



NATIONAL BANK OF GREECE  
Economic Analysis Department

## Survey of Greek SMEs

### Retail Trade

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- ❑ After a decade of rapid growth (2000-2008), retail trade in Greece contracted by 5 per cent per year in terms of volume over the past seven years (compared with growth of 1 per cent per annum on average in the EU). In addition, the number of SME retailers during the period 2008-2013 dropped by circa 30,000 stores, i.e. a cumulative decline of around 16 per cent (the decline in the metropolitan region of Attica being 28 per cent).
- ❑ Unsurprisingly, necessity goods (food retailers and supermarkets) proved to be resilient, with sales declining by around 25 per cent during 2008-2015, while trade in durable consumer goods (household appliances) was under greater pressure as sales plummeted by 60 per cent over the same period.
- ❑ As regards the short-term outlook for the sector, according to our survey, which was based on a questionnaire submitted to a sample of 300 retailers, the business climate in the retail sector looks weaker than the average for the SME sector in Greece. Moreover, only 22 per cent of small and medium retailers state that they have a growth target, compared with 39 per cent for the SME sector overall.
- ❑ Focusing on structural distortions, we single out two notable characteristics:
  - ✓ Small enterprises cover the greatest part of the sector in Greece – specifically, 71 per cent of employment (compared with 56 per cent for Greek SMEs overall, and 37 per cent for retail SMEs in the EU) and 66 per cent of sales (compared with 34 per cent for Greek SMEs overall and 25 per cent for retail SMEs in the EU).
  - ✓ Although of a similar average size as their European counterparts (with annual sales about €0.2 million and two employees per enterprise), Greek small retailers have traditionally showed little ability to generate value added. For instance, while small European retailers have a value added-to-sales ratio that is similar to that of larger retailers (circa 18 per cent), the corresponding ratio among small Greek retailers has, over many years, been significantly lower compared with larger retailers (close to 10 per cent during 2005-2013, compared with 18 per cent for larger Greek retailers). Additionally, while value added as a share of sales has dropped only during the period of the crisis among medium and larger firms, in small retailers this ratio has long pursued a downward spiral (from 16 per cent in 2000, to 12 per cent in 2005, 10 per cent in 2008 and 8 per cent in 2013) suggesting that there are structural obstacles to generating value added.
- ❑ The decline in the value added-to-sales ratio in the Greek retail sector has emerged almost solely because of the reduction in the ratio of gross operating surplus to sales (to 4 per cent in 2013 from 9 per cent in 2000) – with the ratio of labor costs to sales changing very little, suggesting that the workforce is slow to adjust to the new state of play in the sector.

- ❑ To take a closer look, despite the reduction in the value added of the retail sector over the past decade in Greece (3 per cent of GDP in 2013 from 4 per cent in 2008), its role in total employment remained substantial at 12 per cent (compared with 9 per cent on average in Europe). The data from our questionnaire reflect this conservative picture as regards the adjustment of employment in the sector: the percentage of SME retailers that went ahead with redundancies was lower than the rest of the SME segment, both during the initial phase of the crisis (56 per cent compared with 74 per cent during 2008-2012) and in later stages of the crisis (35 per cent compared with 46 per cent during 2013-2015).
- ❑ Besides the high rate of business owners (or family members) among those employed in the sector, the adjustments in employment seem to be constrained by the fact that there is not much of a surplus workforce in the sector (just 16 per cent on the basis of European data) while the basic surplus production factor is fixed capital (by 376 per cent on the basis of European data).
- ❑ Furthermore, the small size of Greek retailers puts additional pressure on their liquidity and their operating cycle, as their suppliers have significant negotiating power, with the main supplier covering 40 per cent of their total purchases and usually being a large enterprise (with 30 per cent of them being foreign enterprises). Indicatively, we note that in Greece 3 retailers correspond to one wholesaler compared with 2 on average in the EU – implying a relatively more oligopolistic structure in the Greek wholesale trade sector than is the case in the rest of Europe.
- ❑ The static and conservative reaction of SME retailers throughout the crisis has not been uniform across all firms operating in the sector. On the one hand, ¼ of the sector stands out negatively for not having made any investment or strategic move over the past five years; on the other hand, a dynamic 38 per cent of the sector stands out positively for having gone ahead with a combination of investment and strategic moves thereby achieving better operating results. Note that the dynamic enterprises are more evident in rural regions, where they cover 45 per cent of the sector compared with 31 per cent in the main urban centers of Athens and Thessaloniki.
- ❑ An increase in the average size of firms (e.g., through partnerships or mergers) should help to correct some of these structural distortions. This development should enable the creation of economies of scale that will help forge an effective business culture that can generate high value added in the sector, by means of strategies that target (i) branding, (ii) e-commerce, and (iii) supplier relations. Given that the basic factor of production in excess capacity is fixed capital and not labor, the number of employees in the sector could remain unchanged (even after the closure of some of the retail stores) with the majority of them thereafter working for larger retailers.

## □ Retail trade: the state of play

### □ Structural characteristics

### □ Evaluation of response to the crisis

### □ Priorities for strengthening the sector

### □ Annex

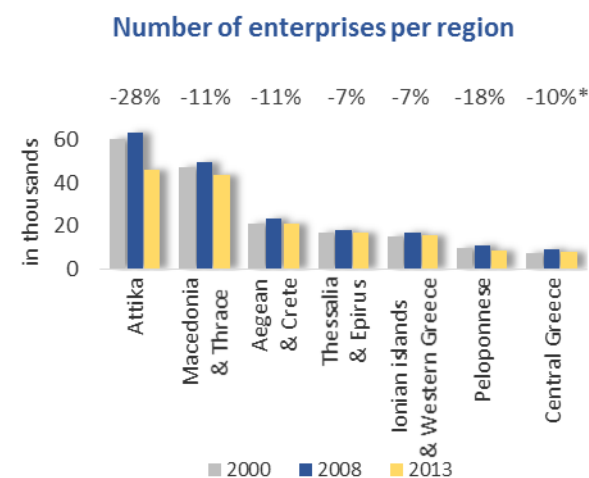
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## The contraction of retail trade in Greece over the past seven years is reflected by an average annual reduction in transaction volume by 5 per cent and aggregate closure of more than 30,000 stores

- ❑ After a decade of rapid growth (4 per cent annually, in terms of volume during 2000-2008), retail trade in Greece declined by 5 per cent per year in terms of volume over the past seven years (compared with average growth of 1 per cent annually in the EU).
- ❑ Over the past five years, the number of retailers in Greece fell by 16 per cent (to 160,105 stores in 2013 compared with 191,218 in 2008 and 178,699 in 2000), although this decline was not uniform across all regions. Specifically, in Attika (which covers 29 per cent of all stores) there was a reduction of 28 per cent between 2008-2013, whereas the reduction in other areas for the same period varied from 7 per cent (in Thessaly, Epirus, Ionian Islands and West Greece) to 18 per cent (in the Peloponnese).
- ❑ Note that the crisis did not lead to a rationalization of the structure of the sector, since rather than reducing it in fact increased the already high contributing share of small enterprises (with turnover less than €1 million) – as a result, small enterprises now cover 2/3 of the retail trade sector, compared with ½ a decade ago. Although weaker and with a higher impact from the crisis, small enterprises seem to be shrinking in size but for the most part are not closing. As a result, the downgrade of larger enterprises to a smaller size-scale – as a result of declining sales overall – and their inability to displace the existing smaller enterprises has led to a gradual increase in the share of small enterprises in the sector.

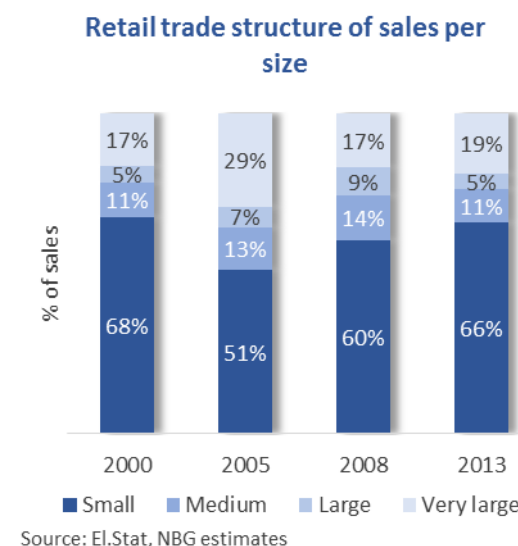


Sources: Eurostat, El.Stat., NBG estimates



\*rate of change between 2008-2013

Source: El.Stat., NBG estimates



Source: El.Stat., NBG estimates

\*The classification in the above diagrams refers to scales of turnover. Specifically (in € millions): small = (0-1), medium = (1-10), large = (10-50), very large = (over 50).

