

Mr Neville Power
Chair
National COVID-19 Co-ordination
Commission
Department of the Prime Minister and
Cabinet
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Dear Mr Power

CPA Australia's submission on digitising business

CPA Australia represents the diverse interests of over 166,000 members working in 100 countries and regions around the world. We make this submission on behalf of our members and in the broader public interest.

We are pleased to share with you key findings from CPA Australia's 11th annual [Asia-Pacific Small Business Survey](#), and to provide policy suggestions for supporting digital transformation in small business.

These survey results and policy suggestions may assist the National COVID-19 Co-ordination Commission (NCCC) to develop strategies for digitising business. Further, we believe the survey data should increase the NCCCs understanding of the level of digitisation of Australia's small businesses relative to their counterparts in the Asia-Pacific, the importance of digitisation to small business growth and some of the key factors influencing digitisation.

In summary, our survey results show that high growth businesses are much more likely to utilise various technologies in their business including e-commerce and social media, as well as investing in technology. However, Australia's small businesses are significantly less likely than small businesses in Asia to be utilising or investing in technology.

Over the past 11 years, we have surveyed over 27,000 small businesses across the Asia-Pacific, and from the results of the survey we conclude that this technology gap between small business in Australia and small business in Asia is likely to have contributed towards Australia's small businesses reporting lower growth than their peers in the region. This in turn may have likely contributed towards Australia's small business sector being the least likely in the region to have increased employee numbers for every year since 2014 (only 8.8 per cent of Australian respondents reported that they increased employee numbers in 2019 compared with the survey average of 32.5 per cent).

Key survey results include:

- Australia's small businesses continue to be the least likely to use social media for business purposes across the region (45.1 per cent of Australia's small business stated that they did NOT use social media for business purposes in 2019 compared with just 1.7 per cent from Mainland China).
- Australia's small businesses continue to be the least likely to earn revenue from online sales, with 56.5 per cent stating that they did NOT earn any revenue from online sales in 2019, compared with 2.1 per cent in Mainland China.
- Australia's small businesses were the most likely to state that they did NOT make any investment in technology in 2019 (34.7 per cent stated they did not invest in technology in 2019 compared to only 3.0 per cent of respondents from Vietnam).

- When Australia's small businesses do invest in technology, they are significantly less likely than small businesses in Asia to report their investment was profitable in the short-term, with 18.8 per cent stating their investment in technology in 2019 improved their profitability, compared with 88.0 per cent of small businesses in Vietnam.
- Australia's small businesses were the least likely of the 11 markets surveyed to offer new payment technologies to their customers in 2019 including ApplePay, AliPay and PayPal, with 45.8 per cent stating they do NOT allow customers to pay via new digital/online payment technologies, compared with only 0.8 per cent of small businesses in Mainland China.
- Australia's small businesses seem somewhat less concerned than others in their assessment of cyber risks, with only 17.6 per cent stating that they believe a cyberattack on their business is likely in 2020, compared to the survey average of 37.5 per cent.

Our survey results show that the age of the respondent, the age of the business and the size of the business are all factors influencing the level of digitisation.

For example, of the 11 markets surveyed in 2019, 58.4 per cent of respondents aged under 40 stated that their investment in technology in 2019 was already profitable, compared with 24.9 per cent of respondents over 50. Similarly, 34.8 per cent of respondents aged over 50 stated their business did NOT invest in any technology in 2019, compared with 15.6 per cent of respondents under 40.

Another influencing factor is the number of staff employed by the business, with businesses with five or more employees being significantly more likely to report that their investment in technology in 2019 was already profitable (58.9 per cent) than businesses with no staff (27.3 per cent).

The demographic profile of Australia's small business respondents in 2019 showed that Australia was the least likely to have respondents:

- aged under 40 (17.6 per cent compared with the survey average of 54.7 per cent)
- from businesses established less than ten years (38.1 per cent compared with the survey average of 65.4 per cent)
- from businesses with 10 to 19 employees (9.6 per cent compared with the survey average of 34.6 per cent).

For policymakers and others seeking to promote a swift recovery of Australia's small business sector from COVID-19, improving the digital capability and capacity of small business is a must. With a large majority of Australia's small businesses having less than five employees, the role of external professional advisers will be critical in building such capability.

It should however be noted that the impact of COVID-19 restrictions has already changed how many businesses deliver their products and services to clients. An [Australian Bureau of Statistics survey](#) on how business are responding to COVID-19 found that 38 per cent had changed the method of delivery of products or services, including shifting to online. While this is positive, it still means a large proportion of businesses have not changed and we believe this will have a detrimental impact on the recovery of Australia's small business sector.

Based on the outcomes of the survey and our engagement with our members, we make the following suggestions:

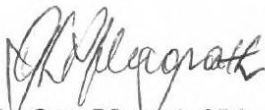
- to assist small business to build the capability and capacity to invest in the most appropriate technologies for their business, the Government should consider providing direct financial incentives to small business to engage independent professional advisers to advise them on the technology options for their business and to assist with implementation
- the Government consider partnering with local government agencies, local business chambers, banks, and other places small business seek advice, to develop tools and resources to inform and educate businesses on the benefits and power of technology for their business

- to assist small business make greater use of social media, the Government should consider providing direct financial incentives to small business to engage professional advisers to advise on how best to use social media for their business and to help them use social media
- to assist small business establish or make greater use of online sales, the Government should consider providing direct financial support for small businesses to engage approved e-commerce platforms on which to sell their products and services, and for those platforms to assist with content development, product listing, channel management, fulfilment, promotion and training. See Singapore's [E-Commerce Boost Programme](#) for further information
- the Government should consider providing independently prepared information explaining new payment technologies and their advantages
- the Government should continue to provide information and support on cybersecurity for small business
- given that the data shows the level of digitisation of business is influenced by age, policymakers should investigate the barriers to younger people starting their own business or buying an existing business and enact policies to alleviate or remove these barriers.

