



E-COMMERCE FINANCE PITCH TRENDS ADVERTISING SALES PERFORMANCE INDEX COMPLIANCE PRODUCTS  
\$ MARKETING MANAGEMENT SECURITY POLICY WEBSITE ACCOUNT REPORT  
ENTREPRENEURSHIP

## THE VOICE OF AUSTRALIAN BUSINESS OWNERS & MANAGERS

### MYOB July 2012 Business Monitor:

- Economic sentiment
- Business performance & plans
- Political sentiment

<http://myob.com.au>

# ECONOMIC SENTIMENT

## Economic Recovery

### Pessimism about economic recovery remained at levels unseen since early 2009

Fewer than one fifth (19%) of business owners and managers (operators) surveyed expected Australia's economy to improve within the following 12 months. This was the same percentage as the previous survey, conducted in February 2012 - the lowest percentage recorded since the March 2009 report found only 16% expected the economy to be 'better than now' over the next 12 months.

The expectation of an improvement in the economy within the next year has continued to decline since November 2009, when almost three times as many (58%) expected it.

The result was reflective of the pessimism the Business Monitor found during the GFC, when around 14 to 17% of respondents expected some kind of recovery within the next 12 months.

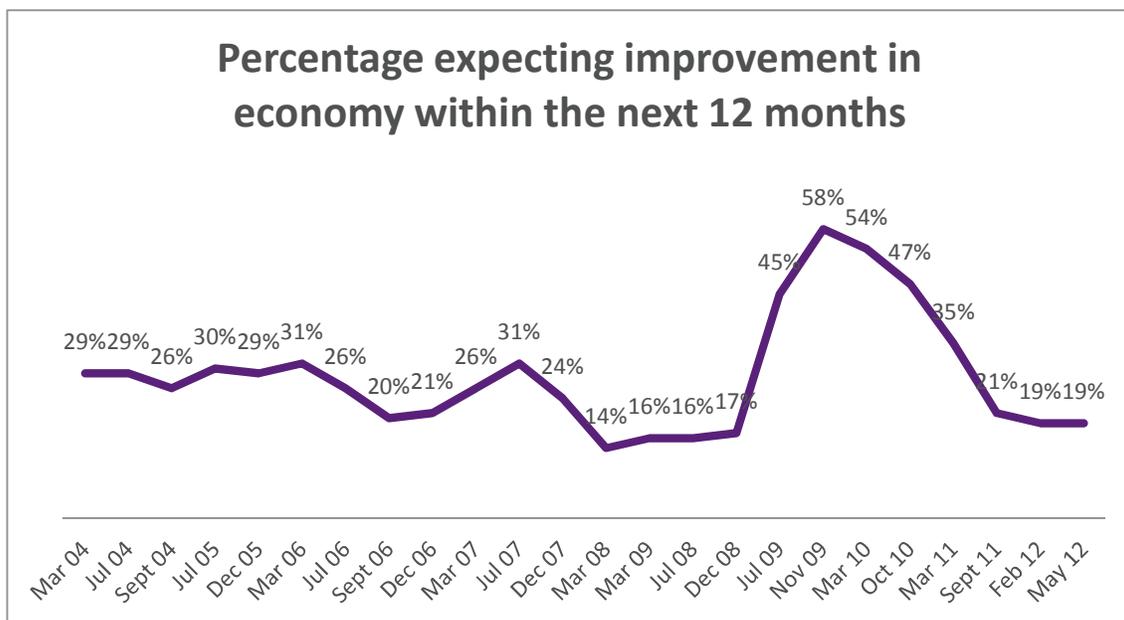


Figure 1: Percentage of business operators expecting an improvement in the economy within the next 12 months

Two thirds of business operators felt that any improvement in the economy's present position was at least one year away (66%, a similar result to the 68% recorded in February 2012).

Of this 66%, 23% thought an economic improvement would take 12 to 18 months, 19% thought 18 to 24 months and 24% felt it was at least two years away.

An additional 14% said they didn't know when the economy would begin to improve.

### By location

This survey, Western Australian business operators were much more positive than their counterparts in other states. Almost one third (32%) expected an economic improvement within the next 12 months, and only 12% were expecting it to be more than two years away.

### By industry

Of the eight industry groups reported, business, professional and property services operators were the most optimistic. Those in finance and insurance have usually agreed with this sector in previous surveys, but they were much more pessimistic this wave - only 8% expected an economic improvement within the next 12 months.

Finance and insurance business operators have experienced a significant turnaround in their expectations, moving from the most optimistic to the most pessimistic industry group since the last survey (29% expected a recovery within 12 months in February 2012 compared to only 8% in May 2012). More than seven in ten (71%) expected an economic recovery to be at least 18 months away.

|   | Expect recovery within next 12 months |
|---|---------------------------------------|
| 1. Business, professional & property services | 30%                                   |
| 2. Retail & hospitality                       | 23%                                   |
| 3. Other industry                             | 19%                                   |
| 4. Manufacturing & wholesale                  | 17%                                   |
| 5. Construction & trade                       | 14%                                   |
| 6. Transport, postal & warehousing            | 13%                                   |
| 7. Agriculture, forestry & fishing            | 13%                                   |
| 8. Finance & insurance services               | 8%                                    |
| <b>Weighted average</b>                       | <b>19%</b>                            |

### By business age

By business age, those in start-up businesses were much more optimistic about some level of economic recovery within the next 12 months. One third (33%) expected an economic recovery in this time frame compared to only 12% of those in maturing and 13% of those in established businesses. Establishing businesses were not statistically different from the overall figure at 27%.

# BUSINESS PERFORMANCE & PLANS

## Business Revenue – Past 12 Months

### More than twice as many business operators reported a decrease in revenue

The proportion of business operators who reported an increase in business revenue in the year to May 2012 (18%) was less than half the proportion recording a decline in revenue over the same period (41%). This result is a considerable drop on the 26% recorded in the March 2011 report.

Statistically, the proportion of business operators experiencing a revenue decline has remained relatively constant since the last survey. However, it has risen noticeably from the 34% recorded in March 2011.

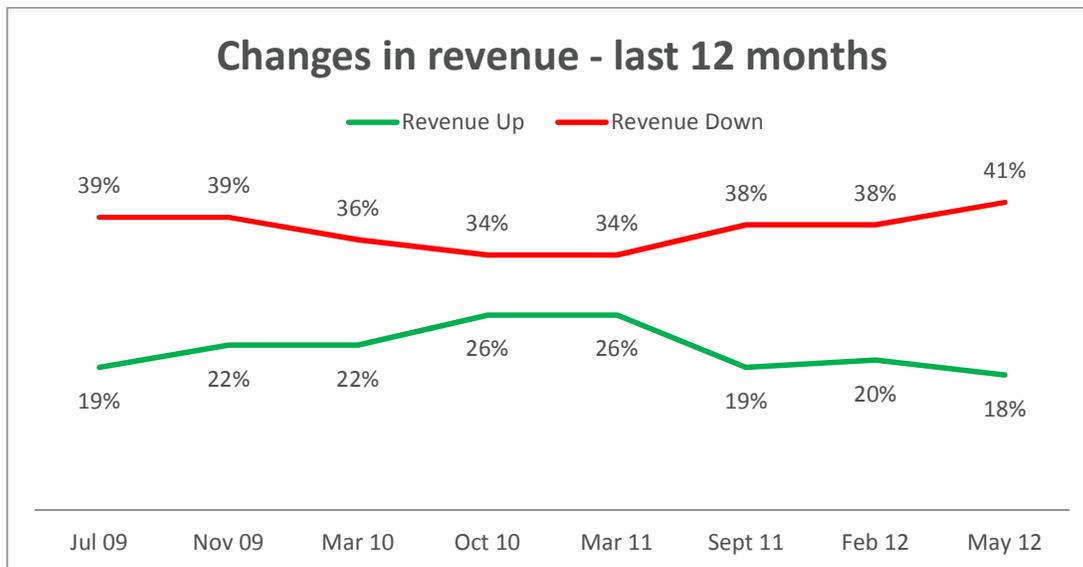


Figure 2: Proportion of business operators whose revenue has improved or deteriorated in the last 12 months

## Business Revenue – Next 12 Months

### Confidence in future revenue growth continued to recede

Less than one third of business operators (29%) predicted that their revenue would increase in a year's time. As can be seen on the following chart, the proportion of business operators expecting a revenue increase in the next 12 months has continued to decline since March 2010, although the difference from the February 2012 survey result is not statistically significant.

