

Bold ambition

Mid-market businesses in 2022



Despite 2021 being packed with more change and unpredictability, mid-market businesses from Australia and New Zealand not only fared incredibly well, but they've come out of their corner armed and ready to fight for bigger and better results this year.

Despite several years of turbulence, the majority of mid-market firms we surveyed enjoyed increases in revenue on both sides of the Tasman last year. With a healthy pipeline of activity lined up for this first quarter, it's no wonder we're seeing exuberant confidence from these businesses around their respective economies and business performance for the year ahead.

But despite coming out of an incredibly solid year and with bold ambitions very much in frame, there's understandable awareness that it's not going to be all sunshine and roses in 2022. Local mid-market firms are planning for the challenges that lie ahead. The changes they'll make to safeguard them against these headwinds, are the same changes that will bolster their performance. In them, we see a focus on new priorities to grow their business, their workforce, their digital business management platforms and their strategies to connect with customers.

When it comes to digitalisation and the opportunities technology presents for businesses, A/NZ mid-market businesses have made it clear that they're not about to stop at the changes made over the last two years in response to COVID-19. In fact, with a significant proportion planning to increase their investment in upgrading or implementing new tech in their business, our latest findings demonstrate there is clear recognition of the role digital solutions will play in helping secure their success.

The mid-market is traditionally a segment of business that is less recognised or talked about than others. So there's nothing I'd like to see more than greater support for the mid-market and awareness of the contribution they make to the success of our economy. Our survey shows they may be small in volume but they're thinking big and rightly so.

With goals sharply focused on growth and a clear plan to rise up against predicted challenges, there's good reason to expect a strong year from these businesses. Leaders have every right to feel confident that they can maximise their performance and achieve their ambitions. We'll certainly be backing them all the way.



Kim Clarke
MYOB GM Enterprise

Note: Based on customer demographics, MYOB defines the mid-market as businesses employing between 20-500 FTEs, with findings from this report reflecting sentiment from this group.

Mid-market performance in 2021

After the initial shock of the early stages of the COVID-19 pandemic, 2021 saw mid-market businesses in both Australia and New Zealand bounce back strongly. Despite the ongoing challenges created by the pandemic – with regional lockdowns across Australia and New Zealand, global supply chain disruptions, and increasing skills shortages due to border restrictions – nearly two thirds of mid-market businesses on both sides of the Tasman saw their year-on-year revenue increase in 2021.

Adaptation rewarded

Businesses best able to adapt to new ways of working, like those in New Zealand's professional business sector (which saw over 83% of respondents report an increase in revenue), performed particularly well over the 2021 calendar year. Pent up consumer demand caused by long periods of regional lockdowns, as well as a general increase in online activity, also saw strong returns for retail businesses on both sides of the Tasman.

Solid manufacturing performance

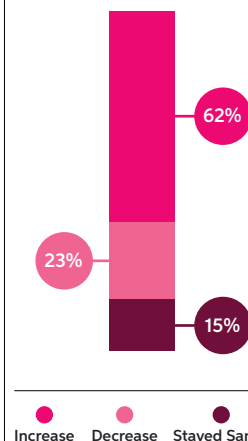
Despite performing below the mid-market average, MYOB's insights show manufacturing businesses in Australia enjoyed a solid year of growth. Mid-market manufacturing businesses in New Zealand outperformed the average increase in revenue seen across all sectors, as much of the country enjoyed a period of limited restrictions, and a strong 'buy-local' sentiment supported domestic growth.

Construction success mixed

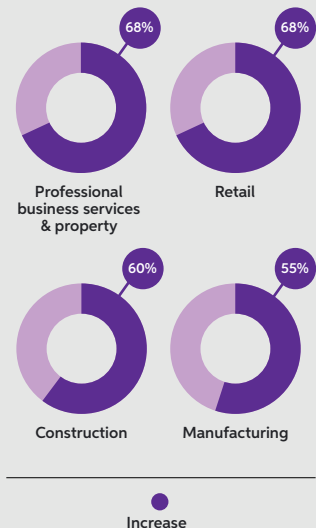
In the face of having to navigate significant restrictions and onsite protocols, mid-tier construction firms in Australia continued to enjoy strong returns as the country's building boom continued. However, facing significant supply issues, consent backlogs, lockdown restrictions and tighter budgets, nearly half of New Zealand's mid-market construction businesses saw their revenue decrease last year, in comparison to 2020.

AUSTRALIA

For the 2021 calendar year in comparison to 2020, did your revenue...?

