



Business Monitor Report

January 2021

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It's almost exactly a year since the first COVID-19 case was detected in Australia. While Australian SMEs had vastly different experiences depending on how their industry – and location – was impacted by the virus, few remained unaffected.

The latest edition of the MYOB Business Monitor outlines the sentiment of 1,000 small and medium sized businesses surveyed at the end of 2020, just before a spate of new cases once again caused border closures and unexpected business restrictions across the country.

While business positivity is expected to waver as long as uncertainty remains, the results show that digitally enabled businesses fared better than most throughout the pandemic, particularly those run by digitally savvy Generation Y (aged 25-39).

Fifty-three per cent of Gen Y business owners expect their business to be more profitable in the next 12 months, 10 points more than national average, and 40% reported increased sales in the previous 12 months, compared to the national average of 26%.

Overall thirty-five per cent of respondents moved their business online in response to the pandemic, and 83% of those who did said it helped their business stay afloat.

Concerningly, 34% of respondents still don't have any online presence, leaving them at risk of being left behind and unable to take advantage of the benefits of productivity and profitability afforded by digital operations.

If 2020 taught us anything it's that now is the time to digitise, and that is reflected in the findings of this report. One of the top business investments for SMEs in the coming year are the sales of products and services online, with 25% of business owners planning to increase their investment in these areas.

It's critical SMEs stop looking at the digital era as a future state and adopt the tools and the mindset they need for success now.

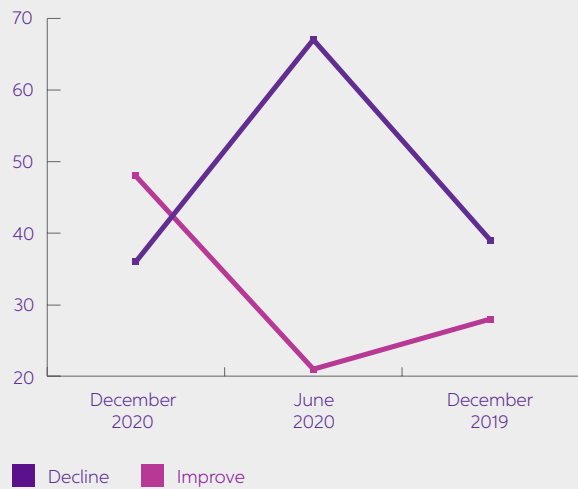


Greg Ellis
Chief Executive Officer of MYOB

The Economy

Following what was a restricted winter of trading for many, the pre-Christmas survey results show Australian small and medium sized businesses feeling more hopeful about the economic outlook. Forty-eight per cent believe the economy will improve, more than double the 21% who held that view in June. Thirty-six per cent believe the economy will decline compared to 67% in June.

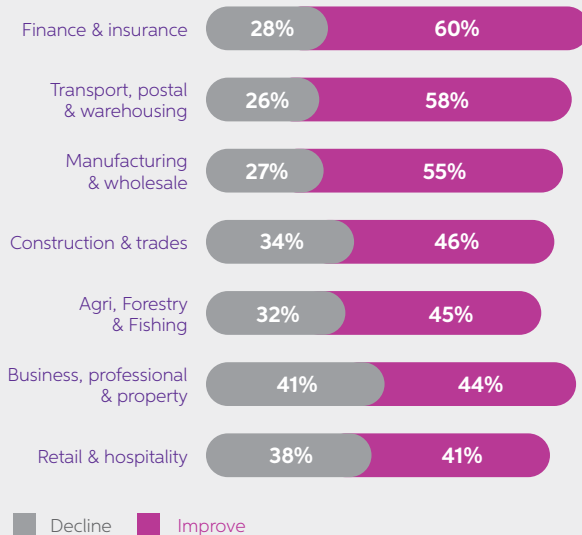
In the next 12 months, will Australia's economy decline or improve?



By Industry

With the scale of COVID-19 related disruption varying between industries, some are feeling more confident about the coming year than others.

The finance and insurance industries are feeling most positive, with 60% expecting improvement and only 28% anticipating decline. Retail and hospitality aren't as hopeful, with only 41% believing there will be improvement and 38% anticipating decline.

