

Australian SMEs & Cloud Computing

2012 MYOB Business Monitor Special Report

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Introduction



In today's increasingly digital global economy, there's never been a better time for Australian businesses to become better connected and more competitive by using online technologies.

Cloud computing is critical to this.

MYOB Business Monitor research reveals that business operators using cloud technologies are 53% more likely to experience a revenue rise in the last year.

It also found cloud users are 120% more likely to have more sales/work than usual in their three-month pipeline.

And they tend to have a more positive perspective on the Australian economy.

About the Business Monitor

As Australia's largest business management software provider, MYOB has developed cloud-enabled products and services for several years. It spends \$25+ million per year on R&D. This includes the MYOB Business Monitor. Established in 2004 and commissioned to independent market research firm Colmar Brunton, the national study is conducted regularly to uncover the changing mindset, needs, experiences and expectations of small to medium business owners and managers. This latest report is based on a survey of 1,004 operators representing many industry sectors. The findings are weighted to reflect the proportions of all GST registered businesses in Australia, and the number of MYOB client and non-client respondents is reflective of overall market proportions.

From MYOB CEO, Tim Reed

Cloud computing may appear to be an industry buzz term to some but it's in no way a new concept nor is it a passing phase. It's already changing business for the better.

The cloud is a powerful tool that enables business to reach new clients, saves businesses time, money and travel and allows for more informed business decisions.

The results came through loud and clear in our research – we found those using cloud technologies were 53% more likely to experience a revenue rise in the past year.

This demonstrates a greater likelihood of achieving not only positive financial results but also better operational results, an improved ability to retain and attract high quality staff, and having the capacity to be more competitive locally and globally.

The cloud brings with it a strong opportunity to increase the productivity of your business.

It's a flexible, scalable, mobile solution that allows people to make better decisions by having access to information when and where they need it and empowers them to work in more productive ways.

Our vision is to make the cloud more accessible to business of all sizes by providing easy to adopt cloud solutions such as MYOB Atlas, LiveAccounts and AccountRight Live.

Much of the \$25+ million we invest in R&D each year is focused on cloud solutions.

'Making business life easier' for clients and partners is a commitment that's been the cornerstone of our service philosophy for more than 20 years.

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“Those using cloud technologies were 53% more likely to experience a revenue rise in the past year.”

Cloud computing explained

Technically, cloud computing is a model for enabling ubiquitous, convenient, on-demand network access (usually via the internet) to a shared pool of configurable computing resources (eg. networks, servers, storage, applications and services)¹.

In simpler terms, cloud computing is like a giant IT department from which you can buy time with business management solutions. You pay for the cloud provider to provide you with applications and/or IT infrastructure such as servers to store your data on. So too do other business owners.

Take the gym for example – rather than spending thousands of dollars buying gym equipment at home and maintaining it yourself, you pay a monthly fee to use the equipment when you want. The gym is responsible for maintaining or replacing it.

Thanks to the size and scale of the cloud provider’s tools, they run at a consistent speed regardless of how many staff you have or how your workload changes from day to day. And they’re available to you regardless of where you are doing business.

It can take away the stress of managing complex IT issues and help you to keep doing what you do best from anywhere in the world.

¹ <http://csrc.nist.gov/publications/nistpubs/800-145/SP800-145.pdf> (Accessed 07/09/12)

“Software-plus-Services is the next logical step in the evolution of cloud computing.

By deeply and genuinely combining the best aspects of software with the best aspects of cloud-based services, we can deliver more compelling solutions for consumers, developers and businesses.”

– **Microsoft website**

Cloud computing explained

First generation cloud computing

The first generation of cloud-based computing is the SaaS (Software as a Service) model. Here, you operate an application via a web browser and can do so from any computer connected to the internet.

You don't install software, it is essentially provided as a service.

With this model, if the internet is inaccessible you can't access your data because it, the business logic and user interface are all stored remotely and accessed via a web browser.