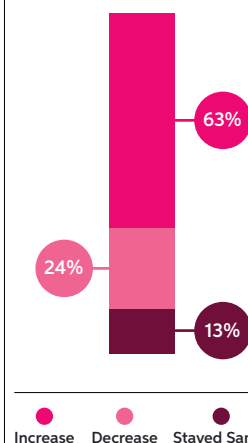


Sector revenue increase:

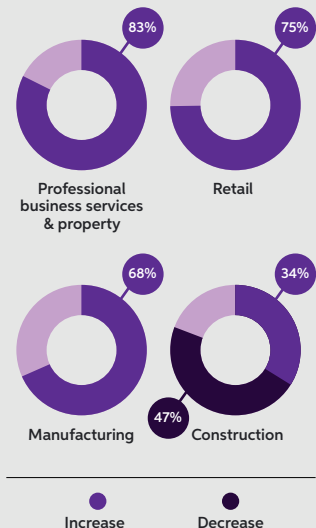


NEW ZEALAND

For the 2021 calendar year in comparison to 2020, did your revenue...?



Sector revenue:



Expectations for 2022



Sentiment around the year ahead

Off the back of a successful 2021, mid-market owners and decision makers are extremely bullish about their prospects in 2022.

Even as new outbreaks of the COVID-19 Omicron variant impact both countries, a very small minority of mid-market business operators on either side of the Tasman are facing the year with nervousness or concern. In fact, most are hopeful, excited, and confident about what the year may bring.

Given these sentiments and a strong focus on building on the momentum of 2021, the expectations of mid-market leaders send a positive signal for the broader economy this year.

AUSTRALIA

Which of the following best describes how you're feeling about 2022?:

Top
3

Hopeful

29%

Excited

28%

Confident

20%

NEW ZEALAND

Which of the following best describes how you're feeling about 2022?:

Top
3

Excited

25%

Confident

19%

Ambitious

19%

Economic confidence

Despite consumer confidence falling in both Australia and New Zealand, mid-market business operators remain extremely optimistic about the prospects for their local economy. In both countries, the large majority of mid-market operators expect to see their respective economies doing better over the next year, with a third (33%) of survey respondents in Australia and more than two-in-five (43%) in New Zealand anticipating significant improvements.

With the OECD predicting both countries will hover around 4% in real GDP growth in 2022¹ and early signs of demand looking strong, the majority of mid-market businesses should feel encouraged that the local economy will continue to emerge from COVID-19 relatively well.

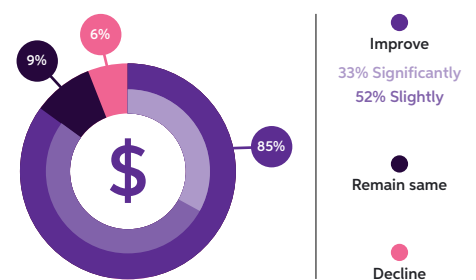
The rising spectre of inflation, however, may have a dampening effect – particularly on shaky consumer demand. Currently hitting a 30-year high at 5.9% in New Zealand² and surging to 3.5% in Australia³, inflation could become difficult for central banks to bring under control, with flow-on effects for local businesses.

Price rises will be included among the flow on effects, with more than three quarters (77%) of mid-market businesses in Australia and 85% of those in New Zealand planning to increase their prices before the middle of the year.



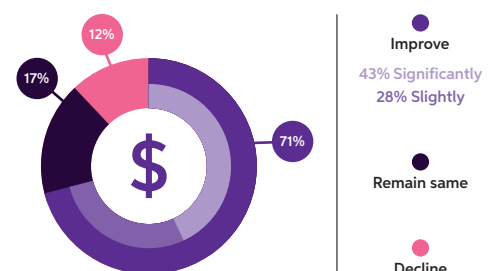
AUSTRALIA

In the next 12 months, do you believe the local Australian economy will..?:



NEW ZEALAND

In the next 12 months, do you believe the local New Zealand economy will..?:



¹ OECD Australia Economic Snapshot, Economic Forecast Summary (December 2021); OECD New Zealand Economic Snapshot, Economic Survey of New Zealand (2022)

² Stats NZ, Consumer Price Index (CPI), updated 27 January 2022

³ Australian Bureau of Statistics, Consumer Price Index (CPI), updated 25 January 2022

Expectations for 2022 (continued)

