

Preparing for the euro: survey among Slovak enterprises

Summary

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This document does not represent the point of view of the European Commission. The interpretations and opinions contained in it are solely those of the authors.

Flash EB Series #240

Preparing for the euro: survey among Slovak enterprises

Conducted by
The Gallup Organization, Hungary
upon the request of the DG ECFIN-R-4:
External Communication



Survey coordinated by Directorate-General
“Communication”

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THE GALLUP ORGANIZATION

Introduction

Flash Eurobarometer 240 “*Preparing for the euro: survey among Slovak enterprises*” was conducted by telephone among selected enterprise segments (i.e. those that would be most affected by the euro changeover) on behalf of the European Commission, Directorate-General Economic and Financial Affairs. This “special target group” Flash Eurobarometer survey was organised and managed by the Commission’s Eurobarometer Team (Directorate-General Communication, Unit A-4).

The objective of the survey was to study the progress being made by key business sectors in Slovakia ahead of the introduction of the euro on 1 January 2009. The main themes of the survey were as follows:

- consequences of the changeover
- preparation for the changeover and timing of the related actions
- methods of coping with the changeover
- expectations regarding the supply of euro coins and banknotes
- attitudes regarding the dual display of prices
- information and the related information channels concerning the changeover
- awareness of publications and information sources pertaining to the euro’s introduction.

The interviews were conducted from 16 to 24 June 2008 by The Gallup Organization Hungary’s partner in Slovakia - FOCUS. The target sample of 350 enterprises consisted of:

- 300 enterprises in sectors G and H (trade and hotel sector), of which 20 enterprises had at least 20 employees
- 50 enterprises in sectors C to K (excl. G and H) all with at least 20 employees.

An actual sample size of 358 enterprises was achieved in the survey.

The sample lists were developed by FOCUS using local statistical data sources. Sampling was made according to two stratification criteria: company size and activity sector, randomly.

The total sample was distributed between these sampling “cells” in a way that does not follow the actual distribution of businesses within the coverage zone: larger businesses were intentionally “over-sampled” in order to get meaningful results for each sample segment. During data processing, the sample was not weighted due to the small number of enterprises in each sector and to the soft criteria of employee size.

The person interviewed in each company was someone actively involved in work related to the changeover to the euro. The breakdown in the 358 companies was:

- CEO or general manager (107)
- Euro coordinators (2)
- Head of Finance and/or Administration (107)
- Head of IT (20)
- Other relevant roles (122).

The interviewers checked the role of the respondent as well as the accuracy of the sample list in terms of number of employees.

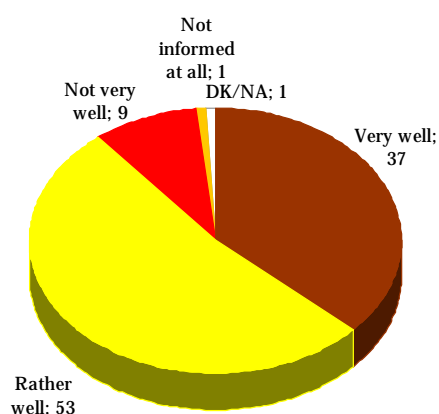
Main findings

- Slovak firms are extremely confident about the levels of information regarding the changeover
- Almost half (47%) of companies foresee a positive outcome from the changeover to the euro
- Compared to feelings at a similar time in Slovenia and Cyprus, optimism in Slovakia is high
- A majority of firms have defined the necessary IT changes (67%), informed their staff (65%) and identified the impact of the changeover (49%)
- Virtually all enterprises (97%) are aware that they must apply a dual display of prices (in both euro and in Slovak koruna) before the changeover
- A relatively large proportion of companies say they will mostly adjust prices upwards (14%).

