



# MYOB SME Success Report

Chapter 1: SME Resilience

March 2022

myob



## CEO Foreword

The first chapter of the inaugural MYOB SME Success Report – the MYOB Resilience Index – **reveals the Australian small and medium sized enterprise (SME) sector is now more resilient** than before the COVID-19 pandemic. Faced with significant and ongoing economic challenges, SMEs have been forced to adapt at a remarkable pace. It is a story of agility and innovation. A story of new products and services, new business models and practices, but mostly, **it's a story of resilience.**

The pandemic brought with it unique health and economic challenges. Upheaval to operating practices, customer behaviour and, in many cases, the ability to trade threatened the survival of many Australian businesses vital to the Australian way of life. SMEs, often with limited resources, were particularly vulnerable.

Nearly two years and many operating restrictions and government interventions later, it is timely to reflect on how Australian SMEs have managed. As a long-serving and trusted partner to Australian SMEs, MYOB can provide new, data-driven insights into how our essential SME community is performing. By assessing our data on balance sheet strength, profitability and cash flow, **the MYOB Resilience Index provides a unique measure of the health and trajectory of the SME sector.**

The ability of Australian SMEs to continuously embrace change, coupled with government support, has meant many have not just survived, but in some cases thrived throughout the disruption caused by COVID-19. Our research, however, also shows that some SMEs have fared better than others. For those SMEs that have been less fortunate, targeted support can help further build resilience in the sector.

**Overall, Australian SMEs now find themselves in a position of relative strength.** Increased cash reserves and more streamlined operations are paving the way for significant growth opportunities. Now Australian SMEs must move beyond a mindset of surviving a pandemic and seize the opportunities that await. It's time to go for growth.

Greg Ellis  
CEO | MYOB

# Introducing the MYOB SME Resilience Index

As a trusted partner to Australian SMEs, MYOB has a unique perspective of the operation and performance of small businesses across the breadth of the Australian economy. When aggregated and anonymised, **MYOB's rich data provides valuable insights into the current state and trajectory of Australian SMEs and their role in the Australian economy more broadly.**

In this first chapter of the MYOB SME Success Report, the **MYOB SME Resilience Index** combines three sub-indices to create a new, single metric on the current economic resilience of Australian SMEs. These sub-indices are:

- **The MYOB SME Current Ratio Index** – measuring SME balance sheet strength;
- **The MYOB SME Gross Income Margin Index** – measuring SME profitability; and
- **The MYOB SME On Time Invoices Index** – measuring SME cash flow.

Based on a pre-COVID-19 baseline, the MYOB SME Resilience Index provides a direct measure of the robustness of Australian SMEs and their ability to withstand potential future shocks or changes to their economic environment. Looking back at the past two years, the MYOB SME Resilience Index also provides insights on how Australian SMEs have fared, the impact of government policies and support, and how SMEs are now placed to capitalise on future opportunities.

To complement the data, a MYOB snapshot survey of over 500 Australian SMEs, in addition to representative case studies, provides qualitative analysis of the observed changes and trends in SME performance and behaviour.