Overall, 43% expected their revenue to remain steady for the next 12 months and 22% expected it to decrease. 7% were unsure which direction it would head in.

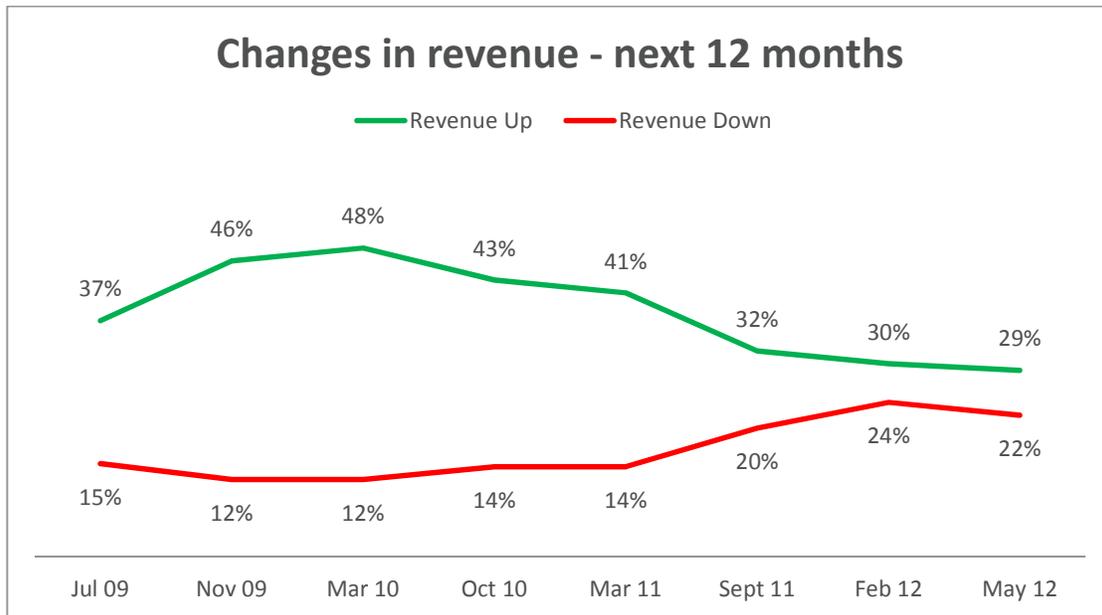


Figure 3: Proportion of business operators who expect their revenue to improve or deteriorate in the next 12 months

## Key differences in revenue last 12 months and next 12 months by segment

### Revenue rises more likely with start-ups and those taking advantage of technology

Start-up businesses were much more likely to have experienced revenue increases in the last 12 months (38% compared to 11% of established businesses) and were also more likely to expect business revenue to increase in the next 12 months (51% compared to 20% of maturing and 18% of established businesses). Establishing businesses were also more positive than maturing or established businesses about the next 12 months, with 38% expecting increases in revenue.

Business operators with a website (23%) and using cloud computing (26%) were much more likely to have recorded revenue increases in the last 12 months compared to 15% of operators without a website and 17% of operators not using cloud computing. Similarly, looking forward to the next 12 months, those with a website were more likely to expect an increase (35% compared to 25% without) as were those using cloud computing (44% compared to 26% not in the cloud).

Operators of businesses with \$5m+ in revenue were also feeling more positive about the next 12 months, with 49% expecting an increase in revenue over the next 12 months.

### By location

The following table shows the business performance and expectations of business operators by region. Western Australian respondents were much more likely to have seen a revenue rise over the previous 12 months (29% recorded a revenue increase compared to only 18% Australia-wide).

However, looking to the next 12 months, there were no statistically significant differences by state.

## MYOB July 2012 Business Monitor Report

### Performance by region – revenue gains and losses over the past year

|                   | ▲   | ▼   |
|-------------------|-----|-----|
| TOTAL AUS         | 18% | 41% |
| Western Australia | 29% | 38% |
| Queensland        | 18% | 40% |
| New South Wales   | 17% | 40% |
| Victoria          | 17% | 43% |
| South Australia   | 14% | 41% |



### Expectations by region – revenue gains and losses expected over next 12 months

|                   | ▲   | ▼   |
|-------------------|-----|-----|
| TOTAL AUS         | 29% | 22% |
| Western Australia | 37% | 20% |
| Queensland        | 32% | 16% |
| New South Wales   | 28% | 23% |
| Victoria          | 24% | 23% |
| South Australia   | 24% | 26% |



Figure 4: Revenue performance by region (last 12 months and next 12 months)

### By industry

Construction and trades business operators were more likely than any of the industry sectors to say their revenues had declined in the last 12 months (52%) and were also more likely to say they expected them to drop again in the next 12 months (32%).

Business operators in business, professional and property services were less likely than any other industry group to think that their revenues would decline in the next 12 months (13%).

| Business revenue declines – actual and expected | Last 12 months | Next 12 months |
|---|----------------|----------------|
| Construction & trade                            | 52%            | 32%            |
| Transport, postal & warehousing                 | 49%            | 29%            |
| Manufacturing & wholesale                       | 43%            | 28%            |
| Agriculture, forestry & fishing                 | 34%            | 25%            |
| Other industry                                  | 39%            | 21%            |
| Finance & insurance services                    | 47%            | 17%            |
| Retail & hospitality                            | 37%            | 16%            |
| Business, professional & property services      | 35%            | 13%            |
| <b>Weighted average</b>                         | <b>41%</b>     | <b>22%</b>     |

## Business Revenue – Pipeline Work

### Pipeline work or sales still behind late 2009/early 2010 position

Less than one third of business operators surveyed in the last three MYOB Business Monitors reported more work or sales than usual in their pipeline for the next three months (29% in May 2012, 31% in February 2012, 29% in September 2011).

This was some way below the 37% who reported more than usual in November 2009 and March 2010.

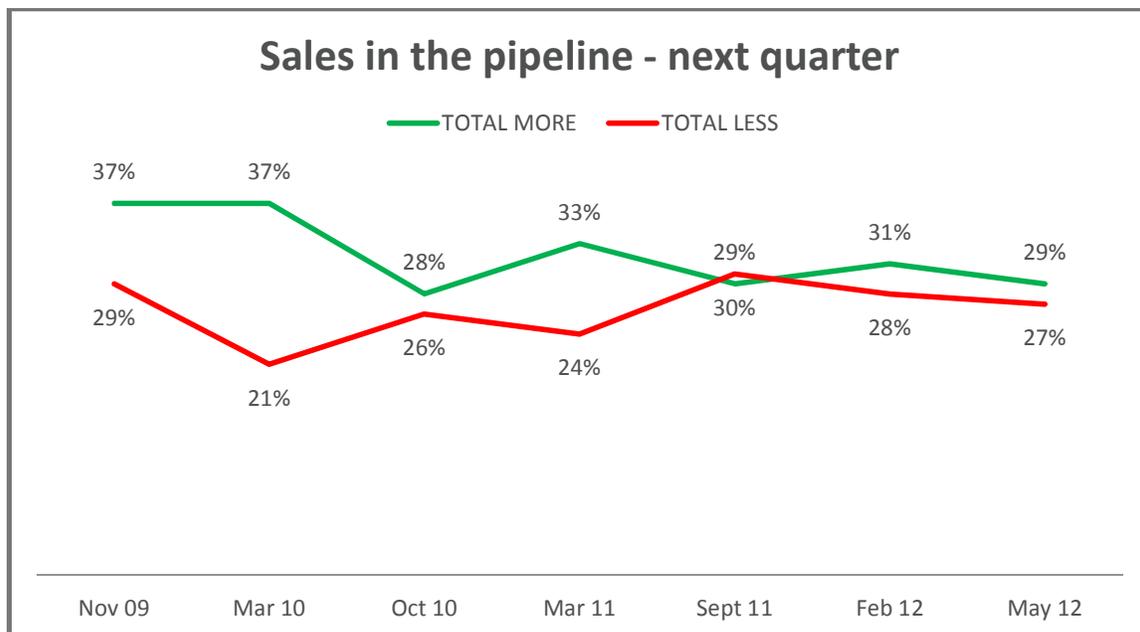


Figure 5: Proportion of business operators with more/less in the pipeline in the next quarter

## By location

In terms of pipeline for the next quarter, Western Australian business operators continued their optimism with 43% recording more in the pipeline for the next quarter than usual. Metropolitan based business operators were also more likely to note an increase in next quarter's pipeline (37% compared to only 19% of their rural counterparts).

