



Business Monitor Report

June 2021

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This time last year, small businesses were in dire straits. COVID-19 was coming down hard on all sectors and the future looked increasingly bleak. Last June's MYOB Business Monitor showed economic downturn due to COVID-19 was troubling 55% of SMEs and 67% anticipated overall decline in the economy.

Fast forward 12 months and the current data tells a different story.

The latest survey of 1,000 Australian small businesses sees COVID-19 still in the back of everyone's minds, but the future looks brighter with only 25% anticipating a decline in the economy in the coming year.

It's encouraging to see the economic outlook turning a corner and for some sectors to have come out of the last 12 months relatively unscathed. SMEs in the finance and insurance sector are particularly positive about the year ahead with 78% anticipating the economy will improve in the coming 12 months.

However, it's not all smooth sailing for the country's 2.29 million SMEs.

While pain points were stable last December, 14 of the 16 measured pressures have increased in the past six months.

Unfortunately, as the worst of the pandemic starts to pass, we're seeing a return to some of the old bugbears for SMEs.

COVID-19 remains in the top spot of concerns, followed by cashflow and the cost of utilities in second place, the latter increasing as many businesses return to a physical presence.

Consumers are also falling back into old habits, with the pressure caused by late payments from customers jumping four percentage points in the past six months.

This suggests business owners will need to revert to solving traditional problems alongside the new challenges COVID-19 continues to present.

Solutions they can harness include digital platforms and tools, which can help SMEs manage a number of jobs in their business such as work in progress, people and marketing. COVID-19 motivated many small businesses to get online; it's important they don't just dip a toe in and consider how they might digitise their whole of operations.

The latest data shows 46% of SMEs moved more of their business online after the pandemic hit and 85% of those who did said it helped their business stay afloat.

While increasing pressures are concerning for SMEs, seeing a reduction in COVID-19-related stress is reassuring, as is their confidence in the year ahead as the country continues to navigate a new normal.



Emma Fawcett

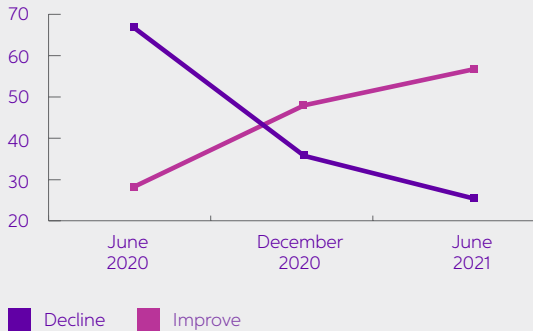
General Manager SME, MYOB

The Economy

As the country begins to recover from the COVID-19 disruptions of 2020, confidence among small business owners and operators continues to improve. Fifty-seven per cent predict an uplift in Australia's economy in the next 12 months, nine percentage points higher than the 48% who felt this way in December last year. A quarter (25%) predict the economy will decline, down 11 percentage points from six months ago when 36% held that view.

The results show significant improvement compared to this time last year. In June 2020 only 21% predicted improvement, compared to 57% this year, and 67% predicted decline while only 25% feel that way now.

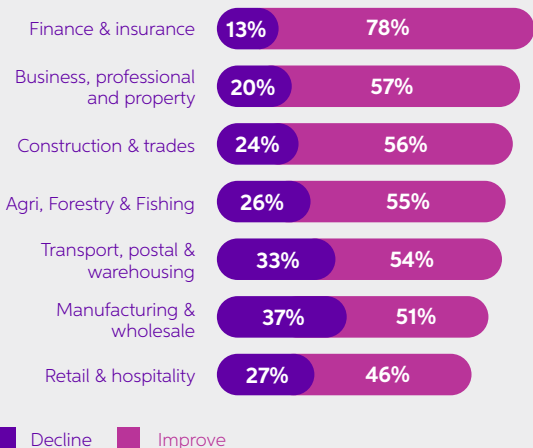
In the next 12 months, will Australia's economy decline or improve?



