

Preparedness for the euro among enterprises in Slovenia

Summary

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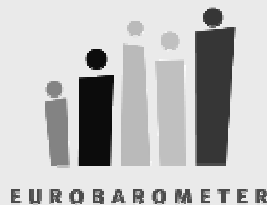
This survey was requested by DG ECFIN-R-4: External Communication and coordinated by Directorate General Communication

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Flash EB Series #195

Preparedness for the euro among enterprises in Slovenia

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



Survey organised and managed by the
Eurobarometer Team of Directorate-General
“Communication”

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THE GALLUP ORGANIZATION

Introduction

The objective of the survey was to study the progress of the preparations for the introduction of the euro among businesses in Slovenia.

The main themes in the survey were the followings:

- general information on the enterprises before the introduction of the euro
- the adaptation of computer systems of enterprises
- some cash related questions: supplying the enterprises with euro coins and banknotes
- changeover
- price policy
- information about the changeover.

The sample of 373 enterprises consisted of 318 enterprises in the cash-intensive sectors of G and H (trade and hotel sector) of which 29 enterprises with at least 50 employees were interviewed. Besides, 55 medium and large enterprises in the sectors C to K (excl. G and H as well as the banking sector) with at least 50 employees were interviewed.

The survey was carried out via telephone, using WebCATI (web-based computer aided telephone interviewing). The survey's fieldwork was carried out between 17 and 21 November 2006.

The sample lists were developed by Slovenian partner using local statistical data sources (IPIS). Sampling was made according to two stratification criteria: the size of the company and the activity sectors, 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.

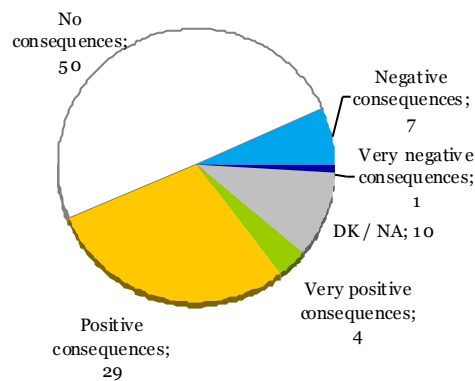
During data processing, the sample was not weighted because of the small number of enterprises in a sectors and the soft employee size criteria.

The person interviewed in each company was a "CEO" or branch manager, Euro-coordinator or - Head of Finance and/or Administration. The interviewers checked the identity of this person as well as the accuracy of the enterprise sampling characteristics, as delivered by sample list, namely: the number of employees.

The changeover to the euro poses a massive challenge to enterprises, but the Slovenian business community tends to perceive its effects to be more on the advantageous side. Half of the surveyed companies stated that they do not see the euro changeover as directly affecting them (either positively or negatively) in the medium to long term (50%). One tenth of the companies interviewed could not decide or did not want to answer this question (10%).

Looking at the enterprises anticipating a direct impact by the changeover, only 8% expect negative effects, while 33% see positive consequences in the medium to long term. Among the latter, 29% even expect a very positive impact of the euro on their company in the medium to long term.

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



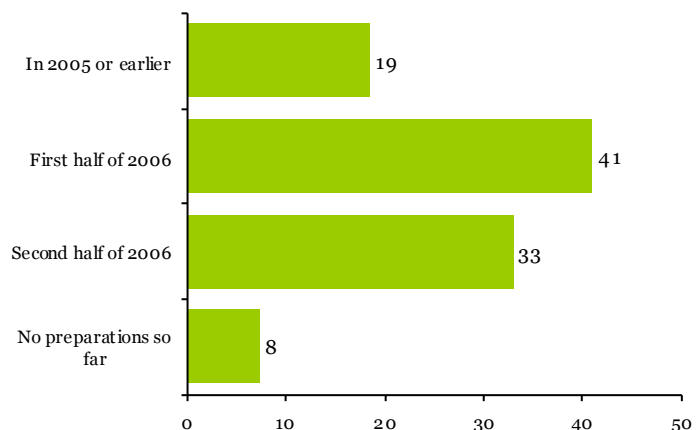
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Q5. Which consequences will the introduction of the euro have for your enterprise in the medium to long term?
% all enterprises

Preparations

The majority of companies commenced preparations for the euro changeover only in 2006; the largest segment did so in the first half of 2006 (41%), and a third in the second half of the year (33%). Barely a fifth of the surveyed companies mentioned that they started preparations for the changeover in 2005 or earlier (19%). 8% of the companies have not yet made any preparations.

