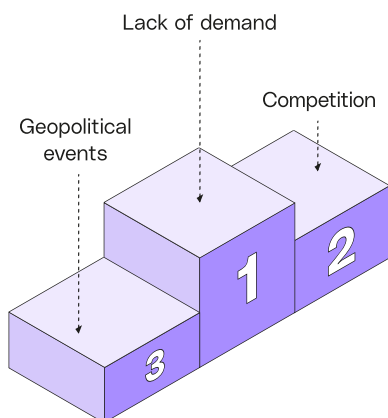


Survey 4-market average: 20%

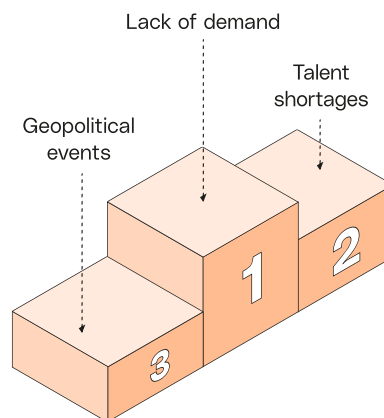
- A lack of financing was a problem felt acutely in Spain, where it was an issue raised by 39% of respondents; this is more than double the 4-market average, making it the second most quoted negative factor among Spanish-based businesses.
- A lack of digitalization was less a concern for respondents in France or Spain compared with their counterparts in Italy and Germany, 15% and 16% of whom who cited it as a blocker respectively.

TOP 3: the most cited factors impacting company performance negatively in 2023 (after inflation)

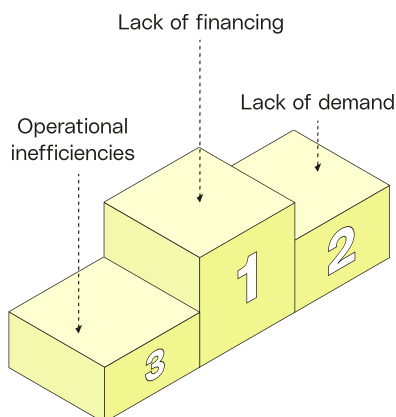
France



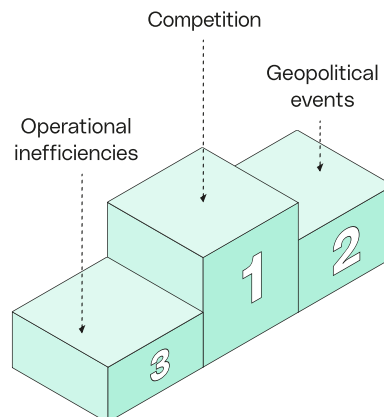
Germany



Spain



Italy

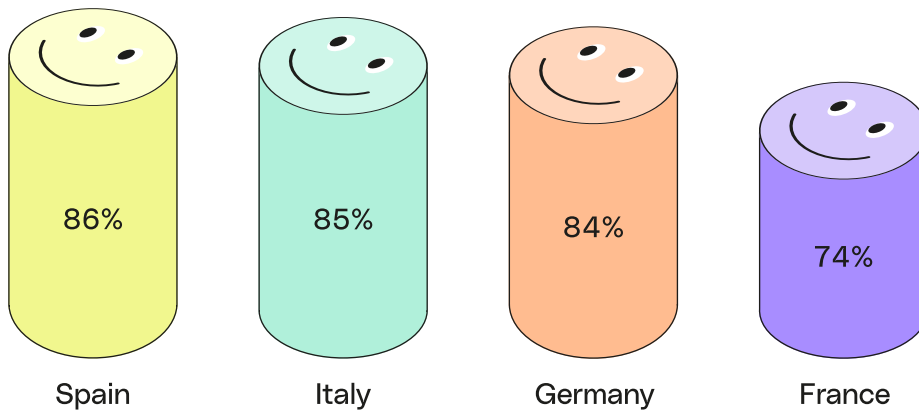


Most SMEs feel positive about 2024 revenue

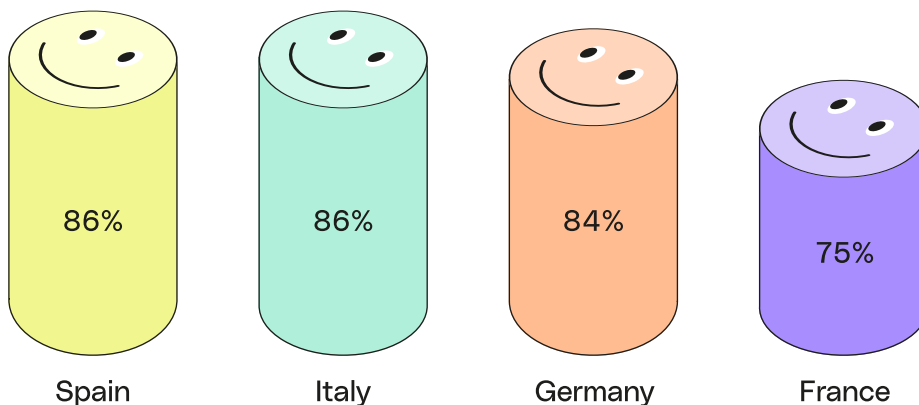
Despite the challenges they identify, a solid majority of the business leaders are confident about their prospects for 2024. When asked how they see their revenue evolving next year, 82% answered either “optimistic” or “very optimistic”. That figure was between 84% and 86% for respondents in Germany, Spain and Italy but lower in France (74%).

Those results are mirrored very closely when asked about their confidence in the future of their industry.

Percentage of respondents saying they are "optimistic" or "very optimistic" about the evolution of their company revenues in 2024



Percentage of respondents saying they are "optimistic" or "very optimistic" about the future of their company's industry in 2024

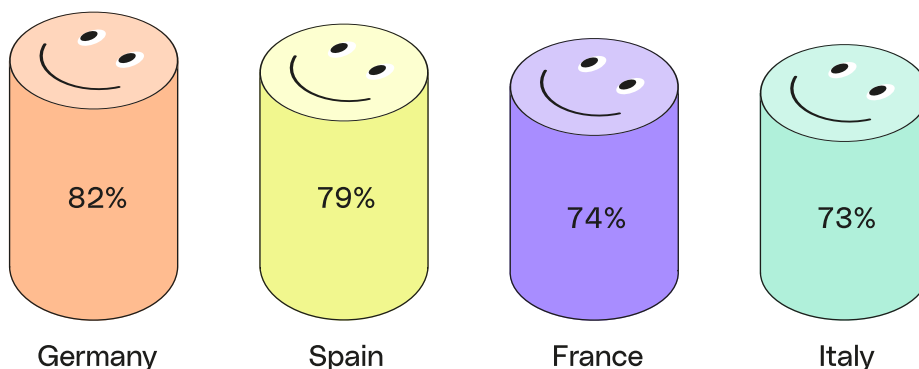


That confidence is only marginally lower when it comes to business leaders' expectations for overall company performance, as well as their ability to secure financing.

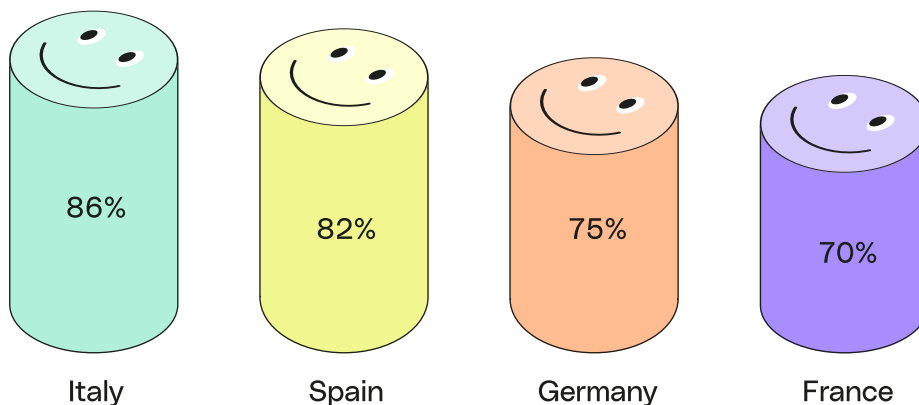
More than 77% said they were "optimistic" or "very optimistic" about finding financing. The most optimistic market on this question was Germany.