Both first and next generation cloud offer peace of mind in knowing your data is securely backed up if your computer fails. The latter also provides assurance that your data is always accessible to you if, for example:

- *The internet drops out*
- *You want to do some work on a long plane trip*
- *The service stops temporarily for some other reason*

Next generation cloud computing

This is the S+S (Software plus Services) model, an evolution of SaaS. Under this model the software and the internet-based services are available together. Importantly, you can still access the software when you're not connected to the internet because the application is loaded onto your local computer. This enables uninterrupted workflow.

It's the best of both worlds: application, cloud or both.

With this model, you get all the speed and processing power of an application, and aren't limited to accessing business data through the remote server via a browser. You can access it without an internet connection.

And with a product like MYOB AccountRight Live, the changes you make to the online data file are automatically synced to your local file every 20 minutes plus you can sync it on demand. Conversely, when you check the local file back into the cloud after taking it offline, any data changes are synced into your online file.

Cloud confusion

According to the July 2012 MYOB Business Monitor report, **4 in 5 SMEs say they don't use the cloud.**

That 79% of respondents said so shows a disconnect between SME cloud usage and their understanding of it.

Only 14% said they were using the cloud for business purposes and 8% did not know. This is despite 38% having a business website, 24% purchasing products/services online and 24% conducting email marketing to customers.

Not to mention the many business operators who are sure to use internet banking, a popular cloud-based service.

SMEs most likely to say they used cloud computing included those:

- In Generation Y (28%)
- With a business website (23%)
- Running start-up businesses (23%)
- In business, professional & property services businesses (22%)
- In metropolitan-based businesses (21%)
- In businesses where revenue had increased in the last year (20%)
- Who were sole traders (15%).

NB: See page 22 for demographic definitions

One in three would pass on savings

When asked, 33% of respondents were quite likely (27%) or very likely (6%) to pass to customers any future admin cost savings they achieved through whatever means. This indicates potential benefits to consumers of business cost savings achieved through cloud usage.

Yet serious benefits

The cloud provides an opportunity to increase efficiencies in a business, and with that, the productivity of systems, processes and staff.

The competitive advantages are often impressive.

Cloud users are more likely to enjoy positive financial and operational results.

Those who leveraged the cloud for business were more likely to:

- Have more sales/work than usual in their three-month pipeline: 55% vs 25%
- Expect to grow their number/range of products/services this year: 48% vs 24%
- Expect their revenue to rise in the next year: 44% vs 26%
- Expect to increase prices/margins on products/services this year: 37% vs 25%
- Expect to increase staff numbers this year: 35% vs 15%
- Believe the Australian economy will improve within 12 months: 34% vs 18%
- Record revenue increases in the last 12 months: 26% vs 17%.