Pipeline activity for the first quarter

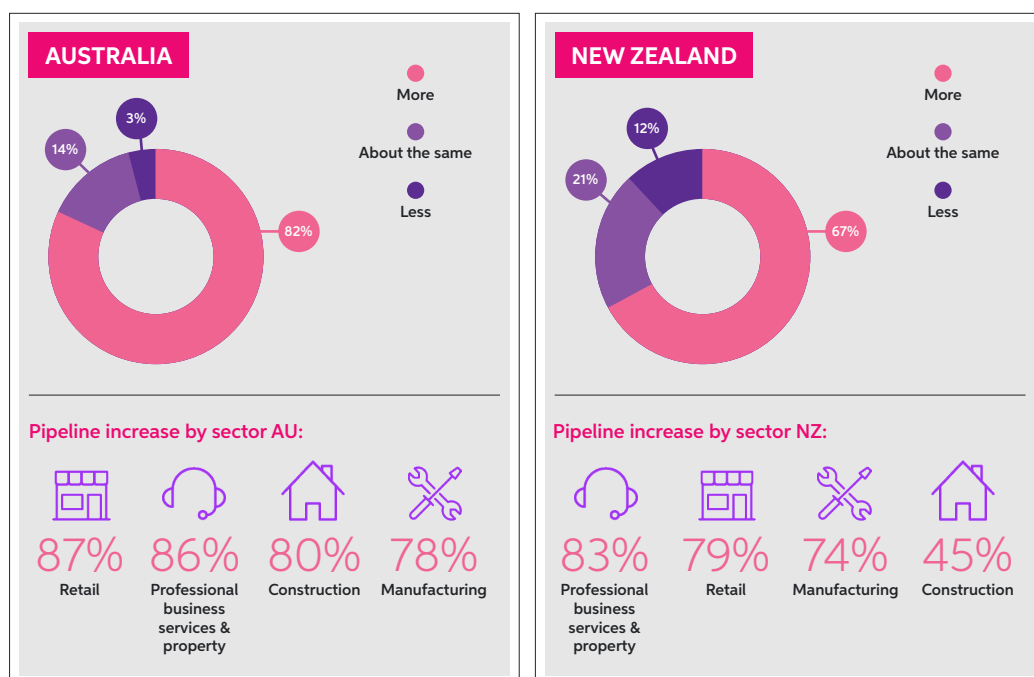
The positive view of the year ahead is underpinned by increased work in the pipeline for the mid-market in both countries.

In Australia in particular, the first quarter of the calendar year should see significant rates of activity across the board, with more than 80% of mid-market businesses reporting more sales and work in the pipeline. The retail sector in Australia is expecting a particularly strong first quarter, with 87% reporting they have more sales or work in the pipeline for this period, while professional business services (86%) and the construction industry (80%) are also expecting a rise in their pipelines from January-March 2022.



While increases in the sales pipeline aren't quite as high in New Zealand, the first quarter of 2022 is still looking busy for the local mid-market sector, with 46% saying they have 'a lot more' work lined up over this period. Like their Australian counterparts, the large majority (83%) of professional services businesses in New Zealand are expecting the first three months of 2022 to be busier than Q1 2021. Local retail (79%) and manufacturing (74%) businesses are also expecting an increase. In contrast to Australia however, construction is something of an exception, with fewer than half (45%) of New Zealand's mid-market businesses in this sector expecting more work in the first months of 2022 and around a quarter (23%) expecting less.

Heading into the first quarter of 2022, how much work have you got on/what sales do you have in the pipeline in comparison to the same time last year?:



Changes and Challenges in 2022

Top challenges in the year ahead

Closed borders and immigration restrictions have left the mid-market facing a skills crisis, as long-term structural issues in education, sector demand and population growth are compounded by the impact of COVID-19. For the mid-market, a **shortage of skilled employees** is the **number one challenge** operators in both countries expect to face this year. With unemployment at historically low levels in both countries, as well as unknowns around how recent announcements to restart immigration for both countries will shape up in real life, this issue is likely to have a major effect on mid-market businesses across A/NZ for at least the year ahead.

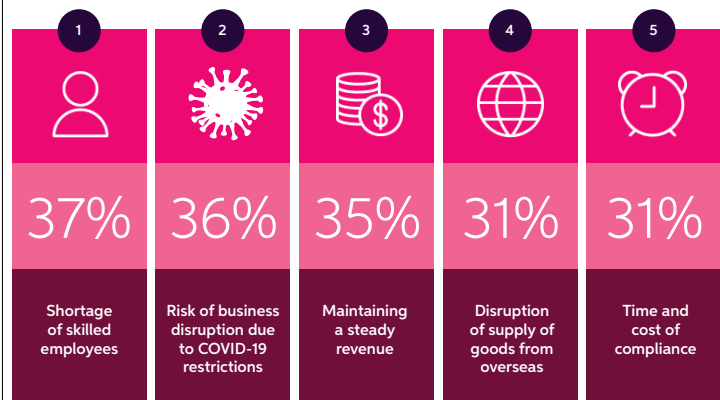
Supply chain issues also continue to cause concern for mid-market operators, with the manufacturing sector in both New Zealand (66%) and Australia (45%) expecting their ability to get goods from overseas will be a particular challenge for them.

