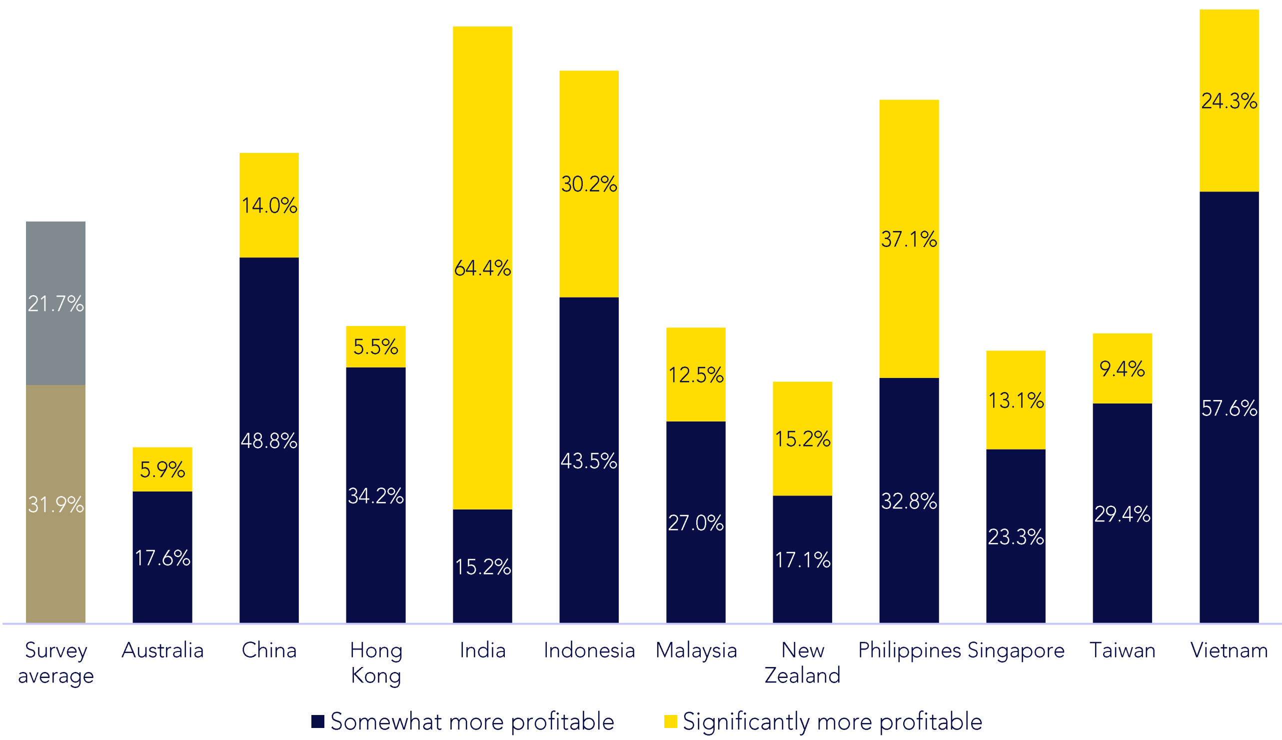
# CPA AUSTRALIA ASIA -PACIFIC SMALL BUSINESS SURVEY 2021-2022

## INNOVATION AND TECHNOLOGY IN SMALL BUSINESSES

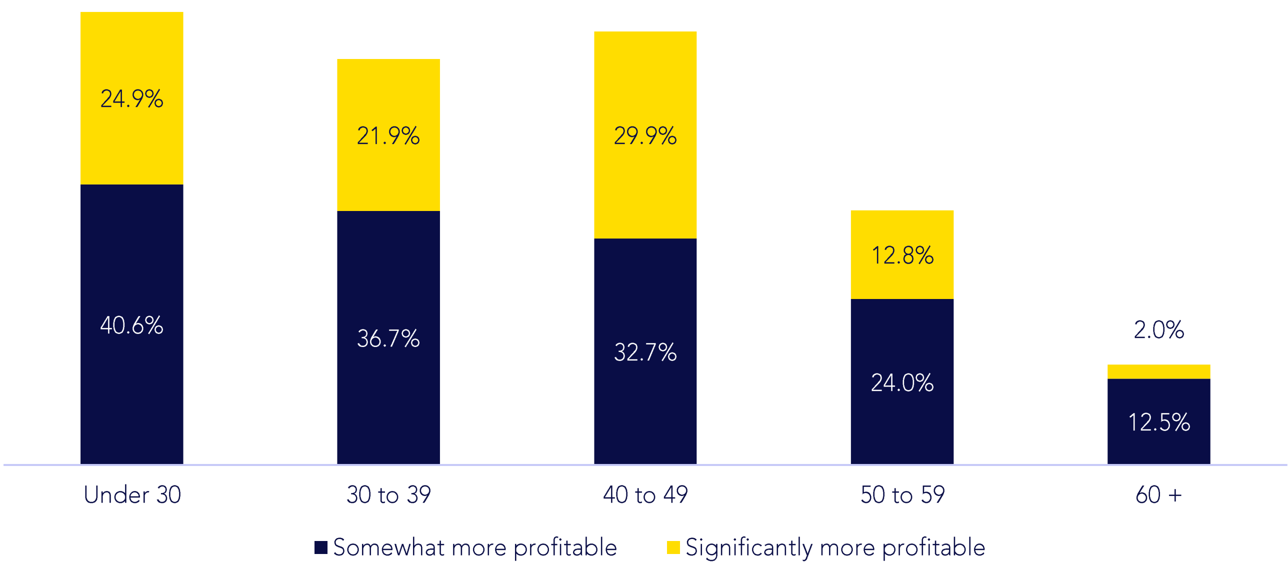
# SMALL BUSINESS AND TECHNOLOGY

## Impact of technology on profitability

### Investment in technology in 2021 made the business more profitable – by market




### Investment in technology in 2021 made the business more profitable – by age of respondent



## Key findings

The survey results show that businesses that grew strongly last year were much more likely to find that their investment in technology in 2021 was already profitable (53.6 per cent). By contrast, of businesses that were unchanged or shrank, only 39.9 per cent found their investment in technology in 2021 was profitable.