## Supermarkets and food trade proved to be resilient, while trade of household appliances was under greater pressure

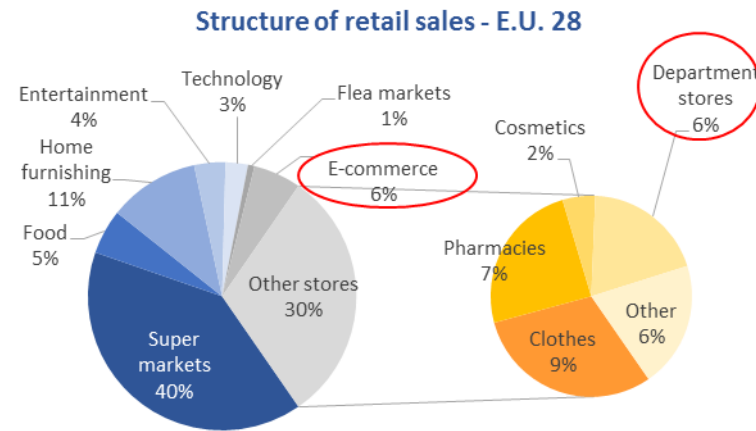
| Evolution of retail trade per subsector |             |             |
|---|-------------|-------------|
|   | 2008 - 2015 | 2000 - 2008 |
| Home furnishing                         | -60%        | 53%         |
| Technology                              | -45%        | 60%         |
| Clothes                                 | -38%        | 36%         |
| Cosmetics                               | -35%        | 61%         |
| Entertainment                           | -32%        | 68%         |
| Food                                    | -30%        | 41%         |
| Super markets                           | -23%        | 104%        |

Source: Eurostat, NBG estimates

- When we look at the progress of the various individual business segments we see that the decline in sales during 2008-2015 was not uniform. Specifically:
  - ✓ A less marked decline in sales was reported at supermarkets (-23 per cent) and food retail trade (-32 per cent), since they largely concern necessity goods. Note that these are the largest retail subsectors in Greece, covering 38 per cent and 12 per cent of SMEs segments, accordingly.
  - ✓ By contrast, trade in durable consumer goods proved to be under greater pressure, with retail sales of household appliances dropping by 60 per cent.
- As to the contribution of each retail segment, the mix of domestic retailers is to a large extent similar to the European average -- with the exception of the low penetration of department stores (1 per cent compared with 6 per cent in Europe) and e-commerce (3 per cent compared with 6 per cent in Europe).



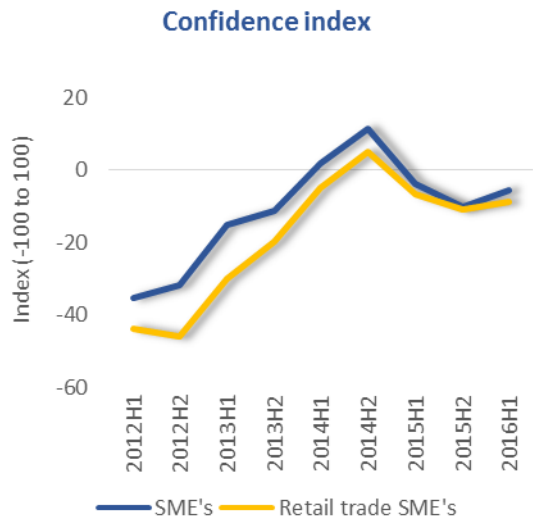
Source: Eurostat, NBG estimates



Source: Eurostat, NBG estimates

\*The classification of sizes in the above diagrams refers to number of employees. Specifically (in persons): small [1-9], medium [10-49], large [over 50].

## Business climate is weak among retail SMEs

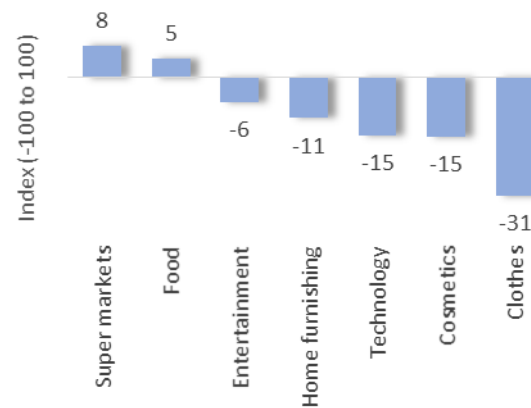


- Reflecting to a large extent the high percentage of small enterprises and the limited potential for exporting activity, the business climate in the SME retail sector -as reflected on NBG's business confidence index- looks weaker than the average for the overall SME segment during the crisis. However, on a positive note, there is a gradual reduction of the divergence of the retail trade confidence index from that of the whole SME segment (with a gap close to 4 points during 2014-2016 compared with 12 points during 2012-2013).
- Small retailers post a weaker confidence index of -13 points in H1.2016 compared with -1 point for larger retailers, with just 19 per cent of small retailers stating growth targets compared with 28 per cent for larger retailers. A closer look at specific subsectors shows that supermarkets stand out positively, while clothing stores appear to be weaker.

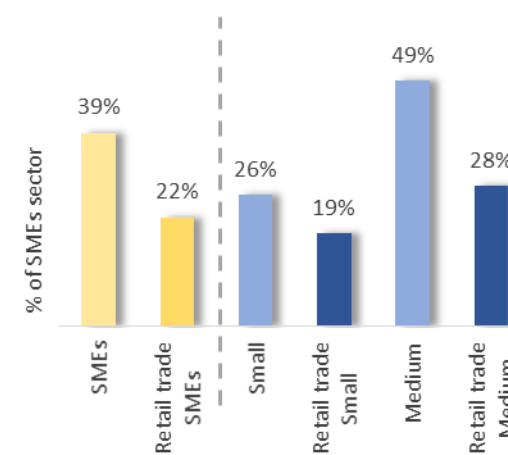
### Confidence index: Retail trade SMEs



### Confidence index per retail trade subsector



### Growth strategy



\*The classification in the above diagrams refers to scales of turnover. Specifically (in € millions): small = (0-1), medium = (1-10).

- Retail trade: the state of play

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- Priorities for strengthening the sector

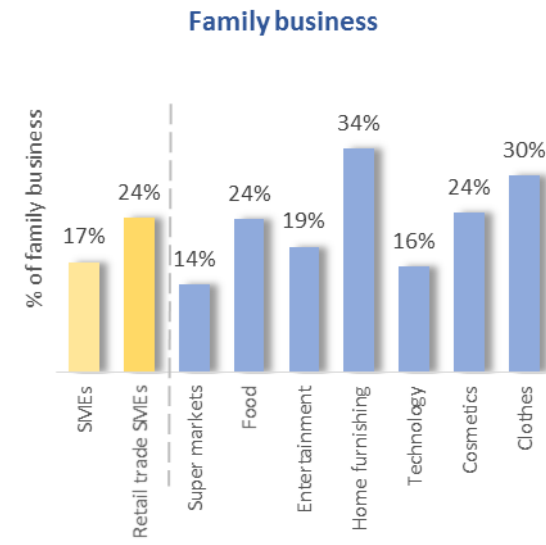
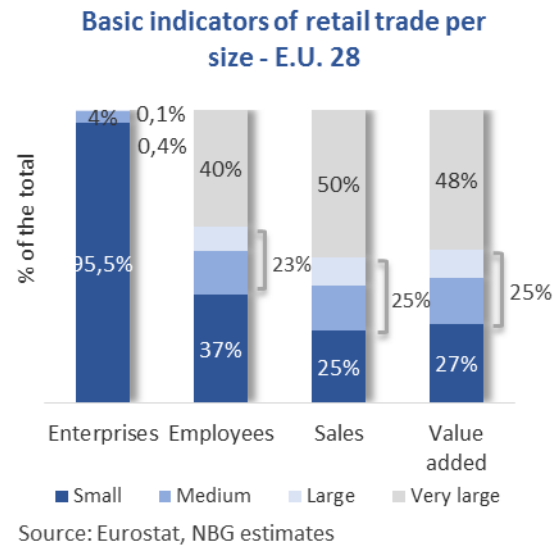
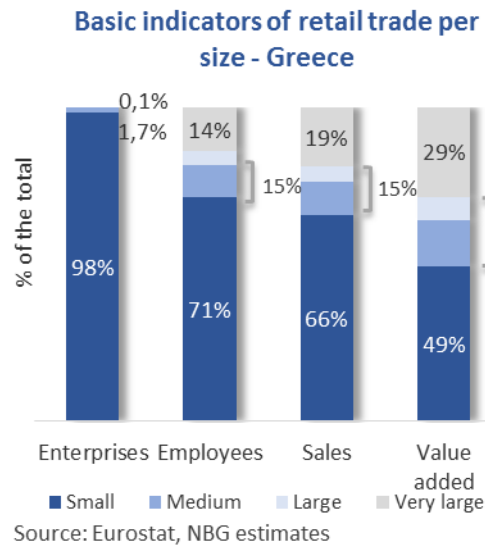
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## In terms of structure of the retail sector, the crisis widened the gap between Greece and the EU