Attached is a summary of some of the key results from the survey. We would be happy to share the full results and data from this survey series, including unpublished data if you would like further information.

If you have any queries, please do not hesitate to contact Gavan Ord, Manager Business and Investment Policy at CPA Australia on gavan.ord@cpaaustralia.com.au or (03) 9606 9695 or 0419 547 782.

Yours sincerely



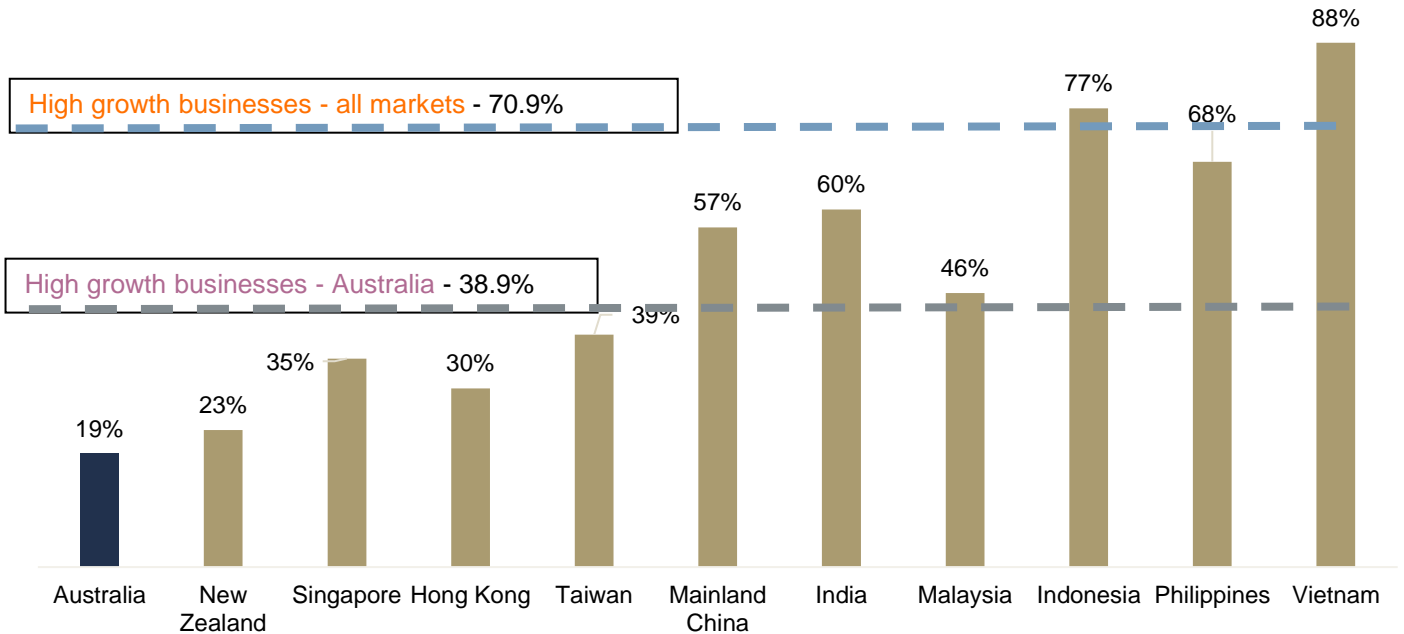
Dr. Gary Pflugrath CPA
Executive General Manager – Policy
and Advocacy
CPA Australia

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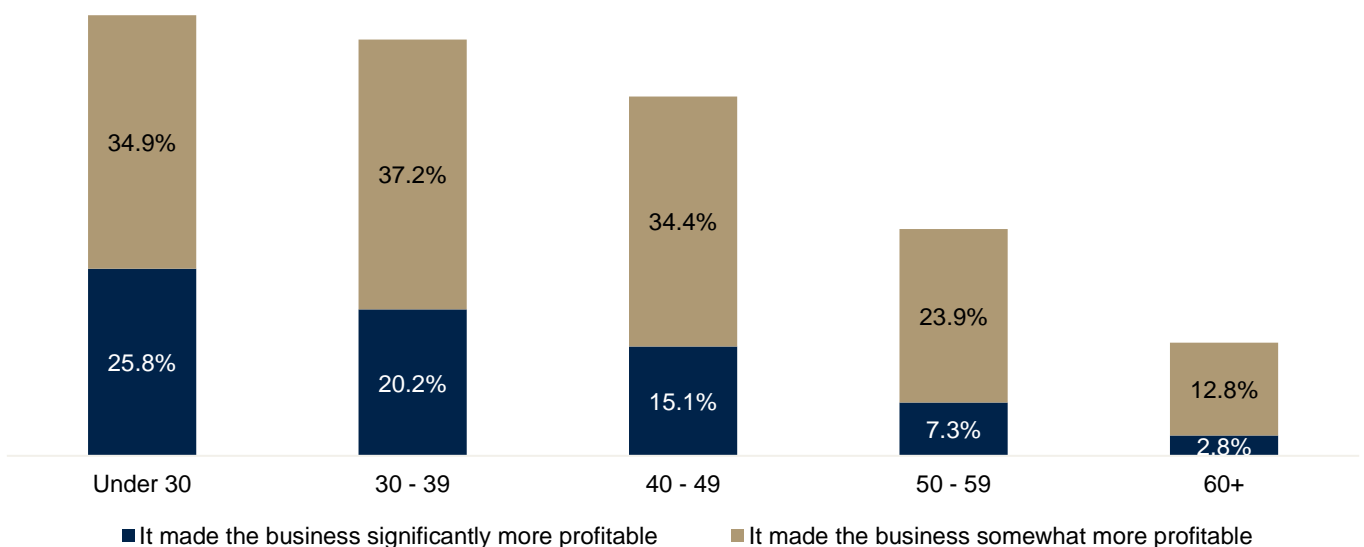
KEY TECHNOLOGY RESULTS FROM THE 2019/20 ASIA PACIFIC SMALL BUSINESS SURVEY

