Summary

03 Overview
04 Top 5 Key Findings
05 Introduction
06 SMEs’ Profiles
09 State of affairs
13 Needs of the Sector
15 Strategic Orientations and Initiatives
16 Partners
SMEs are heavily impacted by the COVID-19, however there is no shortage of initiatives to weather this impact.

50 SME managers were interviewed and asked to express their most urgent concerns related to COVID-19. 42% of managers expressed fear of going bankrupt within the next three months. 62% saw their turnover rate decline, and one company out of 4 is having difficulties recovering receivables. SMEs that had to stop their activity all have less than 20 employees, have been around for fewer than 3 years, and are only based in Senegal.

70% of companies have adapted by introducing remote work for all their employees and almost half of the SMEs have created new products or services. However, remote work is not beneficial for everyone, and 25% of the SMEs indicate facing difficulties maintaining employee efficiency.

The most urgent need for 48% of SME managers is the creation of financial credit programs to compensate for the lack of funds often linked to the loss of projects and client receivables. The reduction or subsidy of rents, as well as tax exemption, are among the most anticipated government measures.

Nevertheless, 46% of SME managers have seized the opportunity to launch new products or services in response to COVID-19 and 42% see a positive impact on their customers’ understanding of digital inputs. Many customers want online training to adapt their offers to remote business development techniques in order to re-launch their international expansion, which has slowed down or completely shutdown for 80% of SMEs.

We hope that these learnings will inform the ICT sector’s support measures in Senegal in the face of COVID-19, and that this study will serve as a first state of affairs to continuously build on.
Top 5 Key Findings

- **42%** of managers fear bankruptcy in 1 to 3 months. And a total of 70% of them believe they will be bankrupt in less than 6 months if current measures remain the same.

- **62%** of businesses have seen their turnover decrease. 42% of them recorded a drop in turnover of more than 50% from January to May 2020.

- **80%** of companies have seen their expansion strategies slow down or stop. Companies that have had to stop their activity altogether are not present outside of Senegal.

- **70%** have adopted remote work for all employees. One in four companies express difficulties with employee efficiency while working remotely.

- **46%** of SMEs, almost 1 in 2 SMEs have launched a new product or service. 24% have implemented online products or services in response to COVID-19.
Despite the widespread use of digital resources and remote work, Senegalese ICT SMEs are not spared by the COVID-19 crisis. OPTIC in partnership with the ITC, ASE-PEX, and CBI conducted this unpresented study to uncover ways to address the sector’s challenges.

With nearly 4000 people testing positive, Senegal is one of the African countries with the highest number of cases of COVID-19 patients, especially in its capital Dakar. The state of emergency, declared on March 23rd, has not yet been lifted. This study takes stock of the reactions and needs of 50 SME managers, in the context of a ban on intra-regional travels and the closure of national borders for more than two months, as well as a curfew enforced from dusk to dawn.

During telephone interviews, entrepreneurs revealed in great depth the tug-of-war between opportunities for the creation of new products and declining sales; the constraints of remote work as well as the cessation of their international projects; their human resources needs, tax-free exemptions; and finally the perspectives for business development as well as the strategies implemented within their companies.

These senior executives at the helm of mobile payment aggregators, internet connection providers, banking identification platforms, marketing design agencies and many others, represent the finest of Senegalese entrepreneurship and tech. Beyond the numbers, this research, which was run from May 12 to May 20, plunges into the realities of these key players in a pivotal period of digital transformation in Senegal.
SMEs’ Profiles

How many full-time employees do you have in your company?

- 16% of companies have 1-4 employees
- 42% have 5-19 employees
- 32% have 20-99 employees
- 10% have 100-249 employees

58% of companies surveyed have fewer than 20 employees.

Do you have one or more women among your directors or associates?

- Yes: 74%
- No: 26%

7 out of 10 companies have at least one woman among executive directors or top management associates.

How old is your business?

- 16% have been around for 1-4 years
- 28% for 4-6 years
- 10% for 7-9 years
- 20% for 10-12 years
- 8% for 13-15 years
- 12% for 17-19 years
- 6% for Plus de 20 years

44% of companies have been around fewer than 7 years.

The presence of a woman amongst directors or associates is dependent on the size of a company: the larger a company is, the more likely it is to have a woman among the directors or associates.

100% (5) of companies with 100-249 employees have women in their senior management as well as 88% (14) of companies with 20-99 employees.
Do you mainly generate your income in...

82% B2B with companies
10% B2G with governments
8% B2C with consumers

8 out of 10 companies mainly generate their revenues in B2B.

Qualitative Insights
As a result of the COVID-19, conversions have been observed from B2B to B2C.