By Industry

Confidence in the year ahead varies by industry. Finance and insurance are feeling particularly buoyant, while retail and hospitality are the least likely to predict improvement, suggesting they will take longer to recover from a difficult trading year in 2020.

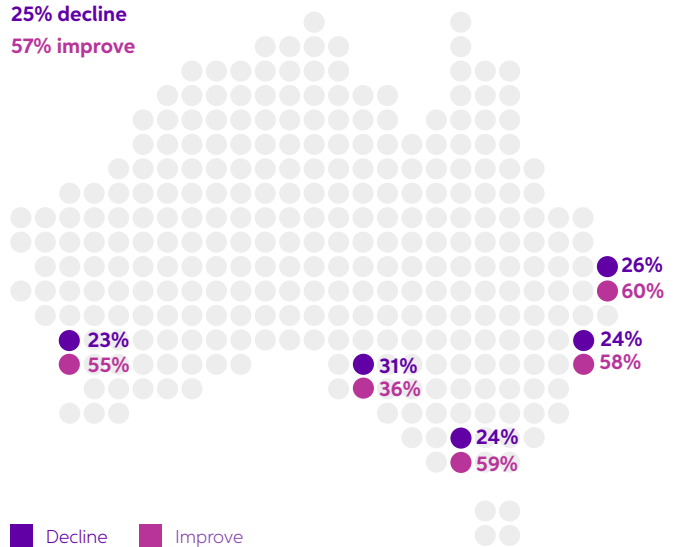
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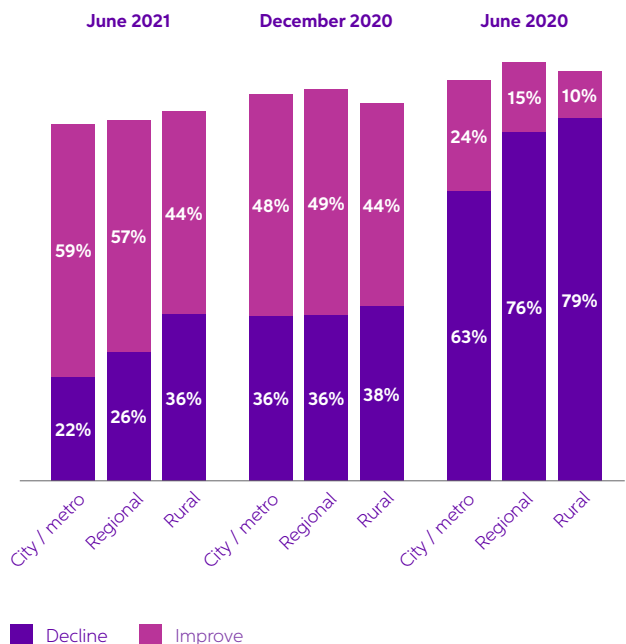
Queensland SMEs are most expectant of a prosperous year ahead with 60% anticipating an improvement in the country's economy. While confidence in Queensland was 10 percentage points weaker in December, the state has remained the most positive throughout the pandemic. South Australian SMEs are feeling the least confident about the year ahead, with only 36% anticipating the economy will improve, compared to the 57% national average.

By State

National average
25% decline
57% improve



The latest research shows fewer rural businesses are expecting economic improvement compared to those based in city or regional locations.



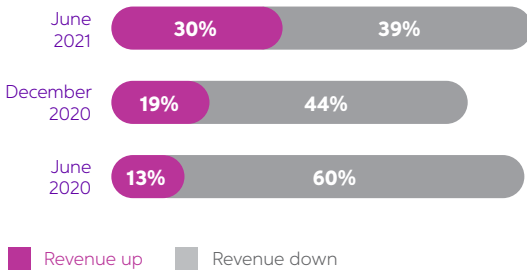
Revenue

Unsurprisingly SME revenue is performing better than it was this time last year. Nationally 30% say their revenue is up compared to this time last year. For one in four of those, increased consumer demand is behind the increase.

While revenue is down for 39% of SMEs compared to 12 months ago, this is an improvement against December 2020 when 44% said their revenue was down compared to the year before. This time last year 60% recorded less revenue.