The impact of technology on small business profitability

Percentage of businesses that reported their investment in technology in 2019 had already made them more profitable – Australia compared with other markets and high growth businesses

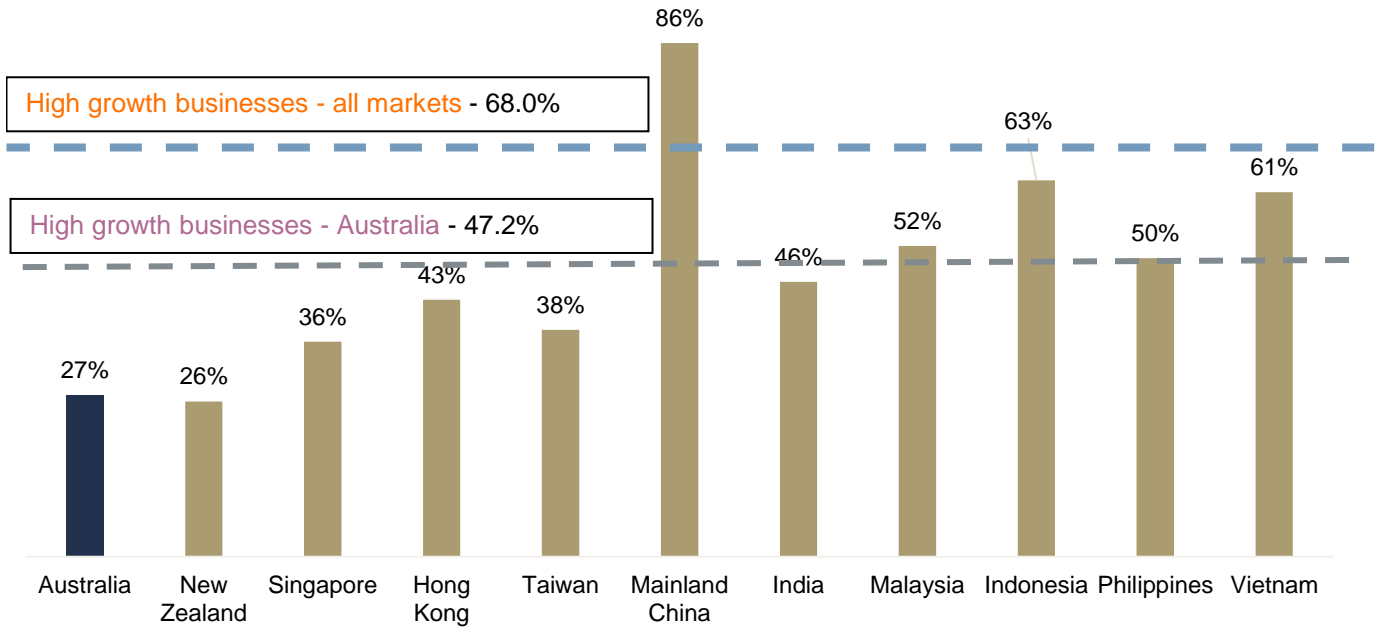


Percentage of businesses that reported their investment in technology in 2019 had already made them more profitable – by age of respondents

