

Preparing for the euro: survey among Estonian enterprises

Summary

Fieldwork: October 2010

Publication: December 2010

Flash EB Series #310

Preparing for the euro: survey among Estonian enterprises

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



Survey coordinated by
Directorate-General “Communication”

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.

THE GALLUP ORGANIZATION

Introduction

Flash Eurobarometer 310 “*Preparing for the euro: survey among Estonian 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-2).

The objective of the survey was to study the progress being made by key business sectors in Estonia ahead of the introduction of the euro on 1 January 2011. 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 1 to 11 October, 2010 by The Gallup Organization Hungary’s partner in Estonia –Saarpoll. 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 353 enterprises was achieved in the survey.

The sample lists were developed by Saarpoll 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 353 companies was:

- CEO or general manager (232)
- Head of Finance and/or Administration (45)
- Other relevant roles (76).

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

The information campaign

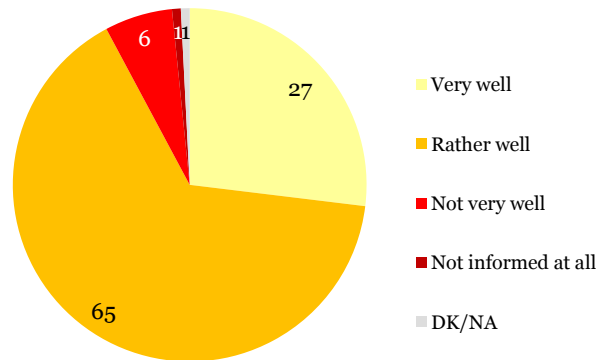
Roughly three months before a country joins the euro area, information is an essential asset. The survey showed that Estonian businesses were extremely confident about the current levels of information regarding the upcoming changeover.

The **vast majority** of Estonian enterprises felt that they were **well informed** about the euro and the changeover (92%). A share of 27% even felt *very well* informed. Only a small minority of companies felt *not well* or *not at all* informed (7%).

At the same time, 9 in 10 (91%) enterprises were **satisfied with the information they had received** about the changeover; among which 2 in 10 (21%) were *very satisfied*. Just 7% said that the received information was *rather unsatisfying* or *very unsatisfying*. Only 1 in 100 enterprises reported *not* having *received information* related to the switch to the euro.

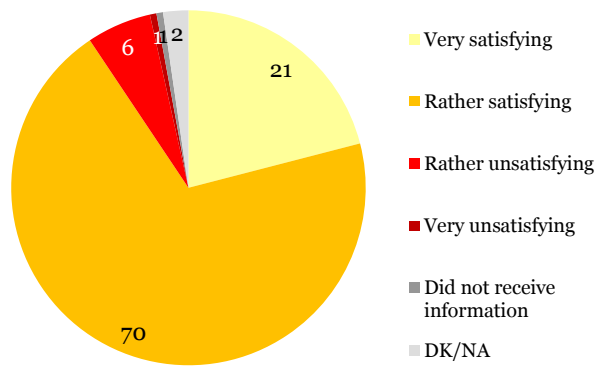
To put these figures into perspective, a survey conducted in Slovenia one month prior to changeover revealed that 93% of Slovenian enterprises felt they were informed about the euro and its introduction. In Cyprus the corresponding share was 84% three months ahead of the switch. Furthermore, 82% of Slovakian enterprises felt informed six months ahead of the changeover.

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 received information



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

Two areas in which a majority of Estonian enterprises would like to be better informed were the implications of the changeover on contracts, salaries, *et cetera* (52%) and the security features of euro banknotes and coins (52%). About 4 in 10 interviewees called for more information regarding the dual circulation period (43%) as well as on conversion rules, including rounding rules (40%). Approximately a third of enterprises would welcome more information on the fair pricing agreement (32%). Twenty-seven per cent of respondents said they would appreciate receiving more information about euro banknotes and coin design and denominations as well as about the dual display of prices. Finally, about 2 in 10 respondents said their enterprise would like to be better informed about important dates of the changeover (22%) and the conversion rate (21%).