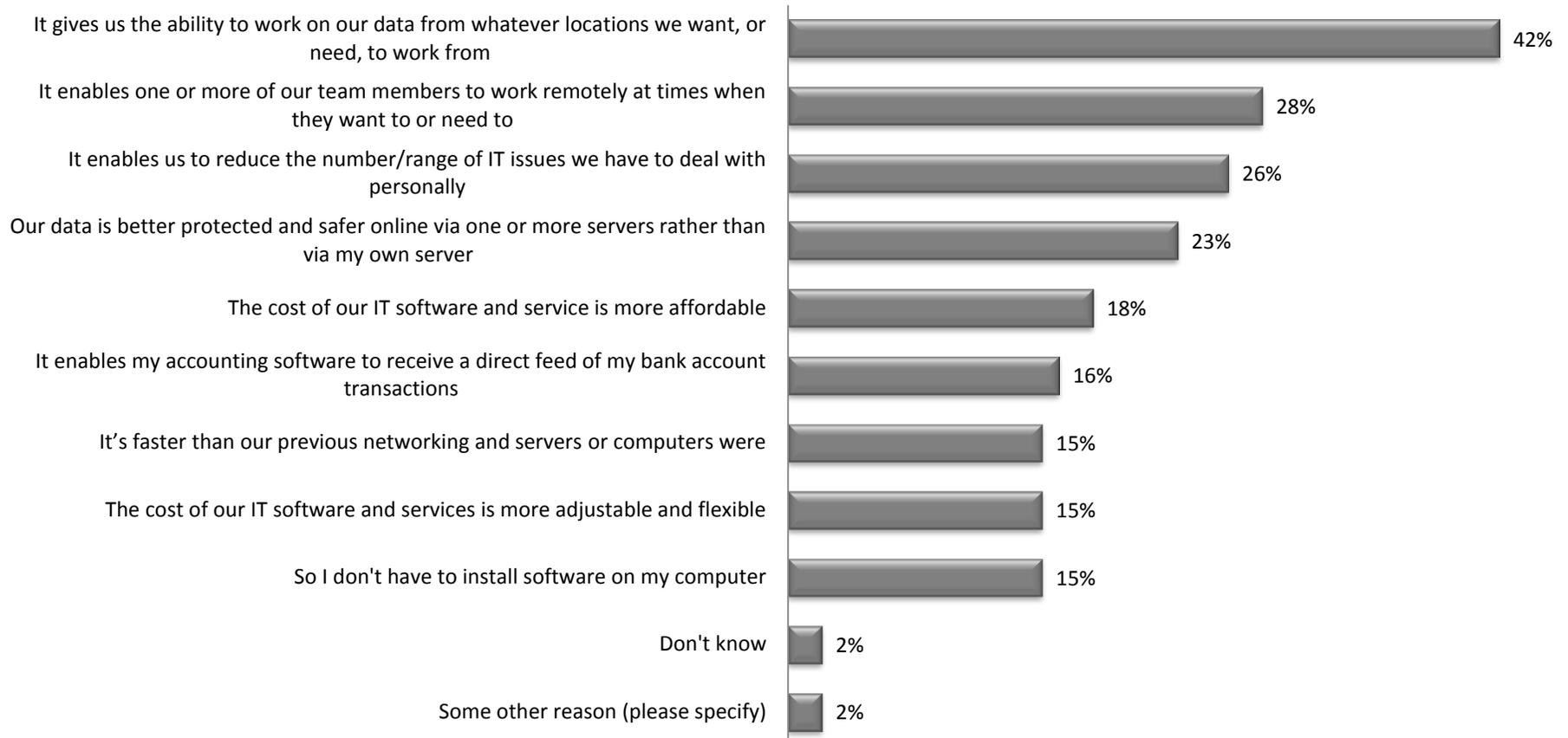
“Cloud can provide a strong competitive advantage – you can collaborate and share information with your team and business advisor anywhere, anytime. It can save businesses time, hassle, money, resources and travel, making them more productive.”

Cloud technologies provide flexible, scalable, mobile business solutions that should see you spend less time on IT set-up and issues and more time on what you really love.”

– Tim Reed, MYOB CEO

Drivers for cloud use in business

The key reason why operators used cloud computing was the ability to work on business data from whatever location they wanted. This also related to the second most important reason: team members being able work remotely.



Reasons for cloud caution

For almost one in two SMEs, a key barrier to adoption of the cloud in their business was **lack of knowledge**. Another key concern was the **safety and security of data in the cloud**.

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

Use of cloud across different groups

By state

On average, 80% of SMEs across the mainland states said they did not use cloud for business. New South Wales had the highest proportion saying they used it (15%) while Western Australia had the lowest (9%).

In terms of the top drivers nationally, being able to reduce the number / range of IT issues they dealt with personally appealed to Queenslanders the most (48%). The ability to work on data from whatever locations they wanted or needed to most appealed to South Australians (66%).

With the top barriers, New South Welshmen were the most likely to say they not know enough about the issues to make the right decision (31%). They were also the most concerned about the safety of storing data in servers overseas (31%).