Italy-based SME leaders were, however, the most positive about the overall performance of their business, with 86% responding "optimistic" or "very optimistic". French-based SMEs were the least hopeful of the four markets studied but the outlook remains positive there, with seven out of ten respondents "optimistic" or "very optimistic".

Percentage of respondents saying they are "optimistic" or "very optimistic" about access to financing in 2024



Percentage of respondents saying they are "optimistic" or "very optimistic" about their company's overall performance in 2024

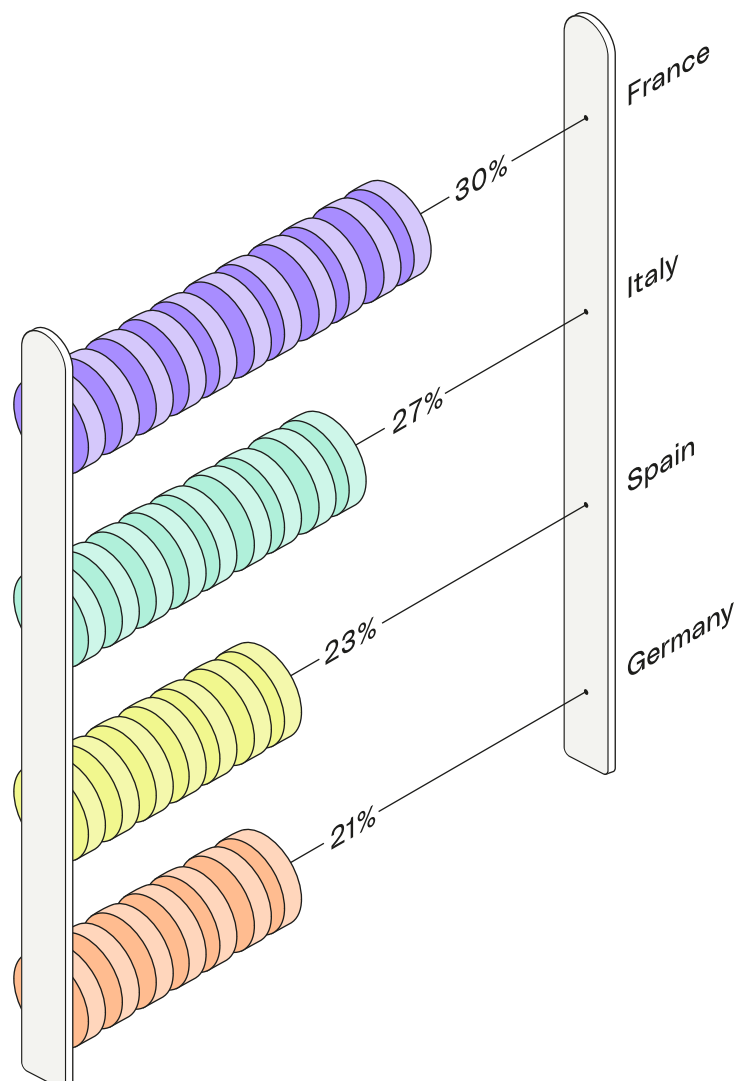


Tech investments & customer acquisition the top priorities for 2024

Finding new clients tops the 2024 wishlist for SMEs in all four of the markets studied. Customer acquisition is an essential need for 37% of those asked, rising to 41% of respondents in Italy.

Overall, the second most cited business need was optimized finance management, a priority for one in four business leaders.

Percentage citing optimized finance management as an essential need for 2024

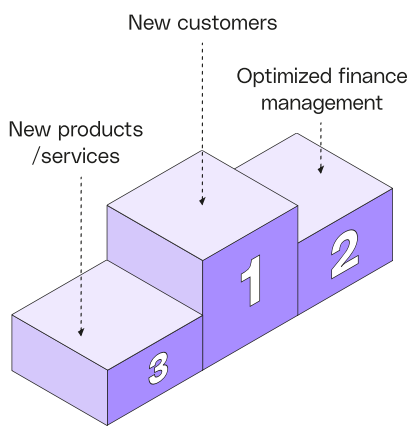


One local particularity is noticed in Germany, where a more qualified workforce figures second on the list of business needs (25% of respondents), just behind customer acquisition.

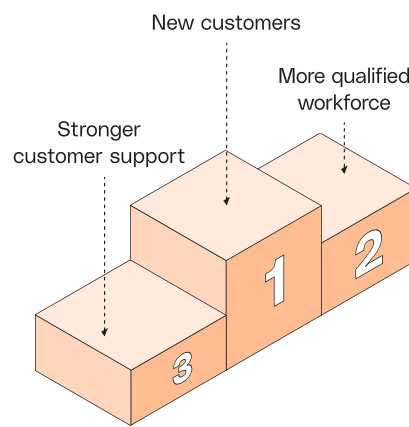
In Spain, launching new products or services joined customer acquisition and optimized finance management in the top three needs for 2024, having been identified by 22% of those asked.

TOP 3: SMEs' most essential needs for 2024

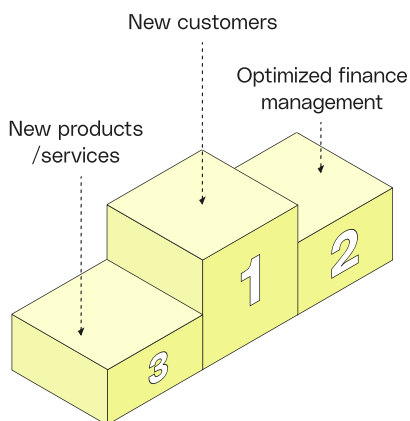
France



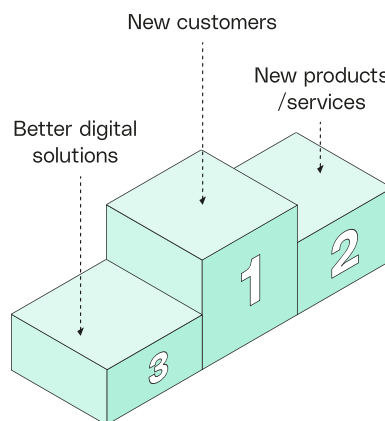
Germany



Spain



Italy



Businesses intend to prioritize Tech investments

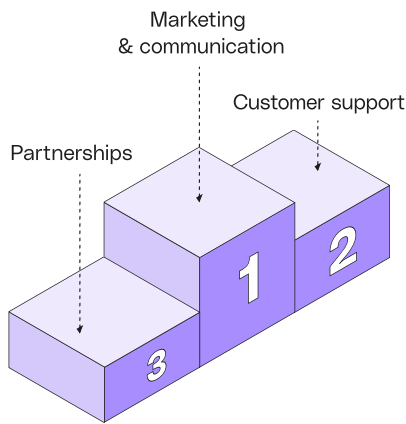
Tech departments look set to receive the most investment in 2024. More than 40% of business leaders in Spain and Italy, and 30% in Germany, said they would invest in Tech - more than any other business unit.

That figure is much lower in France; only around 18% said they'd invest in their Tech departments. French SMEs instead prioritize their Marketing & Communications (30%) and Customer Service teams (28%).

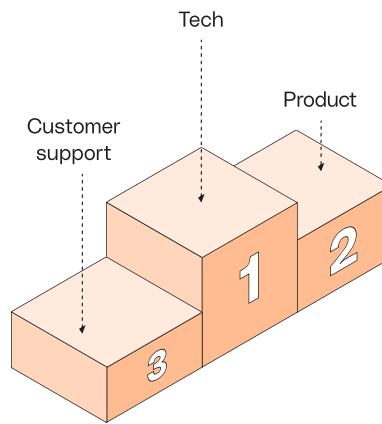
Marketing also figures high on the list of intended investment in Spain and Italy, where around a third of business leaders cited it as an area they expect to develop. This was less the case in Germany; with just 22% of respondents naming it, Marketing falls behind Customer Service, Product and HR teams as areas of investment.