A lack of investment in technology was also linked with no growth. Businesses that were unchanged or shrank last year were much more likely to have made no investment in technology (24.3 per cent) than those that grew strongly (3.4 per cent). Likewise, businesses that found technology to be a major positive influence on their business last year were more likely to grow strongly.

Small businesses from developing economies were much more likely to have experienced a boost in profits from their recent investment in technology. For example, 81.9 per cent of small businesses from Vietnam reported their investment in technology last year had already improved their profitability, compared with only 23.5 per cent of Australian small businesses.

Age is also a factor in the short-term profitability of technology investment by small business. Respondents aged under 40 were far more likely to state their investment in technology last year was already profitable (60.4 per cent) than respondents over 50 (27.7 per cent).

Similarly, older respondents were more likely to have not invested in any technology last year. 36.3 per cent of respondents aged 50 and over didn't invest in technology in 2021, compared with 12.2 per cent of respondents under 40.

Businesses with 10 to 19 employees are significantly more likely to be generating a quick return on technology investment. Sixty-six per cent of business with 10 to 19 employees stated their investment in technology in 2021 was already profitable, compared with 32.5 per cent of businesses with no employees.

The technology that was most likely to have significantly increased a business's profitability in 2021 was business intelligence and analytical software, data visualisation software and enterprise resource planning (ERP) software.

This result aligns with CPA Australia's Business Technology Report 2021. This report showed that respondents from high-growth businesses were significantly more likely to have used technology such as ERP software, business intelligence software and data analytics and visualisation software than respondents from businesses that were unchanged or shrank.

Other findings

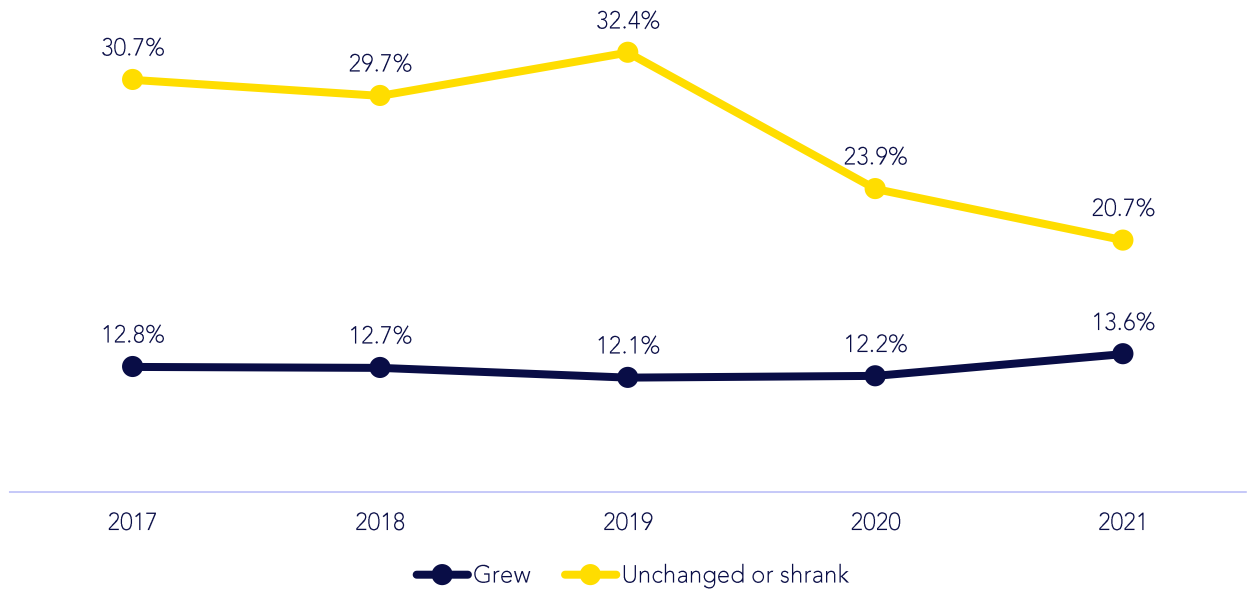
- Younger businesses were more likely to state they found technology investment in 2021 increased their profitability. Of the businesses that have been established for ten years or less, 57.5 per cent found their 2021 technology investment already profitable, compared with 20.4 per cent of businesses established more for than 20 years.
- Businesses in the "Banking, finance or insurance" sector were the most likely to have found their investment in technology in 2021 was profitable. "Property and construction" businesses were the least.
- Businesses that sought advice from IT consultants or specialists were most likely to have found their investment in technology in 2021 was already profitable.