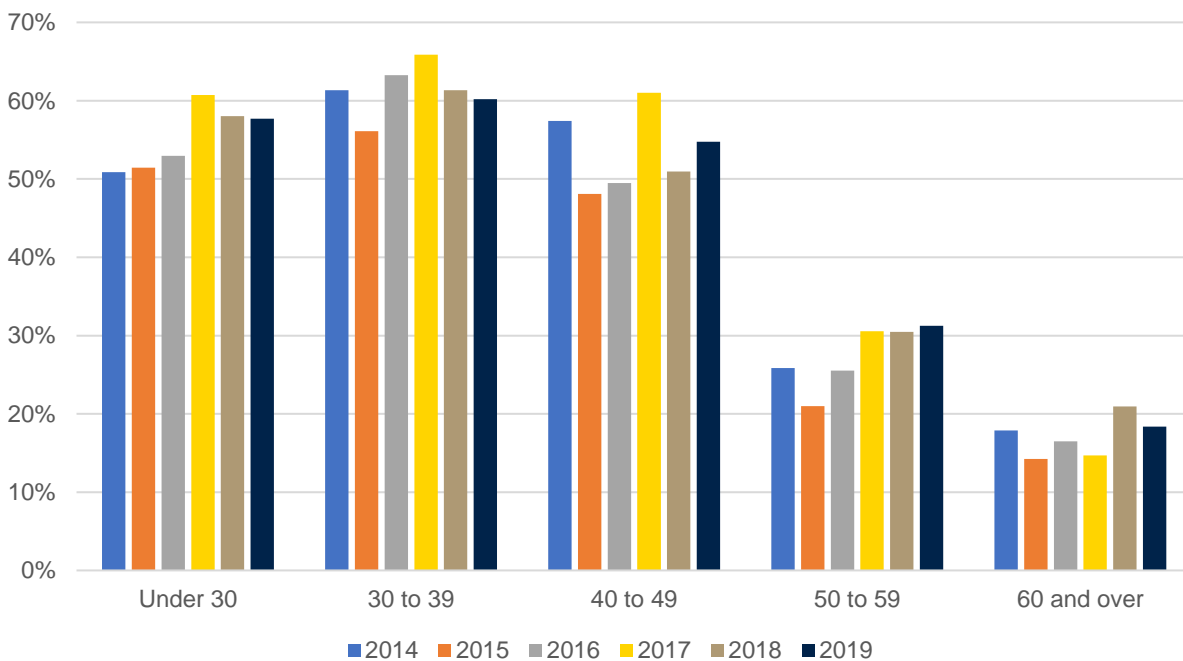


Selling online

Percentage of small businesses that generated more than 10 per cent of their revenue through online sales in 2019 – Australia compared with other markets and high growth businesses

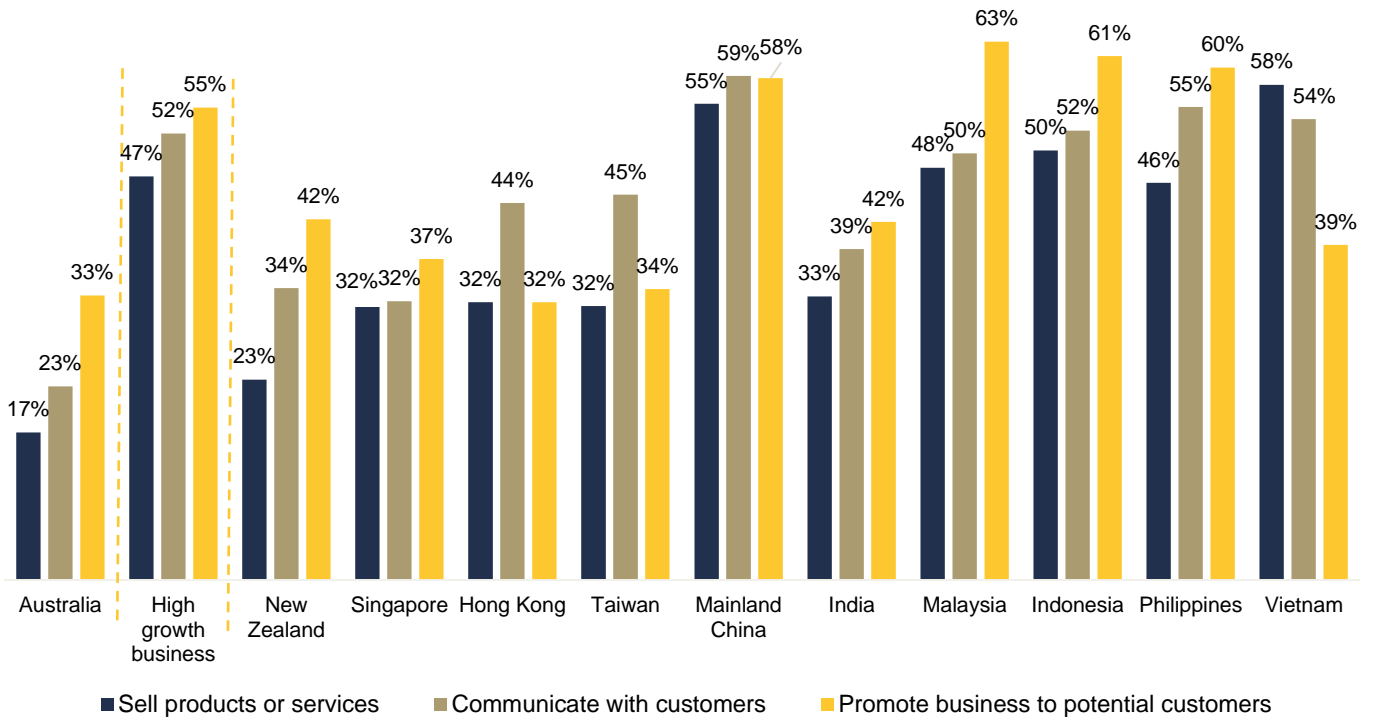


Percentage of businesses that generated more than 10 per cent of their revenue through online sales – by age of respondent and over time