TOP 3: the most cited business units identified as investment priorities for 2024

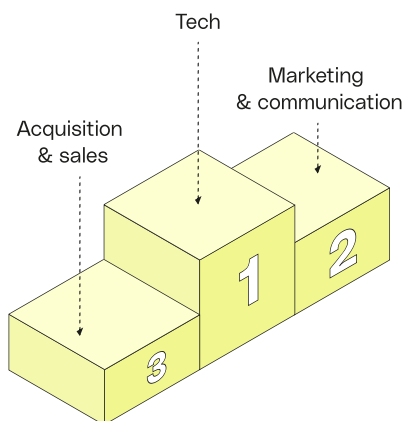
France



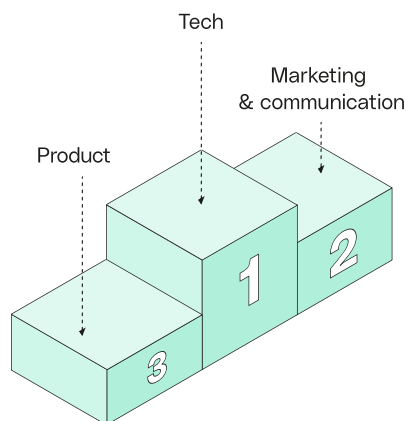
Germany



Spain



Italy

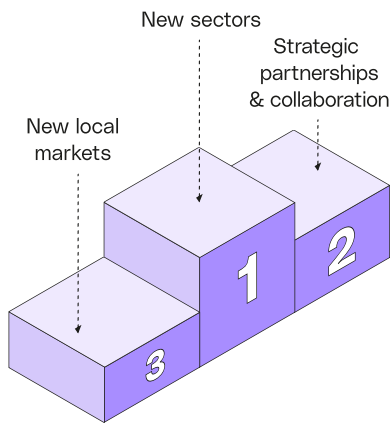


The lack of urgency for new technological and digital solutions in France is also borne out in the growth levers that business leaders singled out for investment. French-based SMEs look set to turn to new sectors, new local markets, and strategic partnerships to satisfy their customer acquisition goals.

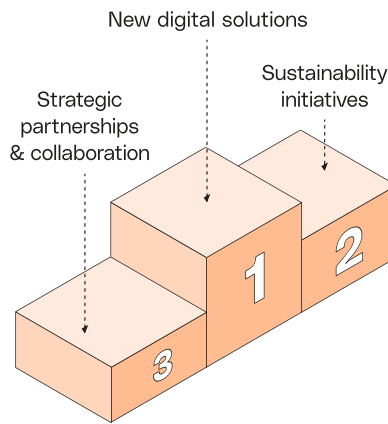
In Germany, Spain, and Italy however, new digital solutions are in much higher demand, figuring first or second on the list of growth levers ripe for investment.

TOP 3: the most cited growth levers identified as investment priorities for 2024

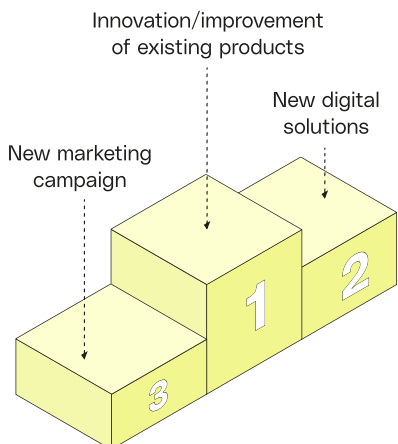
France



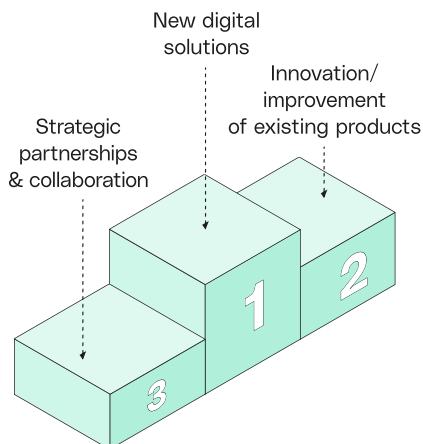
Germany



Spain



Italy



Potential hiring slowdown before the start of 2024

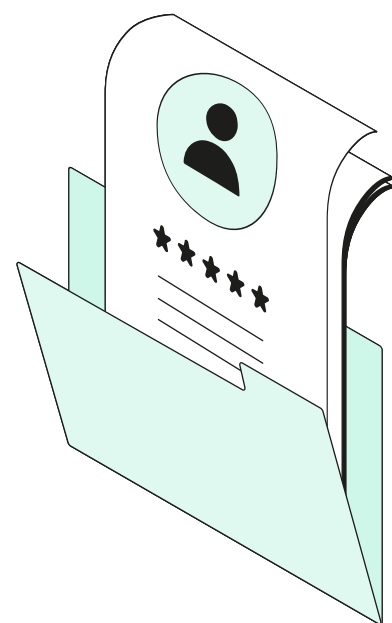
Despite many expressing confidence about their 2024 prospects, a majority of SMEs surveyed intend to stop or slow the hiring of new talent in the 4th quarter of 2023: 27% say they are not planning to hire and a further 31% say they will hire fewer staff than in Q3.

However, that leaves 42% of SMEs that intend to hire more employees compared to Q3. According to the survey, the market with the highest proportion of SMEs saying they will accelerate their recruitment is Italy, where 48% say they'll hire more in Q4 2023.

The market with the biggest declared intention to freeze hiring until 2024 was France, where 33% of SMEs said they aren't planning to hire in Q4.

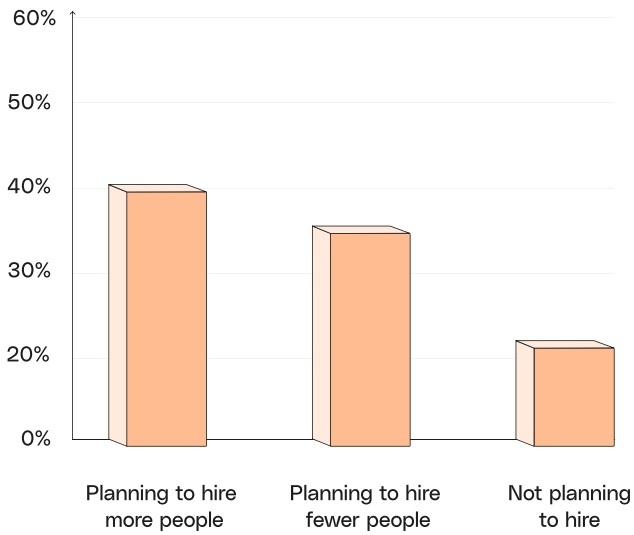
Hiring could be set to increase in Spain, where 43% of SMEs intend to hire more in Q4 than they did in Q3. The proportion saying they won't hire is relatively low at 23%.

In Germany, more than three quarters of SMEs say they will hire in Q4, with a greater number saying they will recruit more than they did in Q3 (41%) as opposed to less (37%).