**Recommendations**

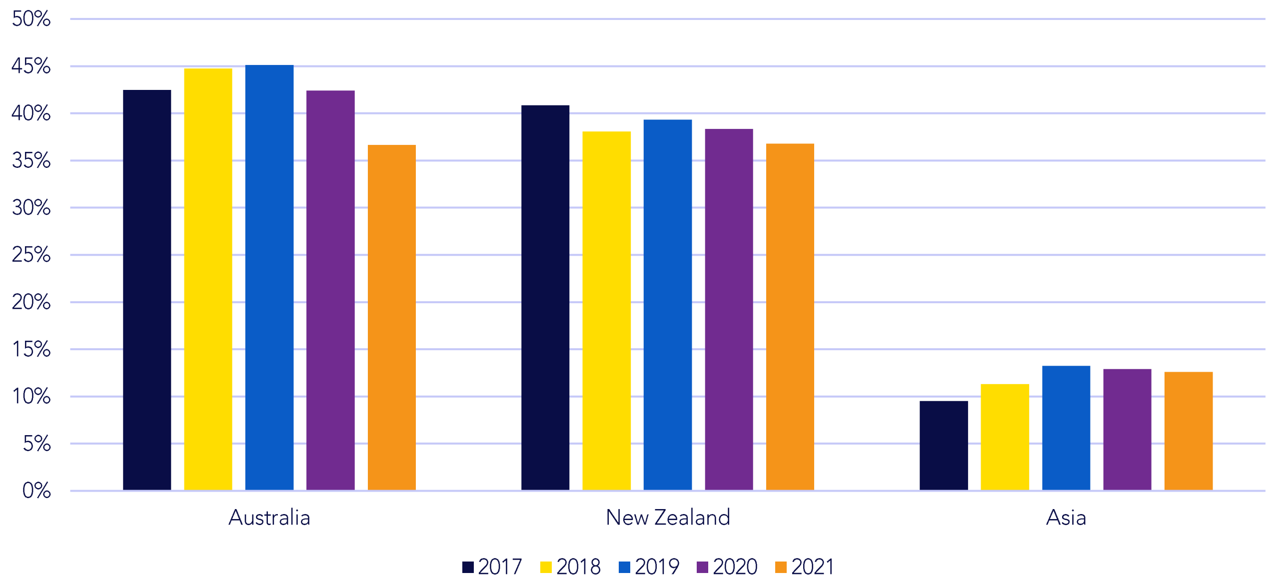
- Businesses should invest in developing their digital capability in order to identify and implement technology that improves their profitability sooner.
- Businesses should seek professional advice to improve their understanding of technologies that can improve their profitability.
- Governments, with the support of professional advisers, should assist small businesses to improve their understanding of technology.

## Social media

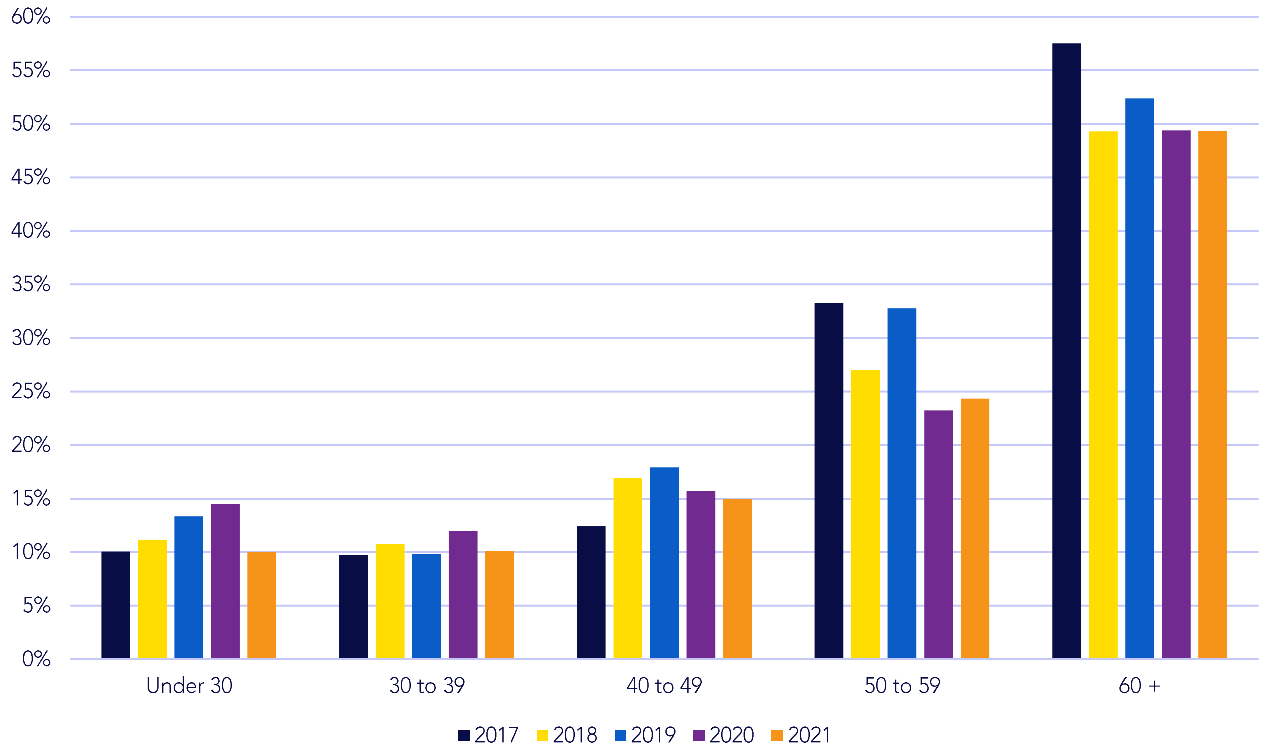
### Not using social media for business purposes – by whether they grew or not and over time