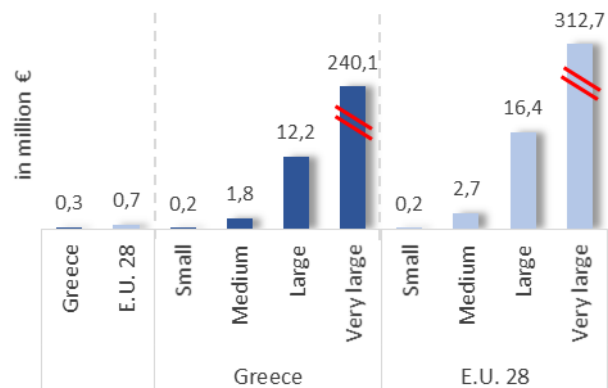
- While small enterprises form the majority of retailers both in Greece and Europe (98 per cent of total enterprises in Greece and 96 per cent in the EU), their macroeconomic contribution is higher among Greek SMEs, covering 71 per cent of employment (compared with 37 per cent in the EU) and 66 per cent of sales (compared with 25 per cent in the EU).
- The high proportion of small retailers in the sector is partly explained by the large number of family enterprises, covering 24 per cent of the retail sector compared with 17 per cent for SMEs overall). Note that this percentage ranges between 14 per cent for supermarkets and 34 per cent for retail trade of household appliances.
- By contrast, the share of very large enterprises (with annual turnover over €50 million) is very low in the retail sector in Greece, covering 14 per cent of employment (compared with 40 per cent in Europe) and 19 per cent of sales (compared with 50 per cent in Europe).



\*The classification of sizes in the above diagrams refers to number of employees. Specifically (in persons): small = (1-9), medium = (10-49), large = (50-249), very large = (over 250).

## Greek small retailers have traditionally showed little ability to generate value added...

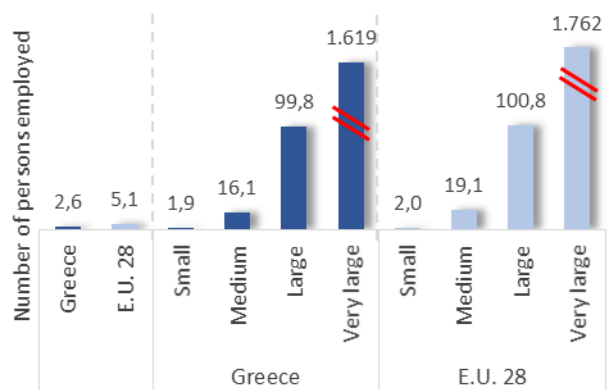
Average size of retail trade enterprises



Source: Eurostat, NBG estimates

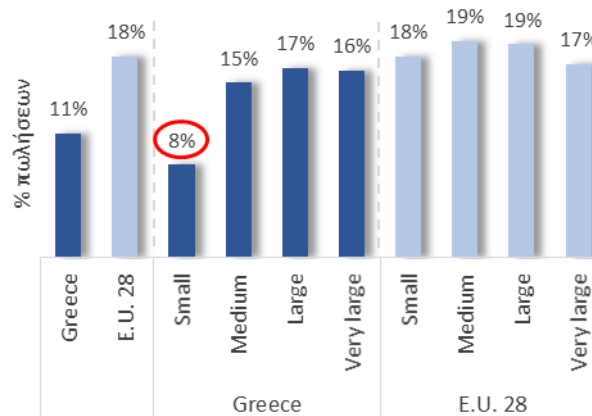
- Although the size of small retailers in Greece and Europe is similar (with sales in the region of €0.2 million per annum and two employees per firm), their ability to generate value added differs significantly.
- For instance, while small European retailers have a value added-to-sales ratio that is similar to that of larger retailers (circa 18 per cent), the corresponding ratio among small Greek retailers has, over many years, been significantly lower compared with larger retailers (about 10 per cent during 2005-2013, compared with 18 per cent for larger Greek retailers).
- One reason for the limited ability of Greek SME retailers to generate value added is the existence of a part of the sector that deals in resale of products and covers 8 per cent of total sales -- while this percentage rises to 20 per cent in the tech products sector.

Average employment in retail trade



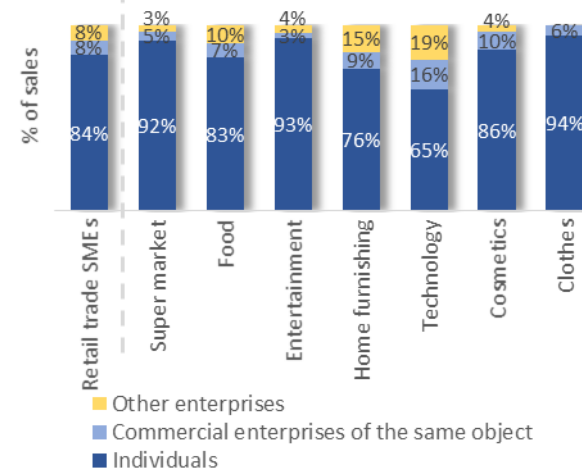
Source: Eurostat, NBG estimates

Value added / Sales in retail trade



Source: Eurostat, NBG estimates

Distribution of sales per subsector of retail trade

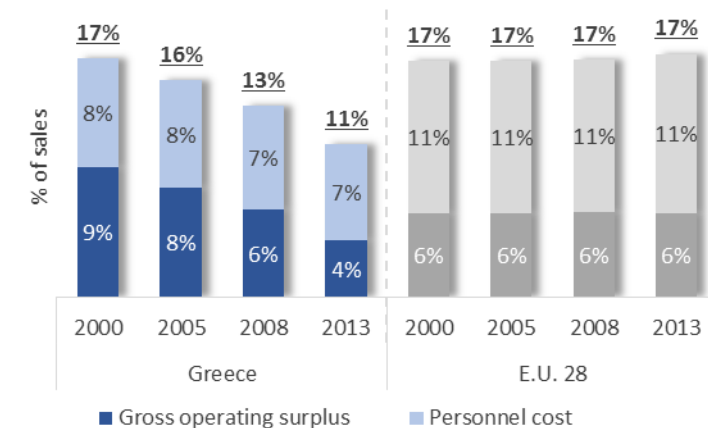


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## ...with the pressure over time becoming evident in the operating profitability of small retailers...

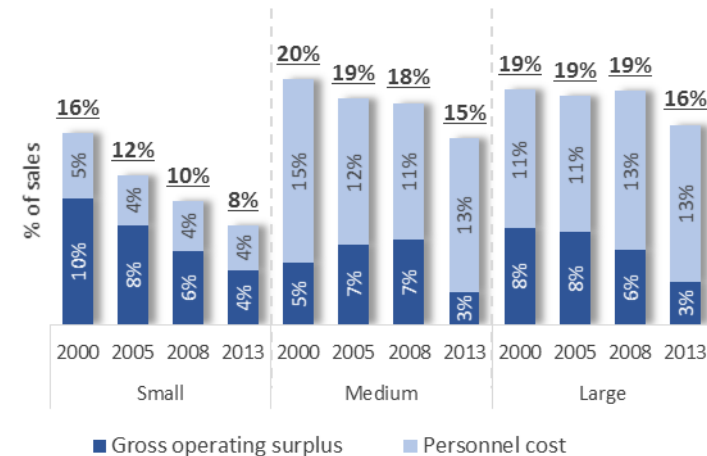
- When we take a look at the value added-to-sales ratio, we see that in 2000 this ratio stood at the European average (even contributing a higher gross operating surplus due to the higher percentage of self-employed in the Greek sector). However, this ratio has followed a downward trend in the last 15 years (ending up at 11 per cent in 2013 compared with 17 per cent in 2000) while the average European ratio has remained flat over time, at 17 per cent.
- This decline in Greece has emerged almost solely because of the reduction in the ratio of gross operating surplus to sales (to 4 per cent in 2013 from 9 per cent in 2000) – with the ratio of labor costs to sales changing very little, suggesting that the workforce is slow to adjust to the new state of play in the sector.
- In addition, while the decline in the rate of value added in retail sales among medium and larger retailers has occurred only during the period of the crisis, in small retailers this ratio has long pursued a downward spiral (from 16 per cent in 2000, to 12 per cent in 2005, 10 per cent in 2008 and 8 per cent in 2013) suggesting that there are structural obstacles to generating value added.