Prepare the enterprise for the changeover to the euro

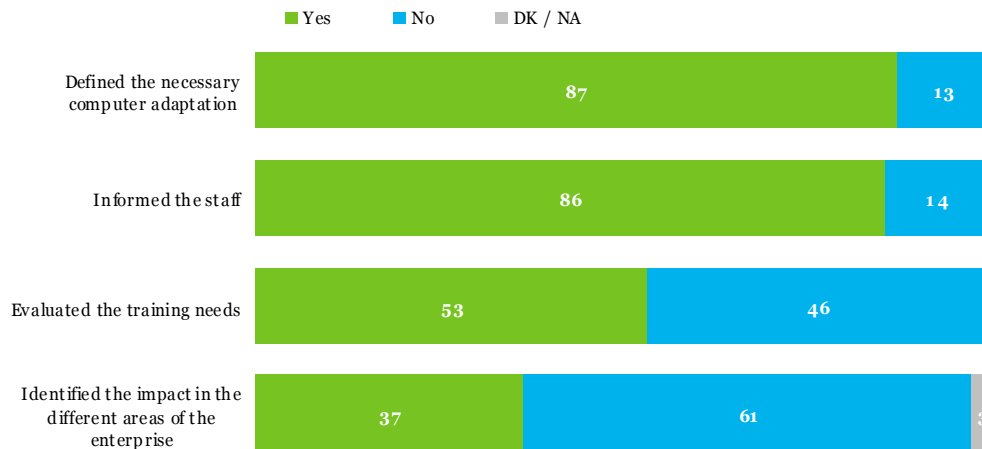


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Q1. When have you started to prepare your enterprise for the changeover to the euro?
% all enterprises

A large majority of respondents mentioned that they have applied or used the following two preparatory steps: defining the necessary computer adaptation, and informing the staff. 87% of the companies have already defined the necessary computer applications, and 86% have informed the staff. More than half of the company managers said that they have evaluated the necessary training needs (53%). A comparatively lower proportion, 37%, said that they had identified the impact of the changeover in the different areas of their enterprise.

Ways of preparation for the euro changeover

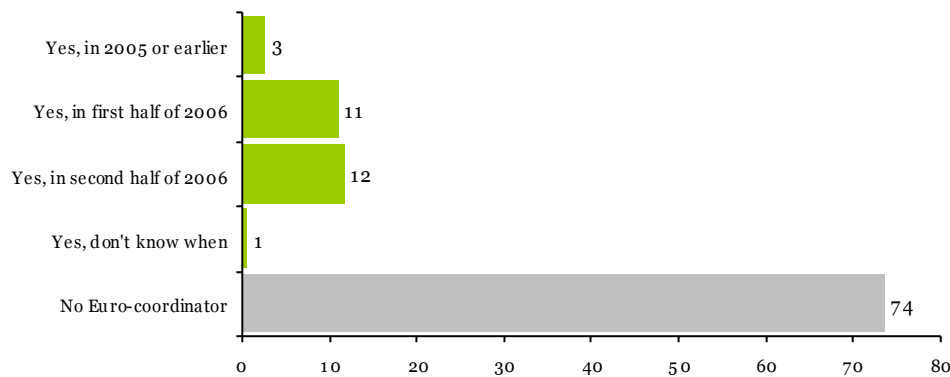


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Q2. As regards the changeover to the euro, have you ...?
% all enterprises

The vast majority of companies (74%) have not assigned the task of coordinating and supervising the changeover preparations to a Euro-coordinator, or in general a person specifically dealing with the internal preparations. Only about one quarter of the companies surveyed indicated to have done so (26%). One tenth (11%) of these Euro-coordinators were appointed in the first half of 2006, while another tenth (12%) in the second half of 2006. Barely 3% said that they appointed such coordinators in 2005 or earlier.