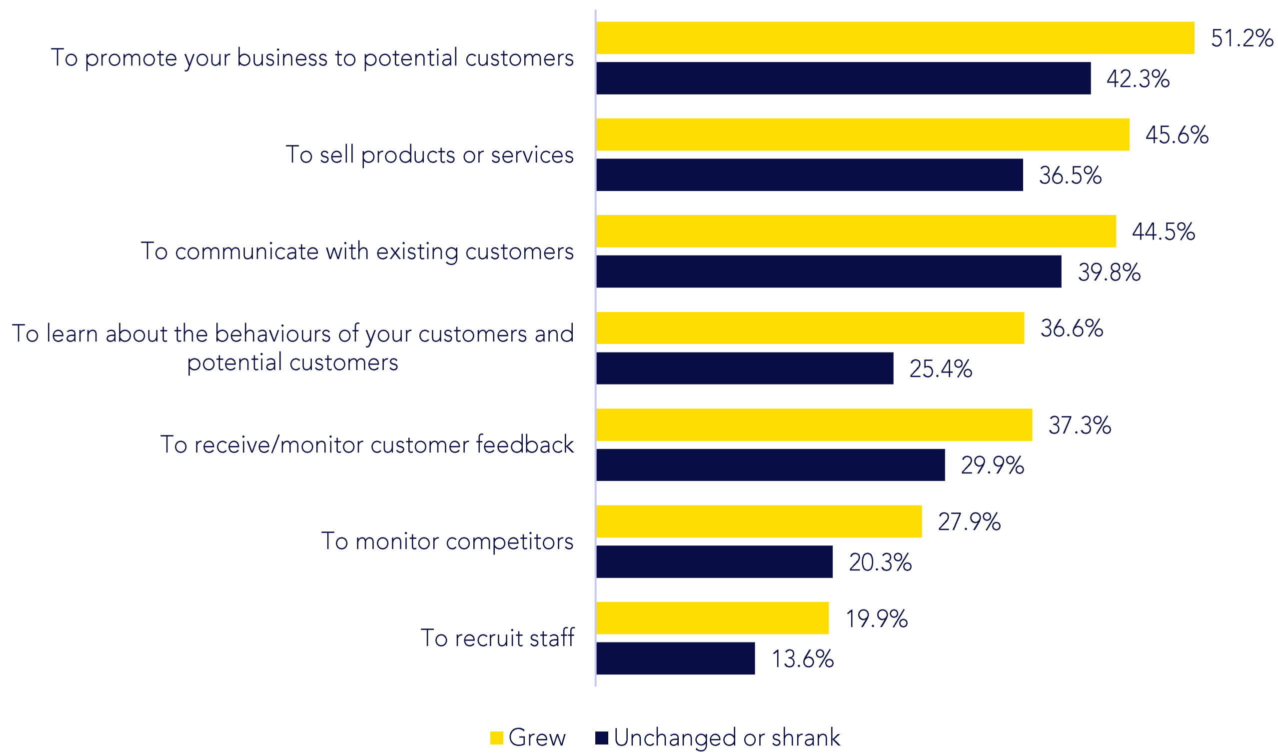

### Not using social media for business purposes – by market and over time



## Not using social media for business purposes – by respondent's age and over time




## What small businesses use social media for – comparison of businesses that reported growing in 2021 with those that were unchanged or shrank



## Key findings

The survey results demonstrate that small businesses that use social media are more likely to grow than businesses that don't, although the gap has narrowed noticeably in the past two years. Further, small businesses in Asia remain far more likely to use social media than businesses in Australia and New Zealand.

In addition, businesses that grew are using social media in different ways. For example, most use social media to promote their business to potential customers. Social media is also a popular platform from which to sell products and services among growing small businesses.

The data shows that age of the respondent is a big factor in whether a business uses social media or not. Respondents aged 50 or over are significantly less likely to use social media for business purposes. With a high percentage of respondents from Australia and New Zealand aged 50 or over relative to Asia, this helps to explain the difference in social media usage in those markets.

The gap between older respondents using social media for business purposes and younger respondents has reduced somewhat over the past five years, however it remains significant.