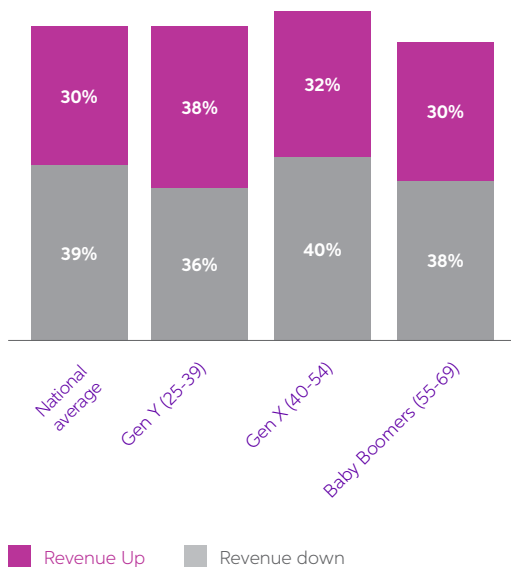
For those with decreased revenue, COVID-19 remains the most common cause, with 58% saying it's the main reason for their revenue decrease.

Is your revenue up or down on a year ago?



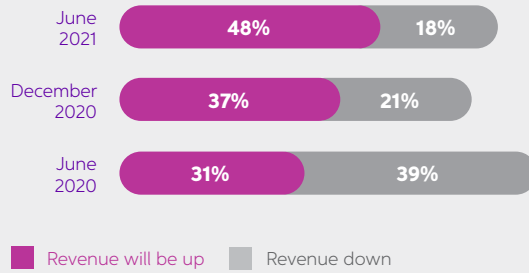
By Age - Is your revenue up or down on a year ago?

Gen Y (aged 25-39) owners and operators in particular are experiencing an improvement in trade, with 38% experiencing an increase in revenue. In contrast, only 20% of Baby Boomers (aged 55-74) say their revenue is up, 38% say their revenue is about the same as this time last year and 42% say it's down.



Forty-eight per cent of SMEs say their revenue will be up in 12 months' time, up 17 percentage points from this time last year. Only 18% predict it will be down, significantly lower than the 39% this time last year.

How do you expect revenue to perform in 12 months' time compared to now?

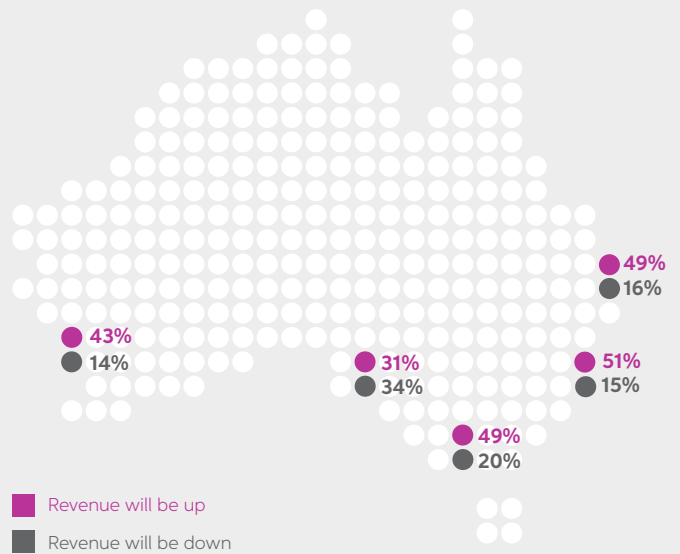


By State

New South Wales SMEs are the most positive about their revenue in the year ahead, with 51% anticipating an increase. In contrast, 34% of South Australians anticipate their revenue will be down, almost double the national average of 18%.

How do you expect revenue to perform in 12 months' time compared to now?