Appointing a „Euro-coordinator” who coordinates the preparations to the euro changeover



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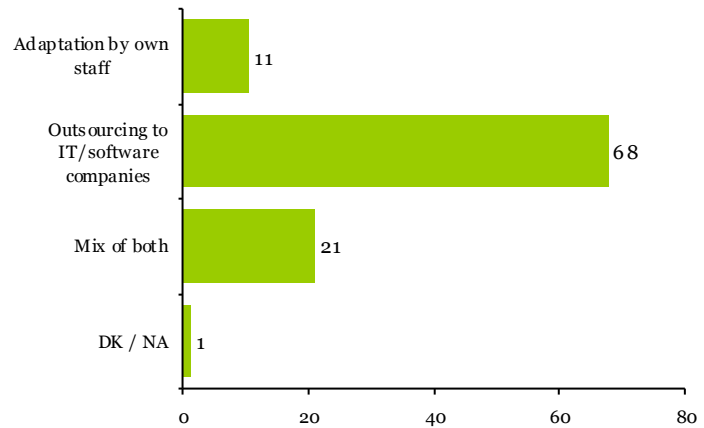
Q3. Did you appoint a "Euro-coordinator", a "Euro Project Manager" or in general a person in charge of coordinating your enterprise's changeover preparations?

Q4. When did you appoint the "Euro-coordinator", the "Euro Project Manager" or in general the person in charge of coordinating your enterprise's changeover preparations?
% all enterprises

Adaptation of the computer system to the introduction of the euro

In preparation for the introduction of the euro, the majority of companies use outsourced IT/software companies (68%) to adapt their computer systems. Only a tenth of the companies claimed that they would accomplish the computer system adaptation in-house (11%). One-fifth of the companies said that they intend to adapt their computer system using both in-house capacities and outside firms (21%).

Ways of adaptation of the computer systems with respect to the introduction of the euro



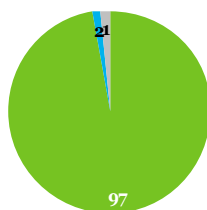
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Q6. As regards the adaptation of your computer systems with respect to the introduction of the euro, how do you proceed?
% all enterprises

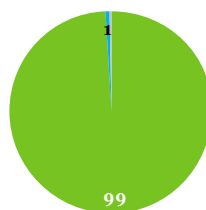
Company managers were asked to evaluate their company's different computer systems (accounting, invoicing, payroll systems) in terms of their preparedness for the changeover. Almost all respondents (97-99%) expect each of these systems to be prepared for the changeover.

Readiness of different systems for switching to the euro on 1 January 2007

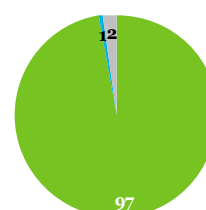
Accounting system



Invoicing system



Payroll system



■ Expect to be ready ■ Do not expect to be ready ■ DK / NA

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Q7./Q9/Q11. Do you expect your accounting / invoicing / payroll system to be ready for switching to the euro on 1 January 2007?
% all enterprises

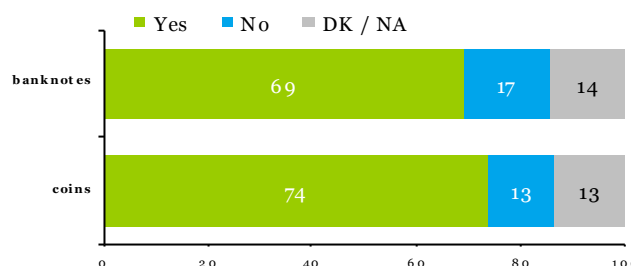
Only 2% of company managers stated that their accounting system will not be prepared for the changeover to the euro (because external IT/software services are provided too late by their contractor or because the external accountant will not be ready). 1% believed that their invoicing system and 1% stated that their payroll system will not be prepared because of delays on the part of external contractors ("external IT/software services are provided too late by our contractor").