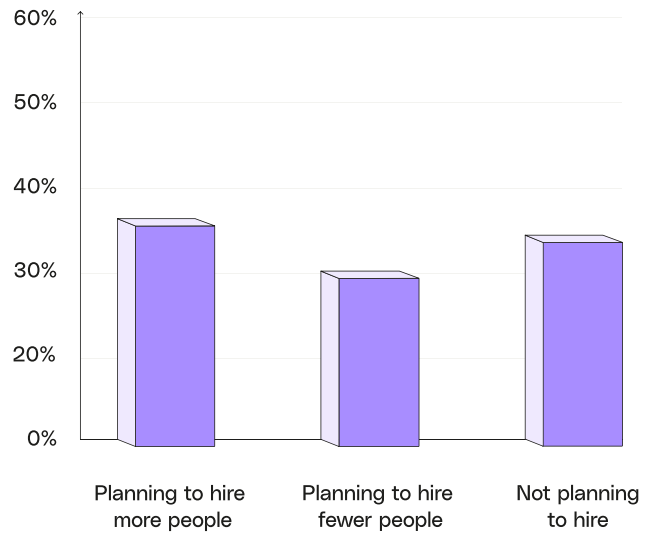


Hiring intentions for Q4, 2023 compared to Q3

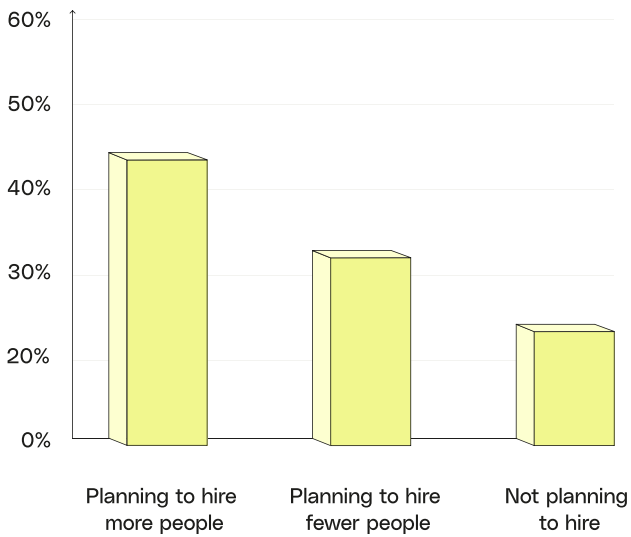
Germany



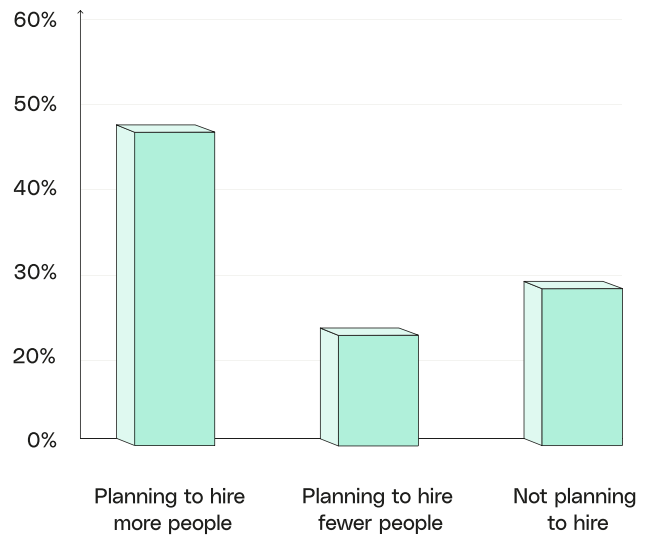
France



Spain



Italy



SMEs are ready to embrace AI and Fintech...


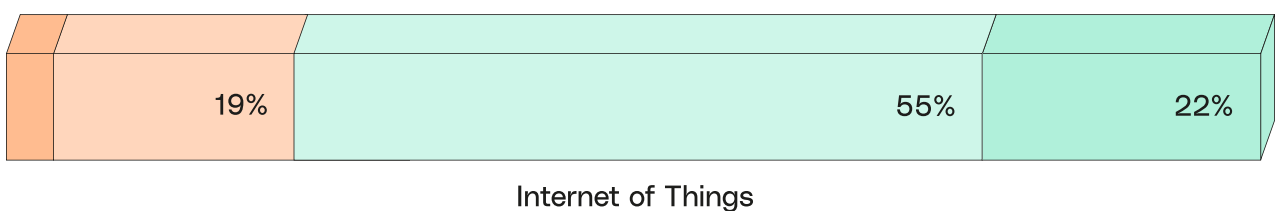
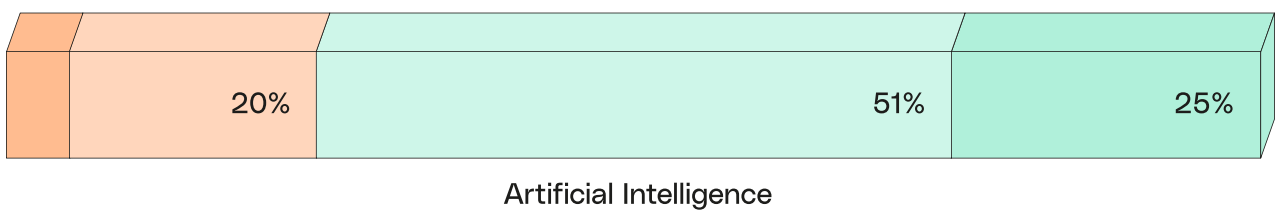
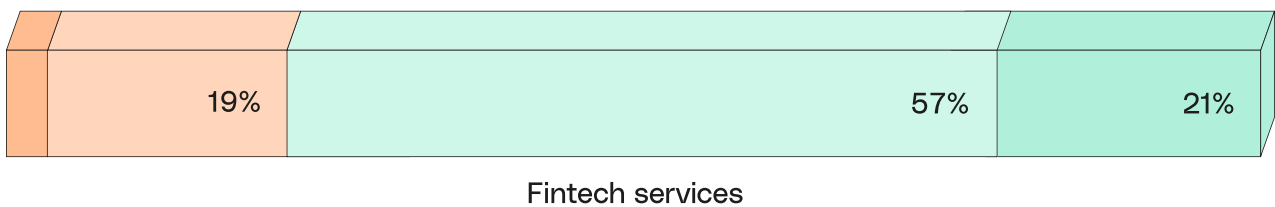
Business leaders are optimistic about the potential opportunities that can be brought by new digital solutions, especially financial technology (Fintech), Artificial Intelligence (AI) and the Internet of Things (IoT). More than three quarters of respondents are “optimistic” or “very optimistic” about the benefits those three solutions could bring to their business.

That enthusiasm for new technologies is at its strongest in Spain, where Fintech and IoT record rates of over 84% of “optimistic” or “very optimistic” respondents. That’s compared to 70% (Fintech) and 64% (IoT) in France, still a healthy majority.

This level of optimism for new digital solutions is mirrored by the declared likelihood that businesses will invest in them: around 73% of all respondents say they’re “likely” or “very likely” to invest in Fintech and AI services.

Sentiment towards Fintech, AI & IoT

Very pessimistic Very optimistic

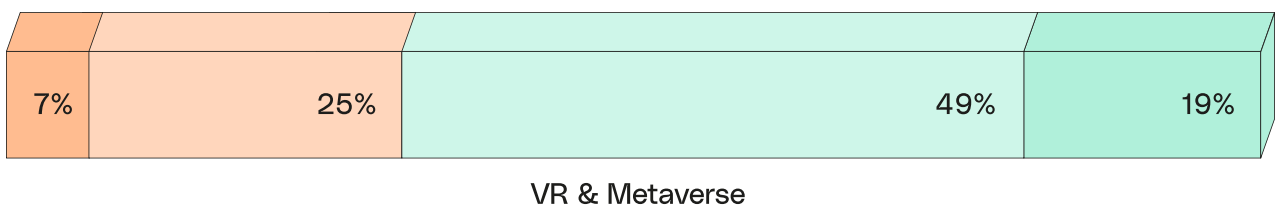
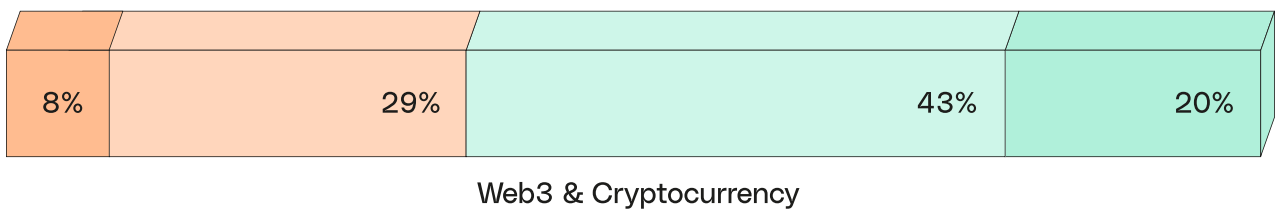
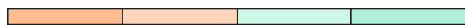
...but are more skeptical about Crypto, VR & the Metaverse

When it comes to new technology, SME leaders are more skeptical about Cryptocurrency, Web3, Virtual Reality (VR) and Metaverse platforms. Across all 4 markets, 37% of respondents admit being “pessimistic” or “very pessimistic” about Web3 & Cryptocurrencies, while 33% felt the same way about VR & the Metaverse.

This sentiment is also reflected in the likelihood that those SMEs would invest in those platforms.