## By industry

Construction and trades business operators were more likely than the other industries to note a decline in their usual pipeline for the next three months while finance and insurance services were the least likely. There were no other significant differences by sector.

| Sales in the pipeline in the next quarter  | More       | The Same   | Less       |
|--|------------|------------|------------|
| Construction & trades                      | 29%        | 31%        | 39%        |
| Other industry                             | 25%        | 45%        | 30%        |
| Transport, postal & warehousing            | 30%        | 41%        | 27%        |
| Business, professional & property services | 32%        | 42%        | 26%        |
| Retail & hospitality                       | 27%        | 47%        | 26%        |
| Manufacturing & wholesale                  | 36%        | 36%        | 25%        |
| Agriculture, forestry & fishing            | 25%        | 53%        | 21%        |
| Finance & insurance services               | 23%        | 58%        | 15%        |
| <b>Weighted average</b>                    | <b>29%</b> | <b>43%</b> | <b>27%</b> |

## By business type

Businesses using cloud computing were more likely than those who were not to report more than usual in their pipeline in the next three months (55% compared to only 25% of those not using it), as were those with a business website (34% compared to 26% of those without a website). Businesses with a revenue of \$5m+ (43%) were also seeing more in their pipeline in the next three months, as were start-up businesses (46%) compared to 16% of maturing and 20% of established businesses.

## Where Australian businesses plan to invest

### Majority expected activity across most key business aspects to remain steady

Respondents were asked whether their activity would increase, decrease or remain steady for 13 business aspects this year. Five aspects were expected to increase for at least one in five operators, the most frequently mentioned being customer retention strategies (37%), closely followed by customer acquisition strategies (35%).

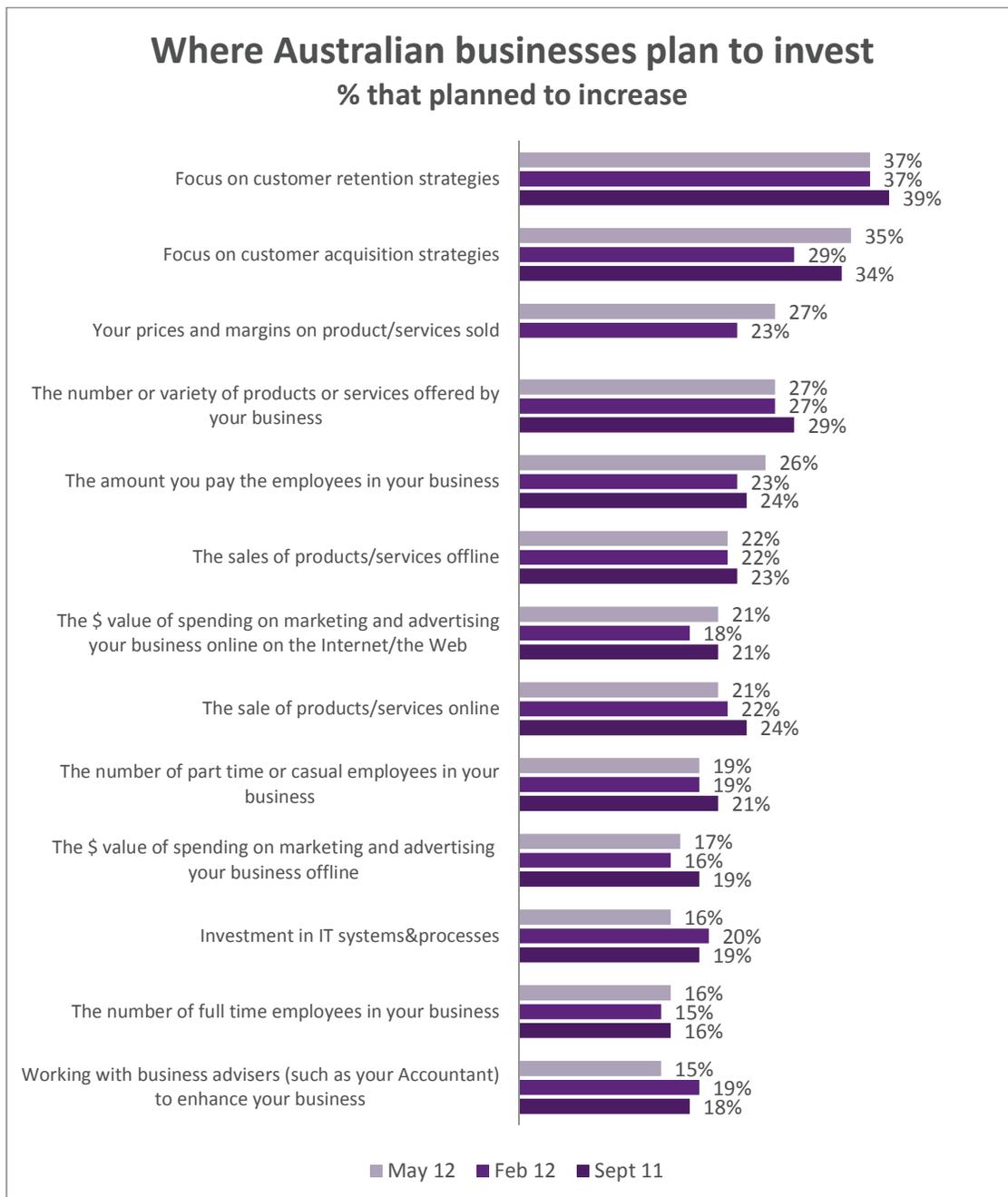


Figure 6: Where Australian businesses plan to invest

There were two significant differences from February 2012. The emphasis on customer acquisition has increased (from 29% to 35%), as has the emphasis on increasing the price/margins on products and services (up from 23% to 27%).

At the other end of the scale, investment in IT systems and processes and working with business advisers have both declined in terms of the emphasis being placed on them. These two issues have dropped four percentage points each down to 16% and 15% respectively.

Further analysis of each issue is provided below.

**1. Focus on customer retention strategies remained most likely increased business activity**

Over one third (37%) of business operators surveyed expected customer retention activity to increase this year (the same figure as February 2012). Those putting the most effort into this defensive strategy were more likely to be:

- Manufacturing and wholesale (52%) and retail and hospitality businesses (47%), compared to 28% of construction and trades businesses
- Businesses using cloud computing (51% compared to 35% of those not in the cloud)
- Start-up businesses (50% compared to 28% of established businesses)
- Businesses with a website (46% compared to 32% of those without)
- Metropolitan businesses (44% compared to 30% of rural businesses)

**2. Focus on customer acquisition strategies has increased in priority**

The second most mentioned activity was customer acquisition strategies. This rose from 29% in February this year to 35% in May. Those determined to do so were more likely to be:

- Businesses using cloud computing (56% compared to 32% not)
- Small businesses (50% compared to 33% of sole operators and micro businesses)
- Start-up businesses (50% compared to 26% of maturing and 25% of established)
- Metropolitan businesses (43% compared to 31% of regional and 30% of rural)
- Businesses with a website (46% compared to 28% of those without)

**3. Just over one quarter hoped to increase prices / margins on products or services sold**

Price and margin increases were more on the agenda in this latest report, with 27% of business operators (compared to 23% in February 2012) intending to increase their prices and/or margins. Those more likely to consider this approach include:

- Those who enjoyed revenue increases in the last 12 months (40% compared to 23% who had experienced revenue declines)
- Businesses using cloud computing (37% compared to 25% of those not)
- Those outside of the finance and insurance sector (only 12% of finance and insurance companies were expecting to increase their prices and margins)

**4. Just over one quarter were planning to offer more, or more variety of, products or services**

While a majority (64%) of operators said that they would not change their number or variety of products and services in the next year, 27% did intend to offer more for sale. Those who wished to expand the number and variety of their offerings were more likely to be:

- Businesses using cloud computing (48% compared to 24% of those not)
- Younger business operators - 42% of those aged 18 to 29 years and 34% of those aged 30 to 44 years (compared to only 14% of those aged 60+)
- Start-up businesses (42% compared to 17% of established)
- Businesses who have enjoyed business revenue increases in the last 12 months (37% compared to 25% whose revenue was down)
- Retail and hospitality businesses (39%)
- Businesses with a website (36% compared to 22% of those without)

**5. Around one quarter of business operators expected to pay their staff more**

Around one quarter (26%) of business operators said they expected to pay their staff more in the next year. Those who most expected to invest in increased wages for staff were:

- Small businesses (43% compared to 21% of sole operators)
- Business operators who had enjoyed revenue increases in the last year (39% compared to 19% who had experienced declines)
- Businesses using cloud computing (36% compared to 24% of those not)
- Businesses with a website (32% compared to 22% without a website)

Interestingly, finance and insurance companies (10%) and maturing businesses (17%) were much less likely to state they would be investing in increased pay for their staff.