The information campaign

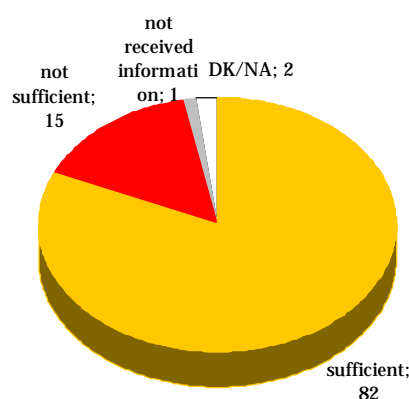
Roughly half a year before a country joins the euro area, information is an essential asset. The survey showed that Slovak businesses are extremely confident about the current levels of information regarding the upcoming changeover. The vast majority of Slovak enterprises feel that they are well informed about the euro and about the changeover (90%). Thirty seven percent even feel *very well* informed. Only a small minority of companies feel they are not well or not at all informed (10%).

Subjective evaluation of the information level about the euro and the changeover



Q1. How well do you feel informed about the euro and the changeover?
% all enterprises

Satisfaction with the amount of information received



Q3. Do you think that the information you have received on the euro and the changeover is ...?
% all enterprises

Consequently, 82% of enterprises feel that they are sufficiently informed about the euro and its introduction in Slovakia six months ahead of the changeover (for comparison, this figure was 93% in Slovenia *one month* prior to changeover, and 84% in Cyprus *three months* ahead). Discounting those who did not have a clear opinion in this matter, this still leaves one in seven Slovak enterprises (16%) that have to be provided with the necessary information about life with the new currency after 1 January 2009.

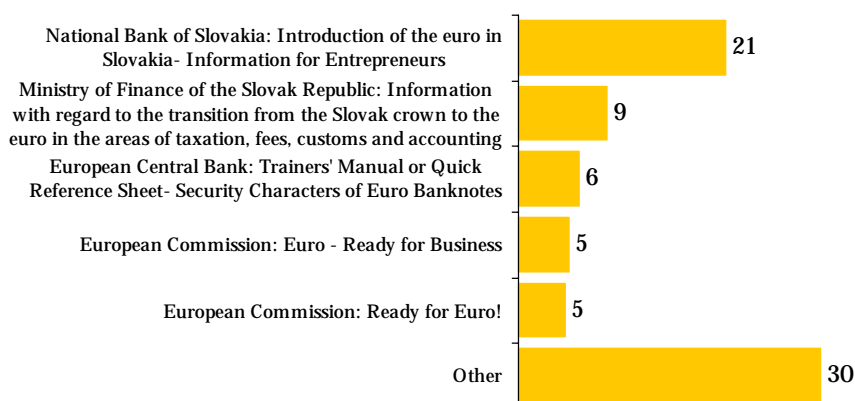
Among those who feel not or not sufficiently informed, three-quarters of them (72%) **would like to have more information about conversion** (rounding) rules. Following that, 68% would like to receive more information about the actual conversion rate and 60% would appreciate more information about the implications of the changeover on contracts, salaries, etc. Generally, it appears that those who currently lack information mostly need a general overview: the significant dates within the changeover plan and information about the dual display of prices (both 57%), the euro's physical characteristics (appearance, security features: 52%) and the new money's denominations (51%).

Enterprises predominantly **expect information to come from the banking sector** (central bank: 74%, commercial banks: 54%), but also from the mass communication outlets (i.e. the media in general: 67%). Slovak enterprises are less likely to directly name the government (37%) or European institutions such as the European Commission or the European Central Bank (ECB) - 35% - as preferred information sources regarding the changeover.

Indeed, enterprises are most likely to possess a copy of the **information material** provided by the National Bank of Slovakia (21%, see chart below), and the second most likely source of information is the government-provided “package” (9%). **Note:** these numbers are indicative only; it is possible that the copies that companies received were with some other person within the company and the interviewee was not aware of this.

Information material provided by the ECB and the European Commission reached 5-6% of enterprises, who, on the other hand, were very likely to mention other useful information sources. These could be special issues of business magazines, information leaflets from their own bank, etc – the survey did not collect the specific details of these “other” information sources.