Contribution of retail trade value added



Source: Eurostat, El.Stat., NBG estimates

Contribution of retail trade value added

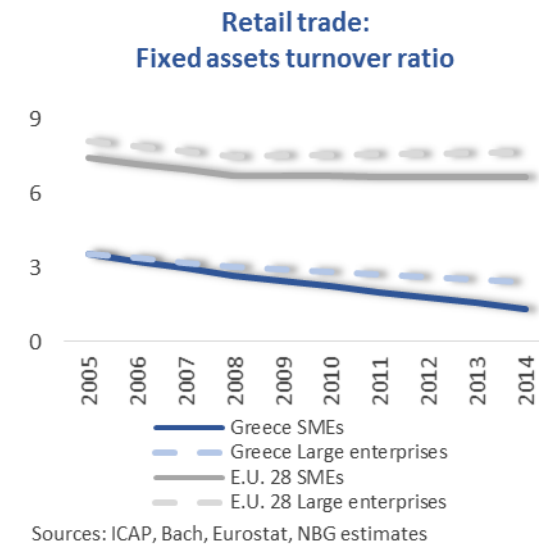
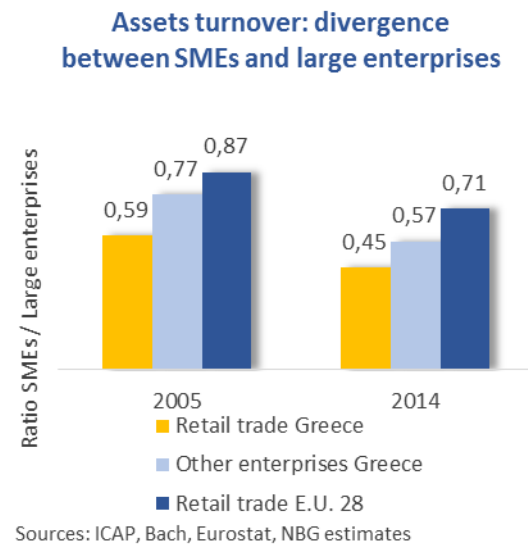
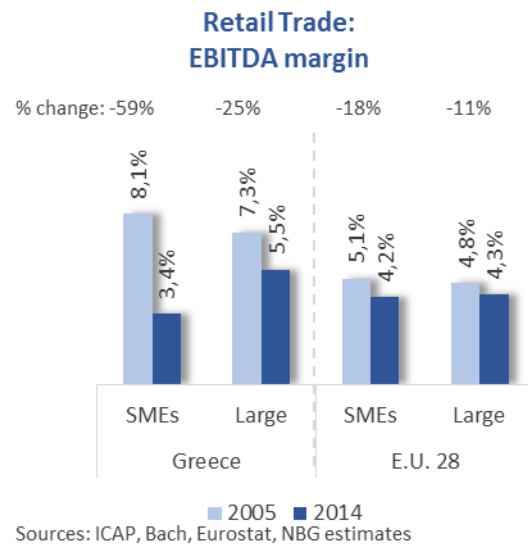


Source: El.Stat., NBG estimates

\*The classification of sizes in the above diagrams refers to number of employees. Specifically (in persons): small [1-9], medium [10-49], large [over 50].

## ...which is corroborated by the financial results of SME retailers

- The pressure on the profitability of Greek retailers over the years is evident in the financial statements of these companies, and especially of SMEs whose operating profit margin posted a heavy decline (by 60 per cent) from the relatively high 8.1 per cent in 2005 to 3.4 per cent in 2014 (compared with 5.5 per cent for larger retail companies, which saw a smaller decline of around -25 per cent over the same period).
- The lag of SME retailers is even more marked in terms of asset turnover, while the divergence from larger retail companies increasing over time (60 per cent lower asset turnover in 2014 compared with 40 per cent in 2005). Note that the divergence between SMEs and larger firms is smaller in the rest of the Greek business sector (40 per cent lower in 2014) and in the European retail sector (30 per cent lower in 2014).
- The widening divergence of the asset turnover of Greek SME retailers compared with their larger competitors in the sector reflects mainly the steadily deteriorating return of fixed capital of Greek SME retailers, thereby revealing an ever-growing problem of efficiency. At this point, it should be stressed that SME retailers present an uneven picture, given the fact that (i) 1/3 of SME retailers show efficiency in the use of fixed capital similar to that in the rest of Europe and (ii) 1/4 operate at a level of efficiency 20 per cent below that of the European average.



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- Retail trade: the state of play

- Structural characteristics

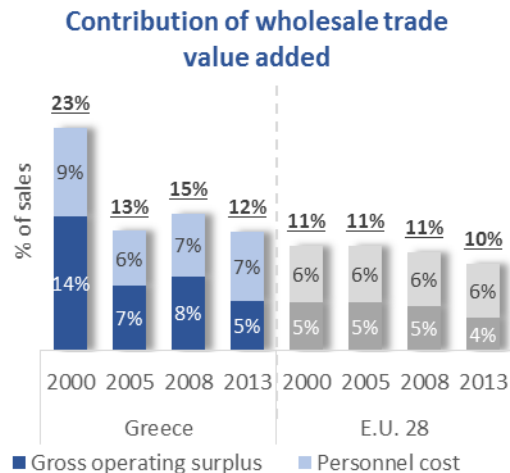
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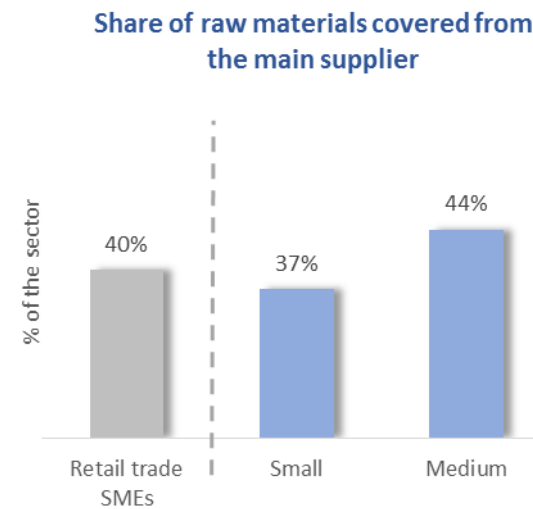
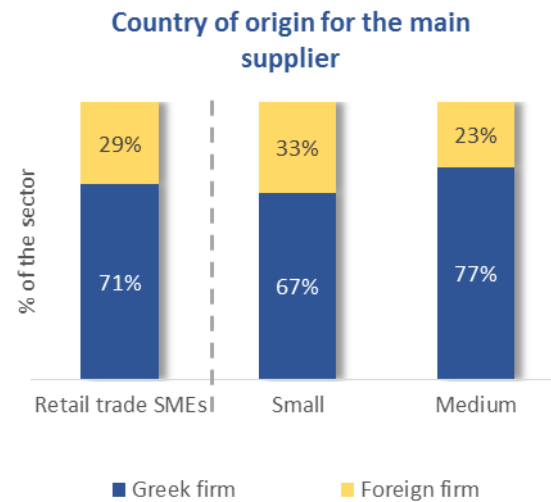
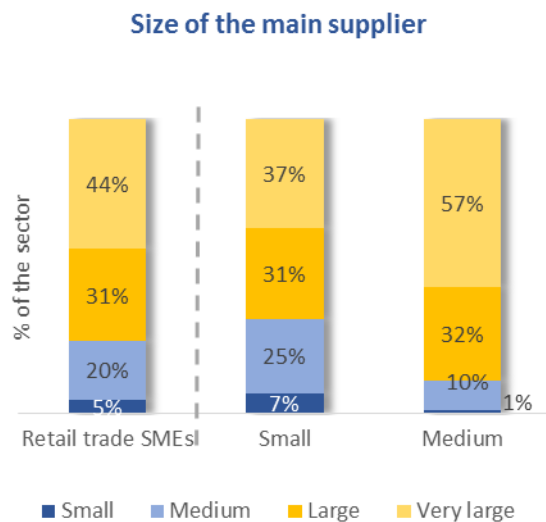
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## SME suppliers have a strong negotiating position, with the main supplier covering 40 per cent of total purchases and usually being a large company (indeed, 30 per cent of them are foreign)...