While the risk of ongoing COVID-19 disruptions isn't far from the minds of most mid-market leaders, other operational concerns are also creating a challenge, with the time and costs of compliance also cited as a key concern. Debt payment times, increasing competition and the need to maintain productivity are also registering as operational issues in the year ahead.

AUSTRALIA

Top
5

Thinking about your business over the next 12 months, what do you expect to be your biggest challenges?*

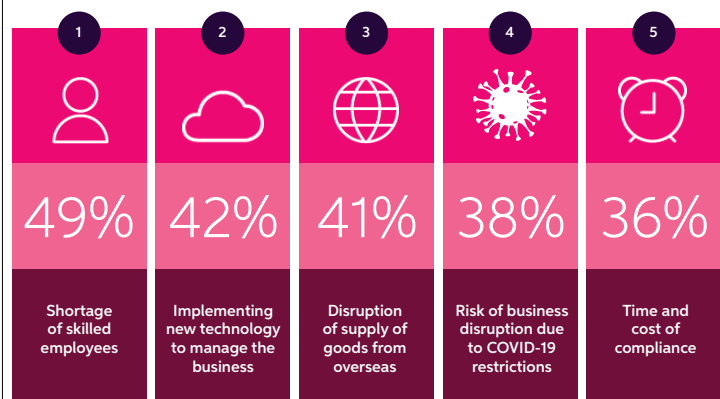


* Could select more than one answer

NEW ZEALAND

Top
5

Thinking about your business over the next 12 months, what do you expect to be your biggest challenges?*



* Could select more than one answer

Changes and Challenges in 2022 (continued)

Changes to business operations

The experience of the COVID-19 pandemic has accelerated the pace of change within the mid-market sector. Driven by shifting patterns of demand, the need to react quickly to evolving regulations and market conditions, and responding to key challenges like changing employee levels, the vast majority of businesses in the sector are planning more operational changes in 2022.

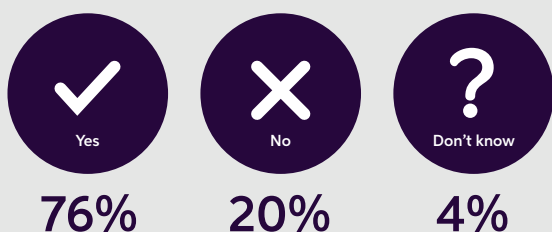
In Australia, this means a focus on improving productivity and efficiency, as well as increasing or reinforcing adaptability through an increase in technology investments, coupled with both structural changes and diversification of the products and services they offer to the market – supported by growth in employee numbers.

In New Zealand, the growth strategy is less clear. While a larger proportion plan to make changes in 2022, mid-market businesses are grappling with right-sizing their workforces (likely in response to new models of working since the pandemic) and trying to plan based on employment trends and employee availability in their industries – with roughly equal proportions of businesses seeking to increase headcount, downsize their workforce or increase their use of contractors.

In a clear signal of growing competition in both markets, more than a quarter of mid-market respondents in each country are looking to increase their marketing and advertising spend in 2022.

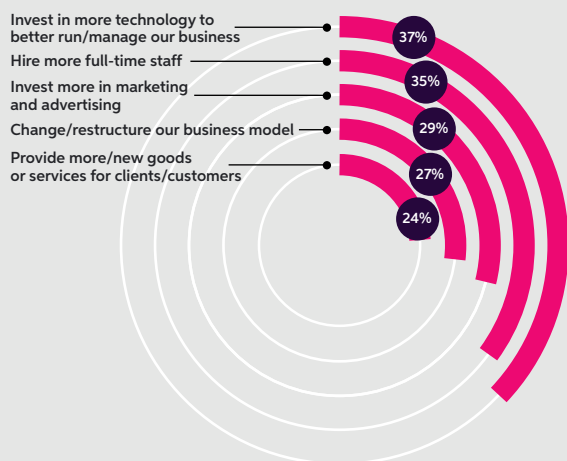
AUSTRALIA

Based on your experience in 2021, do you plan on making any changes to your business operations in 2022?:



What changes are your planning to make?