Cash issues

Banks are expected to supply enterprises, notably those dealing with cash in their customer relations, with euro coins and banknotes before the adoption of the euro. Of the companies engaged in retail trade or direct financial transactions (those who have direct financial relations involving cash operations with customers) 69% mentioned that they expect their bank to supply them with euro banknotes before 1 January 2007, while 74% said the same in relation to euro coins.

17% of the managers from companies engaged in retail trade or direct financial transactions did not think that their bank would supply them with euro banknotes, and 13% believed that it would not supply them with euro coins, before 1 January 2007.

Expectation regarding the supply with euro coins and banknotes before 1 January 2007 by the bank



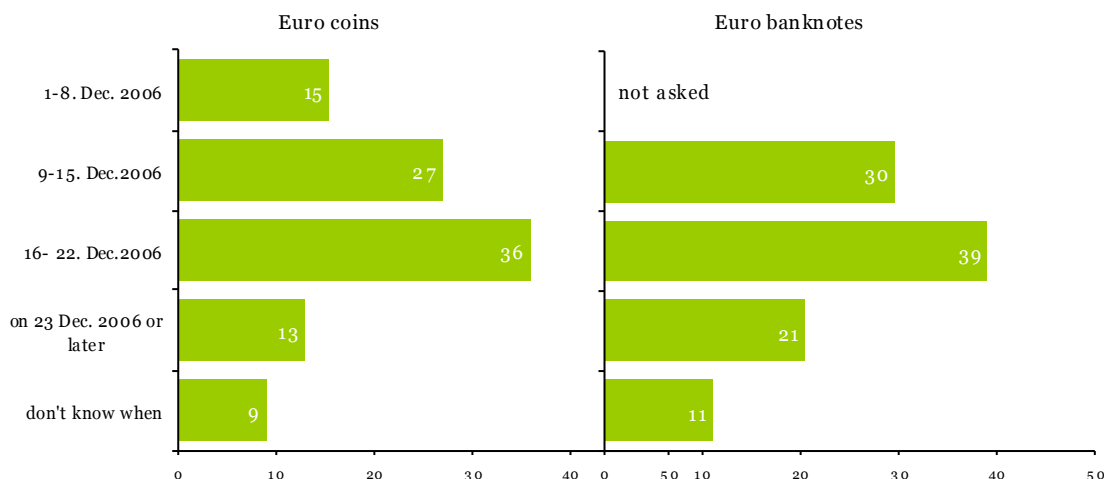
Q14. Do you expect to be supplied with euro coins before 1 January 2007 by your bank?
 Q17. Do you expect to be supplied with euro banknotes before 1 January 2007 by your bank?
 Base: only those who are retail enterprise or have direct financial relations involving cash operations with customers

Among those enterprises which expect to be supplied with euro cash before 1



January 2007, the majority expects this to happen between 16 and 22 December 2006 (36% and 39% for coins and banknotes, respectively). A relatively high percentage (more than one out of four enterprises) expects their bank to supply them with euro coins and banknotes between the 9 and 15 December 2006 (27% and 30%). About one fifth of the enterprises (21%) believes that this will take place only after 23 December 2006 for euro banknotes (13% for euro coins).

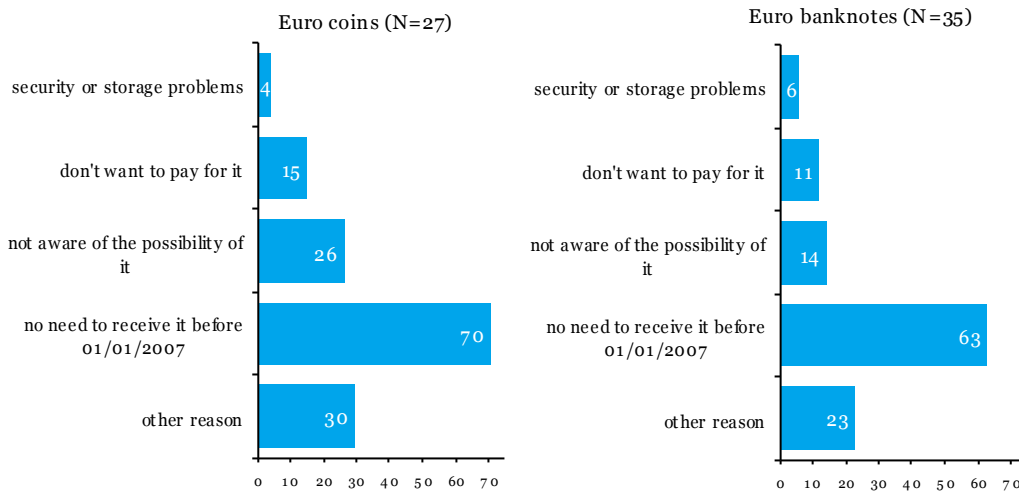
Being supplied with euro coins and euro banknotes by the bank of the enterprise before 1. January 2007