Awareness of publications regarding the preparation



Q6. Do you have a copy of any of the publications regarding the preparation of the business sector (including electronic copies)?
% all enterprises

Overall, 54% of the respondents could not confirm the presence of any of these publications at their firm; 32% reported that they had one of these and the remaining 13% possessed two or more of the publications.

These **publications were deemed as useful** (46%) or very useful (42%) by most Slovak enterprises that had a copy, with only 9% having an outright negative opinion. This quick survey did not collect specific rating for the various publications, but the general assessment was the best among those who had a copy of the Ministry of Finance publication (50% think “materials” are *very* useful), followed by those reported to be in the possession of the information material from the National Bank of Slovakia (44%).

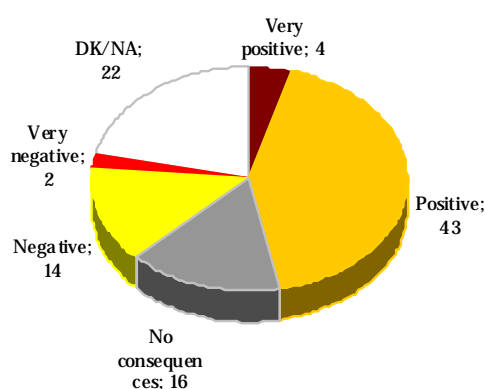
The **official euro website** (www.euromena.sk) is used by 28% - a number that is higher than the most widely read print publication, see above, issued by the National Bank of Slovakia. Also, with half of the enterprises (51%) rating it very useful, and a further 41% as rather useful, the official euro website is proving to be successful in informing businesses about the euro's introduction and its practical consequences for enterprises.

On the other hand, the government-operated telephone helpline was only used by 4% of the interviewed company representatives. Furthermore, these few users were not that satisfied: less than half (43%) said the information had been very useful and 29% thought it was rather useful.

Anticipated consequences of the euro changeover

The changeover to the euro poses a massive challenge to enterprises within a Member State. However, based on the survey, the Slovak business community tends to believe that the effects will be positive in the medium-to-long term.

Consequences of the euro changeover for the enterprise in the medium to long term



Q11. Which consequences will the introduction of the euro have for your enterprise in the medium to long term?
% all enterprises

In the medium-to-long term, only 14% of Slovak enterprises expect negative consequences and 2% very negative consequences. Overall, almost half (47%) foresee a positive outcome from the euro changeover. Among the latter, 4% expect a very positive impact on their company due to the euro within this timeframe.

One in six (16%) companies surveyed stated that they do not foresee the euro changeover directly affecting them (either positively or negatively) in the medium-to-long term. A relatively large number of respondents, 22%, of the companies interviewed could not answer this question.

Despite this evident reluctance to answer the question in Slovakia compared to similar surveys in Cyprus and Slovenia prior to their entry to the euro area¹, it can be concluded that businesses certainly do expect to see change of some kind. This situation

contrasts with that in Slovenia, at the time of the euro's introduction, where the majority of enterprises thought that the changeover would have no consequences.

Secondly, compared to Slovenia and Cyprus, optimism in Slovakia is very high: the balance of positive and negative responses is +31 (i.e. the difference between those managers who expect positive consequences and those who expect negative ones is 31 percentage points). The similar figures for Slovenia and Cyprus were +25 and +16 respectively.

What type of consequences will the euro's introduction have for your enterprise in the medium-to-long term?

	SK 2008 Jun	CY 2007 Sep	SI 2006 Nov
Very positive ones	4	7	4
Positive ones	43	32	29
Negative ones	14	19	7
Very negative ones	2	3	1
None at all	16	21	50
DK/NA	22	18	10
<i>Balance of positive / negative</i>	<i>+31</i>	<i>+16</i>	<i>+25</i>

¹ Eurobarometer did not carry out a corresponding survey in Malta

Note: the three surveys were carried out at different stages in the run-up to the euro's introduction.

However, while only 8% of enterprises in Slovenia anticipated a negative business outcome as a result of the changeover to the euro, twice as many companies (16%) are concerned in Slovakia.