Full results across the states for cloud computing usage were:

	NSW	VIC	QLD	SA	WA
Yes cloud	15%	14%	13%	11%	9%
No cloud	76%	78%	80%	81%	85%
Don't know	9%	8%	7%	9%	5%

NB: TAS, NT, ACT were excluded in this table due to small sample size but included in national results.

Use of cloud across different groups

By sector

The business, professional and property services sector had the highest proportion of SMEs saying they used the cloud for business, at 22%. Manufacturing and wholesale followed, at 17%. The sector with the lowest proportion who said they used it was the primary sector (agriculture, forestry and fishing), where no one said they did. This was followed by those in construction and trade, where only 9% said they did.

With the top driver, being able to reduce the number / range of IT issues they dealt with personally appealed to those in finance and insurance the most (33%). With the top barrier, those in retail and hospitality were the most likely to say they did not know enough about the issues to make the right decision (37%).

Of the major industry groups, cloud computing usage was as follows:



**Business,
professional &
property services
(22%)**



**Manufacturing
& wholesale
(17%)**



**Finance &
insurance
(13%)**



**Transport, postal
& warehousing
(11%)**



**Retail &
hospitality
(11%)**



**Construction
& trade
(9%)**



**Agriculture,
forestry & fishing
(0%)**

Use of cloud across different groups

By generation

More than one in four Gen Y business operators (28%) said they utilised the cloud in business. This was the most of any age group, followed by Gen X (17%). Almost all in the Traditionalist age group said they did not use it (93%), while more than four in five Baby Boomers agreed (83%).

With the top drivers, being able to reduce the number / range of IT issues they dealt with personally appealed to Baby Boomers the most (44%). The ability to work on data from whatever locations they wanted or needed to most appealed to Gen Y (34%).

With the top barriers, Traditionalists were the most likely to say they did not know enough about the issues to make the right decision (32%). They were also the most concerned about the safety of storing data in servers overseas (37%).

For the age groups, cloud computing usage was as follows:

	Gen Y 18-29 yrs	Gen X 30-44 yrs	Baby Boomers 45-59 yrs	Traditionalist 60+ yrs
Yes cloud	28%	17%	11%	3%
No cloud	65%	72%	83%	93%
Don't know	8%	11%	6%	3%

Use of cloud across different groups

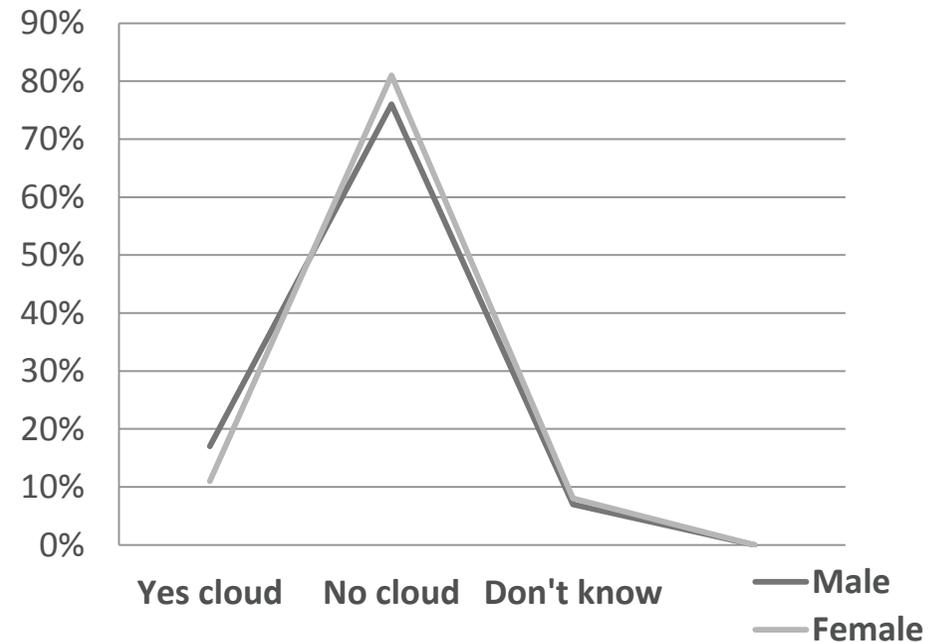
By gender

More males said they used cloud computing in business (17%) than females (11%), though the majority of both genders said they did not (76% and 81% respectively).