Sentiment towards Cryptocurrency, Web3, VR & Metaverse Platforms

Very pessimistic Very optimistic

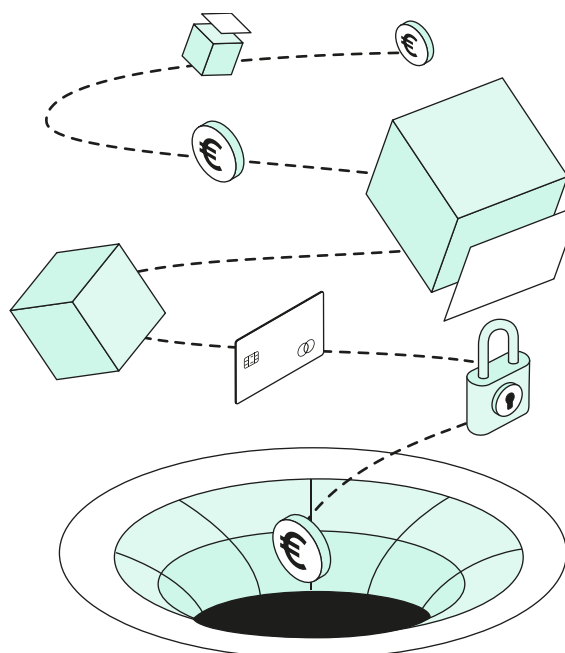


Finance & Insurance is the most tech-positive sector

When we break down this appetite for technology by industry, we notice that the Finance and Insurance sectors are the most enthusiastic. Among this subset, between 26% and 31% of respondents said they were “very optimistic” about each of the new technological solutions, with Artificial Intelligence proving the solution that inspires the most positivity.

This range of high optimism was between 21% and 27% for SMEs in Scientific and Technical fields, making it the second most Tech-excited sector. The Internet of Things is the solution inspiring the highest reported percentage of optimism among this group.

Far less hopeful about the potential benefits of new technologies were the Construction sector (between 17% and 20% “very optimistic”) and companies concerned with Human Health and Social Work activities (between 7% and 21%).



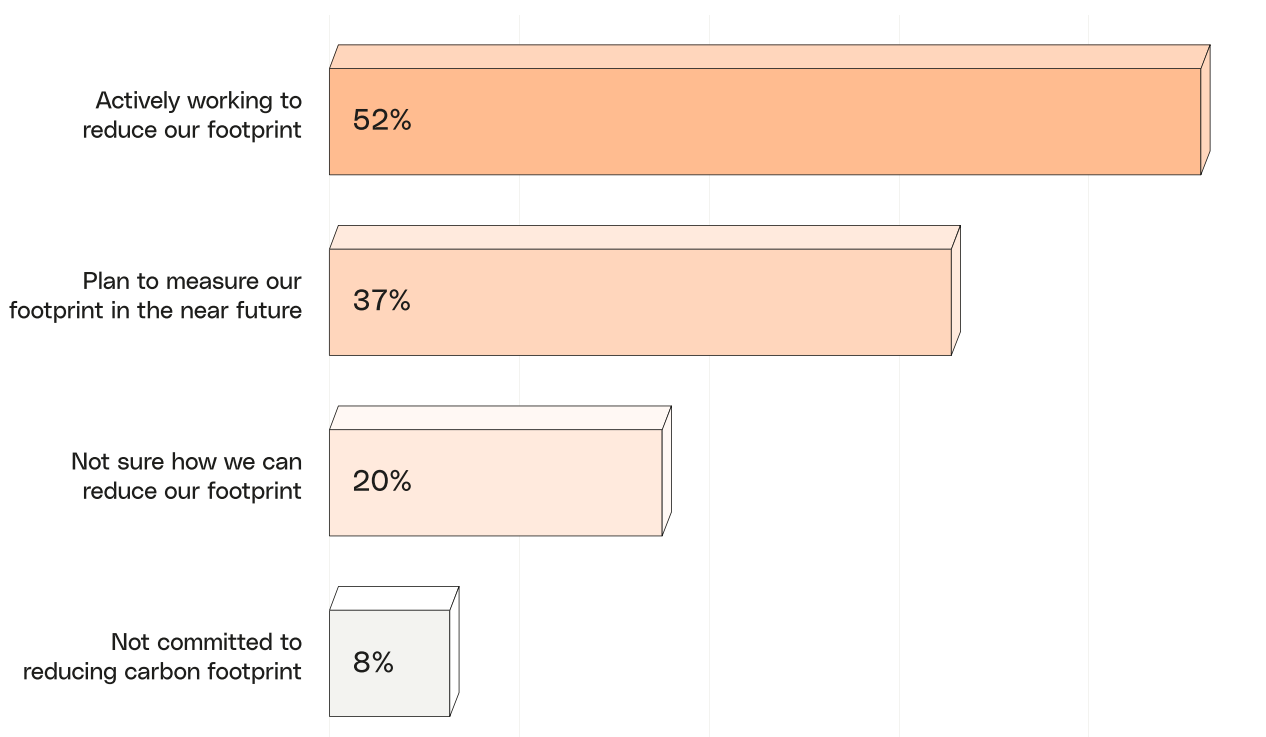
Commitments to environmental initiatives

When it comes to sustainability initiatives, just over half of the SME leaders surveyed (52%) said their companies are already working actively to reduce their impact on the environment. If that means that almost half (48%) are not yet doing so, only 8% of the companies studied are not committed to reducing their carbon footprint.

In terms of their intentions going forward, more than a third (37%) say they plan to measure their SME’s carbon footprint in the future.

However, one in five small business leaders (20%) are still unsure about how they can reduce their environmental impact.

Commitment to reducing environmental impact (multiple answers possible)



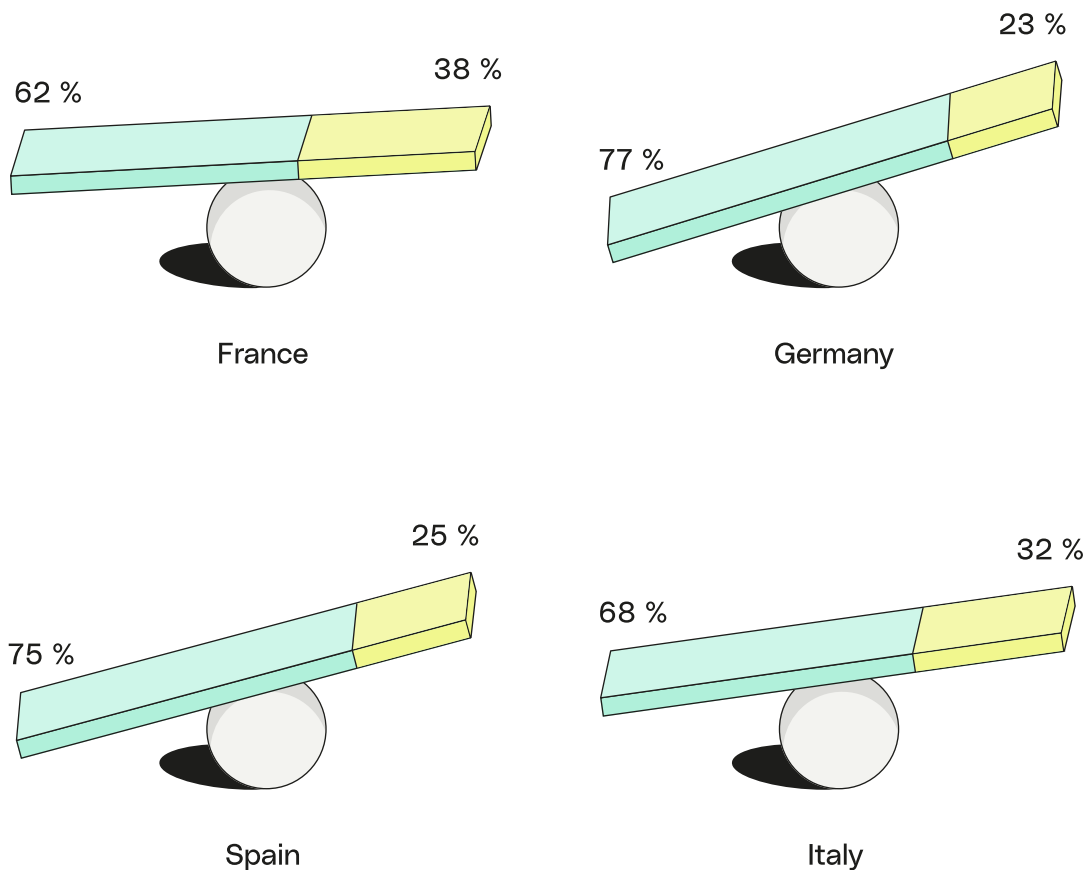
Women still under-represented

The random sample of business leaders (CEOs, CFOs and other executive positions) shows that women are still very much under-represented in leadership roles. Across all four countries studied, 29% of the respondents were women.