Source: Eurostat, El.Stat., NBG estimates

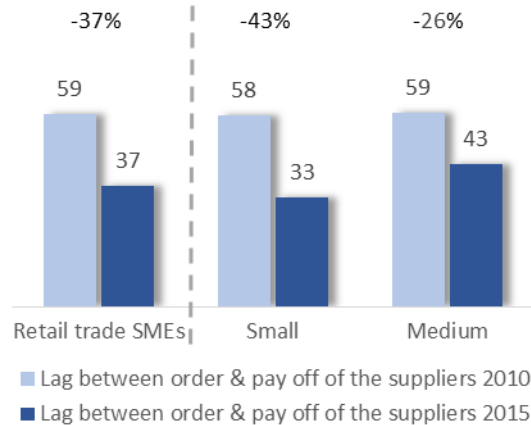
- While value added on sales has been low in the Greek retail trade sector during the crisis (11 per cent in 2013 compared with 16 per cent in 2015 and 18 per cent in the EU), Greek wholesale trade appears to show a stronger ratio compared to the European average (12 per cent in 2013 compared with 13 per cent in 2015 and 10 per cent in the EU). The better position of Greek wholesale traders is a result of the relative size of such enterprises, with 75 per cent of SME retailers being supplied by large or very large firms (and 30 per cent by foreign firms).
- The weak negotiating position of Greek retailers over time is corroborated by the fact that on average 40 per cent of their raw materials are supplied by just one wholesaler – which understandably has led to increased pressure on SME retailers during the crisis. Indicatively, we note that in Greece 3 retailers correspond to one wholesaler compared with 2 on average for the EU – implying a more oligopolistic structure in the Greek wholesale trade sector than is the case in the rest of Europe.



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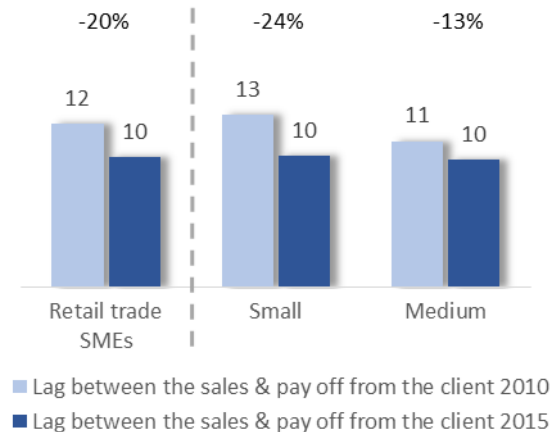
## ...thus putting pressure on the operating cycle and liquidity of retail enterprises

### Duration of the suppliers pay off

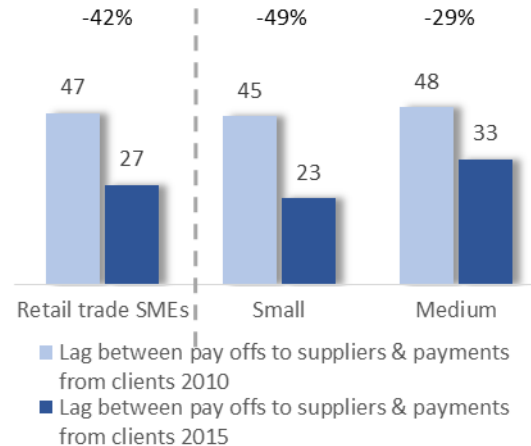


- The negotiating position of suppliers during the current crisis is reflected in the significantly lower credit margin provided to retail suppliers, which SME retailers managed to pass on only in part to their customers. As a result, the financing margin of 1.5 months provided to SME retailers in 2010 (since they were supposed to pay their suppliers within in 59 days while collecting payments in 12 days) had contracted to less than 1 month in 2015 (as they were now supposed to pay their suppliers within 37 days while collecting in 10 days.)
- Small retailers were hit the most, as this margin shrank to 23 days in 2015 compared with 45 days in 2010.
- In part as a result of this reduced financing margin, days between orders fell to 12 days in 2015 compared with 16 days in 2010.

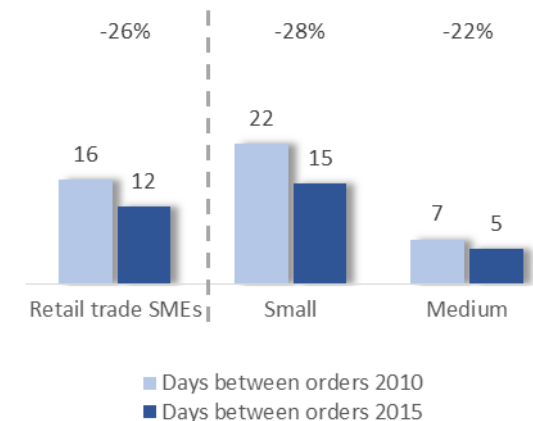
### Duration of the clients pay off



### Lag between pay offs to suppliers and payments from clients



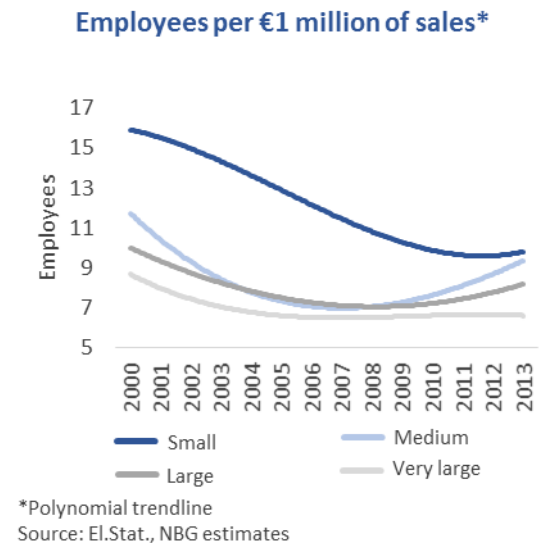
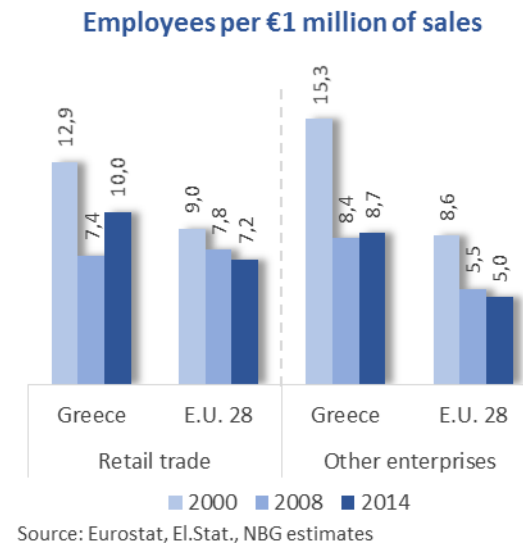
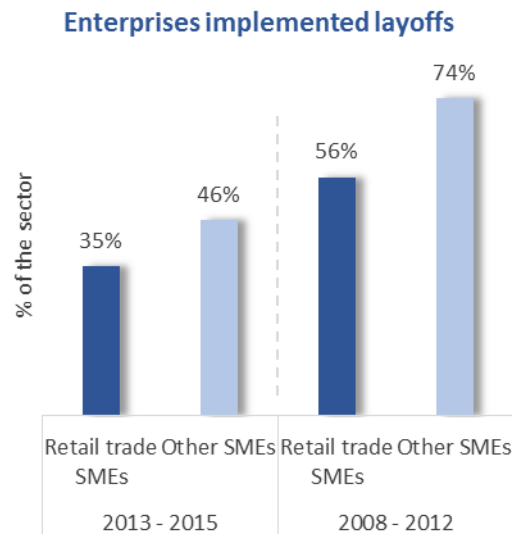
### Frequency of orders



\*The classification in the above diagrams refers to scales of turnover. Specifically (in € millions): small = (0-1), medium = (1-10), large = (10-50), very large = (over 50).

## In response to the crisis, SME retailers have shown low flexibility and high conservatism in terms of employment...

- ❑ Despite the reduction in the value added of the retail sector over the past decade in Greece (3 per cent of GDP in 2013 from 4 per cent in 2008), its role in total employment remained substantial at 12 per cent (compared with 9 per cent on average in Europe). The data from our questionnaire reflect this conservative picture as regards the adjustment of employment in the sector: the percentage of SME retailers that went ahead with redundancies was lower than the rest of the SME segment, both during the initial phase of the crisis (56 per cent compared with 74 per cent in the period 2008-2012) and in later stages of the crisis (35 per cent compared with 46 per cent in the period 2013-2015).
- ❑ We single out two notable causes of this phenomenon: (i) low flexibility and (ii) low rate of excess staff prior to the crisis.
  - ✓ The large share of small retailers in the retail trade market limits the ability of employment to adapt, since a significant number of employees are self-employed and members of the family of the owner.
  - ✓ The divergence in labor productivity between Greece and the EU (employees/sales) was zero prior to the crisis for the retail trade sector (compared with 35 per cent for the rest of the business sector) and remains smaller in comparison with that of the rest of the business sector.