Q15. / Q18. When do you expect to be supplied with euro coins / euro banknotes / by your bank?
 Base: among those who expect to be supplied with euro coins/ banknotes before 1. January 2007

The managers of companies engaged in retail trade or direct financial transactions who do not expect their enterprise to receive euro cash before 1 January 2007 were also asked for the reasons for not being supplied with euro cash early on. Most of them underlined that they saw no need for this (70% mentioned this reason in relation to euro coins and 63% for banknotes); their lack of awareness of this possibility (26% and 14%, respectively). Costs do not seem to represent a major obstacle: only 15% and 11% respectively expressed their unwillingness to pay for the early supply. An even smaller number of these company managers mentioned that they will not be supplied with euro coins and banknotes because of security and storage problems (1 and 2 companies, respectively).

Reasons of NOT BEING supplied with euro coins and euro banknotes by the bank of the enterprise before 1. January 2007

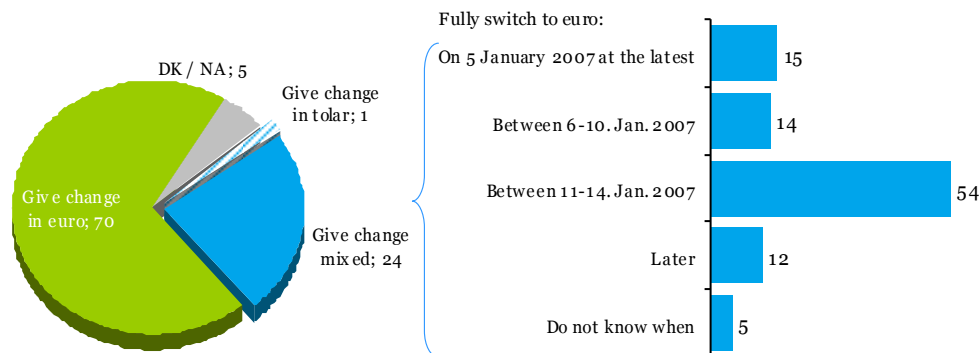


Source: FLASH EB 195, November 2006, GALLUP

Q16. /Q19. Why will you not be supplied with euro coins /euro banknotes before 1 January 2007? Base: among those who do not expect to be supplied with euro coins/ banknotes before 1. January 2007

We also asked retail enterprises and companies with direct financial relations (involving cash operations with consumers) whether they plan to use euro cash, tolar cash or a mix of both as from 1 January 2007 for giving change.

Giving change in euro or tolar after 1 January 2007



Source: FLASH EB 195, November 2006, GALLUP

Q20. How do you intend to give change as from 1 January 2007? Base: only those who are retail enterprise or have direct financial relations involving cash operations with customers
 Q21. When do you intend to fully switch to giving change exclusively in euro? Base: only those who intend to give back in tolar or mixed