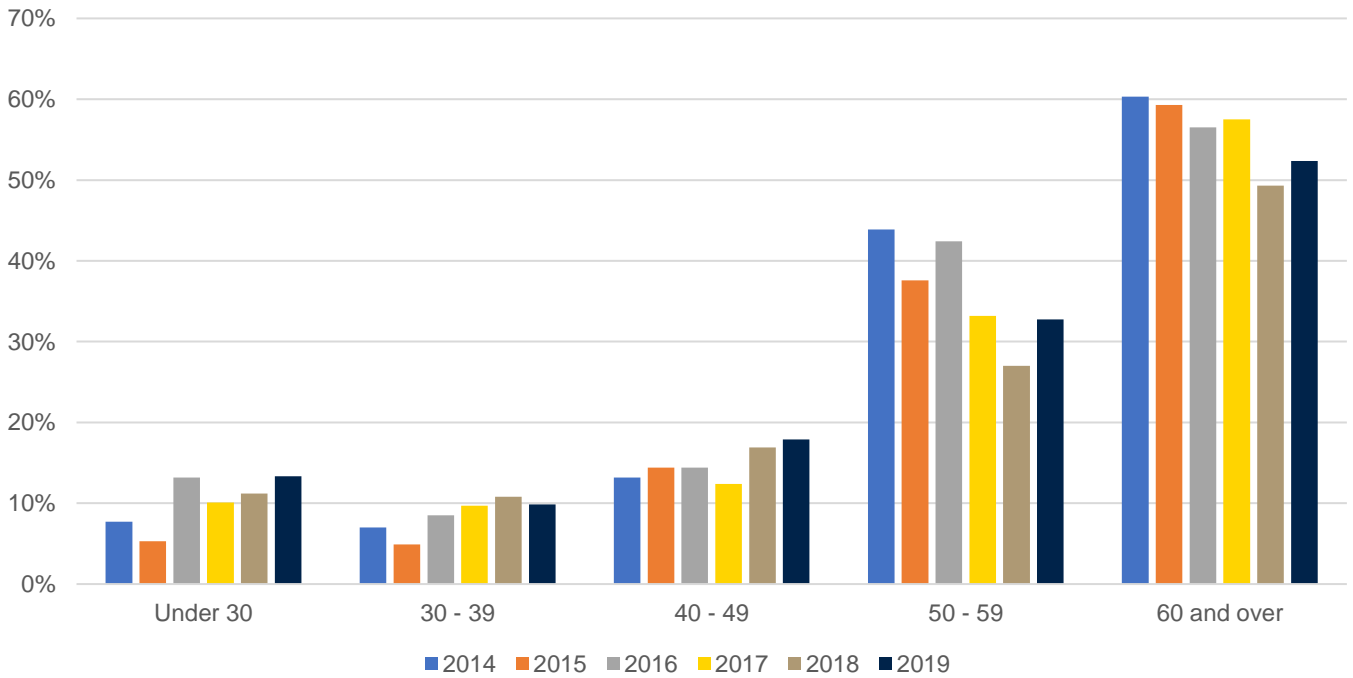


Social media

How small businesses use social media to engage with customers and potential customers in 2019 – Australia compared with other markets and high growth businesses

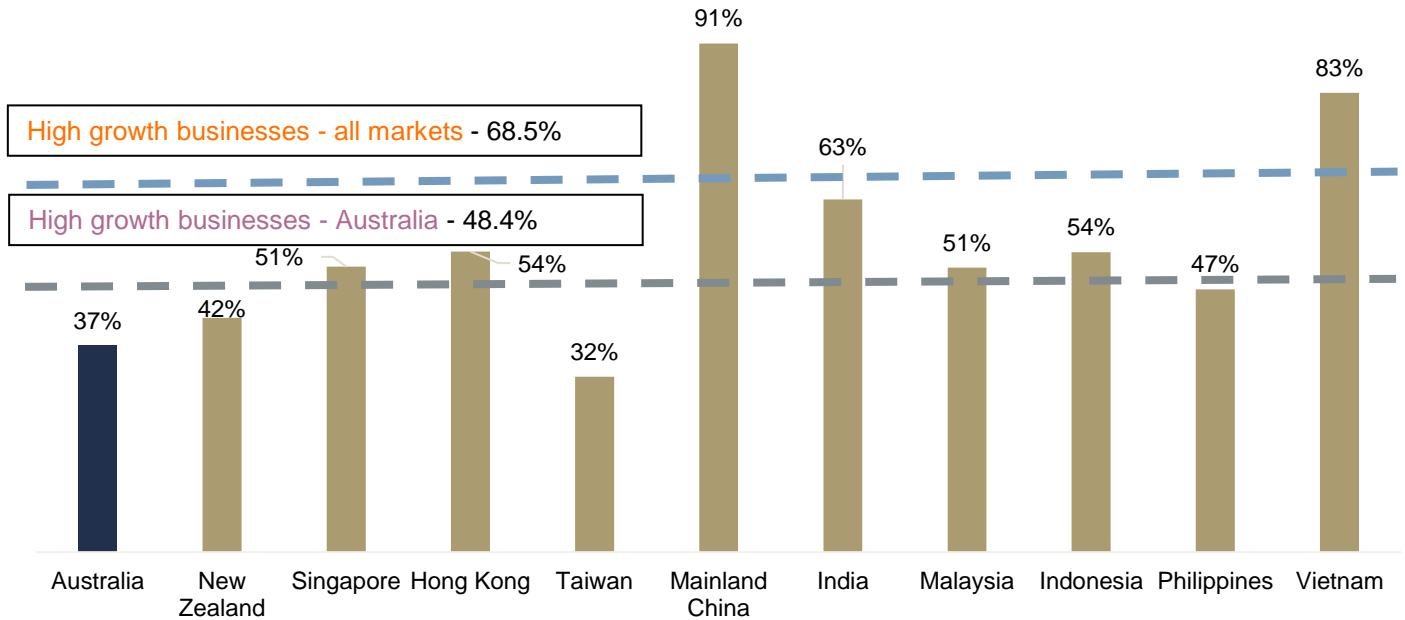


Percentage of businesses that did **NOT** use social media for business purposes – by age of respondent and over time