France (38%) and Italy (32%) appear closer to gender parity of the four markets; Germany seems the furthest from it, with women making up 23% of respondents, followed by Spain (25%).

Breakdown of respondents by gender

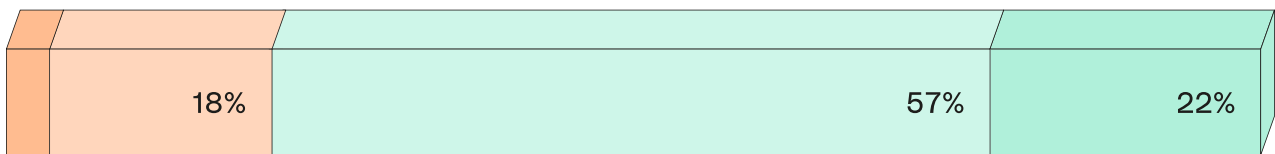
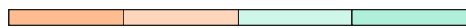
Men Women



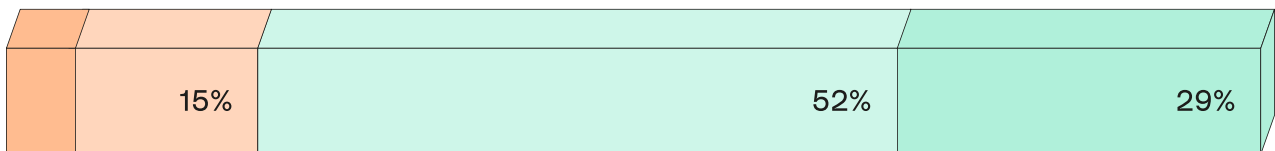
Despite the reality of gender imparity, SMEs are optimistic that progress on that issue, and on social inclusion more widely, will benefit their business. Of those asked, 83% said they were either “optimistic” or “very optimistic” about the impact gender parity and social inclusion will have.

Sentiment toward the business impact of progress in gender parity and social inclusion

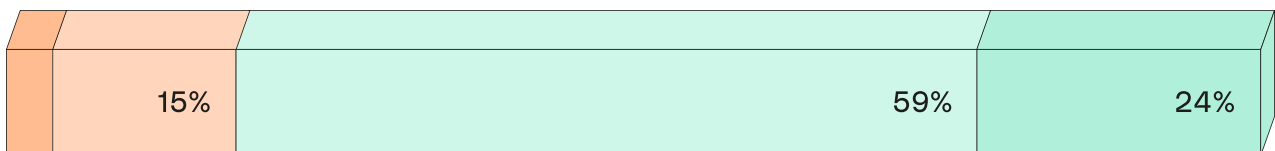
Very pessimistic Very optimistic



France



Germany



Spain



Italy

SMEs looking to optimize finance management

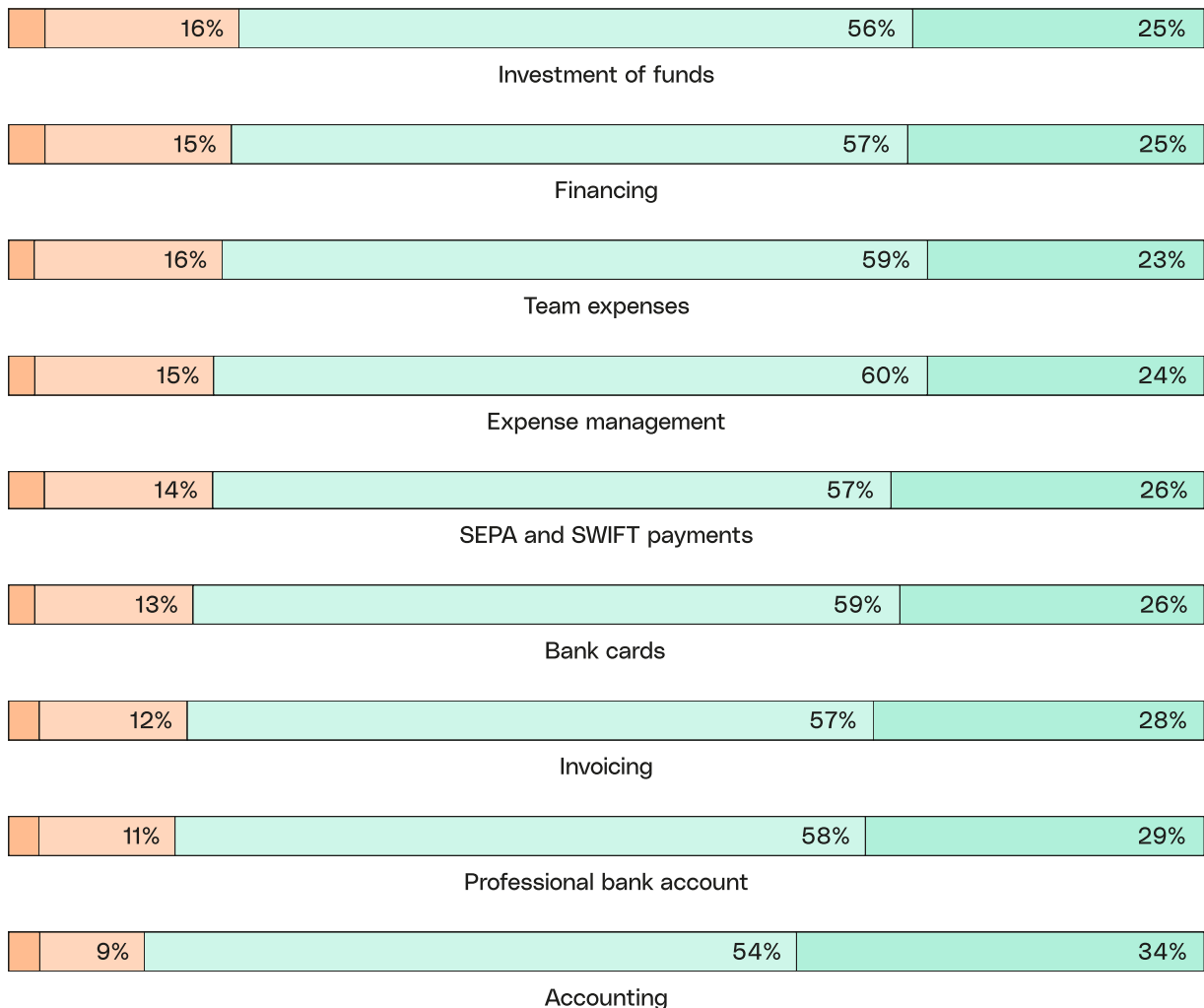
While SME leaders report a general satisfaction with the financial services they use (89% “satisfied” or “very satisfied” with their accounting tools), optimizing finance management further is the number 2 need in 2024.

Areas identified for improvement in SMEs’ financial services differ from market to market but globally across all four countries, the services that received the highest proportion of negative responses were:

- solutions for the investment of funds (19% “dissatisfied” or “very dissatisfied”),
- financing solutions (18%),
- team expenses (18%).