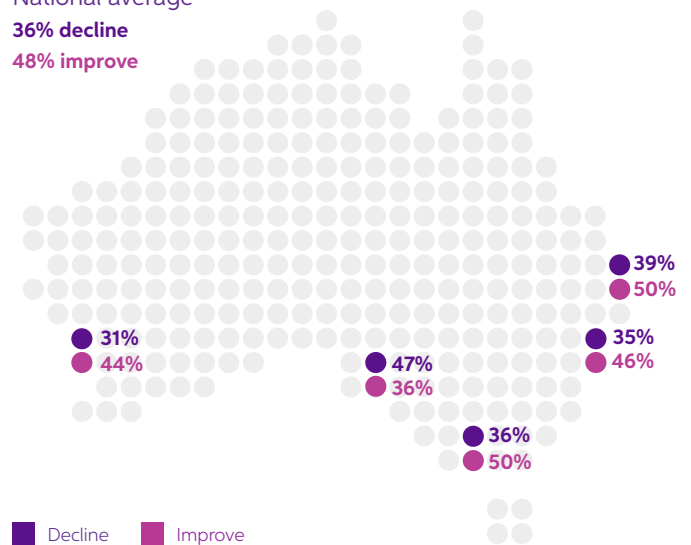


After an extended lockdown in Victoria, prior to the Christmas holidays the state was the most positive, along with Queensland, with 50% of SMEs believing the economy would improve. In June only 22% of Victorian SMEs held that view and 20% of those in Queensland. South Australia was feeling the least confident the economy would improve in the next 12 months at 36%, 12 points below the national average.

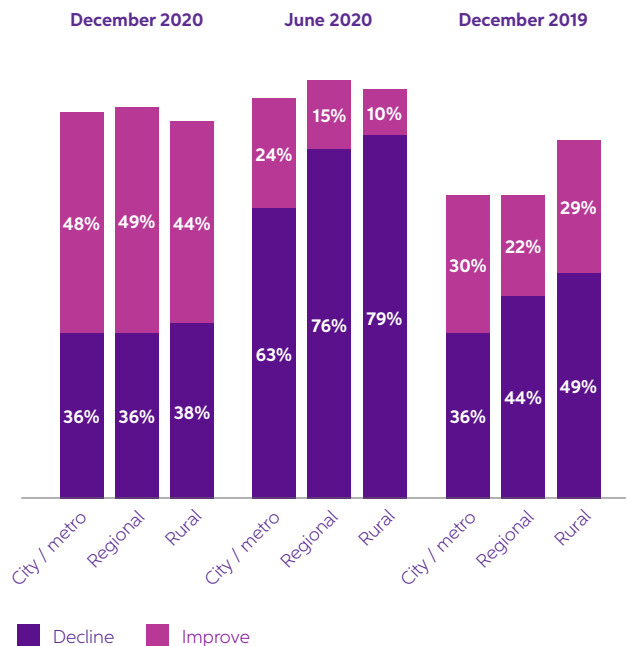
By State

National average

36% decline
48% improve



While previous reports have seen a contrast between the confidence of businesses based on their location and proximity to a city centre, this report shows similar levels of positivity around recovery regardless of whether the business is based in a city, regional or rural location.



Revenue

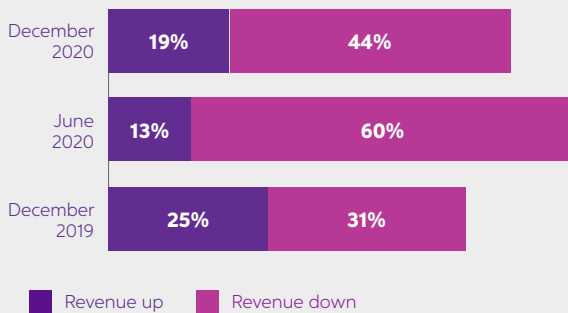
Most businesses are still feeling the impact of COVID-19, though there are signs of uplift. For the 44% that have experienced a decrease in revenue in the past 12 months, the overwhelming majority of them (63%) say the COVID-19 pandemic is to blame.

Nineteen per cent say their revenue is up compared to a year ago, a fifth of those who had an increase in revenue put it down to opportunities that surfaced due to the COVID-19 pandemic and a further 20% say it was caused by increased customer demand.