Other findings

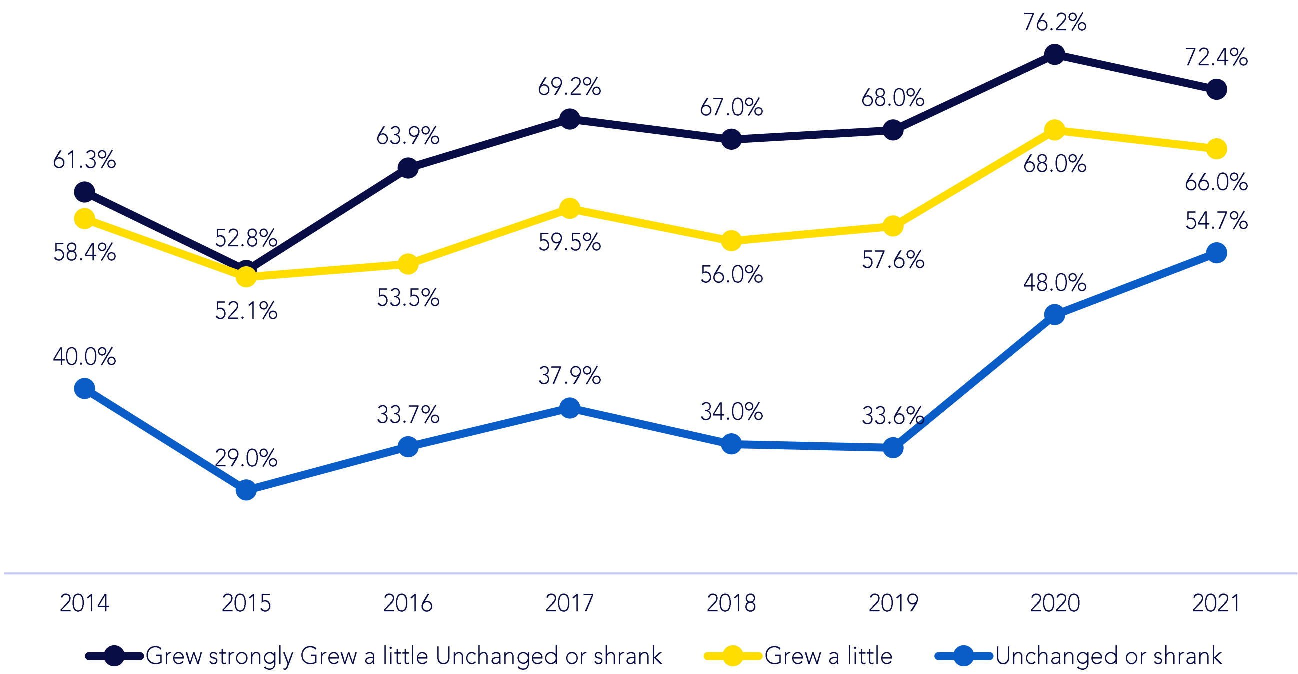
- Businesses with less than five employees are much less likely to use social media for business purposes.
- Using social media to learn about the behaviours of customers and potential customers, to monitor competitors and to recruit employees are popular uses among businesses with 10 to 19 employees.
- Businesses that have been established for over 20 years are significantly more likely not to use social media than younger businesses.
- Businesses in the "Professional, scientific and technical" sector were the least likely to use social media for business purposes.

### Recommendations

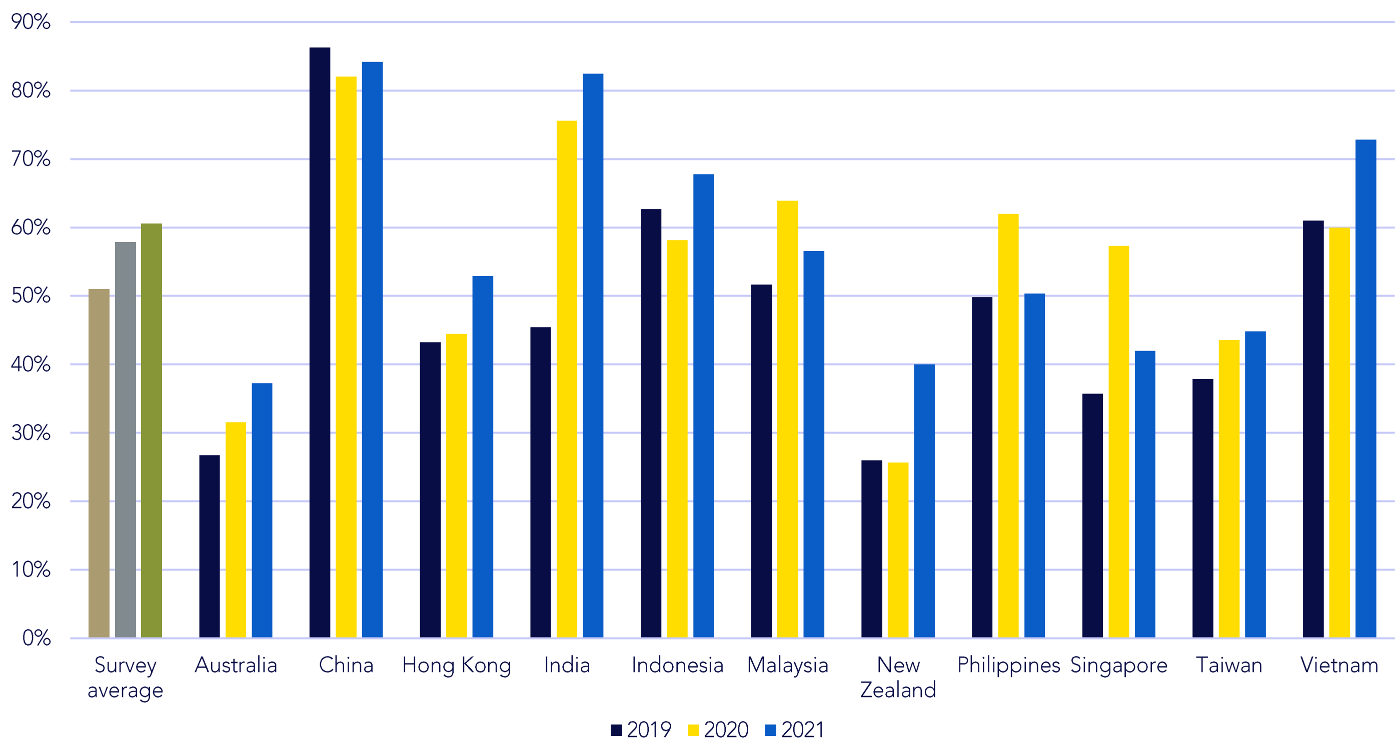
- Businesses not yet using social media should do so as soon as possible.
- Businesses using social media only to promote their business should look to expand how they use social media, especially to learn more about their customers and monitor competitors, for selling and to receive feedback. This may require them to seek expert advice.
- Governments, with the support of professional advisers, should educate small businesses about the value of using social media and the various ways social media can be used.