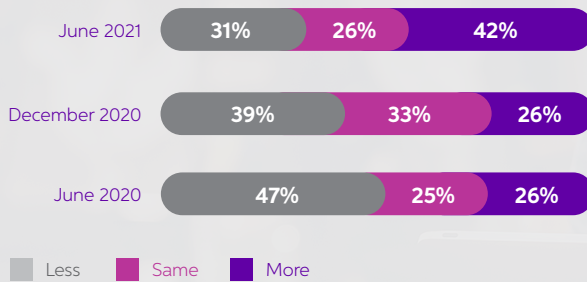
National average
48% Revenue will be up
18% Revenue will be down



Profitability

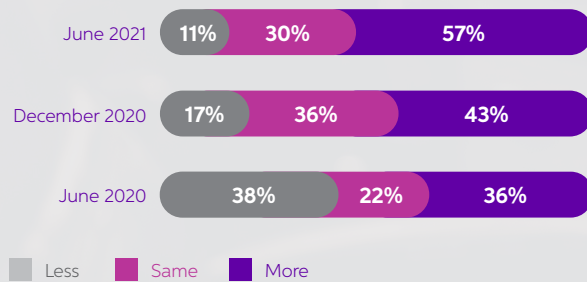
The profitability of SMEs is looking up with 42% experiencing an increase over the past 12 months, in line with the 43% that anticipated an increase in December last year. Almost a third (31%) experienced a decline, slightly less than the 38% who felt this way last June.

How has the profitability of your business changed over the last 12 months?



Only 11% expect their profitability to be down in 12 months versus the 57% anticipating it will be up; further indication of SME optimism for the year ahead.

How do you expect profitability to change in the next 12 months?

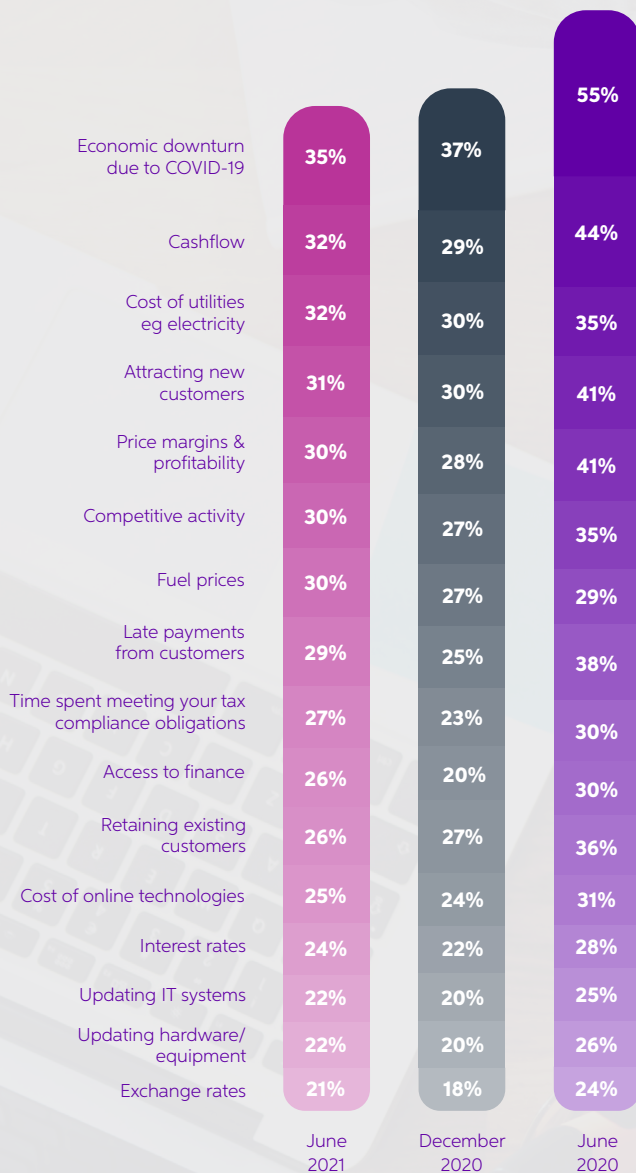


Business Pressure Points

While most SMEs are reporting less pressure compared to June last year, when business and economic insecurity was particularly high, across the board some of the pressure points have increased since the end of last year.