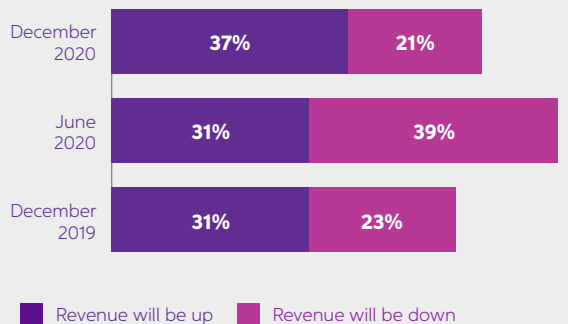
The pandemic remains the most significant reason for revenue fluctuation either in the positive or the negative, with 39% of those expecting a revenue decrease over the coming year attributing it to the pandemic. Of those expecting a revenue increase, 28% report it will be due to the pandemic.

Is your revenue up or down on a year ago?

While not yet back to pre-COVID levels of revenue, there are signs of green shoots.



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



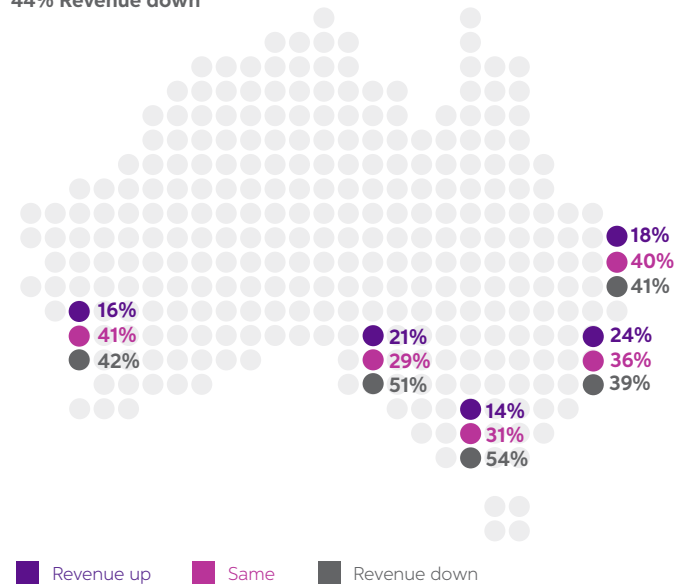
By State

The impact of different lockdown rules by state explains some of the variations in SME revenue compared to the previous year. NSW is feeling particularly buoyant, with almost a quarter of respondents reporting their revenue is up compared to this time last year. Other states – even without the prolonged lockdown experienced by Victorian businesses – haven't all fared so well, with more WA small businesses reporting lower revenue this year compared to the national average and only just above Victoria.

Is your revenue up or down on a year ago?

National average

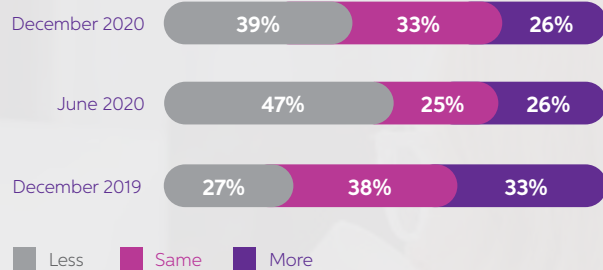
19% Revenue up
36% Same
44% Revenue down



Profitability

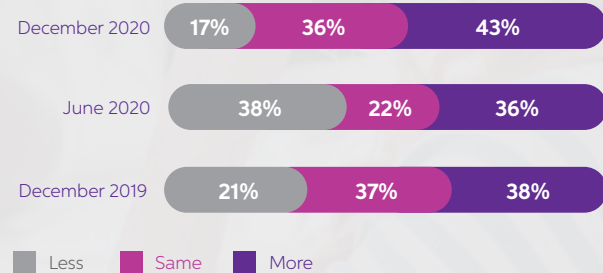
In terms of profitability, SMEs are in a better place than they were mid-year, though not to pre-pandemic levels yet. While there are significantly more businesses that have experienced decreased profitability over the past 12 months (39% compared to 27% this time last year), the percentage of those that have increased their profit remains unchanged from June at 26%.

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



The future is looking brighter, with more than two in five businesses expecting their profitability to increase in the next 12 months, and the number of SMEs expecting a decline has more than halved since June.