## Selling online

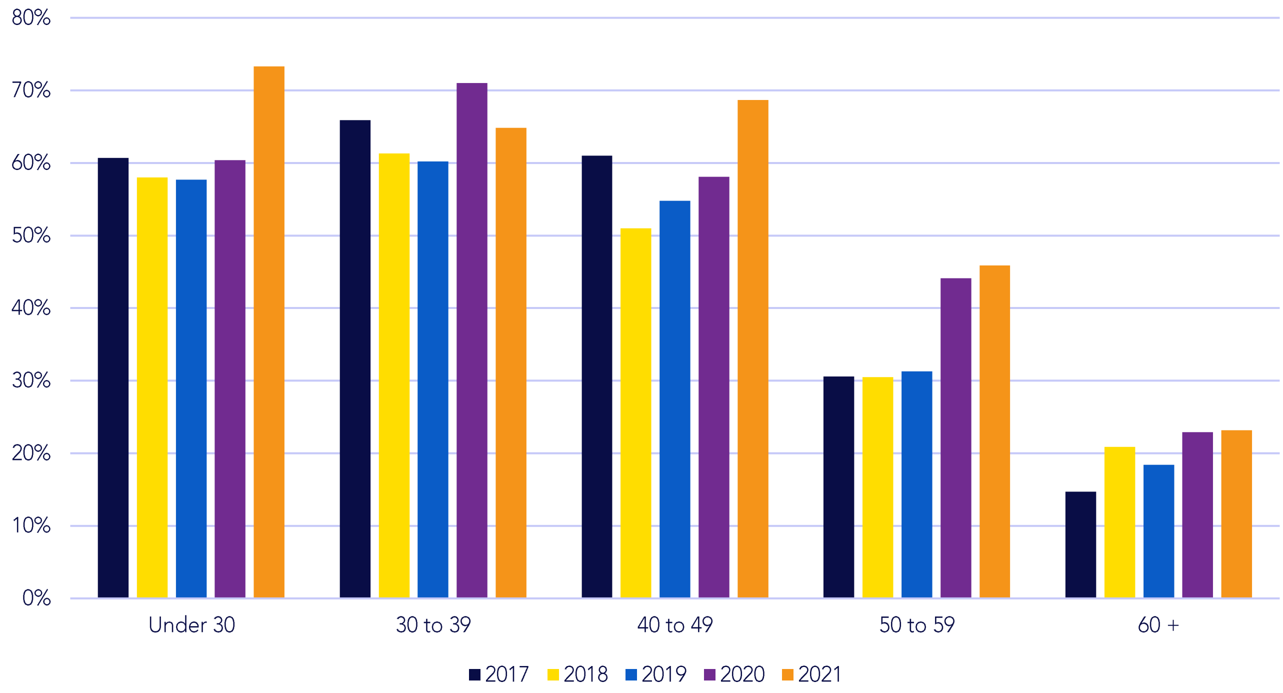
### Percentage of businesses earning more than 10 per cent of revenue online – by whether they grew or not and over time




### Percentage of business earning more than 10 per cent of revenue online – by market in 2021 compared with 2020 and 2019



## Percentage of business earning more than 10 per cent of revenue online – by age and over time




### Key findings

Due to the impacts of COVID-19, selling online became a more important source of revenue for small business across the region in the past two years. In 2021, 60.6 per cent earned more than 10 per cent of their revenue online, up 9.6 percentage points from 2019.

The survey data again shows that online sales are important to growth, especially if online sales make up more than 10 per cent of total sales. For small businesses that didn't grow in 2021, an increased focus on e-commerce should assist with their recovery and growth.

The percentage point difference between growing businesses generating more than 10 per cent of revenue online and businesses that did not grow has narrowed noticeably over the past few years. However, the difference remains large. For such businesses, online sales may have only partially replaced other lost sales.

Online sales are an essential element for businesses from Mainland China. A larger percentage of Indian small businesses also turned to online commerce as an important source of revenue in 2021. A record high percentage of Australia and New Zealand small businesses focused on e-commerce in 2021. However, online sales remain significantly less likely to be undertaken by a small business here than by their Asian counterparts.

As with social media usage, the age of the respondent appears to be an important factor influencing whether online sales are important to a business. Respondents 50 or over remain significantly less likely to sell online than younger respondents. With a higher percentage of Australian and New Zealand respondents being 50 or over relative to respondents in Asia, this helps to explain the difference in the uptake of online sales.

Selling online is one way to enter new markets without having to commit significant resources to having a physical presence. It can also help reduce costs by lessening the need for business (especially retail businesses) to have a presence in high rent locations.