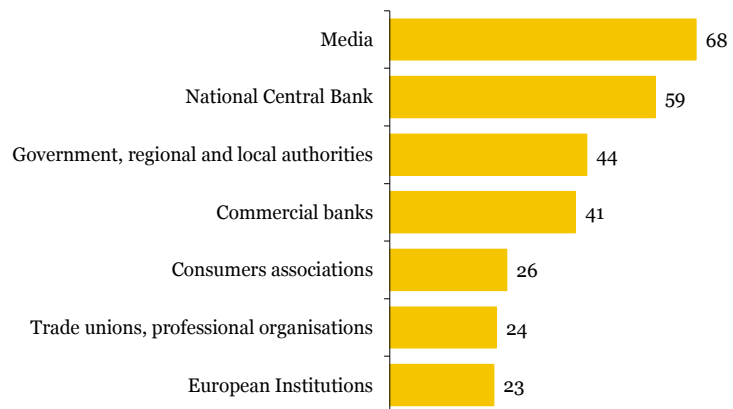
Areas where Estonian enterprises need more information



Q4. In which areas would you like to receive more information?
% all enterprises

Estonian enterprises predominantly preferred information on the euro changeover to come from the media (68%) as well as from the National Central Bank (59%). Government, regional and local authorities and commercial banks were still named by 44% and 41% of respondents, respectively. About a quarter of survey participants preferred information provided by consumer associations (26%), trade unions and professional organisations (24%) as well as by the European Institutions (23%).

Preferred source of information on the euro changeover

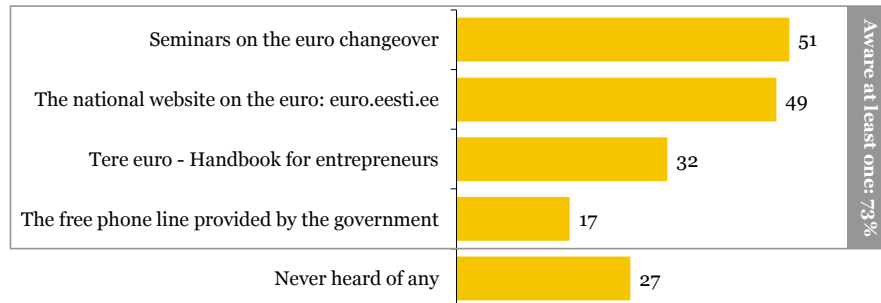


Q2. Which of the following institutions do you prefer as a source of information on the euro changeover?
% all enterprises

Estonian businesses were (and continue to be) provided with various information sources to master exchanging the kroon for the euro on 1 January 2011. More than 7 in 10 (73%) firms were aware of at least one of the four listed sources – meaning that a considerable share of 27% had never heard of any of these sources.

The **level of awareness** of these sources was **highest** concerning *seminars on the euro changeover* (51%) as well as regarding the *national website on the euro: euro.eesti.ee* (49%). About a third (32%) of respondents knew about the *handbook for entrepreneurs, called “Tere Euro”*. Just 17% knew about the existence of the *free phone line provided by the government* (17%).

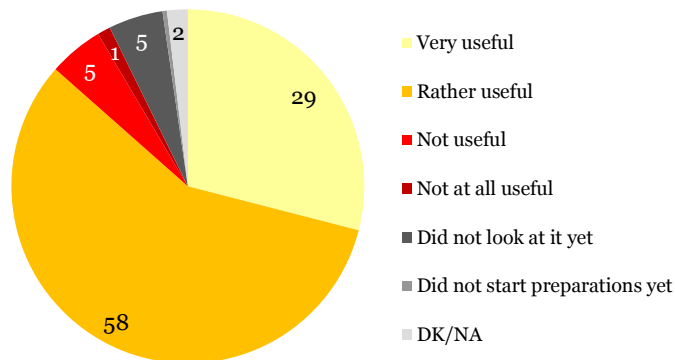
Awareness of euro changeover related information sources



Q5. Do you know about the following changeover related information sources?
% all enterprises

As a next step those respondents who were aware of at least one of these four listed information sources were asked whether they found them useful in preparing their firm for the changeover. A **great majority** (87%) of survey participants **found** these **sources useful**, 29% even found them *very useful*. Just about 1 in 20 (6%) respondents said that the provided information *was not useful* or *not at all useful*. Another 5% *did not look at the information yet*.