**6. One fifth of business operators hoped to increase offline sales**

While a majority (60%) of business operators did not expect their offline sales levels to change, 22% did expect them to increase this year. Those most likely to were:

- Businesses using cloud computing (42% compared to 19% of those not)
- Businesses with increased revenue in the last 12 months (37% compared to 17% of those with a decline)
- Business operators aged 18 to 29 years (36% compared to 12% of those aged 60+)
- Start-up businesses (33% compared to 15% of established)
- Metropolitan businesses (29% compared to 19% of rural and regional)

**7. One fifth of business operators hoped to increase online sales**

Three in five business operators (61%) expected their online sales to remain unchanged, while just over one fifth (21%) expected an increase. Most hopeful of this increase were:

- Businesses using cloud computing (41% compared to 17% of those not)
- Retail and hospitality (35%) and manufacturing and wholesale (31%), compared to only 9% of construction and trades businesses
- Start-up businesses (33% compared to 11% of established)
- Businesses with a website (32% compared to 13% of those without)
- Business operators who enjoyed a revenue increase in the last year (31% compared to 20% whose revenue had declined),
- Metropolitan business operators (27% compared to 14% of rural)

**8. One fifth planned to invest more in terms of the value of marketing and advertising online**

One fifth (21%) of business operators surveyed indicated that they were likely to increase their dollar spend in online marketing and advertising. The most likely to do this were:

- Businesses using cloud computing (43% compared to 17% of those not)
- Business operators aged 18 to 29 years (38% compared to 7% of those aged 60+)
- Start-up businesses (36% compared to 13% of established)
- Metropolitan based businesses (30% compared to 13% of rural and 16% of regional)
- Businesses with a website (30% compared to 15% without)
- Business operators who had enjoyed revenue increases in the last 12 months (29% compared to 19% of those whose revenue was down)
- Businesses in professional and property services (27%)

## Business Pressures

### Most pressure from fuel prices, cash flow, price margins and profitability

Fuel prices (40%) remained the key pressure on businesses in Australia for 2012, well ahead of cash flow (30%) and price margins and profitability (29%). Interest rates and attracting new customers (28% each) were the fourth most expected pressures.

These issues remained the same five key pressures from the previous survey.

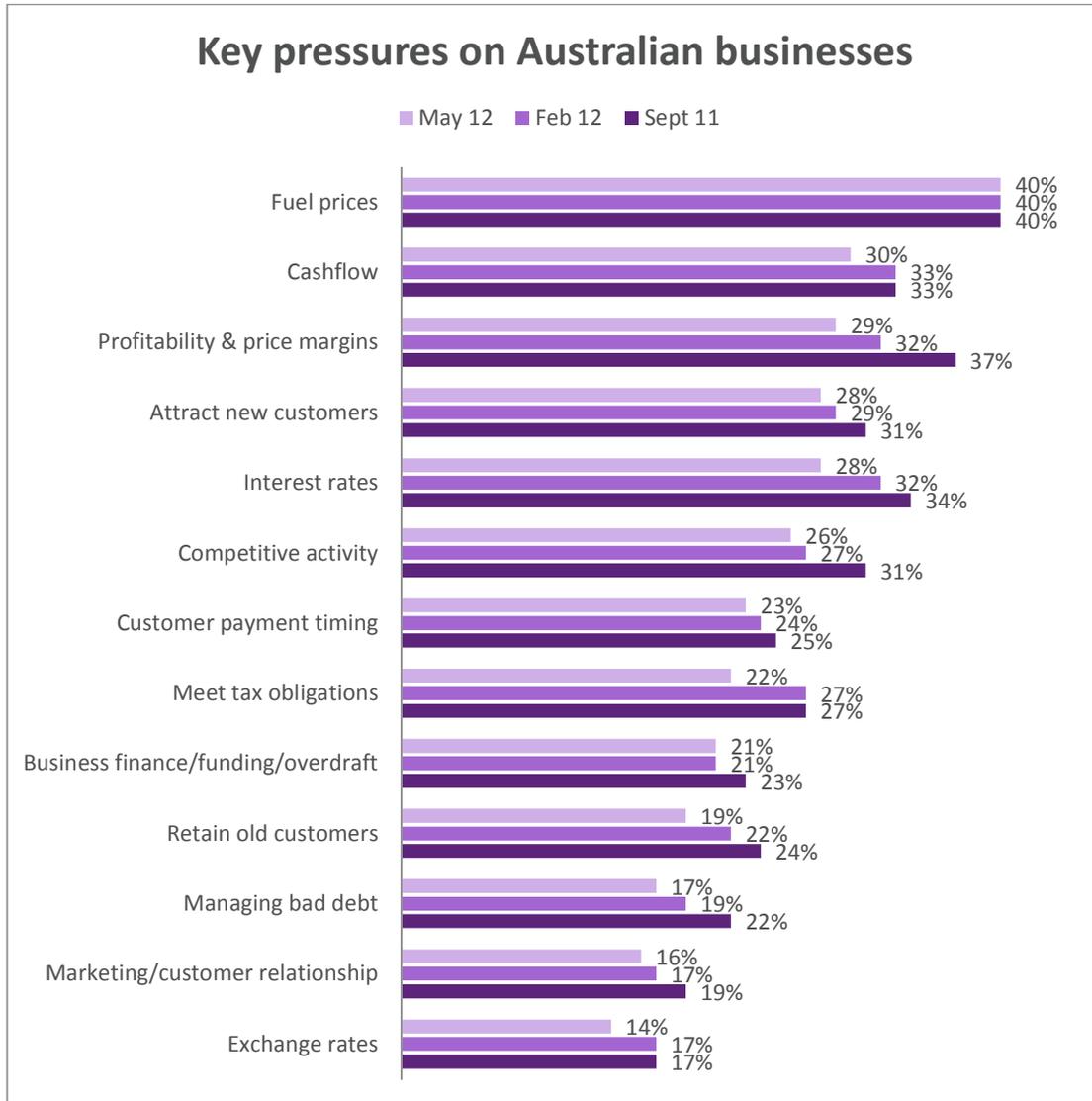


Figure 7: Key pressures on Australian businesses

Across a number of issues, the proportion of business operators rating them as presenting either extreme or a lot of pressure has declined since September 2011.

Most decline has been noted in interest rates - consistent with the drop in interest rates that occurred after the February 2012 survey (down from 32% in February 2012 to 28%) - profitability and price margins (which has declined steadily from 37% in September 2011 to 29% in this survey) and meeting tax obligations (down from 27% in both September 2011 and February 2012 to 22% this wave).

### Key differences in pressure points by segment:

- 1. Fuel prices the biggest expected pressure, staying at same record high**  
 For the last three surveys (May 2012, February 2012 and September 2011), 40% of business operators expected fuel prices to place either an extreme amount or quite a lot of pressure on their business in the coming year. Those most likely to consider fuel prices a pressure were rural businesses (60% compared to 32% of metropolitan businesses), those whose revenue was down in the preceding 12 months (51%) and those with maturing businesses (52%). Industry-wise, fuel prices were expected to put the most pressure on operators in transport and warehousing (70%) and in agriculture, forestry and fishing (62%).
- 2. More acute cash flow problems expected by those with revenue declines in the last year**  
 Cash flow was expected to be the second greatest pressure on business again this survey. The businesses most likely to struggle with this were those with revenue declines over the last year (47%), maturing businesses (41%) and South Australian businesses (39%). No differences by industry segment were noted in this survey.
- 3. Businesses still expecting a margin squeeze, even though it has declined**  
 Price margins and profitability were expected to put a significant squeeze on 29% of all business operators (compared to 32% in February 2012 and 37% in September 2011). More concern was placed on this issue by operators whose revenue had declined in the preceding 12 months (42%) and transport, postal and warehousing business operators (40%).
- 4. Attracting new customers still a significant pressure on almost one third of businesses**  
 This issue was the (equal) fourth most expected pressure on operators for the next 12 months (at 28%). Those who most expected this to be a significant pressure had experienced a drop in revenue (42% compared to 24% of those whose revenue had increased).
- 5. Cuts to interest rates have reduced pressure to some degree, but remained equal fourth.**  
 Interest rates remained the fourth (equal) largest pressure expected by business operators in 2012 (28%), but importance has dropped from 32% in the previous survey. Rural operators were more likely to feel increased pressure from interest rates (39%), as did those whose revenue was down in the preceding 12 months (40%) and those with revenue of \$1-5m (39%).
- 6. One quarter of business operators nominated competitive activity as a pressure point**  
 Just over one quarter (26%) of business operators expected competitive activity to be a considerable pressure on their business in the next 12 months. Once again, those expecting the most pressure were those who suffered a revenue decline over the last year (38%).