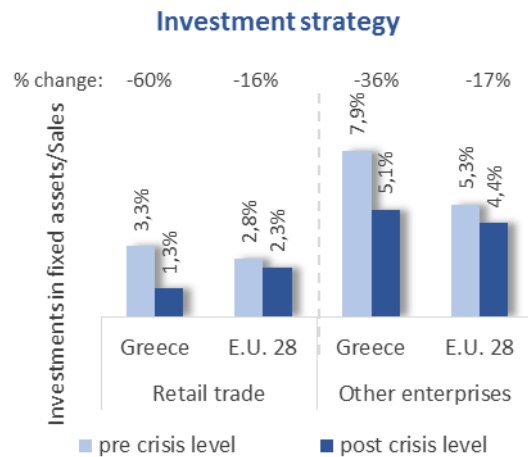


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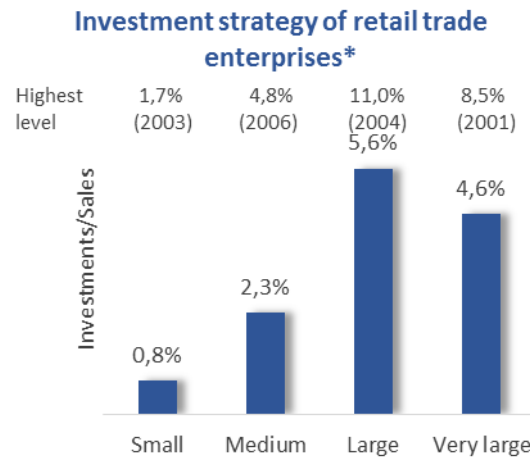


## ... of investments ...

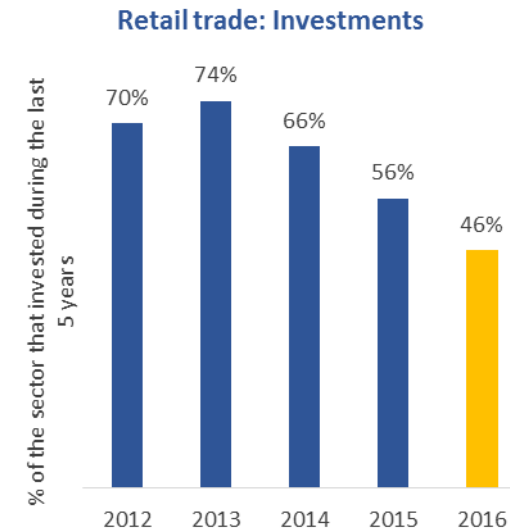
- Alongside the "freeze" in terms of employment, similar behavior has been observed in the Greek retail trade sector in terms of investments, with the gross fixed capital formation-to-sales ratio down by 60 per cent over the course of the crisis (at 1.3 per cent of sales compared with 3.3 per cent for the period prior to the crisis) – a rate that is significantly higher compared with the reduction of the corresponding investment ratio both for the rest of the Greek business sector (-36 per cent) and the European retail trade sector (-17 per cent) in the same period.
- Focusing on the SME retail trade sector, we note their persistently weak investment behaviour (investing 1-2 per cent of their sales annually over the past fifteen years compared with 4.5-5.5 per cent for larger Greek retailers).
- In line with the general deteriorating trend of the retail trade sector in Greece, the already slack investment appetite of SME retailers has steadily weakened further in these past years, with only 46 per cent of the sector stating in 2016 that they have gone ahead with capital investments during the past five years, while the respective rate in 2013 was 74 per cent.



\* average 2005 - 2008  
 \*\* average 2009 - 2014  
 Sources: Eurostat, El.Stat., NBG estimates



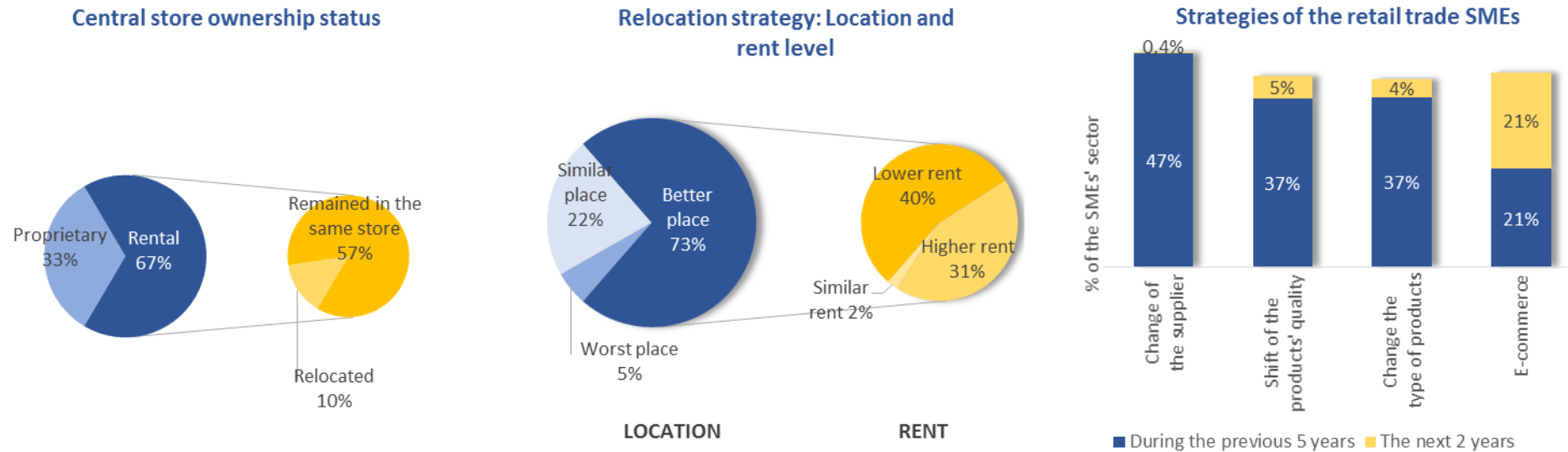
\*Average 2000 - 2013  
 Source: El.Stat., NBG estimates



\*The classification in the above diagrams refers to scales of turnover. Specifically (in € millions): small = (0-1), medium = (1-10), large = (10-50), very large = (over 50).

## .... and of making strategic moves

- The relatively inert stance of SME retailers is further corroborated by two facts: (i) the sluggish capitalization on the new conditions of the commercial real estate rental market and (ii) the adoption of conservative/traditional strategies in the face of the crisis.
  - ✓ While 2/3 of the sector rent their premises, only 10 per cent have chosen to relocate during the past five years. More specifically, a mere 40 per cent of this subsegment (i.e. 4 per cent of SME retailers) exploited strategically the current juncture of excess supply and low rents so as to relocate to a better store (in the same or a different area) at a lower rent.
  - ✓ While a large portion of the sector (circa ½) went ahead with conservative changes in strategy, i.e. changing supplier, type and/or quality of product, a mere 21 per cent of the sector decided to incorporate e-commerce services in its business activity. We note that SMEs, though aware of the significance of this strategy (with almost half the sector stating that they have already invested or intend to invest in the next two years in e-commerce), nevertheless appear to be reluctant to actually go ahead with such plans and tend to put them off for the medium-term, in contrast with traditional strategies, which for the most part they have already implemented.



\*The classification in the above diagrams refers to scales of turnover. Specifically (in € millions): small = (0-1), medium = (1-10).