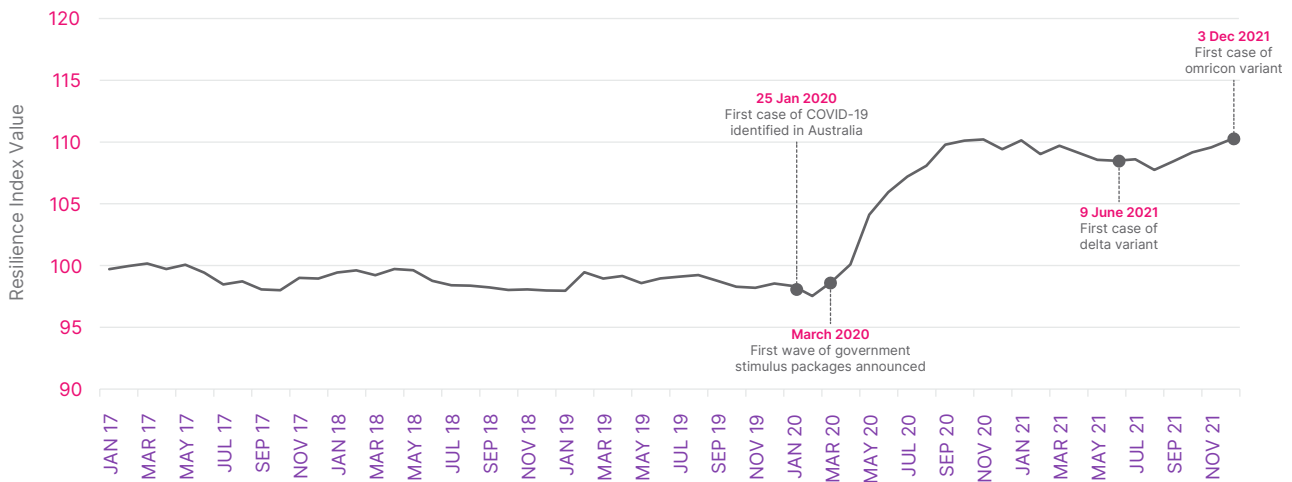


**“My business is way more resilient today than in 2020. I’m more resilient and I think it’s only natural that then flows into a small business. There’s a lot more emotion in a small business, it’s very personal. We’re a more resilient business now, and a better business now.”**

**Ali Henry, Wild Tribe**

# Aussie SMEs: a story of resilience

## MYOB SME Resilience Index



The MYOB SME Resilience Index<sup>1</sup>, based on balance sheet strength, profitability and cash flow, shows the **Australian SME sector is now more resilient** than before the pandemic. Following a slight decline between January 2017 and January 2020, the Resilience Index rapidly increased in April 2020, triggered by the arrival of COVID-19 in Australia and unprecedented levels of government support in response to the pandemic. Since then, Australian SMEs have maintained a **heightened state of resilience**, improving their ability to withstand

ongoing disruptions and future economic shocks.

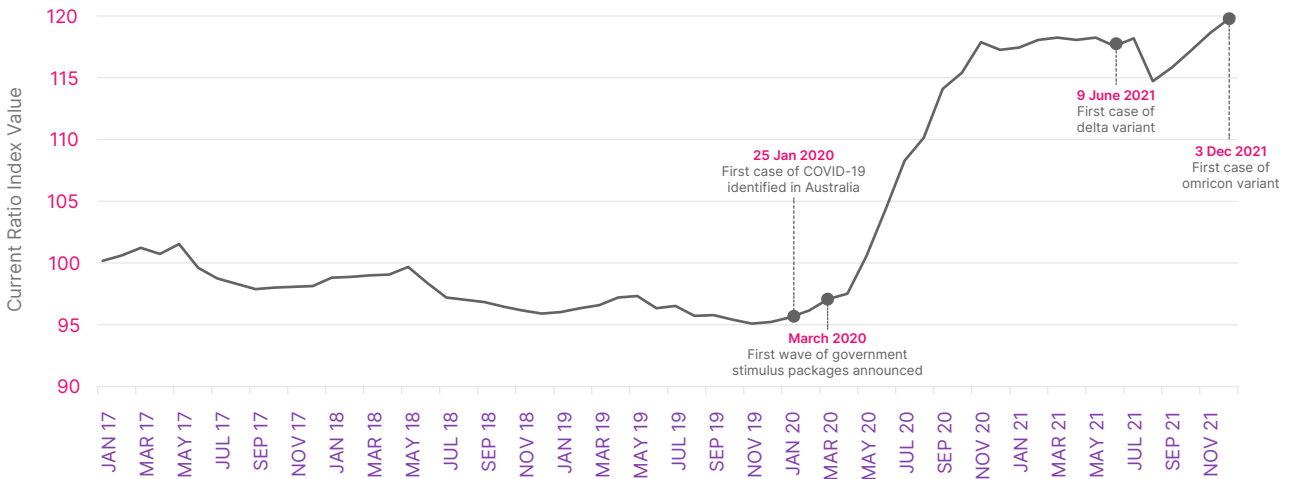
So exactly what's fueling this story of resilience, and what will Australian SMEs do with their newly found resilience? A closer look at the indices that comprise the SME Resilience Index, coupled with qualitative analysis of SME owners and operators, provides further understanding of what's driving SME performance, and how different segments of the SME market have been affected by the pandemic.

<sup>1</sup>The MYOB SME Resilience Index is a composite index calculated as an equal weighted average of the three MYOB SME Resilience Sub-indices: the MYOB SME Current Ratio Index; the MYOB SME Gross Income Margin Index; and the MYOB SME On Time Invoices Index.