With the top drivers, being able to reduce the number / range of IT issues they dealt with personally appealed most to males (36%). The ability to work on data from whatever locations they wanted or needed to most appealed to females (44%).

With the top barriers, females were the most likely to say they did not know enough about the issues to make the right decision (28%). Males were the most concerned about the safety of storing data in servers overseas (27%).

For the genders, cloud computing usage was as follows:



Use of cloud across different groups

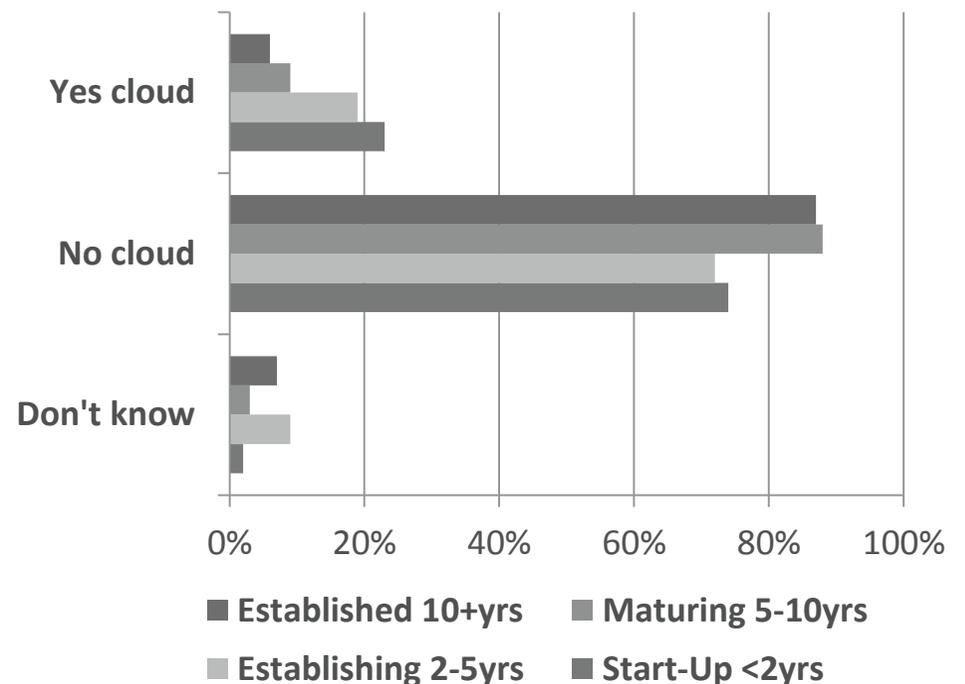
By length of time in business

Start-ups had the highest proportion of SMEs using the cloud in business (23%). Conversely, almost nine in 10 of those in established businesses said they did not (87%).

With the top drivers, reducing the number / range of IT issues they dealt with personally appealed most to operators in establishing businesses (32%). The ability to work on data from whatever locations they wanted or needed to most appealed to those in establishing businesses (46%).

With the top barriers, those in established businesses were the most likely to say they did not know enough about the issues to make the right decision (33%). They were also the most concerned about the safety of storing data in servers overseas (32%).