(Of those respondents who plan on making changes to business operations in 2022 – top 5 answers taken):



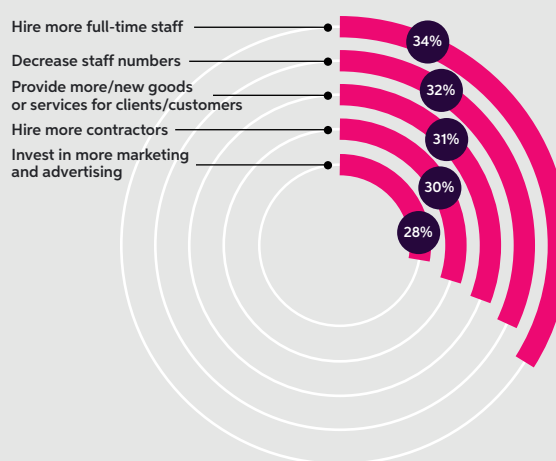
NEW ZEALAND

Based on your experience in 2021, do you plan on making any changes to your business operations in 2022?:



What changes are your planning to make?

(Of those respondents who plan on making changes to business operations in 2022 – top 5 answers taken):



Ambitions for 2022

Off the back of a strong performance in 2021, mid-market businesses are boldly ambitious and hungry for success in 2022. They've got clear plans in place and despite the challenges they have weathered to date during the COVID-19 pandemic, the mid-market has targeted revenue growth, market and customer expansion, and sector leadership as their key ambitions for the year ahead.

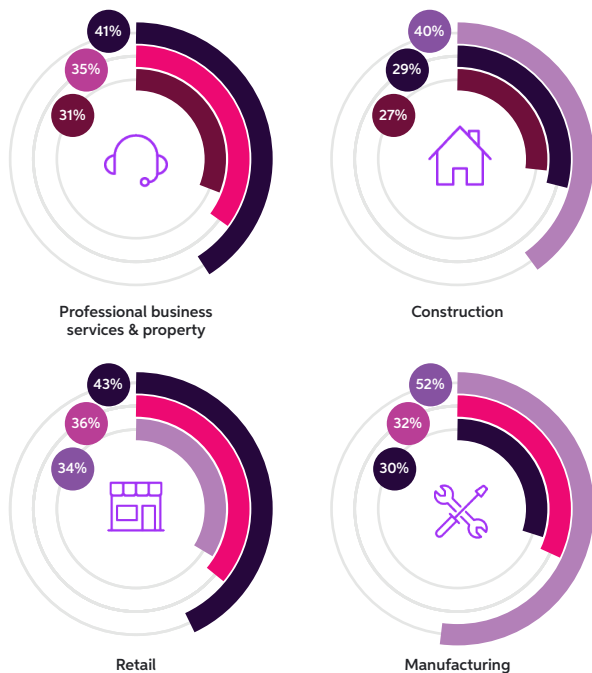
Top goals for the mid-market

AUSTRALIA

After most enjoyed an extremely strong performance in 2021, in Australia, mid-market business leaders are looking to cement the gains they have made while assessing opportunities to drive growth even higher. This hunger for more has seen mid-market business operators focus on improvements on their home turf, setting their mind to goals focused on revenue growth and local expansion – both through increasing their footprint and acquiring new customers – in 2022.



Top 3 for key sectors:

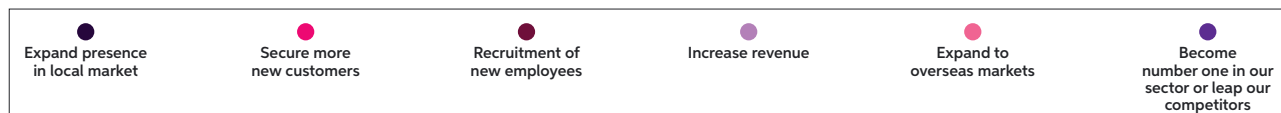
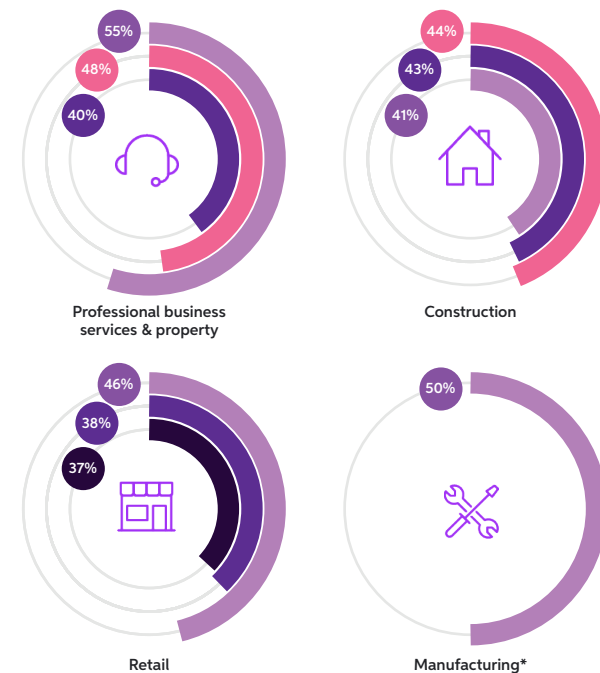