### 7. **Timing of customer payments a concern for manufacturing and wholesaling companies**

Just under a quarter (23%) of business operators considered the pressure of customer payment timing to be significant. This stress was more noticeable amongst manufacturing and wholesaling companies (37%), particularly when compared to business, professional and property services businesses (only 14% of this sector considered customer payment timing a pressure). South Australian business operators were also more likely to consider this issue a pressure (35%).

### 8. **Meeting tax obligations less of a pressure this survey but still significant for businesses with lower revenue in the last 12 months**

Meeting tax obligations is usually related to revenue position, the timing of customer payments and consequent cash flow. So, this challenge was likely to put a great deal of pressure on certain businesses, especially those that suffered a revenue decline over the last year. This trend remained evident, with one third (33%) of businesses who had suffered a revenue decline citing this as a pressure.

### 9. **Business finance/funding/overdraft a bigger pressure for small businesses and agriculture, forestry and fishing businesses**

Business funding emerged as a more significant pressure amongst agriculture, forestry and fishing businesses (38%) and small businesses (28%). Operators who had experienced a decline in revenue in the previous 12 months were also more likely to see this issue as a pressure (32%). The pressure of business finance has remained relatively constant (between 19% - 23%) for the last five surveys.

## **One quarter of business operators have borrowed money in the last 12 months**

Just over one quarter (26%) of business operators had borrowed money in the last 12 months to spend on or in their business. Those more likely to have borrowed money included:

- Businesses using cloud computing (44%)
- Agriculture, forestry and fishing businesses (42%)
- Small (42%) and medium sized businesses (38%)
- Businesses whose revenue had increased in the last 12 months (37%)

While responses to the question about why they had borrowed money were spread, the key reason to emerge was *'to keep the business open, to ensure its survival'* (44%). This was followed by *'to grow the products or services or operational levels of the business'* (30%) and *'to maintain the current operational levels or products or services of the business'* (24%).

Operators of establishing businesses (65%) and Queensland businesses (64%) were much more likely to nominate reasons of business survival. Business, professional and property services businesses were more likely to nominate maintenance of products and services as a reason for borrowing (38%).

Just over half of the business operators (54%) who had borrowed money in the last 12 months had gone directly to an institutional lender (ie. a bank or other lending institution). At the other end of the spectrum, 4% had borrowed from staff members.

|  |            |
|--|------------|
| <b>Institutional lender (eg. bank or other lending institution)</b>                              | <b>54%</b> |
| <b>Redraw on mortgage/home equity line of credit</b>   | <b>18%</b> |
| <b>Your own savings &amp; investments (eg. term deposits, managed funds, super, shares, etc)</b> | <b>16%</b> |
| <b>Other family member/s</b>   | <b>11%</b> |
| <b>Life partner (eg. husband, wife, de facto, partner, boyfriend, girlfriend)</b>                | <b>10%</b> |
| <b>Parent/s</b>  | <b>9%</b>  |
| <b>Friend/s</b>  | <b>8%</b>  |
| <b>Angel investor</b>  | <b>4%</b>  |
| <b>Staff</b>   | <b>4%</b>  |

*Base: business operators who had borrowed in the last 12 months (n=243)*

# STARTING A BUSINESS IN AUSTRALIA

Business operators were asked a new question in this survey regarding their reason for starting their own business. These three most common reasons emerged:

- As an investment strategy for the future (19%)
- For a total “sea change” (18%)
- To make money from a hobby or interest (14%)

The table below shows the results.

| What were the main reasons you started in your own business?                            | Total |
|---|-------|
| <b>I started it as an investment strategy for the future</b>                            | 19%   |
| <b>I wanted a total “sea change” from what I was doing</b>                              | 18%   |
| <b>I thought that I could make money from a hobby or an interest</b>                    | 14%   |
| <b>I purchased a business previously established and owned by others</b>                | 11%   |
| <b>I was offered a partnership opportunity by someone else</b>                          | 9%    |
| <b>I took a redundancy from my employment and used the payout to start the business</b> | 7%    |
| <b>I had reached retirement age but wanted to continue working</b>                      | 5%    |
| <b>I didn't start this business</b>   | 16%   |
| <b>Some other reason</b>  | 13%   |
| <b>Don't know</b>   | 6%    |

One of the bigger differentiators was the age of the business operator. Business operators aged 18 to 29 years were more likely to have started their business around a hobby (23%) or had not started the business (24%), while business operators aged 60+ years were more likely to have used the establishment of a business as an investment strategy (30%).

In addition, operators in small (26%) and medium sized businesses (34%) were more likely to state that they had not started the business compared to only 12% of sole operators.

Retail and hospitality business operators’ reasons for starting the business were somewhat different from other industry sectors. They were more likely to nominate a sea change (26%), an investment strategy (24%) or purchasing a previously established business (21%).

# ONLINE ECONOMY & CLOUD COMPUTING

## Cloud Computing

In a new set of questions this wave, business operators were asked about their use of cloud computing within their business. Only 14% of Australian business operators were aware of having taken up cloud computing. 79% said they were not using it and 8% did not know.

Those most likely to be using cloud computing for business included:

- Gen Y business operators (28% compared to 3% of business operators aged 60+ years)
- Metropolitan based business operators (21% compared to 2% of their rural counterparts)
- Businesses with a website (23% compared to only 8% of businesses without a website)
- Businesses whose revenue had increased in the last 12 months (20% compared to only 9% whose revenue was down)
- Start-up businesses (23% compared to only 6% of established businesses)
- Business, professional & property services businesses (22% compared to 0% of agriculture, forestry and fishing businesses).

The key reason why operators had started using cloud computing was the *ability to access data from whatever location they wanted*. And as can be seen below, this also related to the second most important reason: *being able to have team members working remotely*.

|  |     |
|--|-----|
| <b>It gives us the ability to work on our data from whatever locations we want, or need, to work from</b>  | 42% |
| <b>It enables one or more of our team members to work remotely at times when they want to or need to</b>   | 28% |
| <b>It enables us to reduce the number/range of IT issues we have to deal with personally</b>               | 26% |
| <b>Our data is better protected and safer online via one or more servers rather than via my own server</b> | 23% |
| <b>The cost of our IT software and service is more affordable</b>  | 18% |
| <b>It enables my accounting software to receive a direct feed of my bank account transactions</b>          | 16% |
| <b>So I don't have to install software on my computer</b>  | 15% |
| <b>The cost of our IT software and services is more adjustable and flexible</b>                            | 15% |
| <b>It's faster than our previous networking and servers or computers were</b>                              | 15% |

*Base: Businesses using cloud computing (n=149)*

It is interesting to note that internet banking and email are both cloud-enabled technologies used by many small to medium businesses yet more than three quarters of the survey respondents said they were not using the cloud.

Operators who said they were not currently using cloud computing for business were asked the reasons for not doing so. The key issue, for almost half the respondents, was the safety and security of data in the cloud. 26% were unsure of the safety in storing their data in servers overseas and 21% were unsure their data would be as secure on servers other than their own.

For almost half again the issue was lack of knowledge: 27% felt they did not know enough about the issues to make the right decision and 17% felt they were not very 'tech-savvy' to feel confident to even start looking at the issue.

|   |     |
|---|-----|
| <b>I don't know enough about all of the issues around it to make the right business decisions about it</b>      | 27% |
| <b>I'm unsure of the safety of storing my data in one or more servers or computers overseas</b>                 | 26% |
| <b>It is of interest, but there are many more important other business priorities to take care of first</b>     | 22% |
| <b>I'm unsure our business data would be as secure in the cloud as it is on our own server(s) or computer/s</b> | 21% |
| <b>I am not very tech-savvy and don't feel confident about even starting to look at it for my business</b>      | 17% |
| <b>I'm unsure who actually has ownership of our business data in the cloud</b>                                  | 16% |
| <b>I think it is a passing phase in which the business doesn't need to get involved</b>                         | 6%  |
| <b>Some other reason</b>  | 10% |
| <b>Don't know</b>   | 8%  |

*Base: Businesses not using cloud computing (n=778)*

For small business operators, security of the data on servers other than their own was the biggest concern (nominated by 34%), while those running micro businesses were more likely to state they did not know enough about the issue to make the right decision (35%). Construction and trades operators were more likely to nominate their lack of technical knowledge (26% felt they were not tech savvy enough to even start looking at cloud computing).