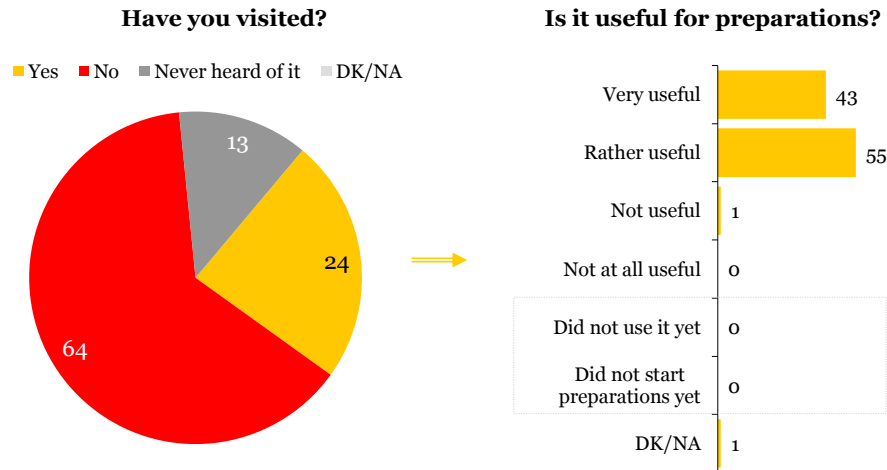
Satisfaction with the information sources on euro changeover



Q5bis. Do you think these information sources are useful for your preparations, or not?
% those who aware at least one euro changeover related information source

The **official Estonian** website for the euro (www.euro.eesti.ee) was *used* by about a quarter (24%) of Estonian firms. Almost two-thirds (64%) had *not visited* the website yet. Another 13% of respondents had *never heard* of the website. Virtually all respondents (98%) who had visited the information website found it useful in their preparations concerning the changeover; while 43% found it *very useful*, 55% stated that using the site was *rather useful*.

Awareness of the official euro website and its perceived usefulness



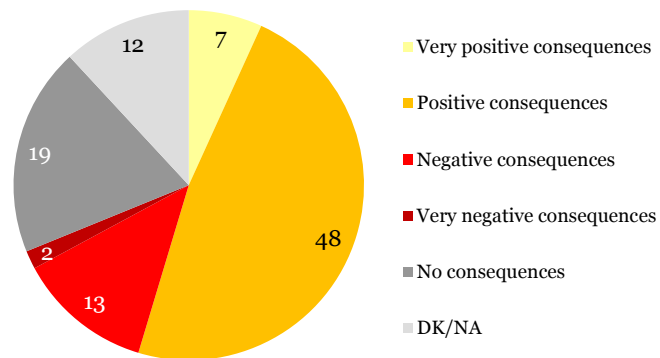
Q6. Have you used the national website on the euro (euro.eesti.ee) for enquiries about the euro and the changeover?
 [If yes:] Q6bis. Do you think this website is useful for your preparations, or not?
 % all enterprises and % those who have visited

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, a **majority** (55%) of Estonian businesses **tended to believe that the effects will be positive** in the medium to long term.

To be precise, 48% of Estonian firms foresaw *positive* consequences as a result of the euro changeover, while 7% even believed in *very positive* consequences for their respective enterprise. Only 13% of Estonian firms expected *negative* consequences for this time period and 2% feared *very negative* consequences.

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



Q7. Which consequences will the introduction of the euro have for your enterprise in the medium to long term?
 % all enterprises

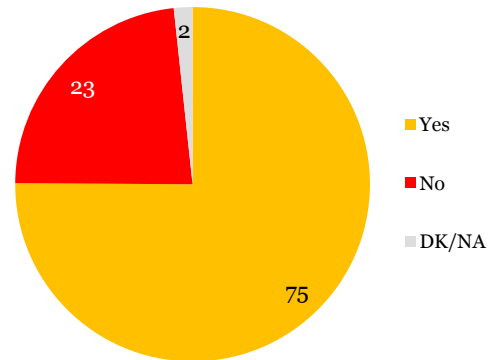
About 2 in 10 (19%) companies surveyed stated that they did not foresee the euro changeover directly affecting them (either positively or negatively) in the medium to long term. A considerable share (12%) of the companies interviewed could not or were unwilling to answer this question.