Breakdown of companies by type and the impact of the COVID-19 on their turnover

- Activity has ceased
- Increased
- Down
- Didn’t Change

"Customers returned to their countries, as if they had disappeared, we can’t even contact them."

B2B Reflection

07
In how many countries are you based, through a branch or subsidiary, outside of Senegal?

- 54% have a branch or subsidiary outside of Senegal
- 20% have 1-2 branches/subsidiaries outside of Senegal
- 12% have 3-4
- 10% have 5-6
- 1% have 7-8

Almost 1 in 2 SMEs (46%) generate more than 40% of their turnover abroad.

Qualitative Insights

The majority of companies are present in francophone West Africa - in particular, Mali, Côte d’Ivoire, and Guinea, but few are based in the anglophone economic heavyweights of the region such as Ghana and Nigeria.

Many executives expressed a need for training of their employees for business development and distance selling techniques - particularly in the second half of the year, a key period of customer canvassing.
Due to the COVID-19, from January to May 2020, your monthly turnover has ...?

COVID-19 has had a negative impact on the turnover of 68% of companies. The companies most affected are young, local, and small. Indeed, all companies for which the activity has ceased are less than 3 years old, are not based outside Senegal, and count less than 20 employees.

All companies experiencing a growth in turnover are present outside of Senegal and have launched a new COVID-19-related product.

During this period digital tools and annual contracts are saving us for the time being.

42% of companies that have experienced a drop in turnover think they cannot last more than 3 months before bankruptcy.

We are only at the beginning of the crisis. We'll see payment defaults in 3 months.

Of these 31 companies, 42% registered a drop in monthly turnover of more than 50%.

Your monthly turnover has dropped by...?

- More than 75%: 10%
- 50-75%: 32%
- 25-50%: 32%
- 0-25%: 26%
- Hasn't Changed: 26%
- Increased: 6%
- Ceased Activity: 6%
If the current conditions remain the same, how many months do you think your business could last before it goes bankrupt?

- 8% 1 month or less
- 34% 1 to 3 months
- 28% 3 to 6 months
- 26% More than 6 months
- 4% Unsure

The most fragile companies are the small businesses: 3/4 of those fearing they will go bankrupt in the next 3 months have fewer than 20 employees.

42% are afraid of bankruptcy in the next 3 months.

What is the biggest challenge you currently face in terms of business development and customer relations?

- Delayed project payments: 38%
- Collecting receivables: 26%
- Decrease in leads: 12%
- Other: 8%
- Project management and online work: 6%
- Drop in customers/sales: 6%
- Client communications: 2%
- Purchase of material for clients: 2%

For 64% the biggest difficulty encountered is related to financial aspects.

For one in four companies, the recovery of receivables is the biggest difficulty they’re facing.

"We need help finding new leads, customers, opportunities and new markets."

10
What is the biggest challenge you currently face in terms of human resources and administration?

- Employee retention: 32%
- Efficiency of Remote Employees: 24%
- None: 12%
- Remote Salary payments and Administration: 10%
- Other: 6%
- Maintaining Team Spirit: 6%
- Recruitment: 4%
- Material access and misc. purchases: 4%
- Bad Communication: 2%

Although a majority of companies have adopted telework, not all seem to adapt equally well: almost a quarter of companies find it difficult to maintain efficiency with their employees working remotely.

Have you felt a positive impact on your business due to the current situation?

- Understanding of digital inputs by customers: 42%
- None: 22%
- New Opportunities: 14%
- Better teamwork and productivity: 10%
- Solidarity with other companies: 8%
- Other: 4%

For 42% of companies, the most positive impact has been customer understanding of digital inputs.

In fact our customers have understood, it goes beyond understanding now they see it as an obligation to be digitalized.”
Clients need to see us and in their mindset we need to mark our ground physically.

Have you adopted any of the following strategies to deal with the crisis?

(Multiple Responses Possible)

- Remote Work for All: 70%
- New Product or Service: 46%
- Online sales of products or services: 24%
- Lay-offs: 20%
- Loans: 12%
- Downsizing: 6%
- Fundraising: 6%
- Other: 14%

In response to the crisis, almost half of companies have launched a new product or service.

Government decrees linked to COVID-19 prohibit the dismissal of employees on permanent contracts except for gross misconduct.

94% of the companies surveyed maintained their workforce, although 68% experienced a decline in turnover or have seized their activity. The government’s retention order is causing frustrations.

The transition to telework is almost unanimous, some managers are considering «maintaining telework after the crisis to avoid going back to crowded offices», but others deplore carelessness: «Telework does not work due to the lack of rigor of employees».