# SMEs benefit from a boost to cash reserves

## MYOB SME Current Ratio Index



The MYOB SME Current Ratio Index<sup>2</sup>, illustrating SME cash reserves, has remained relatively constant over time, with the exception of a significant jump at the onset of the pandemic. Economic stimulus measures and support from all tiers of government enabled many SMEs to benefit from boosts to their cash reserves. Since then, the Current Ratio Index has remained at this elevated level, showing Australian SMEs are retaining **higher cash reserves** than before the COVID-19 pandemic.

## Higher cash reserves

### SME snapshot survey

Does your business currently have higher cash reserves than you would normally?



■ Yes ■ No ■ Don't know

The survey results from business owners supports the index, with more than half of respondents (54%) having higher cash reserves than usual, providing greater resilience in uncertain times. Digging deeper however, the fortunes of SMEs vary dramatically.

<sup>2</sup> The MYOB Current Ratio Index is defined as SME current assets divided by current liabilities and provides a measure of an organisation's ability to meet its shorter term obligations.

## Snapshot survey

### SMEs with higher cash reserves



#### Size matters

- **76%** of businesses with **50+ employees**
- **25%** of businesses with **2-4 employees**



#### Age matters

- **67%** of businesses operating for **less than 10 years**
- **33%** of businesses operating for **10+ years**



#### Gender matters

- **62%** of **male** owners & operators
- **25%** of **female** owners & operators

## Repeat customers, planning & high cash reserves: a recipe for resilience

**Wild Tribe**  
Nowra, New South Wales

Creating a collaborative and welcoming retail space for Mums was Ali Henry's number one goal when she opened Wild Tribe in 2017. "Being a Mum can be hard so I wanted to create a beautiful space for Mums to feel comfortable shopping with their wild tribe," shared Ali.

"It's a true collective of local, small and artisan businesses offering thoughtfully curated, hard to find products that are both well made and ethical. We're focused on creating an amazing experience for locals, which has paid dividends during the pandemic. **It's the locals who have supported us, determined to see the small businesses they love still here after the pandemic.**"

When the first COVID-19 lockdown hit, Ali invested time in strategic planning and launched Wild Tribe's website to enable online shopping, as well as click and collect. "**The opportunity to plan for the future, and most importantly, strong repeat local customers, has meant business has continued to be good,**" said Ali.

Ali acknowledges that it's definitely been a harder time for some of Wild Tribe's suppliers. "**It's undoubtedly the micro businesses, the artisan businesses for whom it's been the hardest,**" explained Ali. "Some are making new products, some pivoted to online and some unfortunately haven't survived."

The omicron variant affected foot traffic in Nowra and sales were down significantly. "We'll get through this wave," reassured Ali. "We're confident customers will come back, and we'll go back to business as usual. Two years into the pandemic and we've learnt the cycle!

**"It just means we need higher cash reserves, and we need to be really smart about what we spend our cash on.** At the moment we're not buying new stock. We're making do with what we've got, to get through this cycle. We're a more resilient business now, and a better business now."

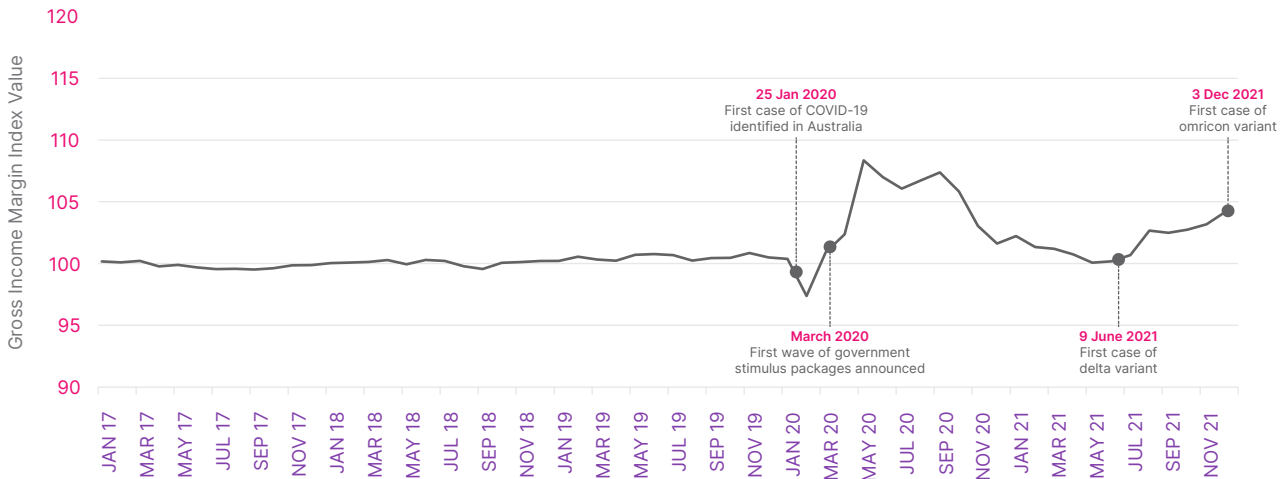
Learn more about Wild Tribe: [wild-tribe.com.au](https://wild-tribe.com.au)