Preparations for the changeover

Three quarters (75%) of Estonian companies reported that they had **already started preparing** for the currency switch. This means that roughly three months before joining the euro area 23% of Estonian enterprises had not started to prepare for the euro.

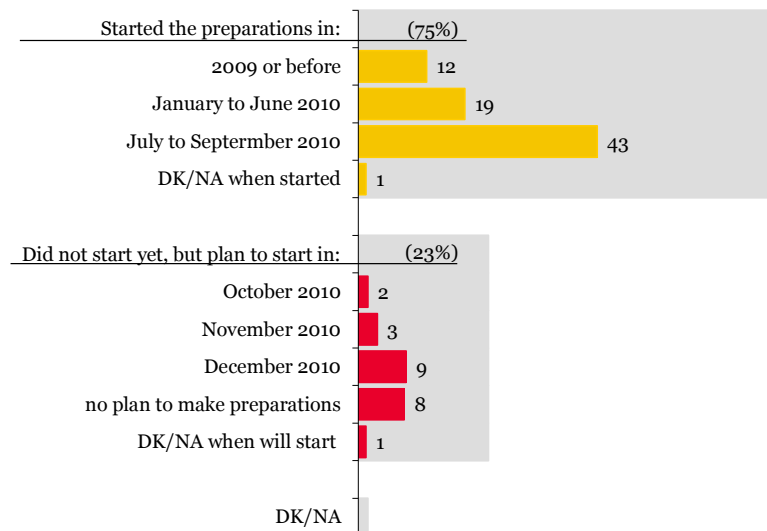
About 1 in 10 (12%) Estonian firms had already started to make arrangements for the switch to the euro in *2009 or before*. Approximately 2 in 10 (19%) reported having initiated preparations between *January and June 2010*; while more than 4 in 10 (43%) did so from *July to September 2010*. A share of 2% and 3% of firms planned to start in *October* and *November 2010*, respectively. Slightly less than 1 in 10 (9%) wanted to wait until the last month before the changeover, *December 2010*. Eight percent of respondents said that their company had *no plans* to prepare for the changeover.

Preparation of the enterprises for the changeover to the euro



Q8. Have you already started preparing your enterprise for the changeover to the euro?
% all enterprises

Preparation of the enterprises for the changeover to the euro

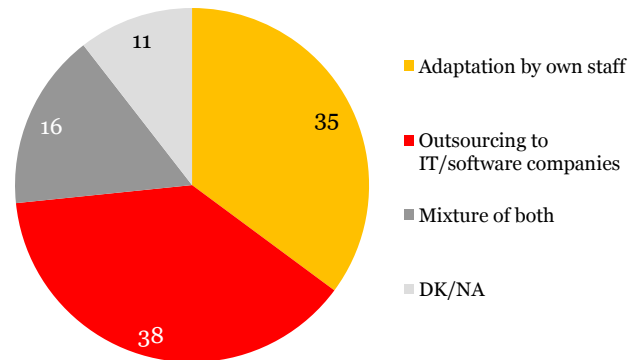


Q8. Have you already started preparing your enterprise for the changeover to the euro?
[If no] Q8a. When, in which month do you plan to start such preparations?
[If yes] Q8b. When did you start such preparations?
% all enterprises

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. In Estonia 38% of companies said they have *outsourced* this pivotal task to specialised companies, while 35% of the surveyed firms stated that they had *used their own staff* to adapt their computer systems. A proportion of 16% of Estonian companies reported that they had opted for a *mixture of both* methods - a combination of outsourcing and adaption by their own staff. About 1 in 10 (11%) survey participants did not know about the method used by their firm to adapt their computer systems or was unwilling to answer the question.