- Retail trade: the state of play

- Structural characteristics

- Evaluation of response to the crisis

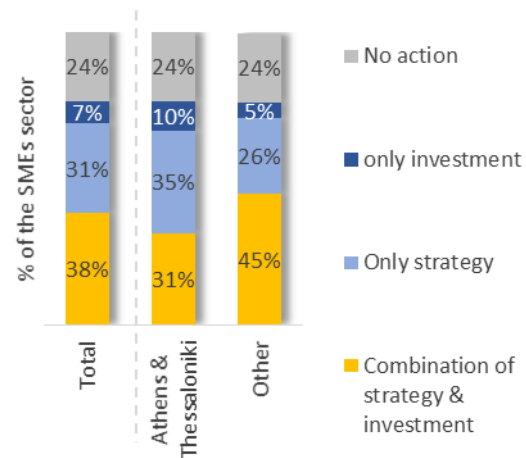
- Priorities for strengthening the sector

- Annex

- Macroeconomic indicators
- Business confidence index for SMEs
  
- Size
- Efficiency
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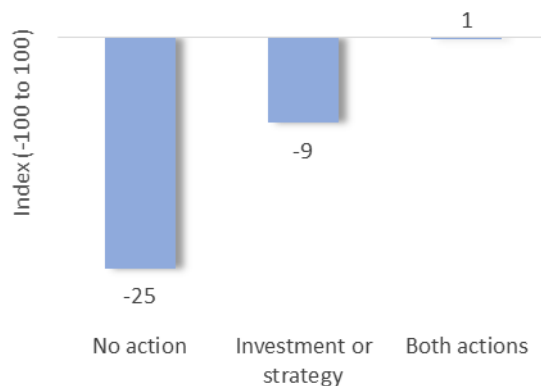
## ¼ of SME retailers have not made any investment or strategic move to address the crisis

### Degree of dynamism for the retail trade SMEs

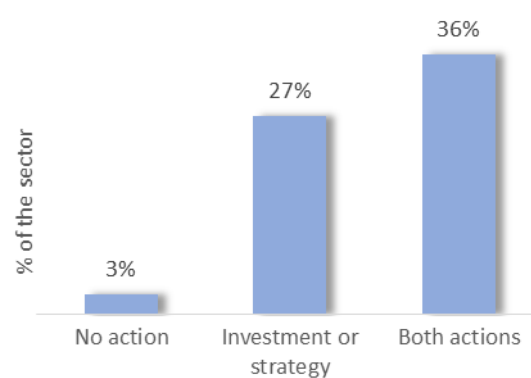


- The passive behavior of SME retailers throughout the crisis has not been uniform across all firms operating in the sector. More specifically, while ¼ of the sector has not made any investment or strategic move over the past five years, a dynamic 38 per cent of has gone ahead with a combination of investment and strategic moves. Note that the dynamic enterprises are more evident in rural regions, where they cover 45 per cent of the sector compared with 31 per cent in the main urban centers of Athens and Thessaloniki.
- The significance of the level of dynamism of SMEs is apparent in a range of economic indicators and results, as dynamic SME retailers:
  - ✓ Had a positive business confidence index in the first half of 2016 (compared with -25 points for passive SMEs);
  - ✓ Stated a growth target at a rate of 36 per cent (compared with 3 per cent for passive SMEs).
  - ✓ Intend, at a rate of 33 per cent, to hire new staff in the following year (compared with no hiring plans for passive SMEs).
  - ✓ Posted a growth in sales and prices at a rate of 37 per cent in the period 2013-2015 (compared with 12 per cent of passive SMEs).

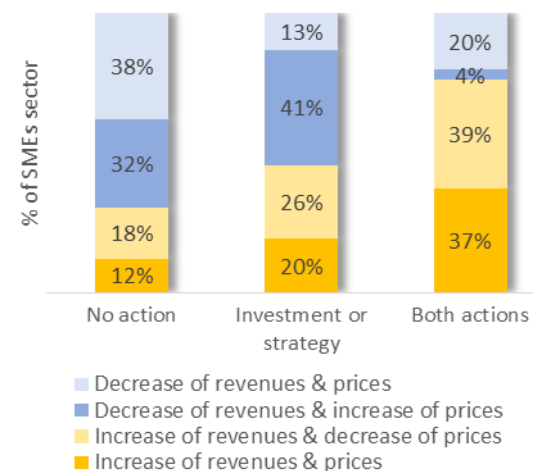
### Confidence index per kind of implemented action



### Growth strategy per kind of implemented action

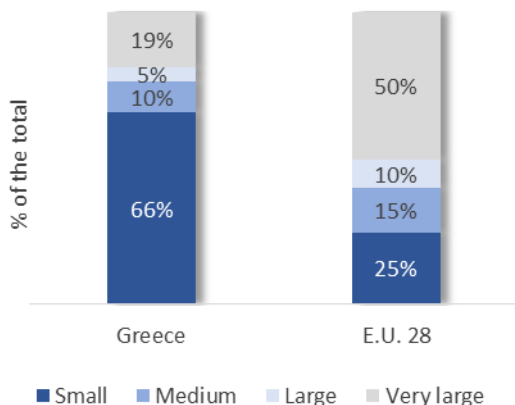


### Results of the implemented action the previous 3 years



## The retail trade sector in Greece needs an increase in the size of enterprises and an enhancement of the entrepreneurship culture

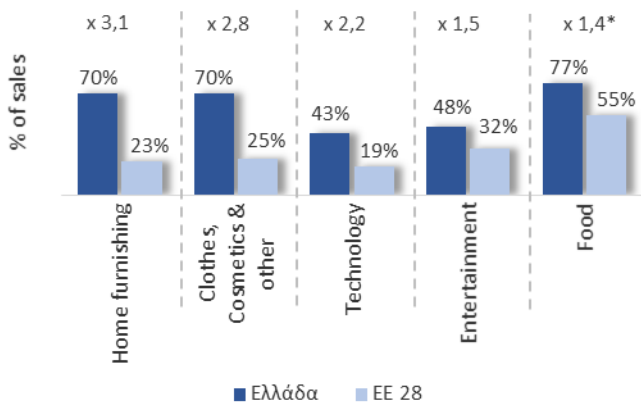
Sales of retail traders per size



Source: El.Stat., NBG estimates

- A basic structural weakness of the retail trade sector in Greece is the high contribution of small enterprises (covering 66 per cent of the sector compared with 25 per cent in the EU) - with this distortion being more marked in the household appliances and clothing segments. Partnerships and/or mergers among the enterprises could help to strengthen their position.
- At the same time, an increase in the size of firms should enable the creation of economies of scale that will help them to adopt strategies that target (i) branding, (ii) e-commerce, and (iii) supplier relations, while forging an effective business culture that can generate high value added in the sector - thus also rectifying the second basic structural imbalance.
- In this process of restructuring, the basic production factor in surplus (as a percentage of sales) is fixed capital and not the employees of the sector. Consequently, the number of employees in the sector could remain unchanged (even after the closure of some of the retail stores) with the majority of them thereafter working for larger retail enterprises.

Contribution of the small enterprises



\*ratio Greece / E.U.28

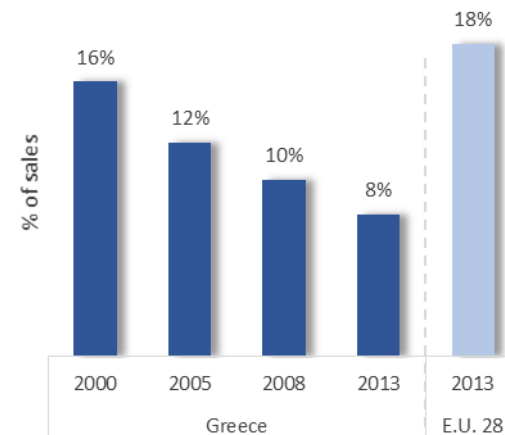
Source: Eurostat, NBG estimates

Use of production factors in retail trade: Comparison between Greece and E.U. 28

|                                  | Greece | E.U. 28 | Surplus |
|----------------------------------|--------|---------|---------|
| Employees / Sales (in million €) | 8,7    | 7,6     | 16%     |
| Fixed assets / Sales             | 0,67   | 0,14    | 376%    |

\*The estimation has been done as the weighted average of the indexes of the individual sizes  
Sources: ICAP, BACH, Eurostat, NBG estimates