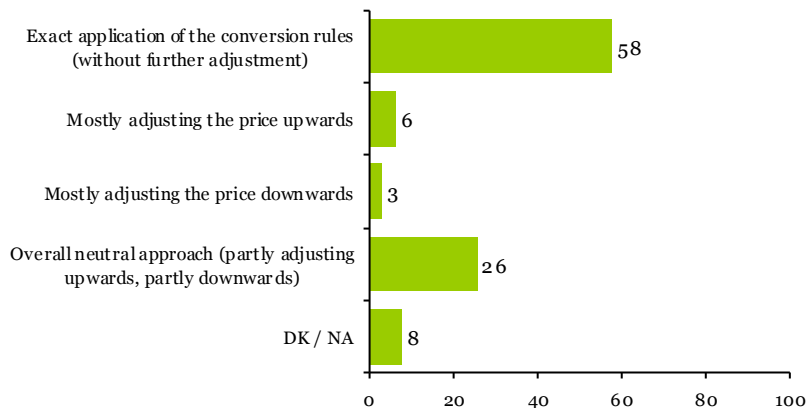
After 1 January 2007, the vast majority of these companies intend to give change in euro (71%), and a quarter plan to give change in tolar or a mix of both (25%). Of the latter companies, the majority intend to switch to giving change only in euro between 11 and 14 January 2007 (54%). 29% of these companies will switch to giving change in euro earlier (but still after 1 January 2007), and 12% intend to do it later.

Price policy

With a view to the changeover, enterprises have to establish their prices in euro. This chapter reflects how companies switched their prices to prices in euro or plan to do so, how they calculated “psychological prices” (such as 599 tolar) in euro, when they established or will establish their prices in euro, and until when they intend to use dual display or prices.

The majority of companies do not plan further adjustments in calculating psychological prices; they will change tolar to euro in accordance with the conversion rules (58%). The second highest proportion, somewhat more than one-fourth of company managers, intend to use an “unbiased” approach, and prices will be adjusted both up and down (26%). Another 6% of company managers will adjust up and 3% will adjust down when changing “psychological prices” from tolar to euro.

Adjustment of the „psychological” prices when establishing the prices in euro

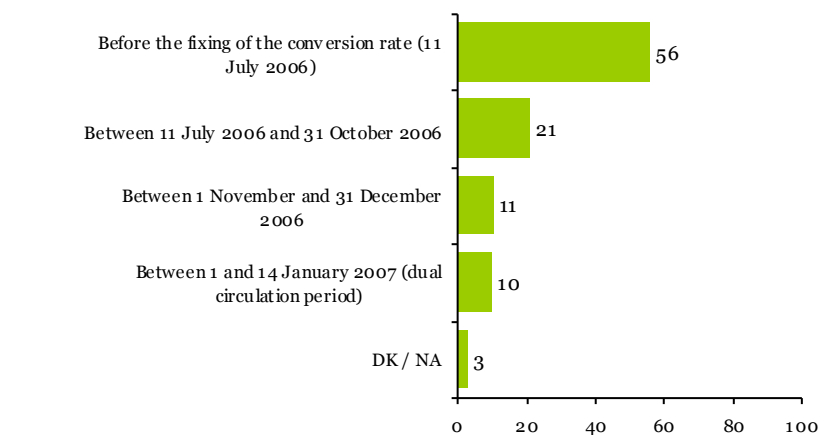


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Q23. When you established (or when you will establish) your prices in euro, how did (will) you proceed for the adjustment of “psychological” prices, such as 599 tolar, which due to the application of the conversion rules would result in awkward amounts in euro?
% all enterprises

The conversion rate between the euro and the tolar was fixed on 11 July 2006. However, the majority of the companies surveyed have already established the prices (or most prices) for their products and services in euro before this date (56%). One-fifth of the companies started providing prices in euro between 11 July and 31 October 2006 (21%), while one-tenth did so between 1 November and 31 December 2006 (11%).