Cloud usage by length of time in business was as follows:



Use of cloud across different groups

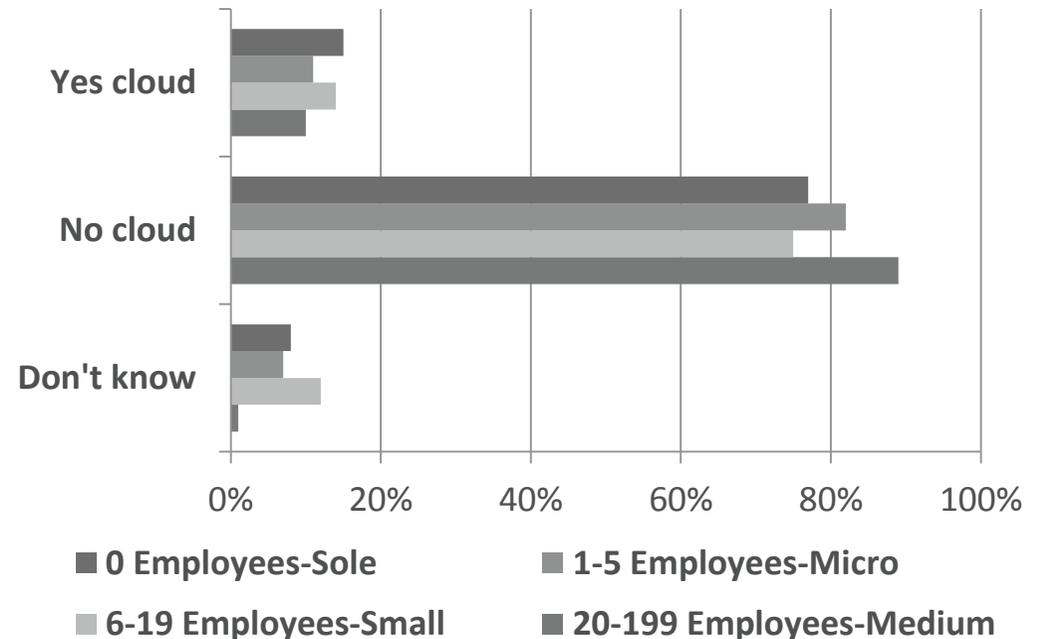
By business size

Sole traders were the most likely to use the cloud in business (15%). Conversely, almost nine in 10 of those in medium sized businesses said they did not (89%).

With the top drivers, reducing the number / range of IT issues they dealt with personally appealed most to small business operators (30%). The ability to work on data from whatever locations they wanted or needed to most appealed to sole operators (49%).

With the top drivers, micro business operators were the most likely to say they did not know enough about the issues to make the right decision (35%). Small business operators were the most concerned about the safety of storing data in servers overseas (30%).

Cloud computing usage by size of business was as follows:



Use of cloud across different groups

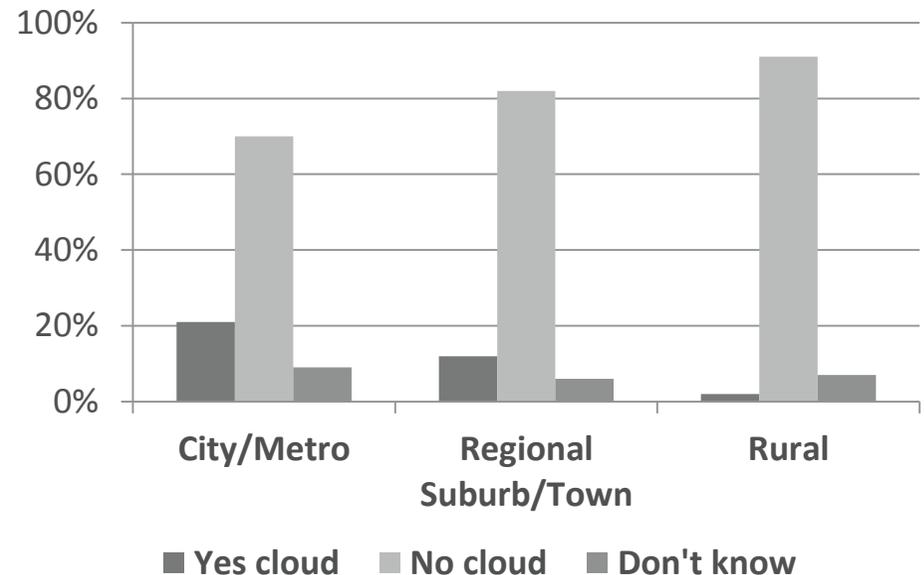
By region

The majority of SMEs using the cloud for business lived in city / metro regions (21%). Conversely, the vast majority of those in rural areas said they did not (91%).