As an aside to these questions, business operators were asked whether, if they could make savings in administration costs, they would pass these on to their customers.

Over one third (36%) of respondents said they were quite likely (29%) or very likely (7%) to pass on these savings to their customers. This speaks to the potential consumer benefit of increased business use of cloud computing.

Further on benefits, the difference in operational results between those who used cloud computing and those who didn't were stark in some areas. For example, those using the cloud were more likely to:

- Have more sales/work than usual in their 3-month pipeline: 55% versus 25%
- Grow their number/range of products or services 48% versus 24%
- Expect their revenue to rise in the next year: 44% versus 26%
- Increase their prices and margins on products/services sold: 37% versus 25%
- Intend to increase staff numbers this year: 35% versus 15%
- Expect the economy to improve within 12 months: 34% versus 18%

## Online Business

The proportion of businesses with a website has remained relatively constant over the last four surveys, this time having grown slightly back to 38% (compared to 36% in February 2012, 38% in September 2011 and 39% in March 2011).

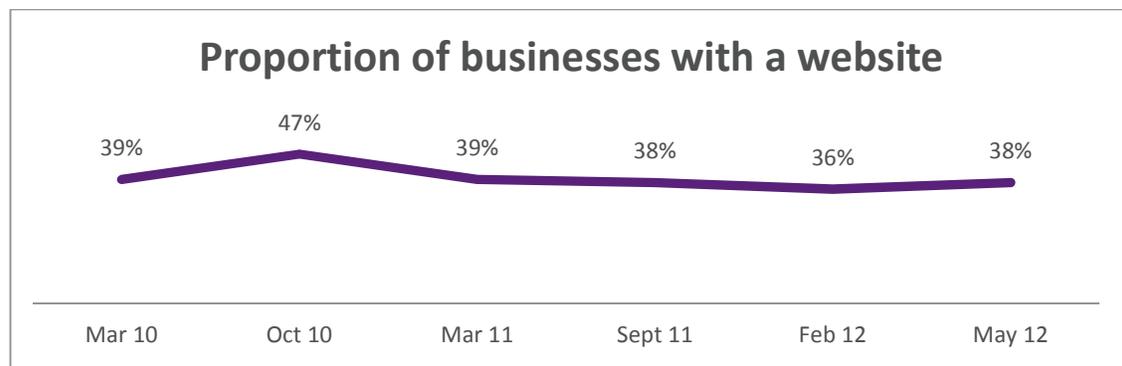


Figure 8: Proportion of Australian businesses with a website: MYOB Business Monitor May 2012

Business operators more likely to have a website included:

- Businesses using cloud computing (65%)
- Manufacturing and wholesaling businesses (61%)
- Medium (52%) and small (48%) sized businesses
- Those located in Queensland (47%)
- Metropolitan based businesses (46%)

### Businesses with a website more likely to enjoy and expect revenue increases

In the past 12 months, 23% of those with a business website had enjoyed revenue increases, compared to 15% of those without one. The comparable respective responses in February 2012 were 27% and 17%. They were also more likely to consider their revenue would increase over the next 12 months, at 35% compared to only 25% of those without.

In addition, businesses with a website were also more likely to:

- Increase the number and variety of products and services they sell: 36% versus 22%
- Have more sales than usual in their 3-month pipeline: 34% versus 26% of those without
- Intend to pay their staff more: 32% versus 22%
- Increase the spend on marketing both online and offline: 30% versus 15% and 23% versus 14% respectively
- Intend to increase casual, part-time or full time staff numbers this year: 24% versus 13%

### Business website generated more leads, conversions, revenue than other media

As indicated in the table, business operators who had a website felt positive business changes were more likely to be due to having a business website than using other promotional media, or as a result of utilising both.

Having a business website was most likely to generate more customer enquiries or leads (37%), more interaction with customers (34%) and better customer lead conversion to sales (33%).

In terms of entering new business locations, however, having a business website did not make as much of a difference – only 23% of operators felt the website had enhanced their performance here, while 38% felt there had been no change.

| Business Change                             | Having Business Website % | Using Other Promotional Media % | Using Both % | No Change % |
|---|---------------------------|---------------------------------|--------------|-------------|
| More customer enquiries or leads            | 37%                       | 16%                             | 20%          | 22%         |
| More interaction with customers             | 34%                       | 11%                             | 18%          | 30%         |
| Better customer lead conversion to sales    | 33%                       | 11%                             | 18%          | 30%         |
| Increased revenue or income                 | 32%                       | 10%                             | 19%          | 31%         |
| Ability to compete better with customers    | 30%                       | 9%                              | 22%          | 31%         |
| Opportunity to enter new business locations | 23%                       | 9%                              | 19%          | 38%         |

Base: businesses with a website (n=432)

This question was asked for the first time in February 2012. In the most recent survey, business operators were less inclined to nominate their website as the most likely reason for more customer enquiries or leads (down from 46% to 37%) and providing the opportunity to enter new business locations (down from 29% to 23%). The proportion still remained higher than other methods however.

Statistically significant differences between the various segments, locations and business types were minimal. The only significant difference identified was in the area of more customer enquiries or leads where micro businesses (48%) and rural businesses (58%) were more likely to see advantages from having a website over the use of other promotional media.

This survey, business operators who did not have a website were asked whether they agreed or disagreed with a number of statements about why their business had not set up a website. The key reasons to emerge were around not seeing a need for a website rather than cost and lack of ability/knowledge or time. As can be seen from the table below, two thirds of business operators:

- Preferred to advertise and market their business using other methods (68%)
- Did not see it as being a priority because they had all the business they could handle (66%)

| Reasons for not having a business website                                   | % agree |
|---|---------|
| We prefer to advertise and market our business using other methods          | 68%     |
| It's not a priority right now, we have all the work we can handle           | 66%     |
| We don't see any value in having a business website                         | 60%     |
| We have several other business priorities or projects to undertake first    | 55%     |
| Our business presently can't afford to establish and run a business website | 42%     |
| We just haven't got around to it yet  | 41%     |
| We wouldn't know where to start in setting up a business website            | 35%     |

Base: Businesses without a website (n=572)

## Usage of online tools varied across business type

Business operators were also asked what tools they were using online in regard to their business. Overall, tools relating to buying/paying for items bought were the most utilised (37%), but this has dropped since the survey was last conducted in February 2012.

Buying services online was a much more popular activity amongst rural business operators (33% purchased online for their business compared to only 16% of metropolitan business operators). Maturing businesses (32%) were also more likely to buy online.

Internet/email marketing tools were next most popular (24%), but the proportion of businesses using internet search engines to promote their business had declined since February 2012 (from 31% to 24%).

Start up operators were much more likely to use email marketing (33%) than maturing (15%) or established businesses (16%). Those running established businesses were also less likely than average to use internet search engines to promote their it (14%).

In terms of industry, construction and trades business operators were the least likely to use email marketing (15%) or internet search engines (12%) to promote their business.

Tools around selling online (13%) and accepting online payments from customers (19%) were more likely to be utilised by retail and hospitality business operators - 22% were selling via their own website and 24% selling via a website like eBay.

Social media usage was still being utilised, but the proportion had dropped noticeably since the prior survey, from 21% to 16%. A decline in business networking was also noted since the last survey, at 16%.