What impact does the COVID-19 have on your expansion or export strategy?

- Big slowdown or shutdown: 80%
- No change - stable: 8%
- Has no strategy: 8%
- Slight Slowdown: 2%
- Slight positive impact: 2%

The vast majority of managers feel that they are stuck in their international expansion due to current conditions.
**Needs of the sector**

What is your most urgent need?

- **46%** Financial Credit Programs
- **16%** Reducing or subsidizing office rent
- **10%** Tax exemptions
- **8%** Find new markets
- **4%** Training my employees on online work
- **4%** Advice for International Expansion
- **4%** Tax and Bill Reduction
- **8%** Other

In order to survive the crisis, managers hope for financial credit programs.

Qualitative Insights
Managers regret not knowing or meeting the eligibility criteria to access government assistance.

"We need training for online business development."

What is the government's measure that would help you most to deal with the COVID-19 crisis?

- **46%** Fiscal Exoneration
- **20%** Low-interest line of credit
- **10%** Guarantee with banks
- **8%** Subsidies
- **4%** Access to public Procurement
- **4%** None
- **8%** Other

For 46%, a tax exemption would be the government measure that would help them the most.

"The eligibility requirements for SMEs should be eased to answer offers on the national market."

13
What is the most useful help that actors involved in supporting your sector can provide you in the face of the crisis?

"Raise our voices at the governmental level, the current subsidies are not tailored to our needs."

"Training on management, cash management and digital transformation, use of remote collaboration tools."

"Advertising local companies abroad."

"Have more opportunities to engage in new markets, rather than injecting aid."

What are the surprising things about your business that you have learned since the beginning of the crisis?

"I am surprised by the productivity and efficiency of my employees in remote work."

"The advantages of remote work: flexible schedules, dynamic communication and no need for our expensive offices."

"COVID-19 has opened a new era of borderless staff recruiting."

"Highlights the need for companies to be digitalized — and therefore the potential of our sector."
Digital quitus for a tax exemption

46% of managers are hoping for a fiscal exoneration from the government.

A digital quitus would allow certified companies to be exempt from paying their taxes, if they invest in their digital transformation. This would also represent an opportunity for ICT SMEs to support larger companies in the digitalization of their procedures, for greater efficiency and adaptability, both internally and in the context of international expansion. The timing seems adequate, with 42% of managers noticing that their clients are increasingly understanding the value of digital inputs.

Fund for the digitalization of the national health system and other sectors

Almost half of those interviewed (46%) cite financial credit programs as the most urgent need for their business. Nevertheless, many of them were keen to point out that the most sustainable aid was accessibility to public procurement, especially at a time when 80% are experiencing a major slowdown or a halt to their international expansion.

An innovation fund for the digitalization of hospitals and the health system would promote an economic revival by stimulating public procurement, while responding to health priorities as cases of COVID-19 continue to increase linearly in Senegal. The digitalization of other sectors will help in the fight against COVID-19 by minimizing contacts but also in providing opportunities for ICT SMEs.

Pooling workspaces

70% of companies have adopted telecommuting for all. Will employees be asked to return to their offices? Surely, but in different ways than before.

Some managers fear rental debts, and question the renewal of office leases as teams demonstrate their ability to work remotely. Others point to the difficulties encountered in remote work. Consensus seems to exist for alternating days (e.g. 3 days at the office, 2 days in telework), adapted schedules, co-working spaces and the optimization of offices to reduce rents while keeping headquarters to meet and reassure customers.

Training for remote business development

Companies that have ceased operations because of COVID-19 are those that have no subsidiaries or branches outside of Senegal. How can companies engage in customer prospecting and remote canvassing against a background of crisis?

The training topics desired by managers for their teams vary between treasury, administrative tasks, and export strategy as well as remote business development techniques. Training and strengthening the skills of employees would enable the adoption of methods that, in the long run, would significantly reduce travel costs.
The Senegalese Export Promotion Agency (ASEPEX) is responsible for the implementation of national export policy. Its global mission is to foster continuous and sustainable development of Senegalese exports.

The Organization of ICT Professionals (OPTIC) brings together the main ICT companies, as well as telecommunications operators. Its anchoring in the NPC allows it to benefit from all the strength and levers of Senegal’s first employers’ confederation.

The International Trade Centre (ITC) is a joint agency of the WTO and the UN. Its goal is to help developing and transition economies achieve sustainable human development through exports.

CBI is the centre for promoting imports from developing countries. Through its export coaching projects, CBI supports entrepreneurs to become exporters in the European market. CBI publishes around 300 market research studies per year.