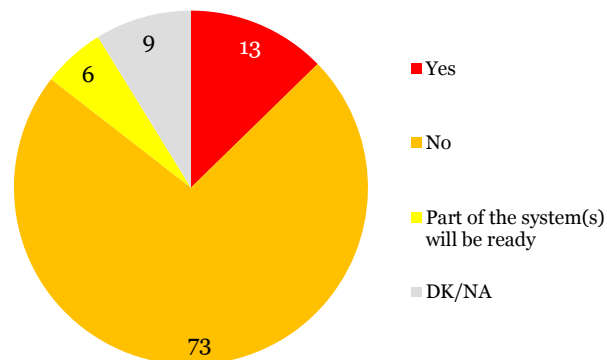
Most Estonian enterprises did not expect any **problems related to the necessary changes of their IT systems** (73%). A close look at the specific reasons why enterprises were concerned about their computer systems not being ready for the changeover revealed the following: 3% of all Estonian enterprises *lacked the financial means to adapt the system*, another 3% stated that *contractors were too late in providing IT/software services*, 2% said their *external accountant would not be ready*, 1% said they *lacked the staff to prepare the adaptations of the system*. A further 3% mentioned *other reasons* and 1% *did not know* or were unwilling to answer the question.

Methods of adapting the computer systems for the introduction of the euro



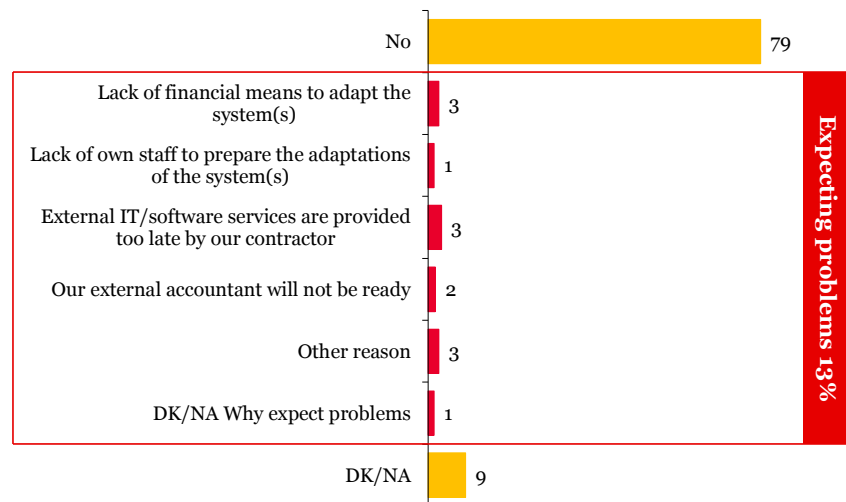
Q10. As regards the adaptation of your computer systems with respect to the introduction of the euro, how do you (plan to) proceed?
% all enterprises

Expecting problems with computer systems during the introduction of the euro



Q11. Do you expect problems with your computer system(s) (e.g. accounting system, invoicing system, payroll system) when switching to the euro on 1 January 2011?
% all enterprises

Expecting problems with computer systems during the introduction of the euro



Q11. Do you expect problems with your computer system(s) (e.g. accounting system, invoicing system, payroll system) when switching to the euro on 1 January 2011?
% all enterprises

Q11bis. Why do you expect problems with your computer system(s) when switching to the euro on 1 January 2011?
%, Base: those who expect problems

Cash preparations

Almost 6 in 10 (58%) of the companies interviewed **receive significant sales revenues through cash** – meaning that these enterprises are subject to the “sub-frontloading” activities of national banks. This means that euro cash may be provided in advance so these firms will have enough money for an immediate switchover in terms of their ability to give change in the new currency.