The pressure arising from COVID-19 related economic downturn only decreased two percentage points since December. Cashflow is more of a concern than it was at the end of the last year at 32% now compared to 29% in December. Similarly, the pressure caused by access to finance has increased from 20% to 26% and late payments has jumped from 25% to 29%.

Causes of 'extreme' or 'quite a lot' of pressure



Business Investment

SMEs are looking to increase prices and margins on what they sell, as well invest in attracting and retaining customers.

This indicates that after a turbulent year SMEs are looking to invest in revenue opportunities to ensure longevity of their offering.

SMEs increasing the number of employees and how much they pay them is good news for the economy overall and it suggests people are moving out of protection mode and back into cautious growth.

How do you expect these investments to change in the coming 12 months?

	Increase	Stay the same	Decrease
Your prices and margins on products/services sold	30%	50%	13%
Customer retention strategies	29%	52%	9%
Customer acquisition strategies	28%	51%	8%
The amount you pay the employees in your business	28%	54%	9%
The \$ value of spending on marketing and advertising your business on the Internet / online	28%	50%	14%
The sale of products/services online	27%	51%	11%
The sales of products/services offline	26%	51%	12%
The number or variety of products or services offered by your business	26%	57%	11%
Working with business advisers (e.g. Accountant) to enhance your business	22%	56%	13%
Investment in IT systems & processes	22%	54%	12%
The number of full-time employees in your business	21%	59%	12%
The number of part-time or casual employees in your business	21%	57%	13%
The \$ value of spending on marketing and advertising your business offline	21%	55%	14%



Digital Adoption

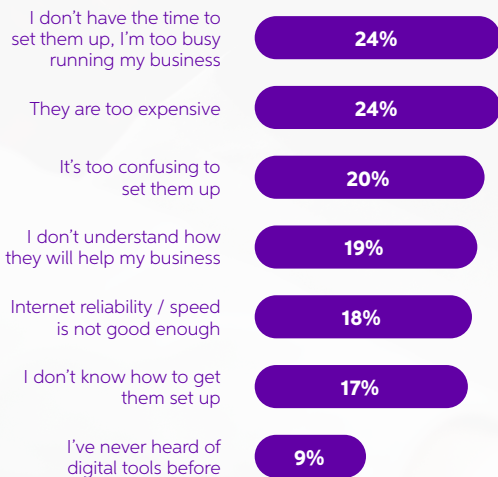
Digital adoption among SMEs remains moderate, with just over half (52%) using digital cloud-based solutions for tax, 50% for cashflow and less than half for other crucial business management functions.

COVID-19 illustrated the need for SMEs to digitise, with 46% moving more of their business online since the pandemic began. Of those, 85% said it allowed them to continue trading.

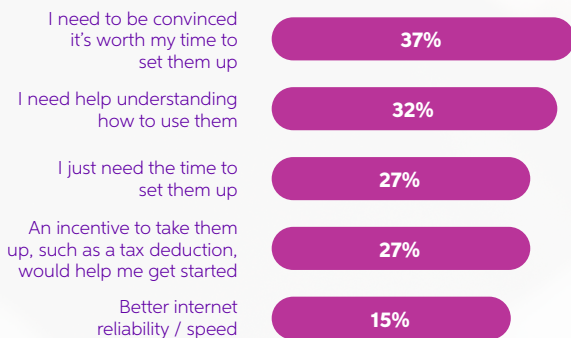
For those who moved online the top three impacts were helping with productivity (39%), the business continued getting work (37%) and helped with remote work and collaboration (35%).

The main barriers to digitisation are not having time (24%), solutions being too expensive (24%) and finding it confusing to set up (20%).