Time frame for establishing the prices in euro



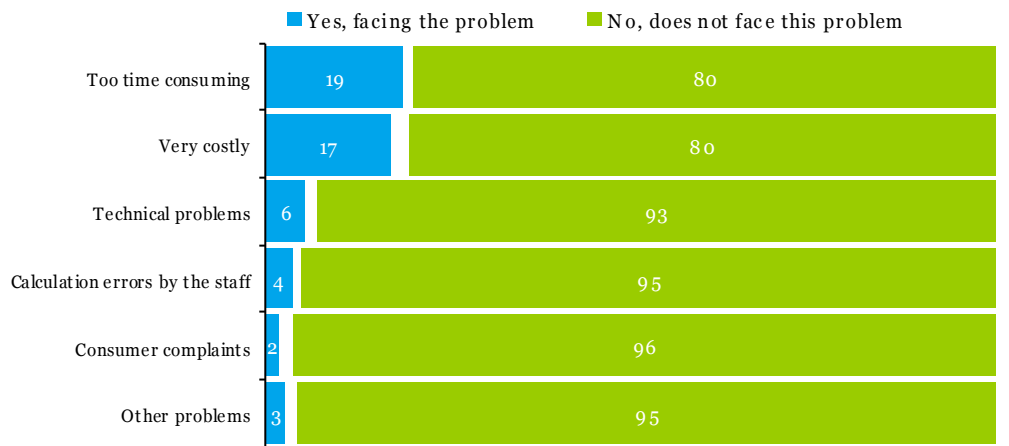
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Q24. When did you establish your prices (or the prices of the majority of your products/services) in euro or when will you do so?
% all enterprises

10% of the companies surveyed intend to establish their prices in euro between 1 January and 14 January 2007, in the dual circulation period.

Most enterprises do not experience any problems with the dual display of prices. The problem faced by the highest percentage of company managers (19%) was that dual pricing was time consuming. Almost as many said it was too costly to implement (17%). Technical problems were mentioned by only 6% of the managers. An even smaller proportion (4%) stressed calculation errors by the staff, and consumer complaints (2%) as a difficulty. 3% of the managers mentioned other problems.

Problems faced in relation to the dual display of prices

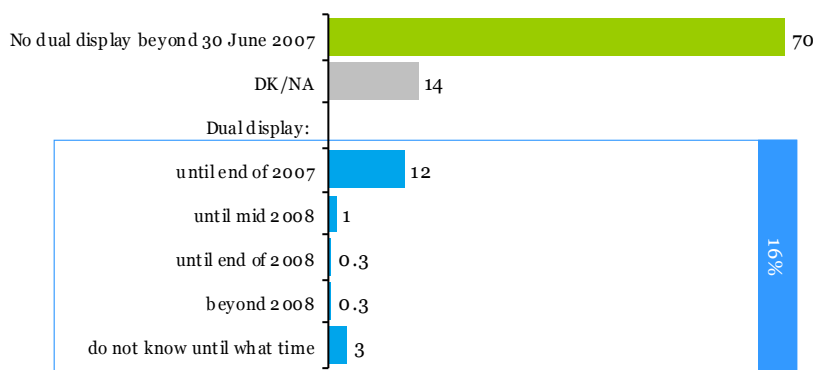


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Q25. Are you facing any of the following problems or difficulties concerning the dual display of prices?
% all enterprises

When asked if they intend to use dual display of prices beyond the period stipulated by law (ending on 30 June 2007), nearly three-quarters of the companies (70%) said they did not. 14% could not or did not want to answer this question, while 16% said that they intend to use dual display of prices beyond this date; most of them plan to do this until the end of 2007 (12% of all enterprises).

Intention to continue the dual display of prices beyond 30 June 2007



Source
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Q26. Do you intend to continue dual display (voluntarily) beyond the period during which it is required by law (i.e. 30 June 2007)?
Q27. Until when do you intend to continue dual display (voluntarily)?
% all enterprises

Only 1% of company managers claimed that they would use dual display of prices until mid-2008, and even lower proportions mentioned time periods beyond this. 3% of company managers did not know how long they would continue to do so.