Satisfaction with components of financial services

Very dissatisfied Very satisfied

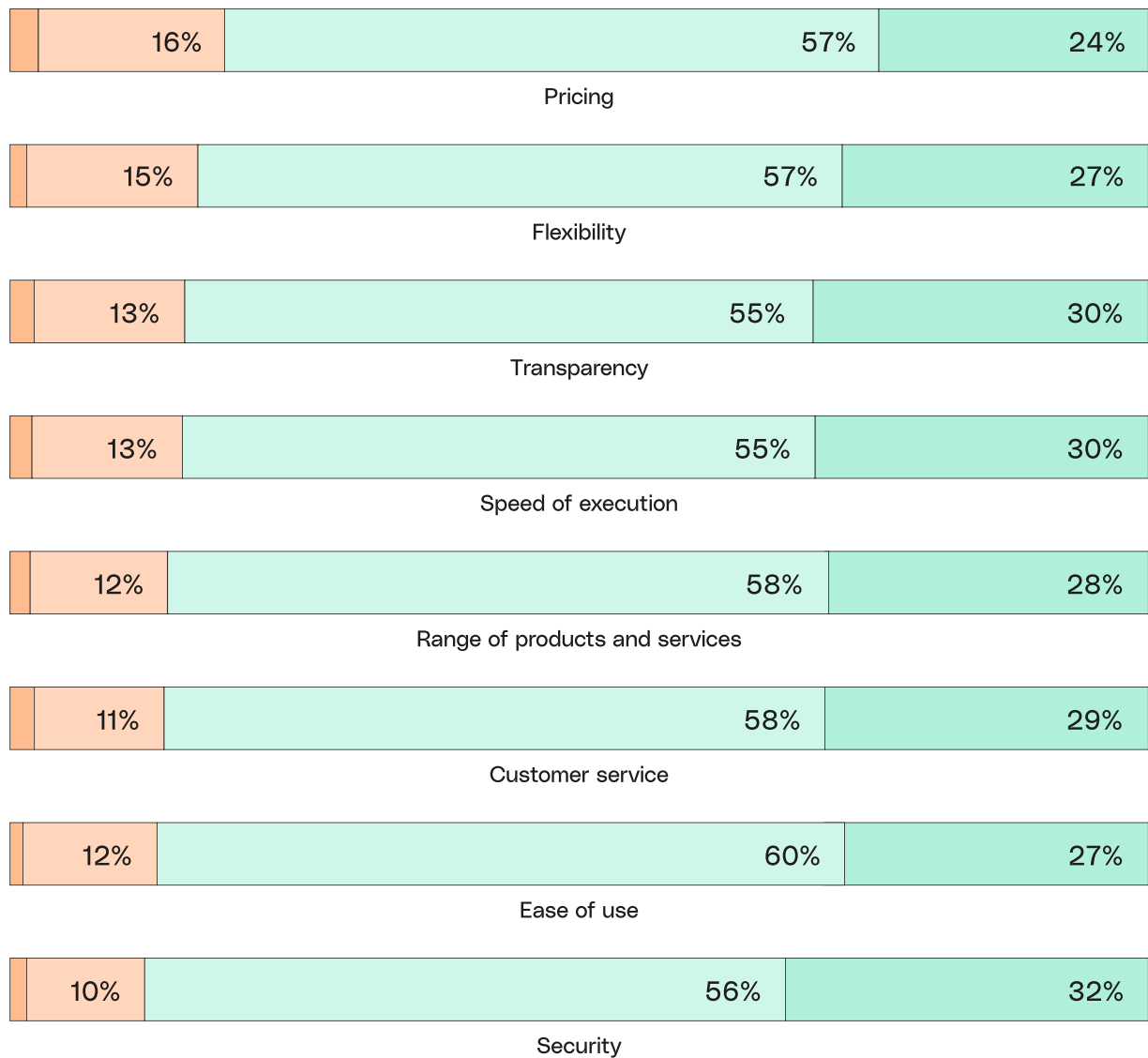


The attributes of these financial services that prompted the highest rate of “dissatisfied” or “very dissatisfied” responses were:

- pricing (19%),
- flexibility (17%),
- transparency (15%).

Satisfaction with characteristics of financial services

Very dissatisfied ■ ■ Very satisfied

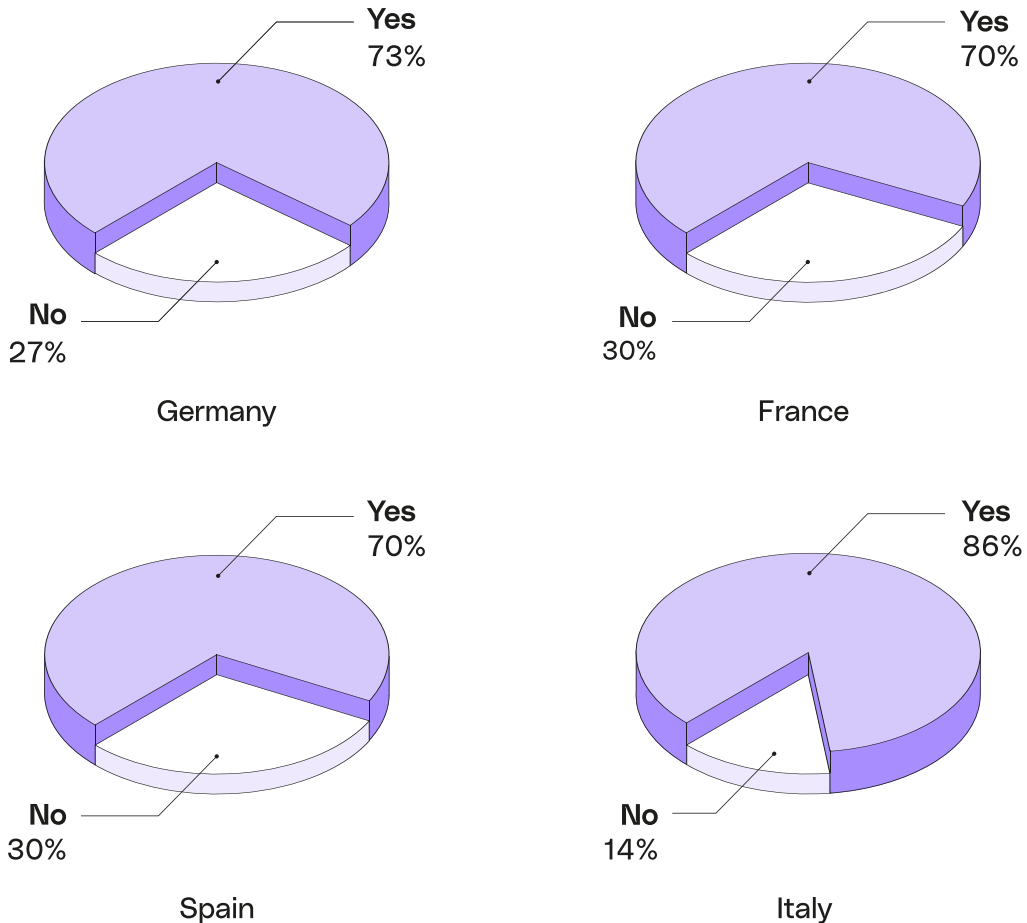


Entrepreneurship remains an attractive career path

The idea of entrepreneurship still appeals to high-level employees: just under three in four CEOs, CFOs and other finance executives say they could imagine creating their own company in the future. This figure is notably high in Italy (86%).

Most of those entrepreneurs who already have experience of setting up a company would be open to doing it all again; around 78% of business founders would create another company again in the future. However, almost half of founders (49%) say that they'd be less willing to do so in the current economic climate. Meanwhile, more than 80% say they are not considering selling their company within the next three years.

Could you imagine creating your own company in the future?



Is the founder gender gap set to get wider?

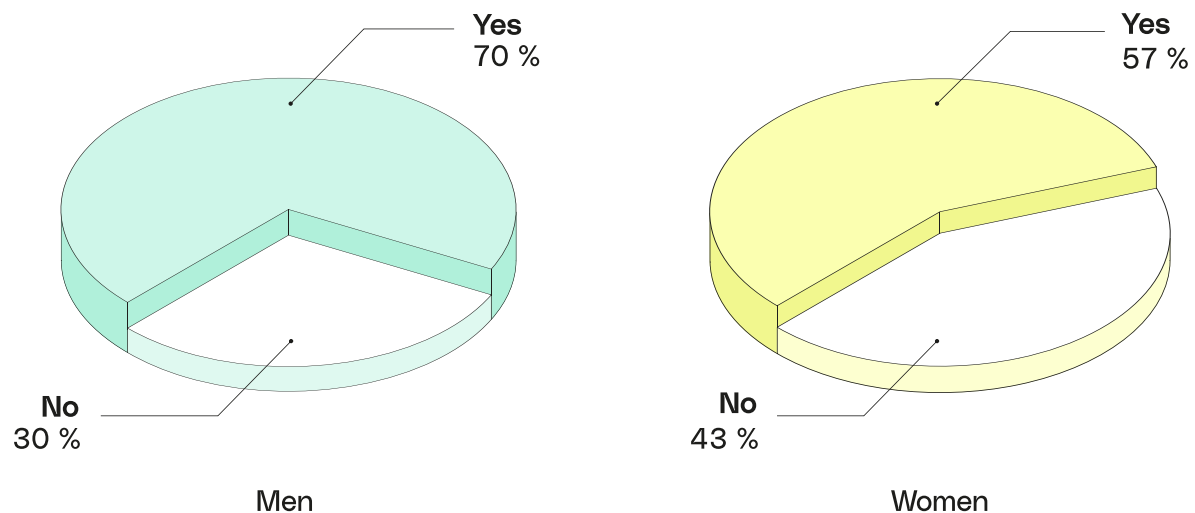
Women in SME leadership roles have just as much appetite for creating their own companies at some point in the future as their male counterparts - around 75% would and 25% wouldn't.