Other findings

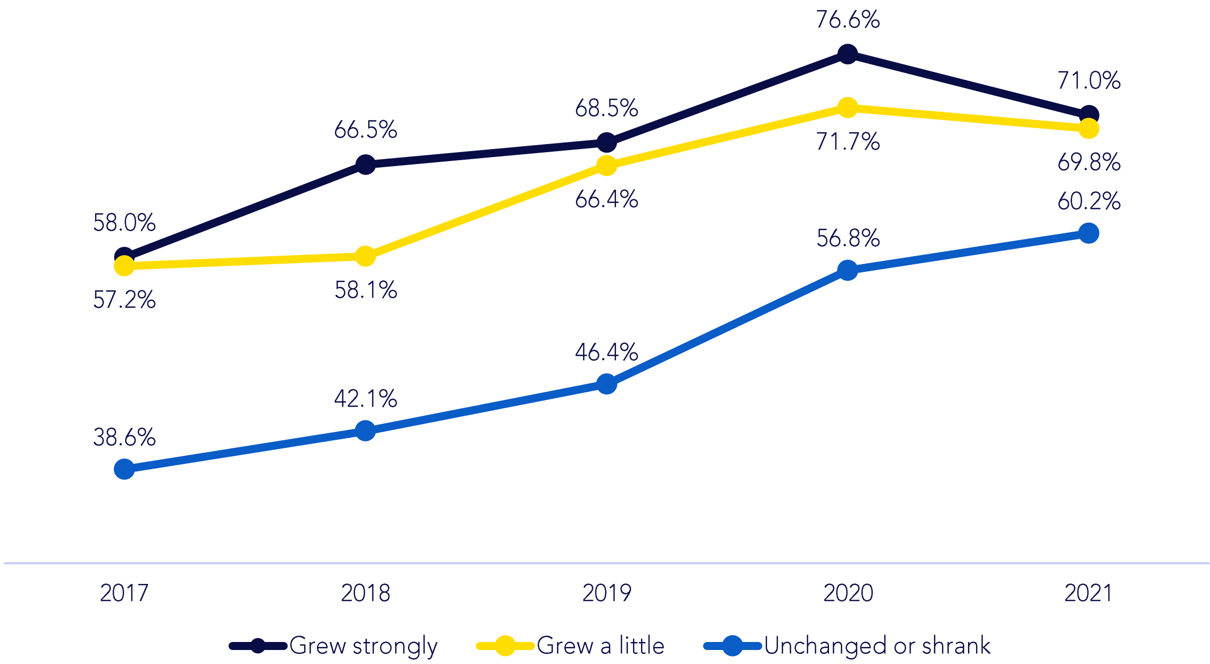
- Businesses that have been established for over 20 years are significantly less likely to generate more than 10 per cent of their income through online sales than younger businesses.
- Businesses in the "Manufacturing" and "Retail trade" sectors were the most likely to generate more than 10 per cent of their income through online sales.
- Businesses in the "Property and construction" and "Professional, scientific and technical" sectors were the most likely to not sell online.
- Businesses that sought advice from IT consultants or specialists in 2021 are much more likely to generate more than 10 per cent of their revenue from online sales.

Recommendations

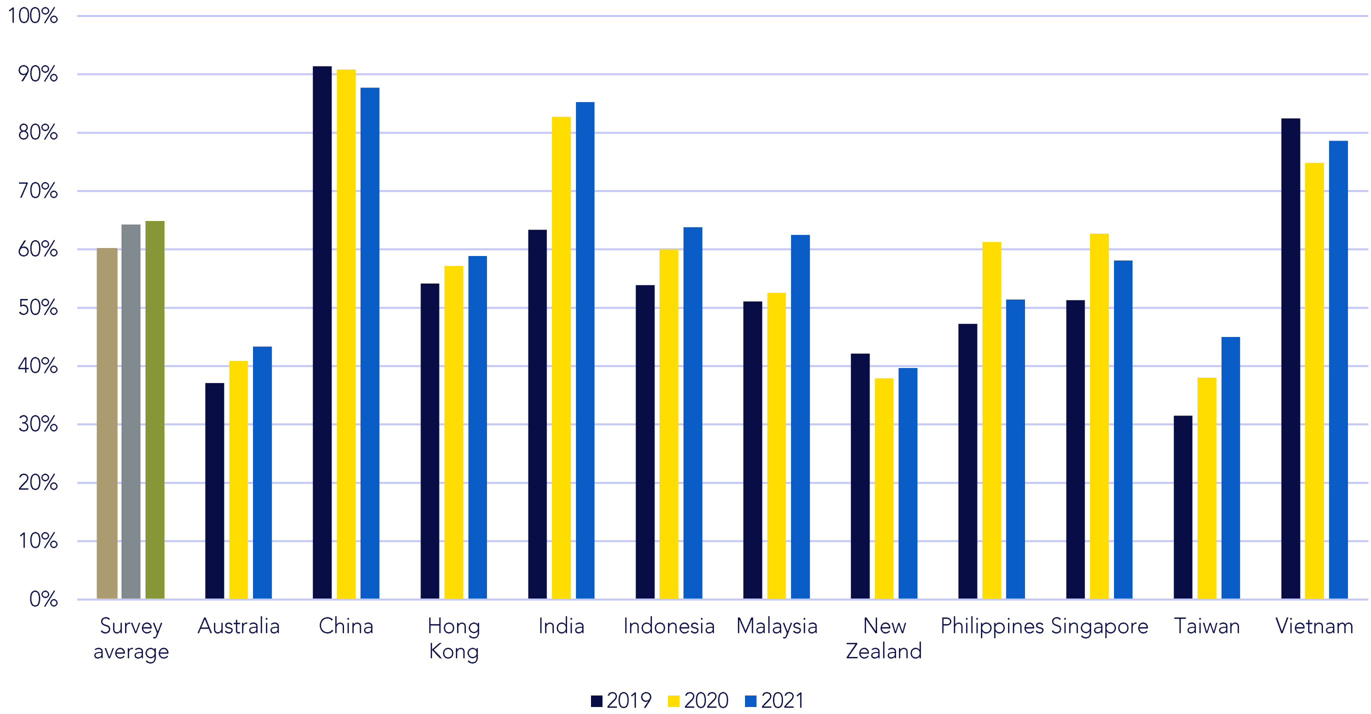
- Businesses not selling online should invest in developing their capability to do so. Accessing professional advice is an effective way of building this capability.
- Governments, with the support of professional advisers, should help small business to set up online sales channels and establish the infrastructure necessary to support online selling.