Unsurprisingly, social media was much more likely to be utilised by business operators aged 18 to 29 years. 27% were connecting with their customers via a business page on Facebook, YouTube and/or Google + and 26% were using 'any form of social media for business purposes'. The difference between generations was particularly noticeable when comparing to those aged 60+ years (13% each respectively).

| Tools being used by businesses online  | Feb 12 | May 12 |
|--|--------|--------|
| <b>BUYING/PAYING ONLINE</b>  |        |        |
| Pay your bills on suppliers' websites  | 44%    | 37%    |
| Buy products/services online   | 37%    | 24%    |
| <b>INTERNET/EMAIL MARKETING</b>  |        |        |
| Use internet search engines to promote your business                               | 31%    | 24%    |
| Conduct email marketing to potential or existing customers                         | 26%    | 24%    |
| <b>SELLING ONLINE</b>  |        |        |
| Accept online payment from your customers  | 25%    | 19%    |
| Sell products/services online directly to customers using your own website         | 17%    | 13%    |
| Sell products /services online   | 16%    | 13%    |
| <b>SOCIAL MEDIA</b>  |        |        |
| Use any form of social media for business purposes                                 | 21%    | 16%    |
| Connect with customers & fans via a business page on Facebook, YouTube or Google+  | 18%    | 15%    |
| Share news and updates via a company blog  | 12%    | 9%     |
| Communicate via micro-blogging sites such as Twitter                               | 6%     | 5%     |
| <b>BUSINESS NETWORKING</b>   |        |        |
| Share business knowledge with other bus. operators (eg online bus. network)        | 19%    | 16%    |
| Network with business colleagues and/or clients on LinkedIn                        | 19%    | 13%    |
| <b>OTHER</b>   |        |        |
| Use Skype or VOIP to make free business phone calls over the internet              | 20%    | 16%    |
| Have internet access but do not do any / not interested in any of above activities | 27%    | 30%    |

Medium sized businesses were much more likely to use social media (38%) and almost one quarter (23%) were connecting with customers via a business page on Facebook, YouTube and/or Google + (23%), company blogs (24%) or micro blogs (24%).

The retail and hospitality industry was also more likely to be using these tools, particularly when compared to agriculture, forestry and fishing and construction and trades businesses. For example:

- Using any form of social media for business purposes (retail and hospitality at 24% compared to 6% of construction and trades businesses and 2% of agriculture, forestry and fishing businesses)
- Connecting with customers via a business page on Facebook, YouTube and/or Google + (retail and hospitality at 27% compared to 6% of construction and trades businesses and 0% of agriculture, forestry and fishing businesses)
- Communicating via micro-blogging sites such as Twitter (retail and hospitality at 11% compared to 2% of construction and trades businesses and 5% of agriculture, forestry and fishing businesses)

# POLITICAL SENTIMENT

## Sentiment about Federal Government

### Record high level of dissatisfaction with Federal Government

The level of dissatisfaction with the Federal Government’s current level of support for businesses like theirs in terms of helping their business succeed rose in May 2012 to 57% from 52% in February 2012.

This is the highest level on MYOB records, since the survey began in March 2004. The next highest proportion was 56% in both the September 2011 and July 2008 surveys.

However, the proportion of business operators satisfied with the Federal Government also increased, to 17% from 11%. This left fewer rating their feelings about its support as neutral (25% this survey compared to 36% in February 2012).

Note the survey was conducted post the Federal Budget.

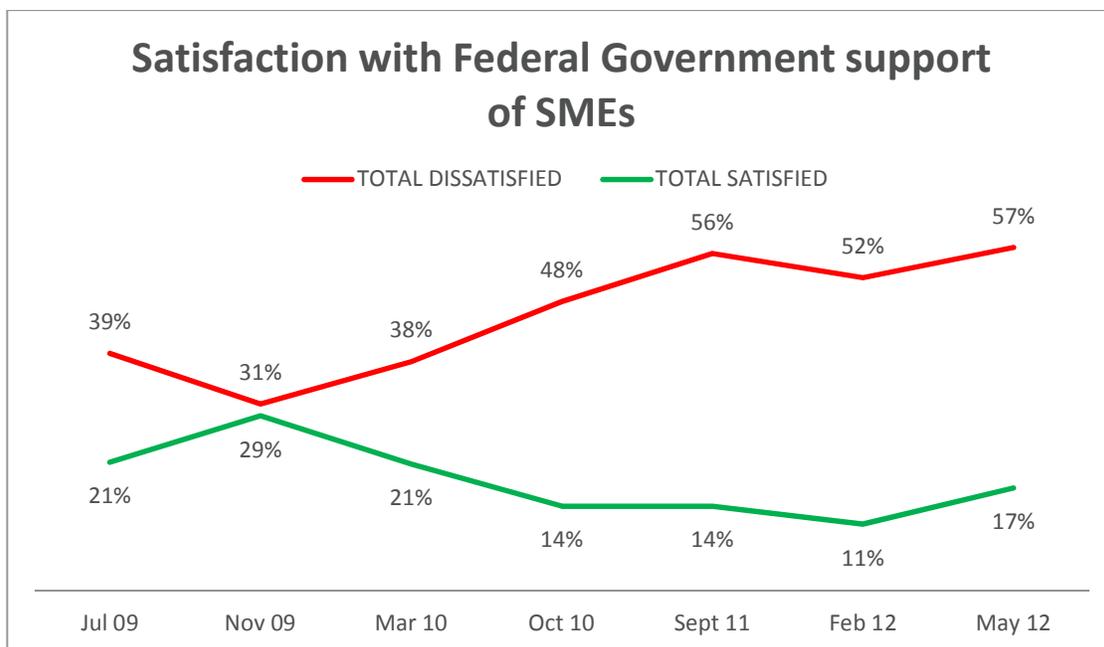


Figure 9: Proportion of business operators satisfied/dissatisfied with Federal Government support

Note: there have been minor changes to the wording of this question, with it changing from:

“How satisfied are you with the Federal Government’s level of support for small businesses like yours at this time?” prior to the March 2011 report, to:

“How satisfied are you with the Federal Government’s current level of support for small businesses like yours in terms of helping your business succeed?” from that point on.

### By location

By state, Queensland business operators were the most likely to be dissatisfied with the support from the Federal Government (65% were dissatisfied), while Western Australian business operators were more likely than any other to say they were satisfied with its support (29%). Their positivity to the economy in general and their propensity for revenue increases in the last 12 months seems to have created somewhat of a halo effect amongst business operators in this state.

Rural respondents were also more likely to state they were dissatisfied with the level of support from the Federal Government (68% compared to 50% of metropolitan business operators).

### By industry

Three quarters of transport, postal and warehousing businesses (75%) were dissatisfied with the level of support from Federal Government compared to only 48% of business, professional and property services businesses and 49% of 'other' businesses.

### By type of business

Micro (65%) and small business operators (64%) were more dissatisfied with the support from Federal Government than medium sized business operators (43%). Start-up operators on the other hand were much more likely to say they were satisfied with the support from Federal Government (33% compared to 9% of established businesses and 7% of maturing businesses).

## Tax loss carry-back scheme welcomed by almost two thirds

Business operators were asked their opinion of the tax loss carry-back scheme introduced in the Federal Budget earlier this year. 16% felt that it would assist in keeping their business afloat, while a further 25% felt it would help maintain their current level of business activity.

The table below details the results.

|  |     |
|--|-----|
| <b>It would help me maintain the current level of business activity</b>  | 25% |
| <b>I would welcome it, but we don't really need it</b>   | 22% |
| <b>It would help keep my business afloat</b>   | 16% |
| <b>I think that the Government should spend its time on other initiatives that would better help my business</b> | 13% |
| <b>I would not care either way about it</b>  | 10% |
| <b>Don't know</b>  | 14% |

Medium sized business operators were much more likely than those in smaller businesses to state the scheme would help maintain their current business levels, at 49%. This compared to 27% of small businesses, 25% of micro businesses and 24% of sole operators.

Just over one quarter (26%) of start-up business operators said it would help keep their business afloat. Those with established businesses were more likely to state the government should spend its time on other initiatives (20%) with only 11% stating it would keep their business afloat.

### Business operators keen to see the carbon tax abolished

In a new question about the preferred outcome of the various State Government challenges to the carbon tax, almost two-thirds of business operators (62%) wanted to see the tax abolished. Equal proportions of business operators (12 to 13% each) wanted it retained, did not care or did not know.