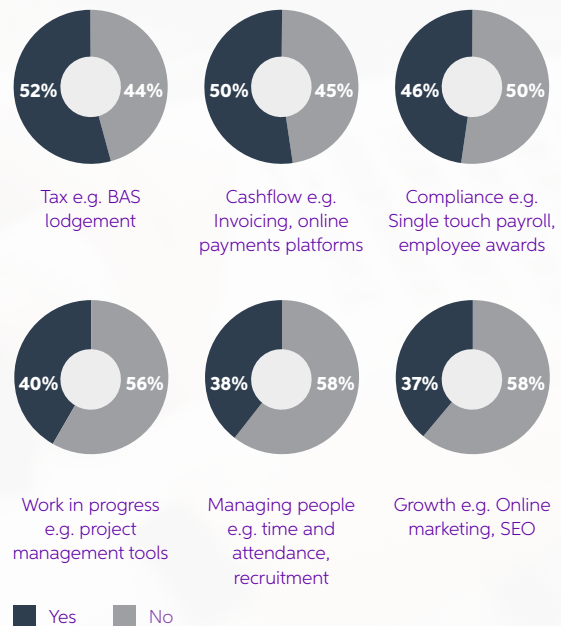
What are the main barriers to your business using more digital tools?



Which of the following would help you to use more digital tools in the business?



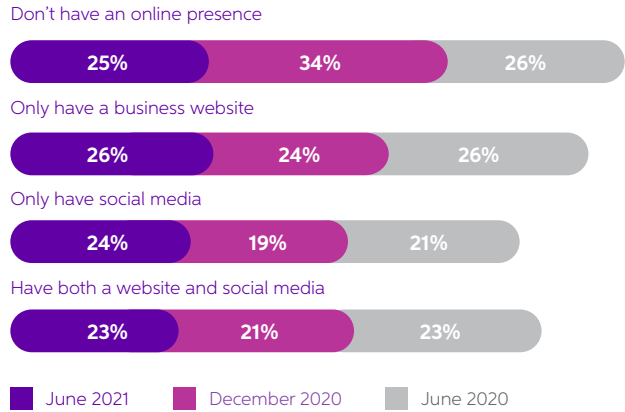
Do you use digital cloud-based software in this business for any of the following?



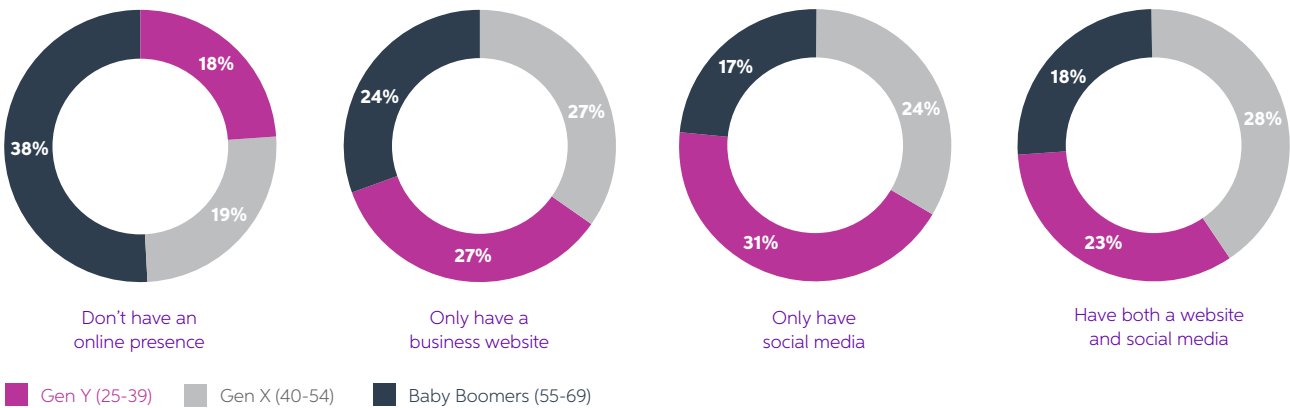
Online Presence

Almost a quarter (24%) of SMEs rely solely on social media rather than investing in a website as well, a higher percentage than we've seen in the previous two Business Monitor reports. Younger SME owners and operators are significantly more likely to take advantage of digital tools than older generations. Gen X (40-54) are the most likely to have both a website and social media presence, while Gen Y (25-39) are most likely to only use social media for their business. Baby Boomers (55-74) are almost twice as likely to not have an online presence as Gen X and Gen Y.