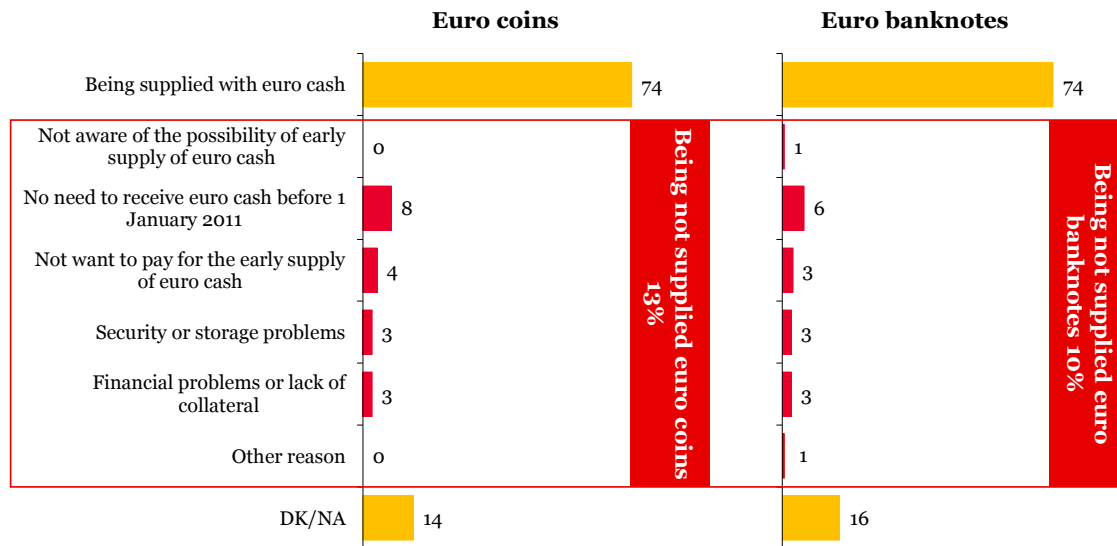
Almost three quarters (74%) of Estonian companies that reported having significant cash operations said they were confident that they would be **supplied with enough euro cash** (coins and banknotes) before the changeover (during the “sub-frontloading” process).

However, 13% of firms that handled cash did not expect to be supplied with euro coins; and 1 in 10 (10%) said the same about euro banknotes. Some companies gave several reasons for not expecting to be supplied:

- Ratios of 8% and 6% saw *no need to receive euro coins* or *euro banknotes*, respectively, before 1 January 2011
- Four percent of Estonian enterprises *did not want to pay for the early supply* of euro coins, the corresponding share for euro banknotes was 3%
- *Security or storage problems* were mentioned as reasons for not expecting to be supplied with euro cash by 3% of respondents (for both coins and banknotes)
- *Financial problems or the lack of collateral* hindered 3% of Estonian companies from asking for a supply of euro cash (for both coins and banknotes).

It should also be noted that 14% of all companies surveyed did not know or were unwilling to answer the question concerning euro coins. In the case of euro banknotes this share reached 16%.

Reasons for being not supplied with euro cash before 1 January 2011 by the bank



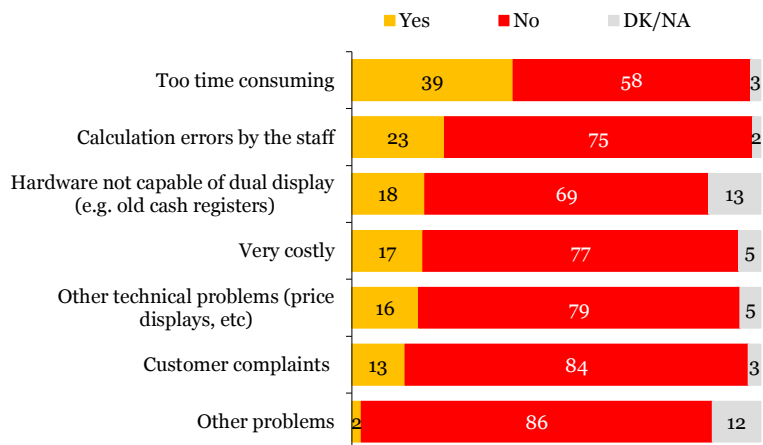
Q13/Q14. Do you expect to be supplied with euro coins/banknotes before 1 January 2011 by your bank?
Q13bis/Q14bis. Why will you not be supplied with euro coins/banknotes before 1 January 2011?
% Base: those who had significant cash operations with consumers

Dual Price Displays

Almost all enterprises surveyed (93%) were aware that they had to apply a **dual display** of prices **before and after the changeover**. To avoid the possibility that the adoption of the euro might be used for an artificial upward adjustment of prices, enterprises are obliged to display prices in two currencies six months prior to and after the euro changeover - meaning that as of 1 July 2010, prices in shops and other businesses were displayed in both Estonian kroons and euro¹.