Preparations for the changeover

As the preparation for the euro introduction becomes more intense in Slovakia (although previous experience shows that activities tend to peak after the summer break), 80% of enterprises said that they have **already started** their **preparation** by June 2008. In particular, small businesses said they had postponed the preparations to a date closer to the switchover: 37% of those enterprises with an annual turnover of 150,000 euro or less stated that they have not yet commenced euro-related activities.

On the other hand, one-fifth of enterprises (21%) have started already in 2007, to make arrangements for the switch to the euro.

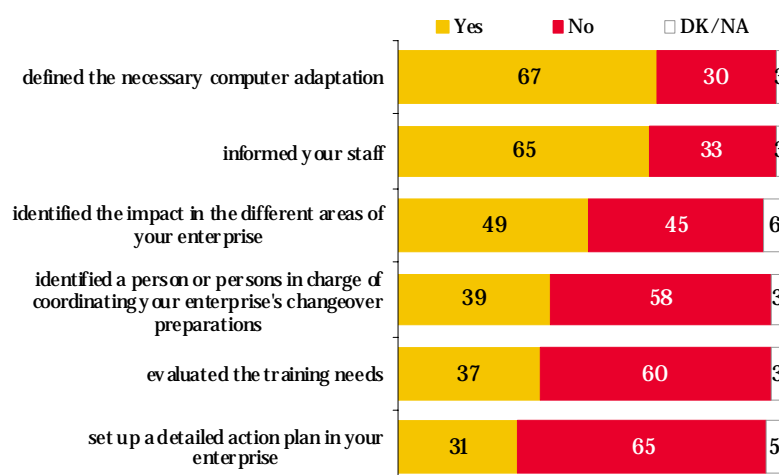
Three **preparatory steps** (of the six identified in the questionnaire) have already been taken by the majority of Slovak enterprises. About two-thirds of companies have defined the necessary computer adaptation (67%); a similar number have informed their staff (65%) and almost half have identified the impact in the different areas of the enterprise (49%). Concerning the remaining activities, 39% have appointed a "euro coordinator", 37% have evaluated the necessary training needs and only 31% have set up a detailed action plan. **Note:** these activities mostly characterise larger companies and many of the small businesses manage to successfully switch to the euro without ever taking these preparatory actions.

Preparation of the enterprises for the changeover to the euro



Q9. Have you already started preparing your enterprise for the changeover to the euro?
% all enterprises

Steps taken in preparation for the euro changeover



Q10. As regards the changeover to the euro, have you ...?
% all enterprises

There is a natural tendency that the larger businesses are more likely to have considered the more complex or comprehensive preparatory actions (e.g. adapting IT systems, creating detailed action plans, appointing a 'euro-coordinator' etc.). However, a significant number of small businesses have paid attention to informing staff and they are only slightly less likely to have assessed the expected impact of the changeover on their business. The table on the next page provides full details in this regard.

Table 1. Steps of preparing for the euro changeover, by size of enterprise (%)

<i>(Base: all enterprises)</i>	Identified the impact in various areas	Defined necessary computer system changes	Informed staff	Evaluated training needs	Set up a detailed action plan	Appointed a "Euro coordinator"
TOTAL SAMPLE (N=358)	49	67	64	36	31	39
NUMBER OF EMPLOYEES						
Self-employed (n=37)	59	65	27	19	19	22
1-9 (n=154)	45	63	68	28	26	34
10-49 (n=83)	42	69	70	45	30	41
50+ (n=79)	59	72	68	52	46	56

As regards the changeover to the euro, have you ...?

In the reality of everyday business, **adapting a company's IT systems** to accommodate the new currency is probably the single most important challenge related to the changeover. Not by chance, it is frequently mentioned that businesses tend to start this activity at the earliest possible date. In Slovakia, 70% of the interviewed enterprises informed Eurobarometer that they have outsourced this work to specialised companies; most of them do not expect any problems related to the necessary changes to IT systems (82%). Of the 12% of enterprises who are worried about not being prepared with their data processing applications, half expressed a rather general anxiety about the process; specific concerns were mentioned by 5% (i.e. 2% mentioned a lack of internal resources, 1% insufficient finance, 1% late delivery by the contractor and 1% that the external accountant would not be ready). Overall though, an encouraging picture was painted in this regard.