# Volatile profit margins show signs of improvement

## MYOB SME Gross Income Margin Index



After remaining relatively stable before the pandemic, the arrival of COVID-19 in Australia instigated a sharp drop in profitability, as illustrated in the MYOB SME Gross Income Margin Index<sup>3</sup>. The data indicates rapid deployment of government support across much of the SME sector helped to quickly counter this fall, driving a significant but relatively short lived increase.

As temporary government support schemes ended, SME profitability began a volatile drop towards pre-pandemic levels. The second half of 2021, however, showed an **upward trajectory for the profitability of Australian SMEs**.

In fact, 67% of SMEs surveyed state they are now as profitable or more profitable than before the pandemic.

SME survey respondents that reported increased profitability in 2021 attribute the gains to improved revenue, rather than a reduction in costs or indeed, in spite of cost increases. The top three drivers of increased profitability are:

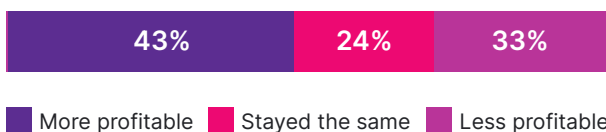
- Increased sales (53%)
- Increased prices (44%)
- Government subsidies (37%)

SME performance varies significantly by business size and industry.

## Profitability

### SME snapshot survey

Was your business more or less profitable in 2021 compared to pre-pandemic levels?



<sup>3</sup> The MYOB SME Gross Income Margin Index is defined as the difference in gross income (including sales and government subsidies) and cost of goods sold, divided by gross income and provides a measure of an organisation's profitability.

**“While shipping prices have increased, that is, the cost of containers, we’ve chosen not to increase our recommended retail price. We’ve had to find other ways to protect our profit margin.”**

**Isabella Bennetts-Roberts, OiOi**

## Snapshot survey

### More profitable SMEs



#### Size matters

- 65% of businesses with 50+ employees
- 27% of businesses with 5-9 employees
- 14% of businesses with 2-4 employees