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



Spotlight: Gen Y

Gen Y business owners (aged 25-39) are feeling more positive on the whole compared to other age groups. 31% of Gen Y say their revenue is up, compared to 19% of the national average, and 32% say their revenue is down, compared to 44% of national average.

This generation has grown up with the internet and has lived their lives online as social media emerged, making them generally more digitally savvy than Gen X, Baby Boomers and Traditionalists.

Only 14% of Gen Y are without an online presence (compared to 34% national average) and 27% have both a business website and social media presence, compared to 21% national average.

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

	National average	Gen Y (25-39)	Gen X (40-54)	Baby Boomers (55-69)	Traditionalists (70+)
Less	39%	24%	40%	45%	61%
More	26%	40%	28%	18%	8%

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

	National average	Gen Y (25-39)	Gen X (40-54)	Baby Boomers (55-69)	Traditionalists (70+)
Less	17%	14%	15%	20%	17%
More	43%	53%	44%	33%	40%

Which of the following best describes your business' online presence?

	National average	Gen Y (25-39)	Gen X (40-54)	Baby Boomers (55-69)	Traditionalists (70+)
Do not have an online presence	34%	14%	27%	50%	58%
Only have a website	24%	30%	24%	20%	18%
Only have a social media site	19%	27%	23%	10%	9%
Have both a website and social media site	21%	27%	24%	16%	10%

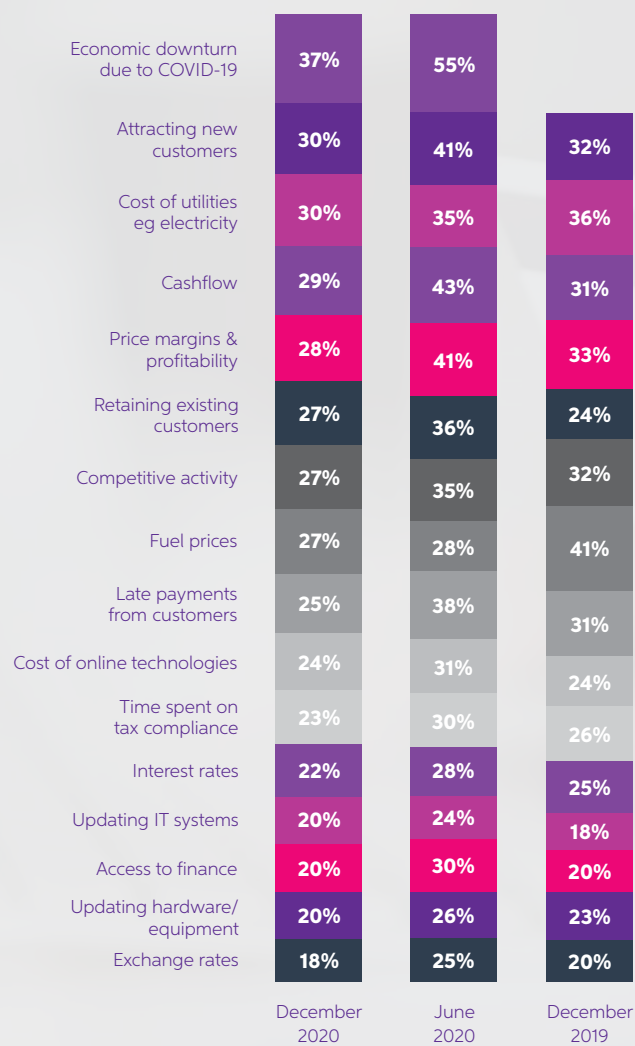
Business Pressure Points

Across the board pressures are easing for SMEs compared to June, where tensions were particularly high for businesses across the country.

Attracting and retaining customers are in the top five, after COVID-19, indicating that SMEs are keenly aware of the work they need to do to keep their businesses thriving after a difficult year. The pressure caused by the cost of online technologies has decreased since June, when many businesses were scrambling to either start or increase their online offering.

As would be expected there is less concern around COVID than in June, when businesses were still coming to terms with the economic and health impacts of the virus, though it remains the top pressure for small and medium sized businesses. Cashflow and fuel prices are also lower down the list than previous waves, the latter the result of falling prices throughout the pandemic.

In positive news, late payments are causing less headaches for SMEs at 25%, down from 31% this time last year and 38% in June.