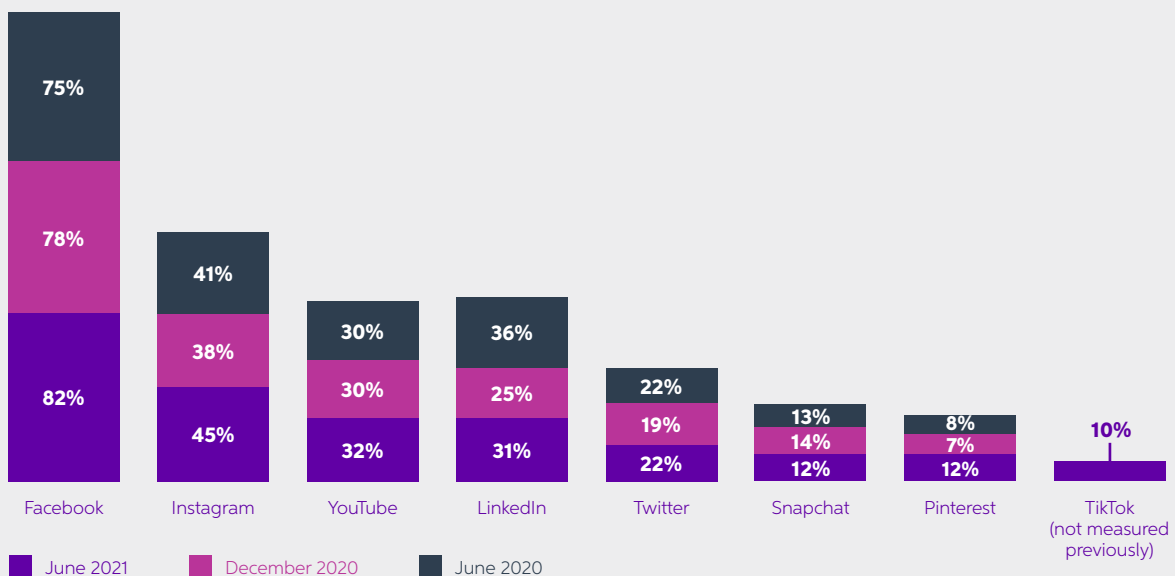
Which best describes your business' online presence?



By Generation: which best describes your business' online presence?



What social media sites do you use to connect with your customers?



Key Outtakes

With the COVID-19 pandemic set to remain for some time, the Australian small business community now needs to move from emergency response to 'business as usual' in this COVID-normal society we find ourselves in.

Digitisation

COVID-19 hastened digital adoption for many small businesses but moving operations online has been happening for years and shows no signs of slowing down in the future. Consumers are becoming more accustomed to online offerings from small businesses; and SMEs can't afford to be left behind in the digital economy.

Investment

SMEs should take the time to look at where investments have been earmarked and ensure these align with their business plan and future goals. With customer retention and acquisition some of the top SME investments in the coming year, small business owners can maximise opportunities they have to market to new customers; and be mindful of protecting and maintaining their current customer base.

Business challenges

SME owners need to be aware of pre-pandemic pressures creeping back into their business operations and stay on top of these where they can. Business owners should take some time to review and revise their business plan, along with any operational expenses and processes. This will help them identify where the challenges are coming from and design solutions to support them.



Emma Fawcett

General Manager SME, MYOB

About the MYOB Business Monitor Report

The MYOB Business Monitor researches business performance and attitudes regarding areas such as profitability, cash flow, pipeline work, technology usage and the government. This report presents the summary findings for key indicators from the MYOB Business Monitor comprising a national sample of 1,005 business owners, managers and directors (operators), conducted from March 17th to April 22nd, 2021. The businesses participating in the online survey were both non-employing and employing businesses. All data has been weighted by industry type, location and number of employees, which are in line with the Australian Bureau of Statistics (ABS - Counts of Australian businesses, including entries & exits - 8165.0).

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