However, fewer women than men say they're likely to create companies within the next three years: 57% of women SME leaders said they can imagine themselves doing so, compared to 70% of males in similar executive positions.

A similar disparity appears when asking existing company founders if they envisage setting up another company in future: 72% of women founders see themselves repeating the creation experience compared to 81% of male founders.

Percentage of respondents likely to create a new business within the next 3 years

■ Men ■ Women



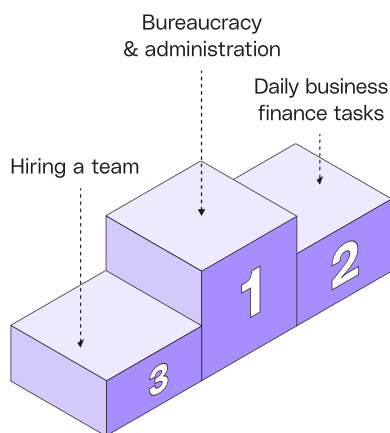
Bureaucracy is still holding founders back

When it comes to reasons not to start a business, excessive bureaucracy and admin seems by far the biggest obstacle facing entrepreneurs. Across the four markets studied, 59% of respondents cited it as the factor that consumes the most of their time and energy. While this is true of each market, paperwork would appear more time-consuming in some countries than others. 72% of Italian-based entrepreneurs name paperwork their most time-draining chore; the highest level across the markets surveyed.

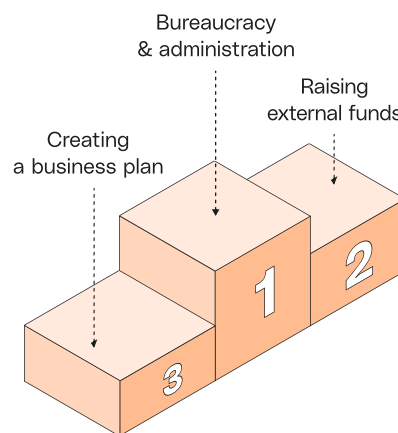
Bureaucracy aside, hiring a team was also given as the most time- and energy-consuming task for 39% of company creators across all four markets, just ahead of the management of daily financial tasks (38%).

TOP 3: The most cited time- and energy-consuming aspects of company creation

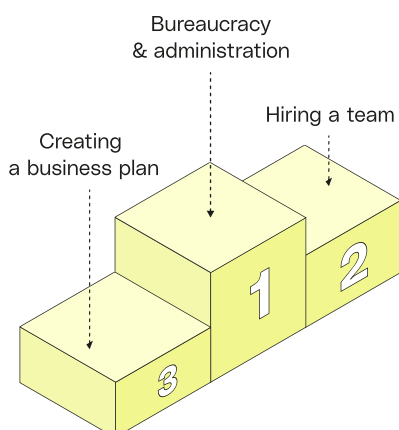
France



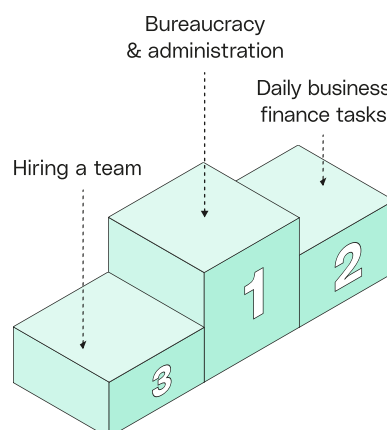
Germany



Spain



Italy

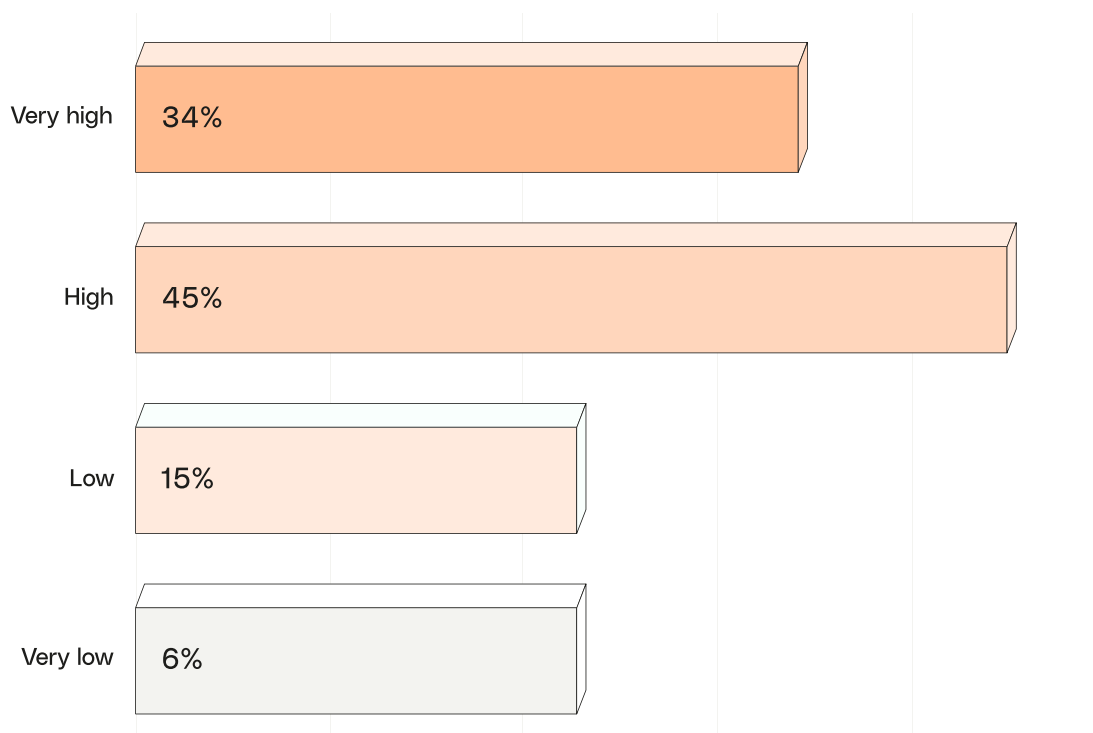


E-invoicing was a burden in Italy

Italy recently introduced mandatory electronic invoicing and the experience was a burdensome one for most SMEs based there. In fact, just over a third of respondents (34%) claim the impact of the e-invoicing reform on the workload of their teams was “very high”, with a further 45% saying the impact was “high”.

The survey also found that hiring was not a problem for more than a third of Italy-based SMEs (38%). The business unit that was the most problematic for filling positions was HR, with 19% of respondents saying they struggled to recruit in that area.

What was the impact of e-invoicing on company workload and team involvement?



Methodology

About the survey

Appinio carried out an online, multi-market, quantitative survey on Qonto's behalf, among 2,000 senior finance figures across France, Italy, Spain and Germany, with 500 such respondents recruited equitably across each of the four countries.

Respondents were screened to ensure they fit the recruitment criteria of senior decision makers (C-suite, founders and senior finance managers) of companies with fewer than 250 employees. Respondents were aged 18-73, with an average age of 38.

The survey responses were gathered between 10 October and 20 October, 2023. Respondents were asked to share their opinions regarding the current and future landscape for Small and Medium Enterprises, providing Qonto a clear view into the needs, drivers and pain points they can assist SMEs with in future.

The survey sample was recruited via an online research panel containing a representative base of senior professionals. Respondents completed the survey either via mobile app or web link.

About Qonto

Qonto is the leading European business finance solution for SMEs with over 400,000 customers. The company empowers its clients to manage their daily banking and all their business finances in one central solution.

Created in 2016 by Alexandre Prot and Steve Anavi, Qonto now operates in 4 European markets (France, Germany, Italy, and Spain), and employs more than 1,300 people.

Since its creation, Qonto has raised €622 million from well-established investors. Qonto is one of France's most highly valued scale-ups and has been listed in the Next40 index, bringing together future global tech leaders, since 2021.

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