Three months after the introduction of dual price displays some

Difficulties concerning the dual display of prices



Q18. Are you facing any of the following problems or difficulties concerning the dual display of prices?
% all enterprises

¹ More information on the euro changeover in Estonia can be found in the „Communication Strategy for Adoption of Euro in Estonia”, available at:

http://euro.eesti.ee/EU/Prod/Euroveeb/Main_Page/left_menu/Documents_about_changeover/comm.pdf

businesses were still fighting with a number of problems. Almost 4 in 10 (39%) Estonian businesses complained that the dual display of prices was *too time consuming*. Furthermore, for 23% *calculation errors by staff* continued to be a difficulty. A share of 18% reported that their *hardware was not capable of dual displays* (e.g. in the case of old cash registers). The *high costs* of dual displays posed difficulties to 17% of Estonian enterprises. *Other technical problems*, for example those with price displays, were reported by 16% of survey participants. Finally, *customer complaints* were mentioned by 13% of companies.

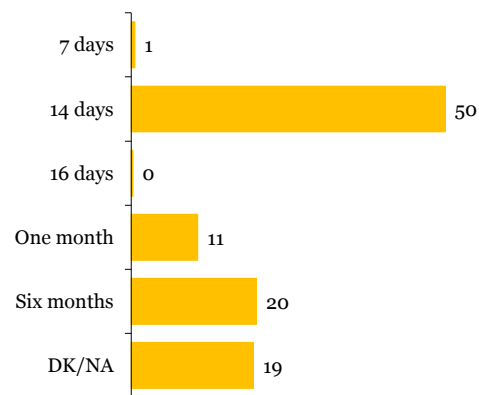
The changeover period

When asked if they knew **how long** there would be a **parallel circulation** of Estonian kroons and euros, half (50%) of Estonia's firms knew the correct answer: *14 days*². A fifth (20%) of companies thought that the dual circulation period would last *six months* and a tenth (11%) of respondents mistakenly believed that it was *one month*. A considerable share of 19% *did not know* the length of the parallel circulation of currencies.

Since the aim of the dual circulation period is a smooth removal of kroons in order to introduce euro cash, shops are supposed to give change in euro whenever possible. However, the Estonian authorities clarify that “considering the possibility that euro cash may not have been delivered to shops in remote rural areas by the €-Day, the option of also giving change in kroons will remain for the dual circulation period”³.

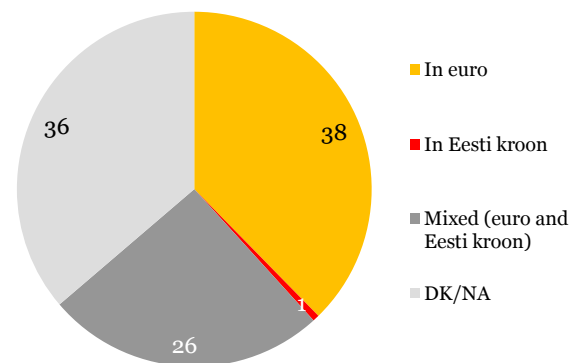
As the survey showed, roughly 4 in 10 (38%) Estonian enterprises expected **to give change in euros** from the very beginning of the dual circulation period. A similar share, however, was planning to give both kroons and euros as change. Just 1 in 100 enterprises intended to hand out kroons as change. It is noteworthy that less than three months before the changeover, a quarter of companies still did not know how to deal with change, or simply did not want to answer this question. Compared with other Member States that adopted the euro recently such as Slovakia, Slovenia or Cyprus, this was the highest proportion of “don't know/no answer” recorded.

Awareness of dual currency circulation period



Q16. Do you know for how long there will be a parallel

Currency of the change given from 1 January 2011



Q15. How do you intend to give change as from 1 January 2011?
% all enterprises

² For more details consult Estonia's National Changeover Plan at:

http://euro.eesti.ee/EU/Prod/Euroveeb/Main_Page/download/Eurole_yleminekuplaan_8versioon_EN.pdf

³ p.15 of Estonia's National Changeover Plan, available at:

http://euro.eesti.ee/EU/Prod/Euroveeb/Main_Page/download/Eurole_yleminekuplaan_8versioon_EN.pdf