With the top drivers, reducing the number / range of IT issues they dealt with personally appealed most to those in rural areas (32%). The ability to work on data from whatever locations they wanted or needed to most appealed to those in regional suburbs / towns (45%).

Rural business operators were the most likely to say they did not know enough about the issues to make the right decision (35%). They were also the most concerned about the safety of storing data in servers overseas (44%).

Cloud computing usage by region was as follows:



SME business pressures

When comparing the top five business pressures expected by small and medium business operators over the next 12 months, **those who weren't using cloud computing felt more intense pressure:**

	Total	Yes Cloud	No Cloud
Fuel prices -			
Extreme pressure	14%	7%	15%
Quite a lot of pressure	26%	16%	27%
Cash flow -			
Extreme pressure	10%	7%	10%
Quite a lot of pressure	20%	16%	21%
Price margins & profitability -			
Extreme pressure	7%	5%	7%
Quite a lot of pressure	22%	15%	23%
Attracting new customers -			
Extreme pressure	7%	6%	7%
Quite a lot of pressure	21%	14%	22%
Interest rates -			
Extreme pressure	8%	3%	9%
Quite a lot of pressure	20%	17%	20%

SME business activity plans

SMEs were asked whether their activity would increase, decrease or remain steady this year for a range of business aspects. **There were noticeable differences in the top five business activity increases by cloud and non-cloud users:**

	Total	Yes Cloud	No Cloud
Focus on customer retention strategies	37%	51%	35%
Focus on customer acquisition strategies	35%	56%	32%
Prices / margins on products or services sold	27%	37%	25%
Variety of products or services	27%	48%	24%
Staff pay	26%	36%	24%



The national MYOB Business Monitor has been running since 2004, as part of MYOB’s commitment to understanding the mindset, needs, experiences and expectations of small and medium business owners and managers around Australia. It is commissioned to independent market research firm Colmar Brunton.

This report presents the summary findings for key indicators from a survey of 1,004 such operators. It ran and was analysed in May and 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*). Further, the number of MYOB client and non-client respondents is reflective of overall market proportions.

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.

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Industry and location sample segments

The sample segments surveyed in May/June 2012 very closely paralleled those in the February 2012 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*
Total	100%	1,004	1,043	1,003

(*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.)

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
Total	100%	1,004	1,043	1,003

NB: The sample distribution across the mainland states was similar to the sample obtained in previous monitors.

Business size sample segments

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

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

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.

Generations categorisation:

- 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

Business time period categorisation:

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

About MYOB

MYOB is the country's largest business management solutions provider. Our 50+ products and services have been employed by more than one million businesses in Australia and New Zealand. In Australia, over 40% of SMEs use MYOB products and our payroll systems pay around 20% of the workforce.

MYOB develops solutions ranging from the simple to the sophisticated for our clients (solo operators through to medium enterprises) and partners (accountants, book keepers, certified consultants and developers). We deliver a choice of solutions that simplify accounting, payroll, client management, websites and more.

Our flagship product, MYOB AccountRight, is a business management solution SMEs trust. Two thirds of Australian businesses use accounting software and of these, around 60% rely on MYOB accounting software – the most popular of which is AccountRight – to run their business management.

This year it becomes next generation cloud software as AccountRight Live.



The **MYOB Live** range of cloud-enabled solutions is already helping tens of thousands of businesses get better connected:

- *MYOB Atlas*
- *MYOB LiveAccounts*
- *MYOB AccountRight Live*

For the full range of MYOB Business Monitor reports visit:
<http://myob.com.au/businessmonitor>