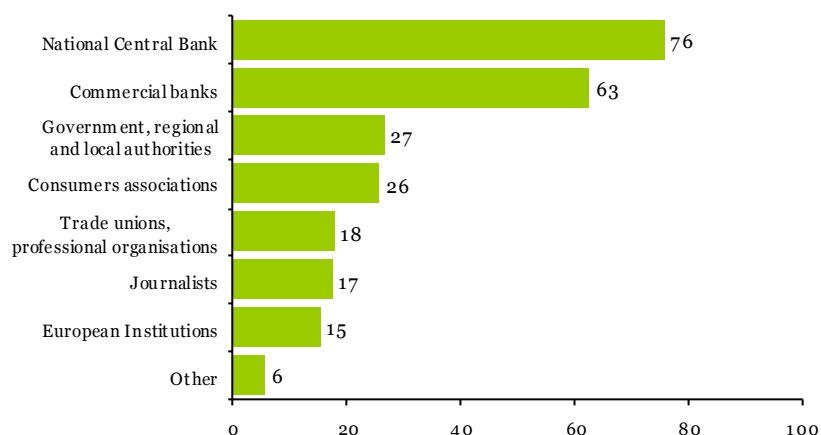
Information and information channels

Trust is a key factor **in communicating information**: people differentiate between possible sources of information based primarily on their assessments of how trustworthy the sources are. It is therefore essential to provide information related to the adoption of the euro through channels that are widely trusted in the specific countries.

As previous measurements of Flash Eurobarometer carried out among the general population have established¹, traditionally, national central banks are the most trustworthy sources of information regarding the euro and on issues related to a changeover followed by the European institutions.

The present survey asked about the preferred distributors for information on the euro and found that 76% of Slovenian enterprises prefer the national central banks. Commercial banks come second; they are mentioned by 63% of the Slovenian enterprises as preferred distributors for information on the euro.

Preferred distributors for information on the euro



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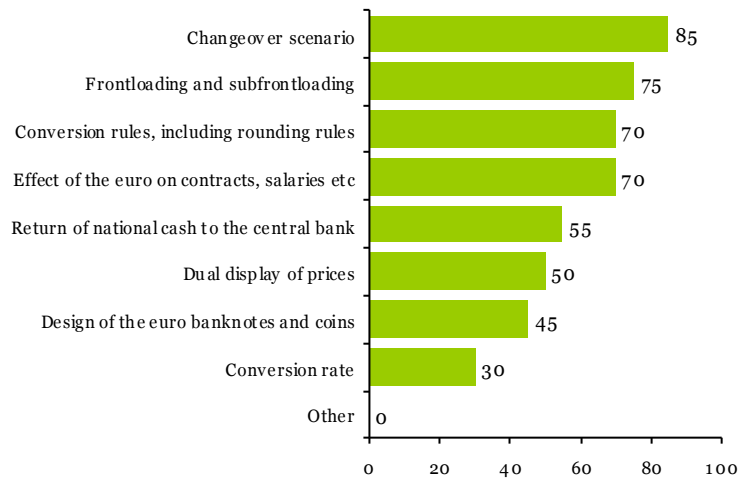
Q2.8. Which of the following institutions are your preferred distributors for information on the euro? (several answers possible; read out)
% all enterprises

All other sources are mentioned by less than half of the enterprises surveyed. The government, regional and local authorities come in third place (27%), closely followed by consumer associations (26%). Trade unions are mentioned in fifth place (18%), followed by journalists (17%). It is not surprising that only 15% identified the European institutions as a preferred source as these are not natural sources for information on country-specific details of the changeover. 6% of respondents preferred sources other than the previously mentioned.

The level of factual knowledge about the euro is particularly high among Slovenian enterprises: the overwhelming majority of managers in Slovenia think they have received sufficient information regarding the euro and the changeover (93%). Overall, only 5% believe that they did not receive sufficient information. In this small, second group, respondents would still like to have more information about the changeover scenario (85%), about frontloading and sub-frontloading (75%), about conversion rules (70%) and about the implications of the euro for contracts and salaries (70%).

¹ See for example the Flash Eurobarometer 191.

Areas where more information need the Slovenian enterprises



Source:
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Q30. In which areas would you still like to receive more information?
Base: only those who think they do not have sufficient information on the euro and the changeover

Other topics about which still many of the Slovenian enterprises need further information are the return of national cash to the central bank (55%) and the dual display of prices (50%). “Technical” issues, such as the design of the euro banknotes and coins were also mentioned by 45% of those managers who said they needed further information. Almost a third of these managers mentioned that they would like more information about the conversion rate (30%) – in spite of the fact that the conversion rate was fixed already on 11 July 2006.