NEW ZEALAND

In New Zealand, mid-market businesses operators are keen to make 2022 a year of growth – particularly as COVID-19 has effectively cut the country off from direct participation with some key markets. Not only do their hopes represent a focus on increasing financial returns, but local businesses are also setting bold ambitions to pursue international expansion, as well as taking the mantle of their sector or market leadership.



Top 3 for key sectors:



* Note: other responses from the NZ Manufacturing sector represent too small a sample

Ambitions for 2022 (continued)

Business digitalisation goals

Since MYOB first ran targeted research in the mid-market almost five years ago, the adoption of new technology has been on the radar of larger businesses in Australia and New Zealand. However, while COVID-19 has accelerated the use of a wide range of digital tools – particularly as a means of enabling and supporting flexible models of working and improving customer relationships – the new insights show that mid-market businesses aren't stopping there.

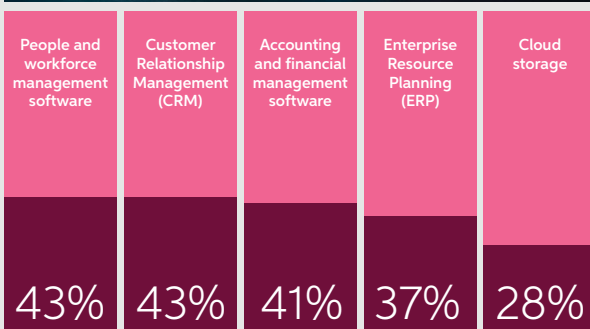
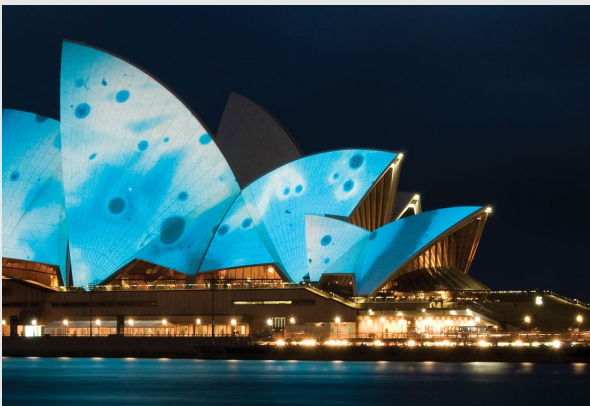
In fact, they're looking to build on the foundations from the last couple of years further, implementing new solutions to both improve productivity and accelerate growth, while also helping strengthen their business in the face of some of the headwinds they are expecting (e.g. fluctuating staff levels, supply chain disruptions, and the threat of further restrictions).

Preparing for these expected challenges is reflected in the technology investment priorities for the mid-market for the coming year, with businesses in both countries focused on the systems they need to improve customer relations, support and empower their workforce, and streamline compliance and financial oversight.

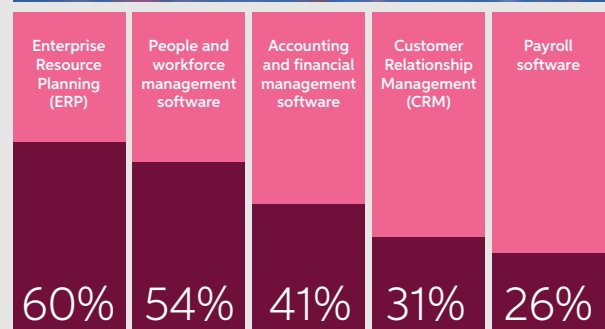


Which of the following do you plan to add/improve in your business?*

AUSTRALIA



NEW ZEALAND



Ambitions for 2022 (continued)

Making goals possible

In order to achieve their ambitions, mid-market businesses in both countries will be relying on both their IT systems and the expertise available within their firms. Strong leadership will also be important, as will the ability to access the goods or components they need for the products and services they offer their market.