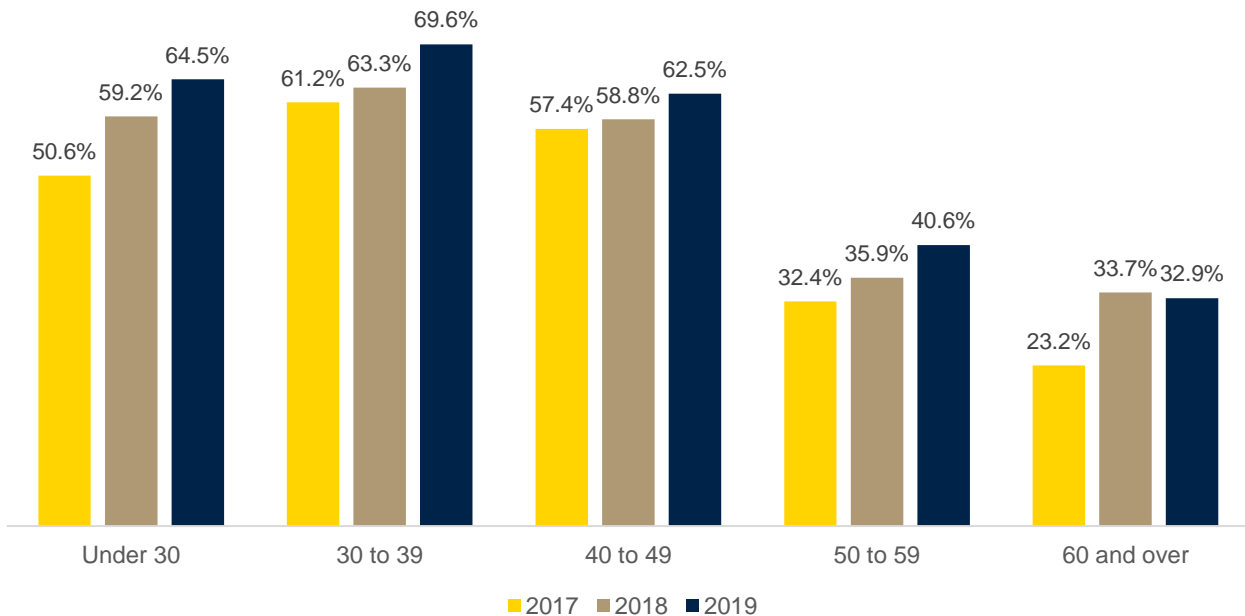


New payment technologies

Percentage of small businesses that generated more than 10 per cent of their sales through new payment technologies such as PayPal, AliPay and ApplePay – Australia compared with other markets and high growth businesses

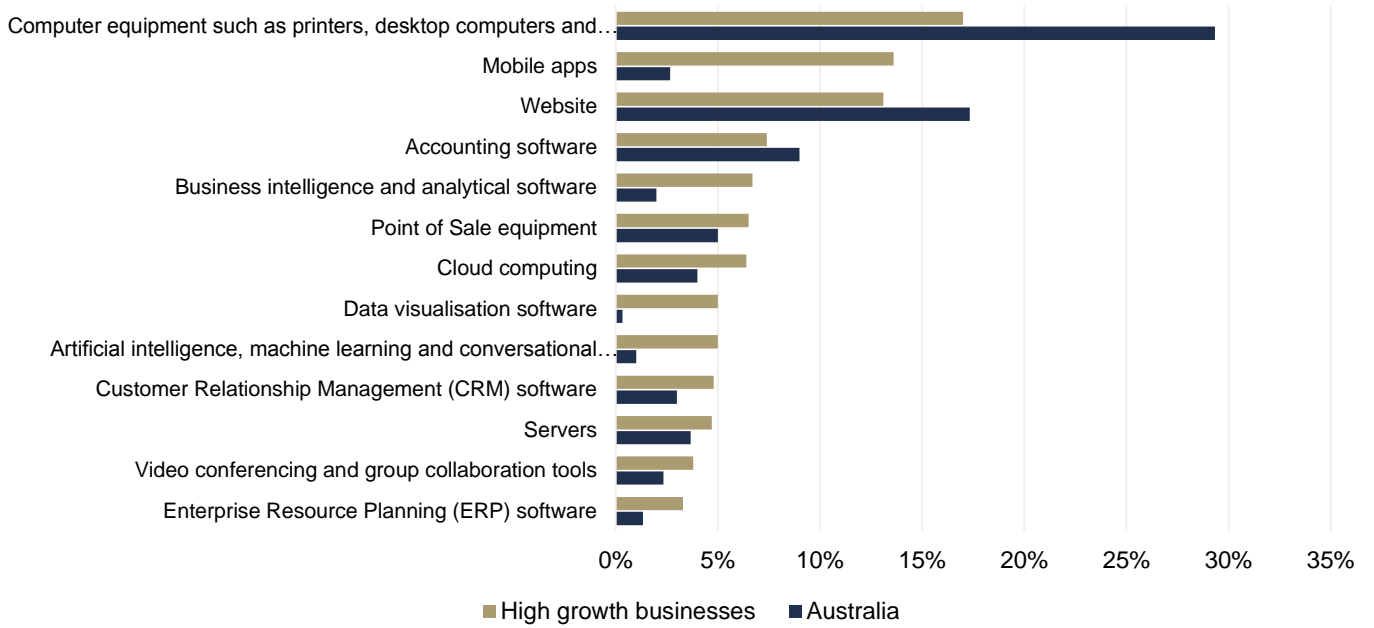


Percentage of small businesses that generated more than 10 per cent of their sales through new payment technologies such as PayPal, AliPay and ApplePay – by age of respondent and over time