Small retail trade enterprises: Value added as percentage of sales

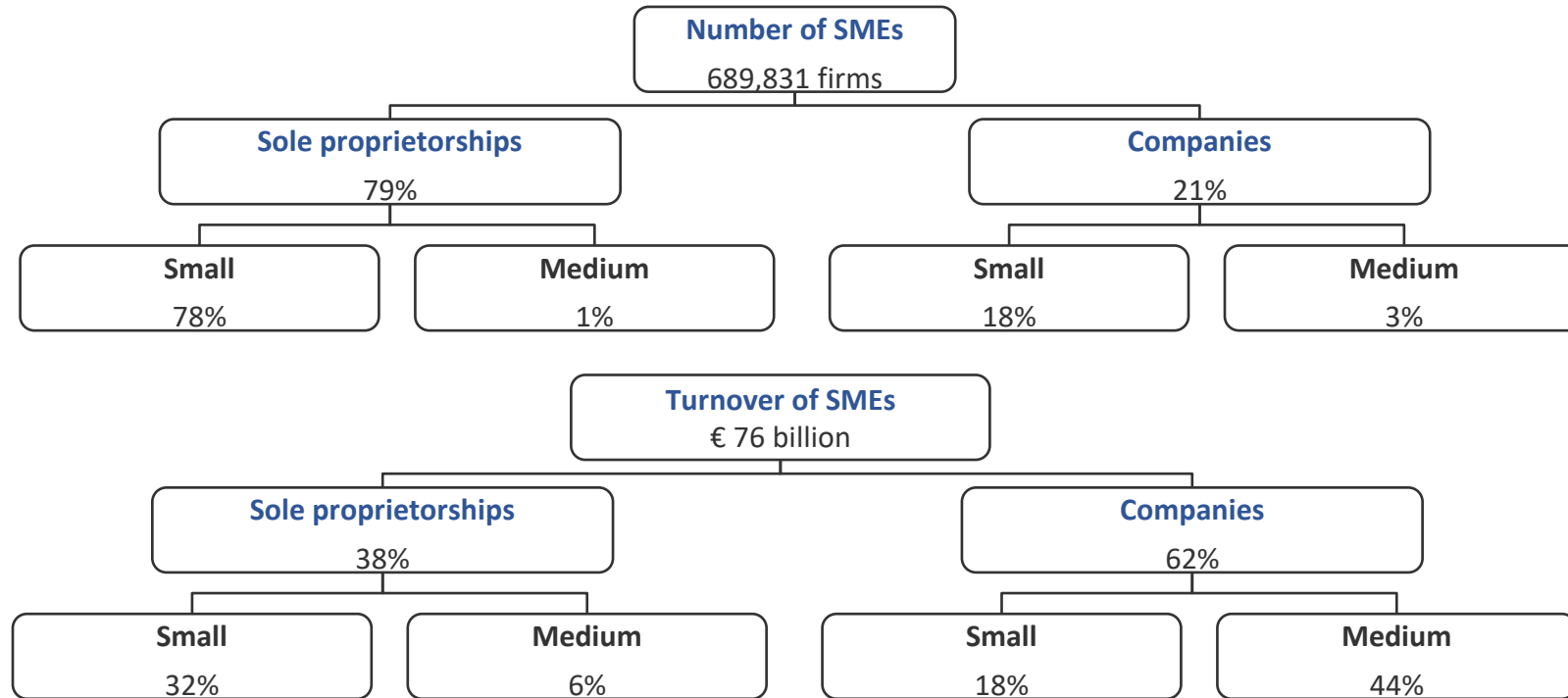


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□ Annex

## Mapping the SME segment in Greece



*\* For the purposes of the survey, small enterprises are those reporting turnover of less than €1 million and medium-sized enterprises are those reporting turnover of between €1 million and €10 million.*

Source: SBA Factsheet 2015, Eurostat, EL.STAT. Company Register, NBG Estimates

- ❑ The circa 690,000 SMEs in Greece generate turnover of around €76 billion.
- ❑ 4/5 of SMEs are sole proprietorships, which account for a corresponding share of the total domestic business sector (compared with just ½ of the business sector in Europe).
- ❑ Although sole proprietorships comprise the majority of SMEs, the greater share of turnover (over 60%) is generated by companies of various legal status (SA, limited partnership, limited liability, etc.).

## Sample Description

| Sample Structure* (number of companies) |               |            |            |              |             | Greek SMEs segment structure * (based on turnover) |               |            |            |              |             |
|---|---------------|------------|------------|--------------|-------------|--|---------------|------------|------------|--------------|-------------|
| Turnover (in million €)                 | Manufacturing | Services   | Trade      | Construction | Total SMEs  | Turnover (in million €)                            | Manufacturing | Services   | Trade      | Construction | Total SMEs  |
| 1: (0 - 0,1]                            | 45            | 45         | 73         | 30           | 193         | 1: (0 - 0,1]                                       | 1%            | 5%         | 2%         | 1%           | 9%          |
| 2: (0.1 - 0,5]                          | 45            | 45         | 73         | 30           | 193         | 2: (0.1 - 0,5]                                     | 3%            | 6%         | 12%        | 1%           | 22%         |
| 3: (0.5 - 1]                            | 45            | 45         | 74         | 30           | 194         | 3: (0.5 - 1]                                       | 2%            | 3%         | 9%         | 1%           | 15%         |
| 4: (1 - 2,5]                            | 45            | 45         | 74         | 30           | 194         | 4: (1 - 2,5]                                       | 3%            | 3%         | 11%        | 1%           | 18%         |
| 5: (2.5 - 5]                            | 45            | 45         | 73         | 30           | 193         | 5: (2.5 - 5]                                       | 4%            | 4%         | 8%         | 1%           | 17%         |
| 6: (5 - 10]                             | 45            | 45         | 73         | 30           | 193         | 6: (5 - 10]  | 4%            | 4%         | 9%         | 2%           | 19%         |
| <b>Total SMEs</b>                       | <b>270</b>    | <b>270</b> | <b>440</b> | <b>180</b>   | <b>1160</b> | <b>Total SMEs</b>                                  | <b>17%</b>    | <b>25%</b> | <b>51%</b> | <b>7%</b>    | <b>100%</b> |

\* Depending on data availability, there is possible deviation of 10 per cent

\* Weighted average of SME segment structure in 2007 (25%) and 2013 (75%)

Source: EL.STAT. Company Register (2007), ICAP Data, Eurostat, NBG Estimates

- ❑ Our survey examines a sample of enterprises with a turnover of below €10 million, which, for the purposes of the analysis, we define as small and medium-sized enterprises (SMEs).
- ❑ Enterprises were selected using a stratified sampling method, in line with the standards of similar surveys carried out by international organizations. Specifically, a total of 1.164 enterprises were selected in such a way as to enable even distribution of the sample on the basis of two key factors: scale of turnover (6 scales) and sector of activity (Manufacturing, Trade, Services, Construction).
- ❑ In order to draw conclusions that are representative of the SME segment, answers were weighted according to the participation of each sub-set in the total turnover of the segment. Thus, findings were arranged (i) by size, (ii) by sector, and (iii) for the entire SME business sector. In line with the methodology, the segments are weighted on the basis of their shares in total turnover and not the number of enterprises.



- ❑ In order to construct a confidence index for SMEs, we included a number of basic questions regarding the level of business activity in the previous and in the coming half year. The model for the questions is based on the harmonized questionnaire recommended by the OECD and the European Commission, thereby enhancing the comparability of the index.
- ❑ The Index questions offer 3 alternative answers: increase (+), no change (=), decrease (-), or above normal (+), normal (=), below normal (-). To begin with, we convert the number of answers per category (+,=,-) to percentages and then we calculate the net result by subtracting the (-) from the (+) percentage. Last, the confidence index for each sector is the average of the net results for the following questions:
  - ✓ For **manufacturing**: The level of orders, inventories, and future production trend.
  - ✓ For **services**: The business situation of the firm in the previous half year, past and future demand trend.
  - ✓ For **trade**: Level of inventories, past and future demand.
  - ✓ For **construction**: Level of backlog, and future employment trend.
- ❑ For the SME sector, the business confidence index has been estimated as a weighted average of its subsectors (the weights being the shares of the sectors' turnover in the economy).
- ❑ By carrying out the survey on a regular 6-month basis, we should be able to form a picture of SMEs' course over time, as reflected in the index. To draw reliable conclusions, comparison will be made between the current index level and its long-term average (so as to correct possible over-optimism or over-pessimism bias).
- ❑ The evolution of the confidence index (and any other reviews over the course of time) does not take into account the closing of companies, just the developments regarding enterprises operating during the period this survey is carried out.

- ❑ Company: TNS
- ❑ Methodology: Quantitative research in the form of Computer Aided Telephone Interviewing - C.A.T.I., using a 20-minute structured questionnaire.
- ❑ Sample: A total of 1,160 interviews were conducted (960 within the context of the current assessment plus 200 booster interviews with SME Retail Trade):
  - ✓ 580 enterprises with annual turnover up to €1 million (freelancers, sole proprietorships, unlimited partnerships, limited partnerships, limited liability companies, SAs) - 100 of which are retail trade
  - ✓ 580 enterprises with annual turnover between €1 million and €10 million (unlimited partnerships, limited partnerships, SAs, limited liability companies) - 100 of which are retail trade
- ❑ Geographical coverage:
  - ✓ Athens, Thessaloniki, Heraklion, Ioannina, Kavala, Larissa, Patras
- ❑ Sampling: multi-stage, stratified, non-proportional sampling for sector, turnover size & geographical area in each of the two sets of samples. Quotas relating to turnover and for the booster sample.
- ❑ Statistical error: in each of the two sets of samples of 480 enterprises the maximum statistical error is estimated at +/- 4.15 per cent at a 95 per cent confidence level.
- ❑ Period of survey: 24/02/2016 - 11/04/2016
- ❑ Survey framework: The survey was carried out in line with ESOMAR and SEDEA (Association of Greek Market and Opinion Research Companies) codes of conduct and the quality control requirements set by PESS (Quality Control in Data Collection). A total of 32 researchers and 4 reviewers with experience and know-how in business surveys participated in the field research.



NATIONAL BANK OF GREECE  
Economic Analysis Department

## Survey of Greek SMEs: Retail Trade

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