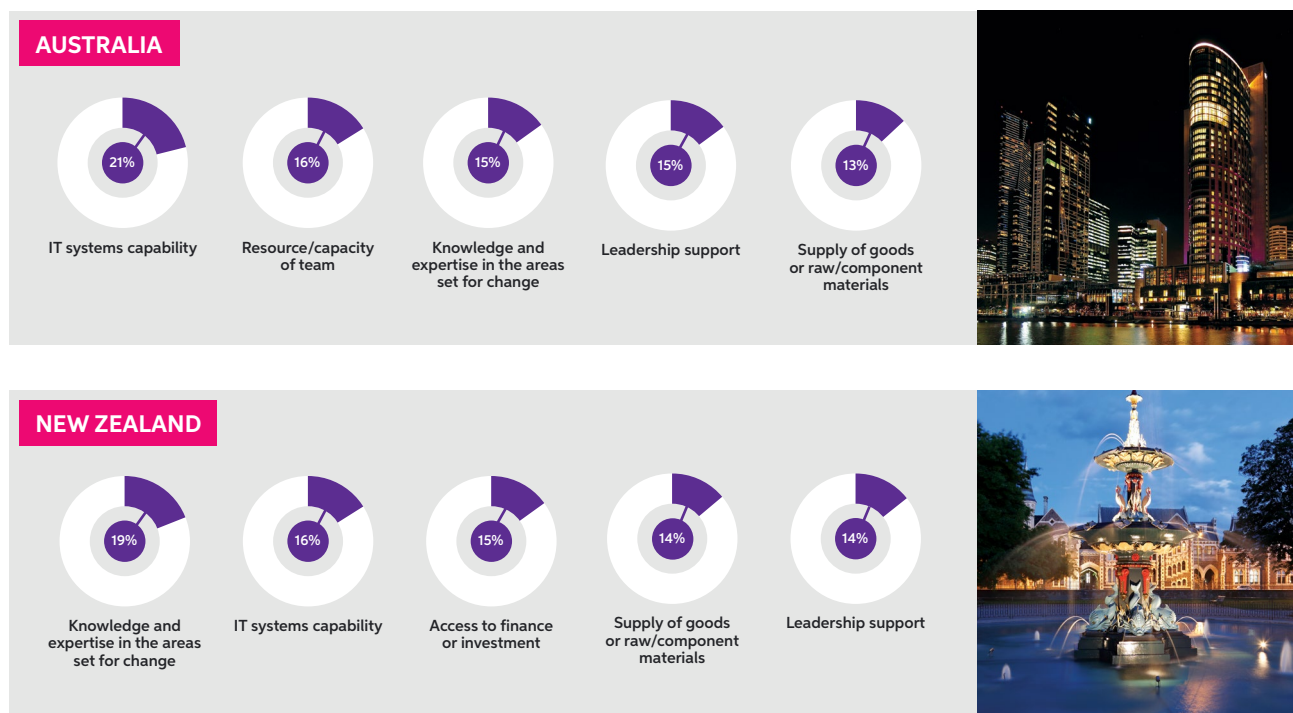
While only some of these elements are within their control, it's up to local mid-market businesses to head off potential issues in these areas at the outset. From previous MYOB studies, we know buy-in and understanding from leadership around changes to operations – like new technology implementation or improving IT capability – can be a struggle, and yet it's precisely these systems that could help better manage some of their other concerns, e.g. resource capacity. Businesses that are proactive in resolving these points before their influence becomes a negative one, will have a better chance of achieving the growth they've set their sights on.

However, some significant challenges to the ambitious growth plans set out by the mid-market, do remain. Disruptions to global supply chains are expected to extend out beyond 2022⁴ and skills shortages, especially in vital areas such as technology and manufacturing, are also unlikely to be significantly reduced this year, even with the managed re-opening of local borders.

In this environment, A/NZ mid-market businesses will need to draw on the lessons they have learned over the past two years, be prepared to have some challenging conversations internally, and employ innovative, modern solutions to continue to be resilient, adaptive and responsive to changes in the market, and shore up their success.



Overall, which of the following will have the biggest influence over whether you can achieve your business goals?



⁴ A normal supply chain? It's unlikely in 2022', New York Times, 1 February 2022

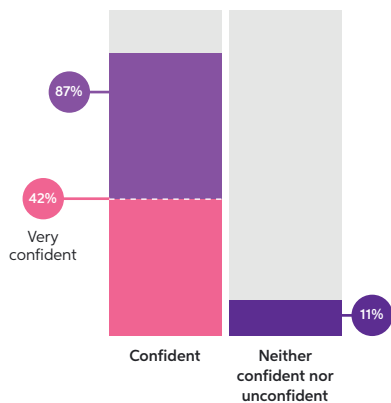
Ambitions for 2022 (continued)

Confidence around achieving 2022 ambitions

Reflecting their positive view of the economy, high levels of expected activity in the first quarter, and the changes to business operations that they plan to invest in, a significant majority of mid-market leaders and decision makers across Australia and New Zealand feel certain that they will achieve the goals they have set for their business this year.