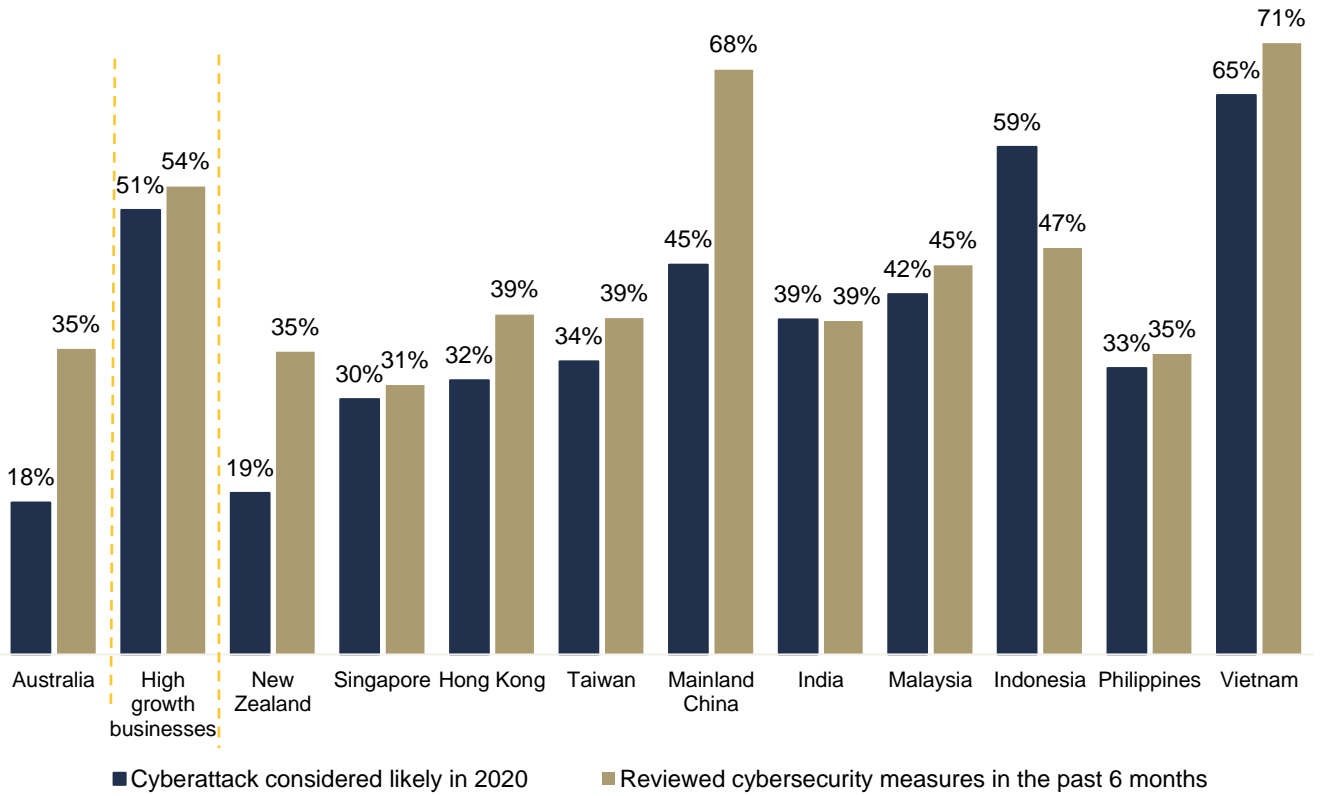
Type of technology invested in

Which types of technology did the business invest most heavily in in 2019 – Australia compared with high growth small business