Business Investment

There is a stronger emphasis on the customer when analysing business investment over the coming 12 months, with retention strategies a top priority.

In addition, business owners are looking to invest in ways that will maximise their income, with pricing, online sales and the range of products or services available among the top investments set to increase.

With a quarter of businesses looking to increase the sale of their products and services online, COVID is likely to have given many a push into web-based trading.

Of the investments most likely to stay the same, the number of full-time employees came out on top, suggesting maintaining the status quo is the priority.

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

	Decrease	Stay the same	Increase
Customer retention strategies	7%	54%	27%
Your prices and margins on products/services sold	13%	54%	25%
The sale of products/services online	10%	51%	25%
The number or variety of products or services offered by your business	10%	60%	23%
Customer acquisition strategies	10%	52%	22%
The sales of products/services offline	13%	54%	22%
The \$ value of spending on marketing and advertising your business online on the Internet/the Web	13%	56%	21%
The amount you pay the employees in your business	11%	60%	21%
The \$ value of spending on marketing and advertising your business offline (e.g. Radio, newspapers, leaflets, catalogues, mail, posters)	14%	55%	20%
Working with business advisers (e.g. Accountant) to enhance your business	10%	61%	19%
Investment in IT systems & processes	12%	57%	19%
The number of part time or casual employees in your business	11%	61%	18%
The number of full-time employees in your business	10%	68%	15%

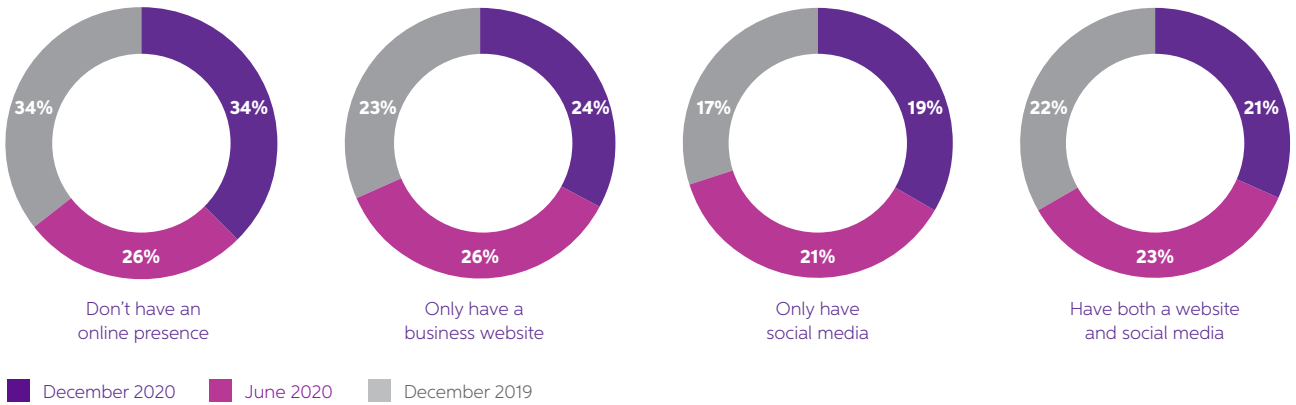


Online Presence

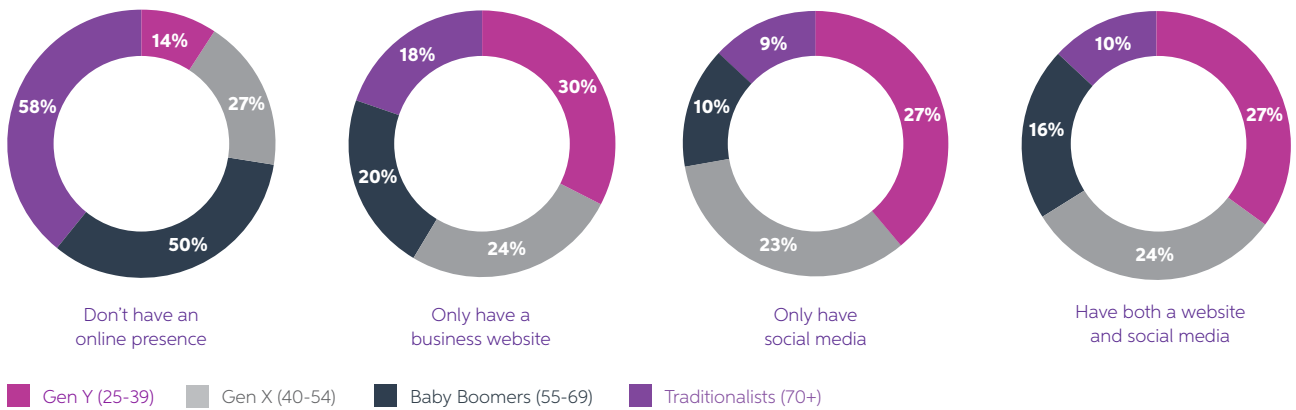
This year the number of businesses that do not have an online presence increased from 26% in June to 34% in December. The number who have both a website and social media has also decreased two points from 23% to 21%.