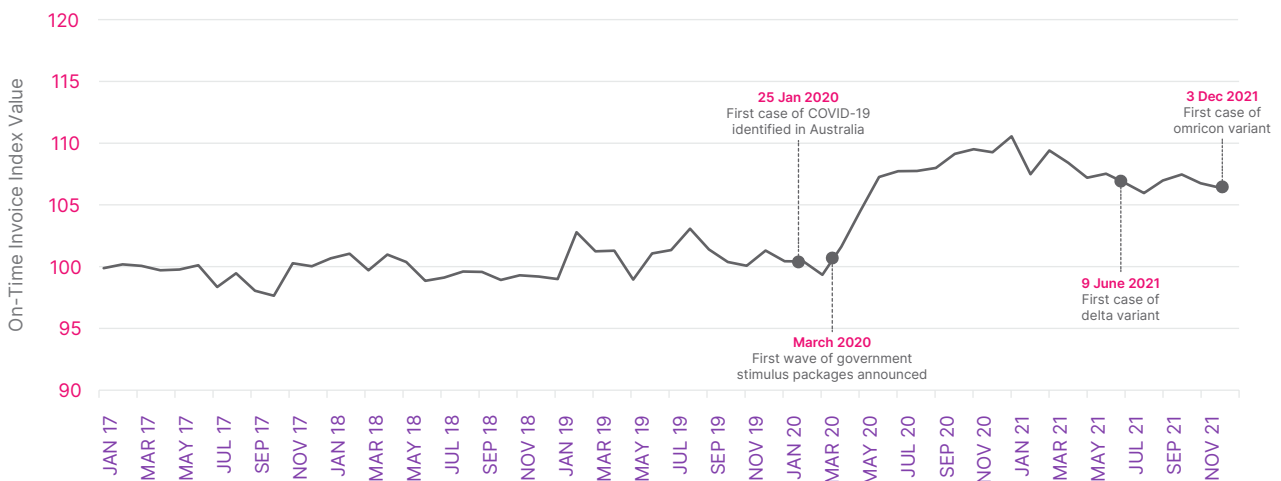


#### Industry matters

- 57% of businesses in professional, property & business services
- 16% of retail & hospitality businesses

## Conscientious customers & cash-conscious businesses drive faster payments, for some

### MYOB SME On Time Invoices Index





The MYOB SME On Time Invoices Index<sup>4</sup> showed a significant **improvement in invoice payment times** at the onset of the pandemic – a trend that’s largely continuing. Improved business processes and new government policy have helped improve the cash flow of Australian SMEs, despite the challenging economic conditions created by the pandemic.

Surveyed SMEs said:

- Customers are being more conscientious (39%) and/or more able to pay (35%)
- They are applying more effort to ensure timely payment (40%)
- They changed how their invoices are issued (38%), including the implementation of e-invoicing (36%)
- Changes in government policy on paying SMEs (37%) are also having a positive effect

## Change to invoice payment time

### SME snapshot survey

Since the onset of the COVID-19 pandemic, has there been a change to your invoice payment times?



- More invoices paid 'on-time'
- Invoice payment times have not changed
- Fewer invoices paid 'on-time'
- Not applicable, do not invoice

Even though there has been an overall improvement in invoice payment times, two in three SMEs surveyed haven't seen an improvement. And yet again, smaller SMEs and specific industries are being left behind.

<sup>4</sup> The MYOB SME On Time Invoices Index is defined as the percentage of invoices paid on or before the invoice due date and provides a measure of the strength of an organisation's cash flow.

**“E-invoicing has certainly helped. It’s a great tool and has streamlined the whole payment process from end-to-end.”**

**Isabella Bennetts-Roberts, OiOi**

### Snapshot survey

SMEs with improved payment times



Size matters

- 51% of businesses with 50+ employees
- 10% of businesses with 5-9 employees
- 6% of businesses with 2-4 employees



Industry matters

- 45% of businesses in professional, property & business services
- 8% of retail & hospitality businesses

# Growing confidence

With balance sheets boosted by government support and profitability increasing, many SMEs have grown accustomed to operating during the pandemic. **Business confidence has begun to rise.**

52% of surveyed SMEs state they now have higher business confidence than before the pandemic. The top three drivers of higher business confidence are:

- Increased sales (35%)
- New products or services (31%)
- Better customer relationships (29%)

## Business confidence

### SME snapshot survey

*Is your business confidence higher or lower today compared to January 2020?*



■ Higher ■ The same ■ Lower

## Snapshot survey

### SMEs with higher confidence



#### Size matters

- **72%** of businesses with **50+ employees**
- **27%** of businesses with **2-4 employees**



#### Industry matters

- **63%** of businesses in **professional, property & business services**
- **30%** of **retail & hospitality** businesses

Only 26% of SMEs now have lower confidence than two years ago. Of these, 70% cite the pandemic as the primary driver.



**“The future looks bright, once we get through Omicron. It’s a little bit quiet but I’m confident that 2022 will be better than 2021. Business confidence is high. People are willing to go out and spend locally if they can.”**

**Ali Henry, Wild Tribe**



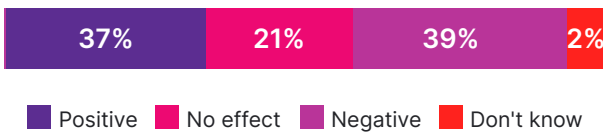
# Omicron highlights contrasting SME fortunes

Almost equal proportions of Australian SMEs reported positive (37%) and negative (39%) effects from the Omicron variant and related increase in case numbers. This continues the trend of **diverging SME outcomes from the pandemic**, even in the absence of large scale government support schemes.