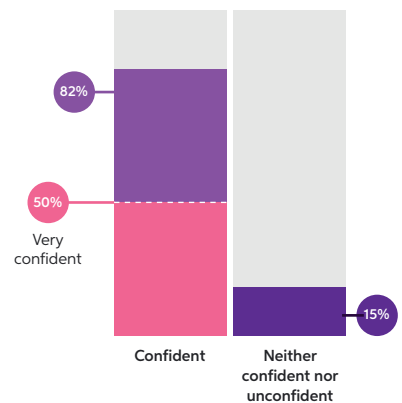
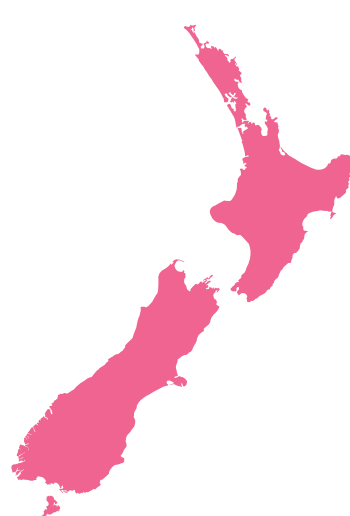
AUSTRALIA

How confident are you that you will achieve your business ambitions in 2022?



NEW ZEALAND

How confident are you that you will achieve your business ambitions in 2022?



* Note: Remainder not confident/don't know

Without a doubt, the last two years of the COVID-19 pandemic have been some of the most challenging for businesses on both sides of the Tasman to navigate.

Despite this, mid-market businesses across Australia and New Zealand have performed remarkably well over the past 12 months, securing strong earnings and positive demand heading into 2022.

This is underpinning a high level of confidence as businesses kick into gear for the year ahead, with ambitious plans to take on new territories, acquire new customers and ultimately become market leaders. As they work toward these goals, mid-market businesses will increasingly turn to modern technology and digital solutions to streamline systems, connect with new customers and increase adaptability, giving them an edge in the face of ongoing challenges.

Despite predicting a range of testing business challenges for the months ahead, the bold ambitions of our local mid-market leaders and decision makers should be celebrated. As major local employers and significant contributors to our local economies, this little talked about segment of the market has the potential to lead Australia and New Zealand into a new phase of economic recovery, as they seize new opportunities for growth.

The mid-market in A/NZ

The mid-market in Australia and New Zealand represents a small but significant sector of each local economy.

The mid-market can be difficult to define, particularly as some smaller businesses, by headcount, have a strong earning potential – especially in the digital age, while at the top end of the market, mid-market businesses are constantly pushing at the upper edges of the sector, on the way to becoming larger enterprises.

By headcount, however, there are 60,000+ businesses in Australia with a staff greater than 20 employees, accounting for around a quarter of the total workforce, employing more than 2.9 million people.

In New Zealand, 2.3 million people are employed by the country's 560,000+ enterprises. Of these, 315,000 people are employed by just over 10,000 businesses with a staff of 20-50, while 1.3 million people are employed in firms with 50 or more staff.

About the data

The MYOB Mid-Market Snapshot research was conducted by Dynata, from 13th December 2021-12th January 2022. Over 500 mid-market business leaders and decision makers (employing between 20 and 500 people) in Australia and the same number in New Zealand took part in the survey.

About MYOB Enterprise

Scalable to meet the needs of growing businesses (from 20-1,000+ FTEs), MYOB Enterprise offers an integrated, all-in-one business management platform that helps mid-market businesses achieve their ambitions by connecting critical workflows through Enterprise Resource Planning and Customer Relationship Management, Payroll, and Workforce Management solutions – all backed by world-class software tailored specifically for the Australian and New Zealand markets. MYOB Enterprise also offers leading practice management solutions for Professional Services businesses. MYOB's award-winning Advanced Business platform (powered by Acumatica) has been rated 4.5/5 stars by mid-market customers across Gartner's Digital Market brands (Capterra, GetApp and Software Advice), and is named as a shortlist recommendation and 2021 category leader across the sites.

For more information, visit myob.com or follow @MYOB on Twitter.

myob