With 40% saying their website generated customer leads and 35% saying social media allowed more interactions with customers, digital presence is something for SMEs to consider regardless of whether they need to be online to trade.

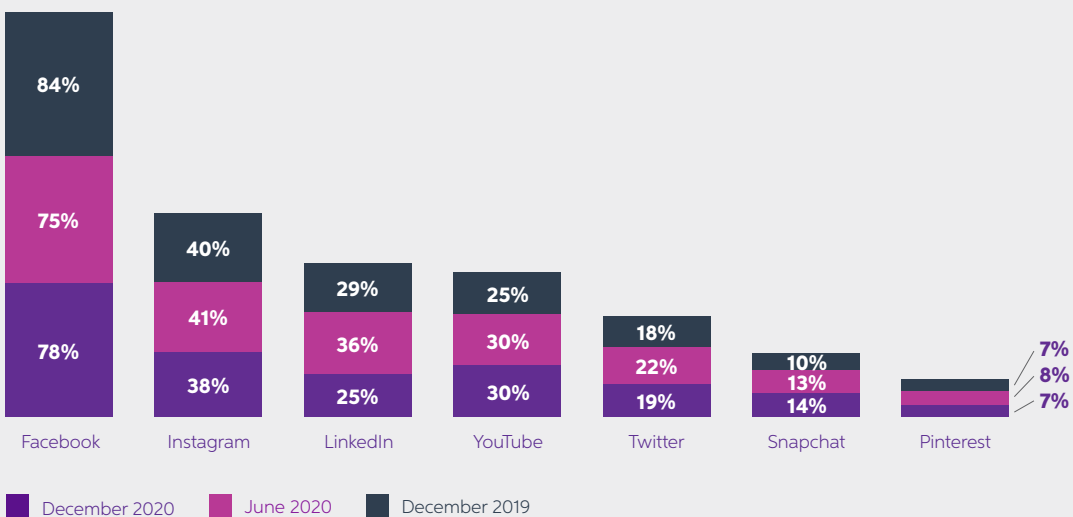
Which best describes your business' online presence?



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



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



What to expect from 2021

Planning ahead – in business and in life – became much more complicated with the arrival of COVID-19 and this is reflected in the fluctuating nature of the Business Monitor findings over the last 12 months.

With the pandemic still in play, here are some predictions for priorities in 2021:

1

A greater role in the digitisation of small businesses

Further collaboration between government and the private sector to give SMEs the best chance of becoming digitally enabled and help more businesses start, survive and succeed.

2

Slow recovery for industries hit hardest

We're likely to see a rebuilding of industries such as domestic tourism as more Australians holiday at home.

3

Expect the unexpected

COVID-19 vaccines are being rolled out however it's likely the virus will remain with us for some time to come. 'Pivot' was the main theme for last year and SMEs will continue to adapt to their environment as required.



Jon Manning
Economist at MYOB

About the MYOB Business Monitor Report

The MYOB Business Monitor is a national survey of 1,000 Australian small and medium business owners and managers, from sole traders to mid-sized companies, representing the major industry sectors. The Business Monitor researches business performance and attitudes in areas such as profitability, cash flow, pipeline, technology usage and the government. It has run since 2009, commissioned to independent market research firm Colmar Brunton. This most recent survey ran in 4 November – 4 December 2020. The businesses participating in the online survey were both non-employed and employing businesses. All data has been weighted by industry type, location and number of employees, which are in line with the Australian Bureau of Statistics (ABS - Counts of Australian businesses, including entries & exits - 8165.0).

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