## Effect of Omricon

### SME snapshot survey

*Is the Omicron COVID-19 variant and increase in case numbers in Australia having a positive or negative effect on your business?*



The top three reasons given by businesses reporting a negative impact are:

- Uncertainty around COVID-19 related restrictions (49%)
- Customer demand (39%)
- Supply chain issues (37%)

## Snapshot survey

### Negative Omicron impact



#### Size matters

- **59%** of businesses with 2-4 employees
- **25%** of businesses with 50-99 employees



#### Industry matters

- **73%** of retail & hospitality businesses
- **22%** of businesses in professional, property & business services



#### Gender matters

- **51%** of female owners & operators
- **35%** of male owners & operators





# Online community powers resilience & growth

OiOi  
Melbourne, Australia

The year was 1997 and handbag designer, Lisa Bennetts was pregnant with her daughter, Isabella Bennetts-Roberts. Faced with a selection of patchwork, dotty and character-emblazoned nappy bags, Lisa set about designing a new nappy bag that was both practical and better reflected her style. Today, OiOi continues to make practical, quality and stylish products for parents.

OiOi quadrupled its revenue in the 2020 financial year compared with the 2019 financial year, and 2021 looks similar. E-commerce sales have increased almost 500% in the same period. **“The growth of our online community is one of the key factors in our current growth trajectory,** in addition to partnering with 100 new stockists in the past year,” said Isabella who now works in the business. **“Both have given us the opportunity to get closer to our customer.**

**“We made important changes to successfully grow our online business,** making the experience more personal for our customers. **We’ve also seen a consumer shift to shopping locally** driven by the pandemic. People want to know who they’re buying from, which the rise of social media has assisted.”

While OiOi’s brick and mortar stockists have reported less foot traffic since the arrival of Omicron, their sales have remained consistent. **“The biggest challenge we’re currently grappling with is a labour shortage.** It’s affecting our ability to staff our warehouse, as well as clearance of containers and domestic shipping,” explained Isabella. **“To continue to deliver the level of service and efficiency that has helped to drive our success in the past 12 months, we need to expand our team. Omicron is making that particularly difficult.”**

With such stunning growth over the past two years it’s not surprising Isabella is unequivocal about OiOi’s strengthened resilience. **“The biggest and most exciting part of the past two years is the relationships we’ve created with our online community and retailers,”** declared Isabella. **“Being surrounded by such a healthy community makes us much more resilient.”**

Learn more about OiOi: [oioi.com.au](https://oioi.com.au)





# Save or spend: the challenge facing cashed up SMEs in uncertain times

The pandemic is the number one contributor to current risk appetite, regardless of whether SMEs had a higher, lower or similar risk appetite, indicating the pandemic has created opportunities for some SMEs while continuing to be the dominant cause of concern for others.

Remarkably, 78% of SMEs say they now have the same or higher appetite for risk than before the pandemic.

However, the SME Current Ratio Index has remained elevated since the introduction of government support, indicating **SMEs are reluctant to invest** in future growth.

Demonstrating this persisting hesitancy, SMEs were evenly split when asked what they would do with an unexpected cash windfall:

- 48% **would invest** in their business
- 47% **would save** the cash

## Risk appetite

### SME snapshot survey

*Risk appetite is the level of risk that an organisation is willing to accept in order to achieve its objectives. Is your business' appetite for risk higher or lower today compared to January 2020?*



■ Higher ■ Same ■ Lower ■ Don't know

## Snapshot survey

### For SMEs with a higher risk appetite



#### Gender matters

- **52%** of **male** owners & operators
- **25%** of **female** owners & operators



#### Location matters

- **49%** of **metropolitan** businesses
- **14%** of **rural** businesses

## Top drivers to encourage SMEs to invest are:

- Stronger economic environment (36%)
- Further easing of COVID-19 related restrictions (31%)
- Increased customer demand (31%)
- Stability in government policy (29%)

Although holding extra cash may be prudent in times of great economic uncertainty, it is critical that SMEs get back to investing in their future. A continuing abundance of caution could hurt SMEs as they miss future opportunities and simultaneously act as a handbrake for the Australian economy more broadly.

# A desire to preserve what we love fuels sales and resilience

**Madebox**  
**Melbourne, Australia**

In the peak of Victoria's second COVID-19 lockdown, Samantha Finnegan launched Madebox, a gifting platform to help small businesses affected by drought, fires and the pandemic recover and be discovered. "Madebox was born from a desire to do something to help the many small producers threatened by the compounding effects of natural disasters and COVID," explained Sam.