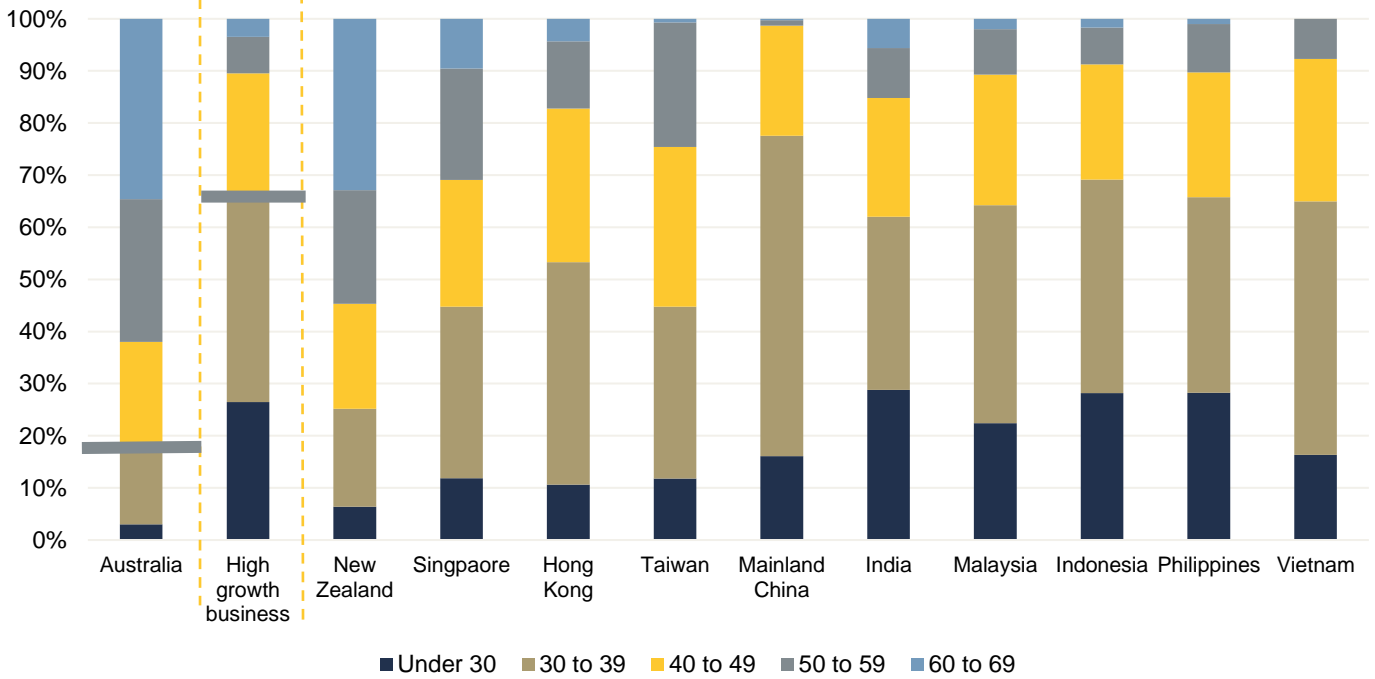
Cybersecurity

Percentage of businesses that believe a cyberattack on their business in 2020 is likely, and the percentage that reviewed their cybersecurity in the past six months – Australia compared with other markets and high growth businesses

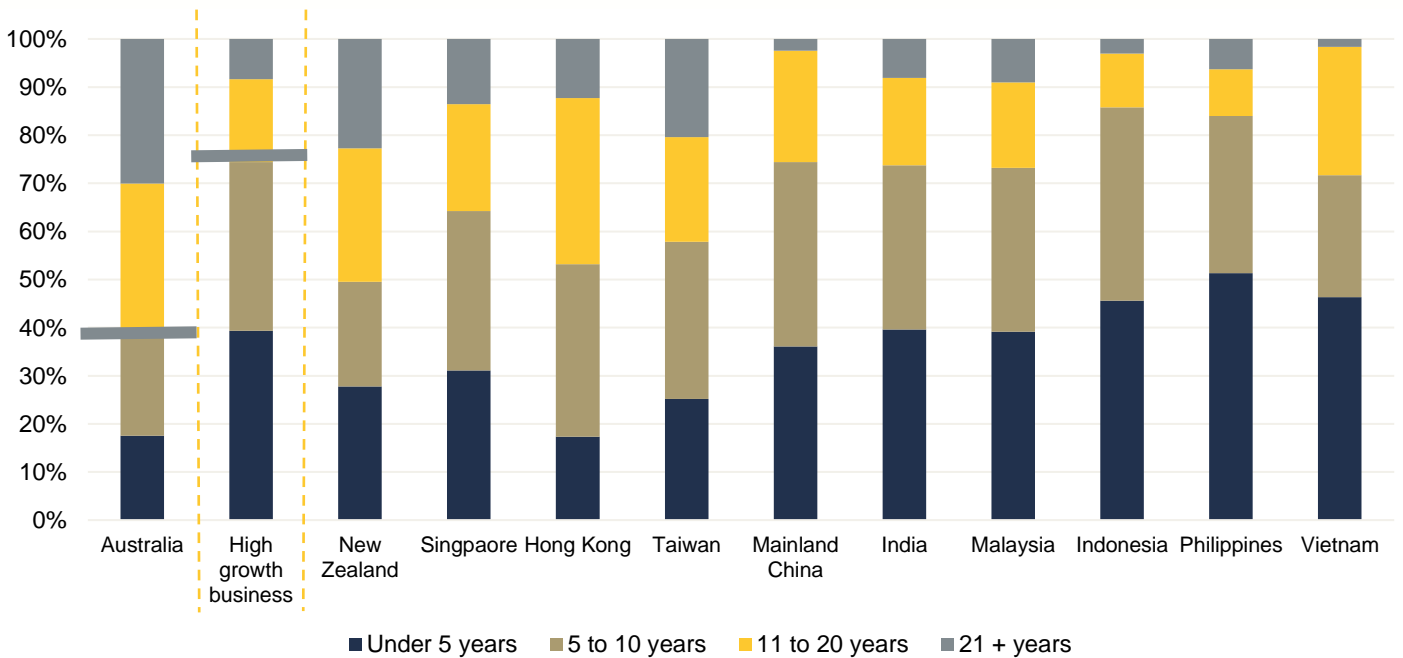


Demographics

Age of respondent – Australia compared with other markets and high growth businesses



Age of business – Australia compared with other markets and high growth businesses



Number of employees – Australia compared with other markets and high growth businesses