Those most likely to want the carbon tax abolished included:

- Business operators aged 60+ years (73% compared to 46% of Gen Y business operators)
- Rural businesses (72% compared to 55% of metropolitan businesses)
- Established businesses (69% compared to 54% of start-up businesses)
- Operators outside of Western Australia (65% compared to 48% of Western Australian businesses)
- Small businesses (67% compared to 48% of medium businesses)

### Sentiment about State Governments

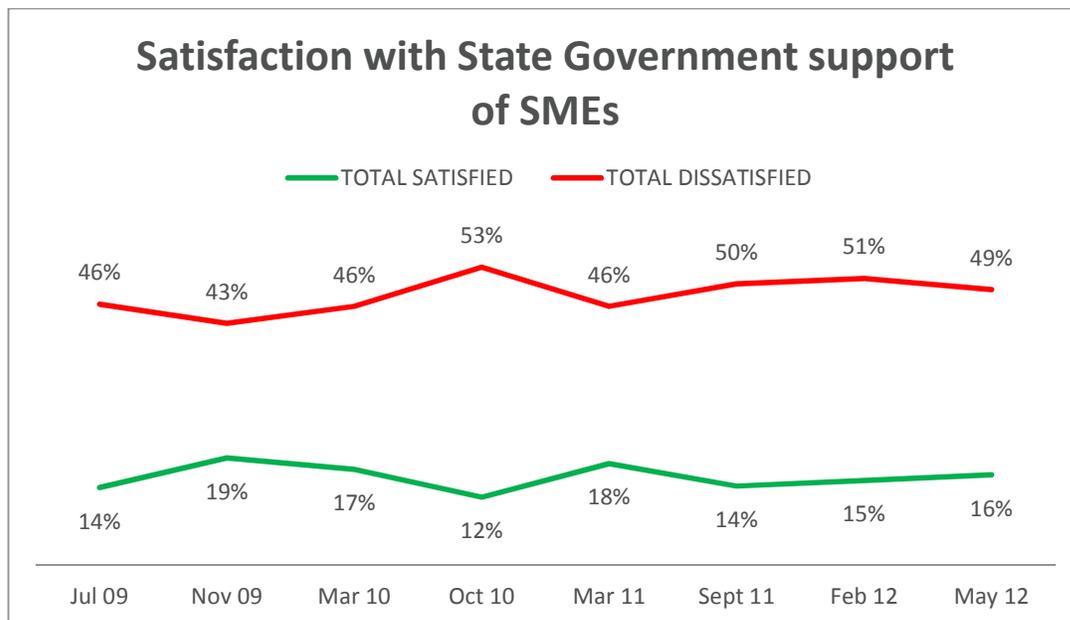


Figure 10: Proportion of business operators satisfied/dissatisfied with State Government support of SMEs

## Increased satisfaction with own State Government

Fewer than half of those surveyed (49%) were dissatisfied with their State Government's efforts to make things better rather than worse for their business in the last six months. This was a slight drop from 51% reported in the March 2012 report and well behind the peak dissatisfaction recorded in June 2008 (63%).

Further, 21% were satisfied with their State Government's performance, which was up on 15% in the prior MYOB Business Monitor. 37% were neither satisfied nor dissatisfied, compared to 33%.

## By location

Queensland business operators were the most dissatisfied (56%), followed by those in South Australia (55%), though there was not a noticeable difference between the states' results apart from Western Australia. There, only 37% of operators were dissatisfied and they were the most satisfied of all. In fact, dissatisfaction amongst Western Australian business operators has continued to drop in recent times (from 54% in September 2011, to 46% in February 2012, to 37% in May 2012).

With a new Premier in Queensland since the last survey, its operators' level of dissatisfaction dropped noticeably from 68% in the March 2012 report to 56%. However, satisfaction levels were very low at 9% (compared to 12% in the last report), and one third of operators were neutral on the subject (32%).

Dissatisfaction with the State Government in South Australia provided a 'watching brief'. The sample size was too small to record a statistically significant change, but dissatisfaction may again be on the decline.

The State Government in Victoria, however, has continued its decline with 55% of business operators expressing dissatisfaction in terms of helping SMEs in that state. Dissatisfaction has been increasing in this state from a low of 32% in March 2011 to 41% in September 2011 and 46% in February 2012.

## By segment

Agriculture, forestry and fishing business operators were more dissatisfied with the performance of their State Government (60% expressed dissatisfaction), particularly when compared to business, property and professional services business operators (only 39% dissatisfied).

## By type of business

Small and micro business operators (58% and 57% respectively) were more likely to be dissatisfied with their State Government, particularly when compared to their medium sized counterparts. Medium sized business operators were much more likely to be neutral (52%) and only 26% were dissatisfied.

Business operators whose revenue was down in the preceding 12 months were much more likely to be dissatisfied (62% compared to only 38% of business operators whose revenue was up). Business operators using cloud computing, on the other hand, were much less likely to be dissatisfied (24% compared to 53% of those not using cloud computing).

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## About the study

The MYOB Business Monitor has been running since 2004, as part of MYOB's commitment to understanding the mindset, needs, experiences and expectations of Australian small to medium business owners and managers (operators).

This July 2012 MYOB Business Monitor report presents the summary findings for key indicators from a national survey of **1,004** business operators that ran in May 2012 and was analysed in June 2012.

The businesses participating in the online survey were defined as those with 0 employees ('sole traders'), 1-4 employees ('micro businesses'), 5-19 employees ('small businesses') and 20-199 employees ('medium businesses').

Results have been weighted to reflect the business population distribution according to the Australian Bureau of Statistics (ABS) for company size, length of time operating, region, and selected industry divisions (refer to ABS publication COUNTS OF AUSTRALIAN BUSINESSES, INCLUDING *ENTRIES & EXITS, JUNE 2007 TO JUNE 2009 - 8165.0*).

Some industry segments have been grouped as 'Other Industries' (see next page) for the purposes of providing sample segments of reasonable size, and with a lower margin of error.

This research report was prepared by *Gundabluey Research* and fieldwork was completed by *Colmar Brunton* (a Millward Brown Company) for:

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## INDUSTRY, LOCATION AND BUSINESS SIZE SAMPLE SEGMENTS

The sample segments surveyed in May 2012 very closely paralleled those in the previous MYOB Business Monitor research. Results have been reweighted to reflect their actual proportions of all GST registered businesses in Australia.

| Industry                                      | Weighting   | 05/12        | 02/12        | 09/11        |
|---|-------------|--------------|--------------|--------------|
| Professional and business services            | 26%         | 290          | 281          | 241          |
| Construction and trades                       | 17%         | 144          | 168          | 150          |
| Retail and hospitality                        | 11%         | 131          | 139          | 129          |
| Manufacturing and wholesale                   | 8%          | 74           | 79           | 82           |
| Finance and insurance                         | 7%          | 50           | 70           | 47           |
| Transport, postal & warehousing               | 7%          | 42           | 62           | 49           |
| Agriculture, forestry and fishing             | 10%         | 41           | 44           | 49           |
| Other Industries* (included in total results) | 15%         | 232*         | 200*         | 256*         |
| <b>Total</b>                                  | <b>100%</b> | <b>1,004</b> | <b>1,043</b> | <b>1,003</b> |

(\*Other Industries, combined because their sample segment numbers on their own have too high a margin of error, include these sectors: Communication Services; Cultural & Recreational Services; Education; Electricity, Gas & Water Supply Services; Health & Community Services; Mining; and Personal & Other Services.)

The sample distribution across the five main states was similar to the sample obtained in previous monitors. Again, the results have been reweighted to their population proportions of Australia:

| State  | Weighting   | 05/12        | 02/12        | 09/11        |
|--|-------------|--------------|--------------|--------------|
| New South Wales (NSW)                        | 33%         | 326          | 348          | 334          |
| Victoria (VIC)                               | 25%         | 264          | 280          | 254          |
| Queensland (QLD)                             | 20%         | 215          | 214          | 199          |
| Western Australia (WA)                       | 10%         | 84           | 96           | 99           |
| South Australia (SA)                         | 7%          | 74           | 72           | 78           |
| Other States and Territories (ACT, NT & TAS) | 5%          | 41           | 33           | 39           |
| <b>Total</b>                                 | <b>100%</b> | <b>1,004</b> | <b>1,043</b> | <b>1,003</b> |

While the segments by business size (number of employees in the business) remained very close to their actual proportion of all businesses registered for GST in Australia, their results have been reweighted to the proportions of all GST registered businesses in Australia, as indicated below:

| Number of Employees/Business Type (Unweighted numbers) | Weighting | 05/12 | 02/12 | 09/11 |
|--|-----------|-------|-------|-------|
| 0 Employees/Sole Traders                               | 60%       | 556   | 608   | 595   |
| 1-4 Employees/Micro Businesses                         | 24%       | 292   | 260   | 250   |
| 5-19 Employees/Small Businesses                        | 11%       | 106   | 123   | 114   |
| 20-199 Employees/Medium Businesses                     | 4%        | 50    | 52    | 44    |
| 0-199 Employees/Sole, Micro, Small, Medium Businesses  | 99%       | 1,004 | 1,043 | 1,003 |

The generations were categorised as follows:

- Generation Y: 18 to 29 years of age
- Generation X: 30 to 44 years of age
- Baby Boomers: 45 to 59 years of age
- Traditionalists: 60+ years of age

Length of time in business was categorised as per the following:

- Start-up: in business fewer than 2 years
- Establishing: 2 to 5 years
- Maturing: 5 to 10 years
- Established: 10+ years