Madebox gift boxes feature curated products from small batch makers and producers. In 2021, less than two years since launching, they distributed close to 30,000 unique products. "Pressure makes diamonds and quite simply, people had to be resilient and think about things differently, creating new and interesting products or their businesses wouldn't have survived," said Sam.

As the pandemic took hold, Madebox uncovered a deep desire from consumers to support their local businesses. "**People want to make sure that the things they love – the food, the culture, the local personalities – aren't lost to the pandemic,**" said Sam.

Even with Madebox's support, the challenges continue for many of their producers. "**There's a compounding effect from the various natural disasters, pandemic, import issues, loss of workforce and an increase in the cost of goods,**" explained Sam. "Staffing has been an issue for most producers, especially those in hospitality, that's continuing to test the resilience of small business.

"Madebox is undoubtedly more resilient today than when we launched in mid-2020 because people believe in it. We were cash positive from the start and our customer numbers have continued to grow. **The challenge now is scaling, and what to do when.**"

Learn more about Madebox: [madebox.co](https://madebox.co)







## Key takeaways

### More resilient SMEs

The SME Resilience Index indicates that overall, **Australian SMEs are now more resilient than before the pandemic**. Buoyed by unprecedented levels of government support, SMEs have proved highly successful at developing new business models, new products and services, more streamlined operations, and improved operating practices.

The result is a SME sector with greater cash reserves, improving profitability and enhanced cash flow, better positioned to handle ongoing disruptions and economic uncertainty. Importantly, it's a sector poised to seize future growth opportunities.

### Diverging fortunes

Although the overall picture for Australian SMEs looks strong, closer inspection reveals contrasting outcomes for SMEs emerging from the turbulent economic conditions induced by the pandemic.

The impact of COVID-19 restrictions has varied drastically from one industry to another so it is no surprise that **there are disparities in SME performance across industry sectors**. Although many SMEs have benefited from their own agility and ingenuity to adopt new business models, sales channels and supply chains, as well as government support, **micro businesses have often been less able to adapt**.

As the Australian economy moves into this next phase of 'living with' COVID-19, **support should be increasingly targeted to help build resilience in SMEs most in need: micro businesses, specific geographical locations and industries especially affected by COVID-19 restrictions**. Although targeted, this support can be broad in nature, ranging from financial support to improved access to the digital skills and technology that can improve revenue, operations and cash flow.

### Spend or save?

With greater cash reserves, improving profit margins and strong cash flow, many SMEs are now better prepared for future economic shocks and better positioned to capitalise on future opportunities.

Despite more resilient operations, the economic uncertainty of COVID-19 still looms large. Many SMEs remain reluctant to risk reducing their safety net to invest in their business. It is vital for the Australian economy that every effort is now made to **create the most stable economic environment possible**. **This will instil greater confidence in the business community and encourage SMEs to invest** their additional cash reserves to further bolster their businesses, creating new jobs and growth.

# Methodology

MYOB engaged Geografia ([geografia.com.au](http://geografia.com.au)) to create the MYOB SME Indices by compiling key data points from MYOB's ledger, invoices and payroll datasets. Businesses no longer operating and input error outliers were excluded, and seasonal adjustment<sup>5</sup> employed to smooth out predictable cyclical variations.

The MYOB SME Resilience Index is a composite index calculated as an equal weighted average of the three MYOB SME Resilience Sub-indices: the MYOB SME Current Ratio Index; the MYOB SME Gross Income Margin Index; and the MYOB SME On Time Invoices Index.

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The MYOB snapshot survey was conducted between 27 January 2022 and 3 February 2022, with a random sample of 580 SME decision makers surveyed.

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<sup>5</sup> [Time Series Analysis: Seasonal Adjustment Methods](#), Australian Bureau of Statistics





## About MYOB

[MYOB](#) is a leading business platform with a core purpose of helping more businesses in Australia and New Zealand start, survive and succeed.

MYOB delivers end-to-end business, financial and accounting solutions direct to businesses employing between 0 and 1,000 employees, alongside a network of accountants, bookkeepers and consultants.

For more information visit [myob.com](https://myob.com) or follow @MYOB on Twitter.

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