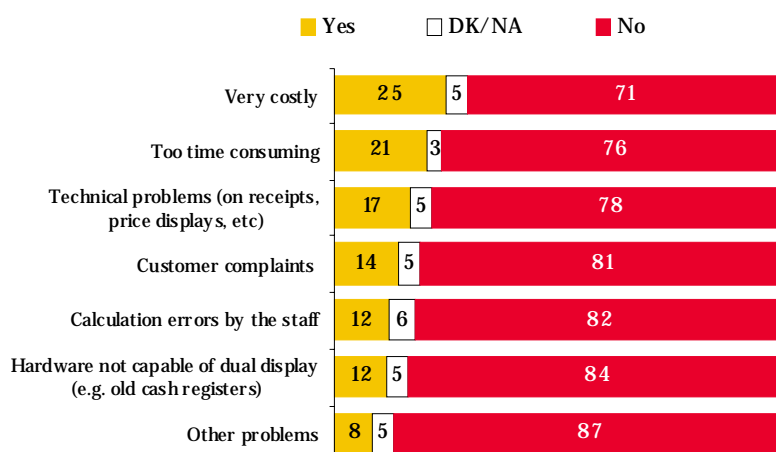
A decisive majority, about nine out of 10 (89%) of Slovak companies who have significant cash operations (e.g. retail enterprises) said they were confident that they would be **supplied with enough euro cash** (coins and banknotes) before the changeover (during the sub-frontloading process). About 6% were unsure and only 2% were sceptical in this regard – 3% did not know of the possibility or did not plan to frontload.

Euro price tags

Virtually all enterprises surveyed (97%) were aware that they had to apply a **dual display** of prices (showing the prices in both euro and in Slovak koruna) **before and after the changeover**. This dual display must start in August 2008².

Predominantly, with the survey taking place just a few days before the dual display period was due to start, businesses did not foresee difficulties. The most frequent complaint concerned the direct and indirect cost aspects (very costly, 25%; time

Difficulties concerning the dual display of prices



Q21. Are you facing any of the following problems or difficulties concerning the dual display of prices?
% all enterprises

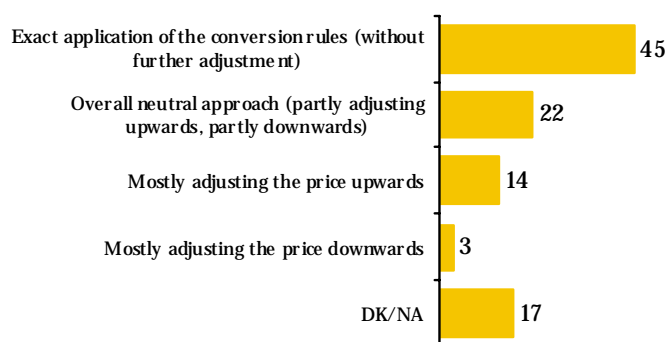
² A full timetable for the euro changeover is shown on the official website (www.euromena.sk/time-table-of-euro-changeover-/10167s).

consuming, 21%), and 17% referred to technical problems. The preceding chart shows further details.

Most of those enterprises who indicated not to apply the conversion rules exactly, will set these prices as soon as the mandatory dual display period starts (43%). Another quarter (24%) will do so when the dual circulation starts (that is, as of January 1, 2009). However, a fifth of enterprises indicated that they would not set their prices until the end of the dual circulation period or later; whether this will entail an impact on prices for consumers remains to be seen.

The majority of companies currently claim that they do not plan further **adjustments in calculating the so-called “psychological” prices in euros**: they will change Slovak korunas to the new currency in exact application of the conversion rules (45%), and 22% plan to use an overall neutral approach (to partly adjust prices upwards and downwards).

Adjustment of psychological prices when establishing prices in euro



Q22. When you will establish your prices in euro, how will you proceed for the adjustment of prices, such as 99,90 Sk, which due to the application of the conversion rules would result in awkward amounts in euro?
% all enterprises

Reportedly, more enterprises will use the opportunity of the changeover to increase their prices rather than to make them

more competitive. A relatively large proportion of companies say they have decided to mostly adjust prices upwards (14%). This proportion is significantly higher than it was in Cyprus and Slovenia where similar measurements were conducted. As the table below shows, 6% of Slovenian managers indicated that they intended to use the changeover to slightly increase their prices, while 3% of their Cypriot colleagues had this intention.

When you will establish your prices in euros, how will you proceed for the adjustment of prices, such as [NATIONALLY RELEVANT PRICE], which due to the application of the conversion rules would result in awkward amounts in euros?

	SK 2008 Jun	CY 2007 Sep	SI 2006 Nov
Exact application of the conversion rules (without further adjustment)	45	51	58
Mostly adjusting the price upwards	14	3	6
Mostly adjusting the price downwards	3	17	3
Overall neutral approach (partly adjusting upwards, partly downwards)	22	16	26
DK/NA	17	13	8
<i>Balance of upwards / downwards rounding</i>	<i>+11</i>	<i>-14</i>	<i>+4</i>

³ The question asked was “When you establish your prices in euro, how will you proceed for the adjustment of prices, such as 99,90 Sk”?

The changeover period

When asked if they knew **how long** there would be a **parallel circulation** of Slovak koruna and euros, the highest number of firms reasoned that it would last for 16 days: 38% of respondents correctly believing that this was the case⁴.

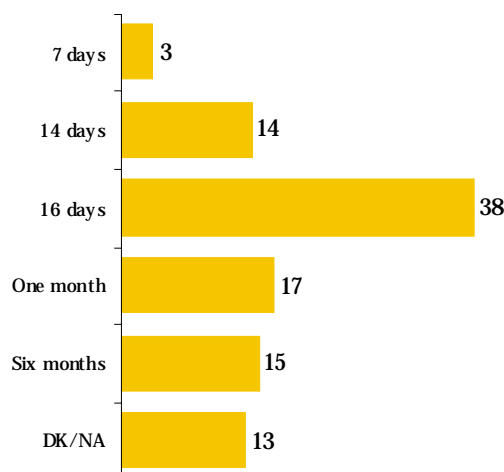
The remainder of the responses were more or less evenly divided between two weeks (which, for many, could be a way of saying +/- 16 days), one month and six months (see chart on the right). Barely anyone believed that the dual circulation would last for a single week.

According to the survey, 13% of enterprises interviewed said that they did not know the length of the parallel circulation of currencies.

In short, only a minority of businesses provided the correct response to this question, and even if we accept the two-week period as a close enough assessment, almost half of the enterprises appear not to have a clear idea about the duration of the dual circulation period.

Sixty percent of Slovak enterprises with significant cash operations expect **to give change** to customers **in euros** from the very beginning of the dual circulation period. Over a fifth of those companies interviewed could not respond at the time of the survey (22%) and another fifth thought that they would give koruna (also) as change (only koruna, 2%; mixed currencies, 17%). This corresponds in broad terms with the Slovenian and Cypriot results prior to their changeovers (although those measurements were closer to €day; this is reflected by the lower proportion of the “don’t know” replies, a direct comparison is therefore meaningless). This is – especially in regard to the extremely rapid adaptation period in Slovenia – an encouraging result that indicates, in the retail sector, that Slovakia’s switch to the euro will also proceed seamlessly.

Awareness of dual currency circulation period



Q18. Do you know for how long there will be a parallel circulation of the Slovak koruna and the euro?
% all enterprises

⁴ See www.euromena.sk/time-table-of-euro-changeover-/10167s for details of stage 4 of the changeover.