## New payment technologies

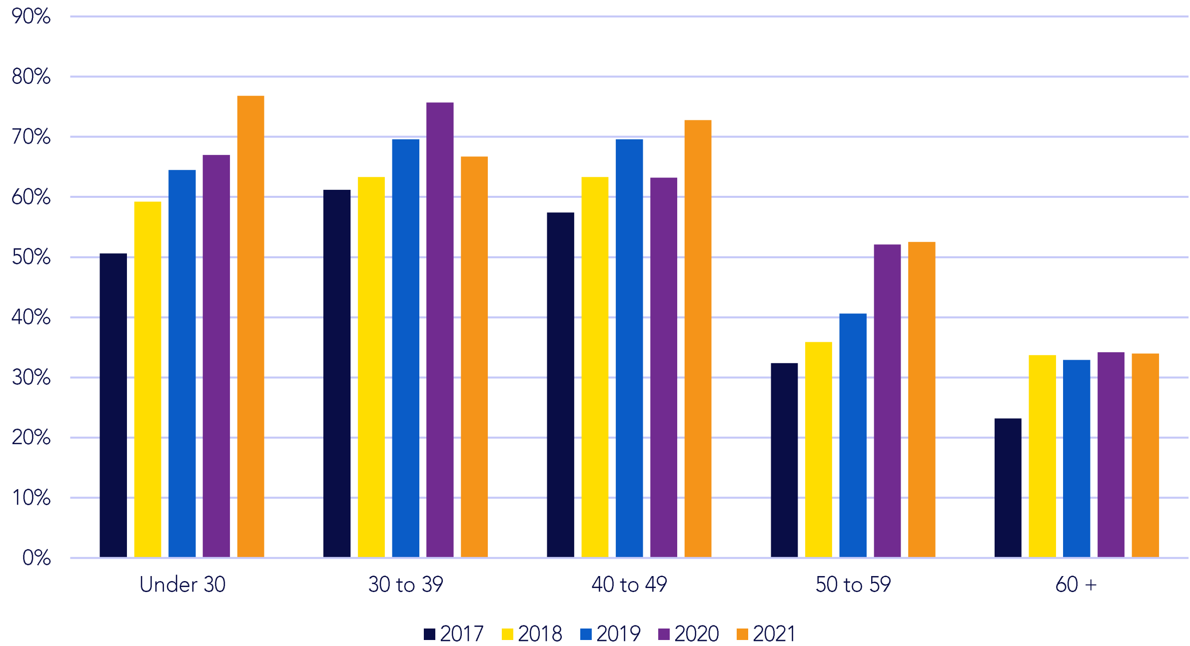
### Percentage of businesses receiving more than 10 per cent of their sales through new payment technologies– by whether they grew or not, and over time



### Percentage of businesses receiving more than 10 per cent of their sales through digital payment options – by market and comparing 2021 to 2020 and 2019




### Percentage of businesses receiving more than 10 per cent of their sales through digital payment options – by age and over time



## Key findings

The popularity of new digital payment options such as Alipay and WeChat Pay remains very high in Mainland China, with India fast catching up. In fact, it would be difficult to find a small business in Mainland China, India or Vietnam that doesn't offer digital payment options to their clients.

As with other technologies, businesses offering new payment technologies to their customers are more likely to be growing. This may help explain why new digital payment technologies continue to increase in popularity. The growth in online sales may also be contributing to the increasing use of new payment technologies, with the results showing a relationship between the two.

Similar to the trends observed with social media and online sales, the difference between growing businesses receiving more than 10 per cent of their sales through digital payment options and businesses that didn't grow has reduced noticeably over the past few years. However, the gap remains large.

As with social media and selling online, younger respondents are more likely to state their business generates more than 10 per cent of their revenue through these new payment technologies.

More Australian and New Zealand small businesses are offering new payment technologies to customers in 2021 than in 2020. However, they remain significantly less likely to do so than small businesses in Asia.

The lower use of new technology such as online/digital payment options may be one factor behind why Australian and New Zealand small businesses are generally less likely to experience growth compared to small businesses in Asia. A working paper from the Australian Treasury provides support for this explanation. The paper concludes that Australian firms are less productive than global firms due to slower adoption of "cutting-edge technologies and processes".

Australian and New Zealand small businesses are also unlikely to rely on cash sales. 40.3 per cent of New Zealand small businesses and 39.6 per cent of Australian small businesses didn't receive any cash payments in 2021, the highest results of the markets surveyed. Businesses in Australia and New Zealand would appear to have a strong reliance on credit cards, debit cards and electronic funds transfers.

In contrast, Taiwan's small businesses place a high degree of reliance on cash sales. 70.6 per cent of Taiwanese small business received 50 per cent or more of their sales in cash, up from 64.7 per cent in 2020.

While small businesses in developing markets in Asia are big users of technology, cash sales remain fundamental to their business. For example:

- 81.2 per cent of Filipino small businesses received 50 per cent or more of their sales in cash in 2021, up from 70 per cent in 2020.
- 62.8 per cent of Indonesian small businesses received 50 per cent or more of their sales in cash in 2021, up slightly from 60.1 per cent in 2020.

Other findings:

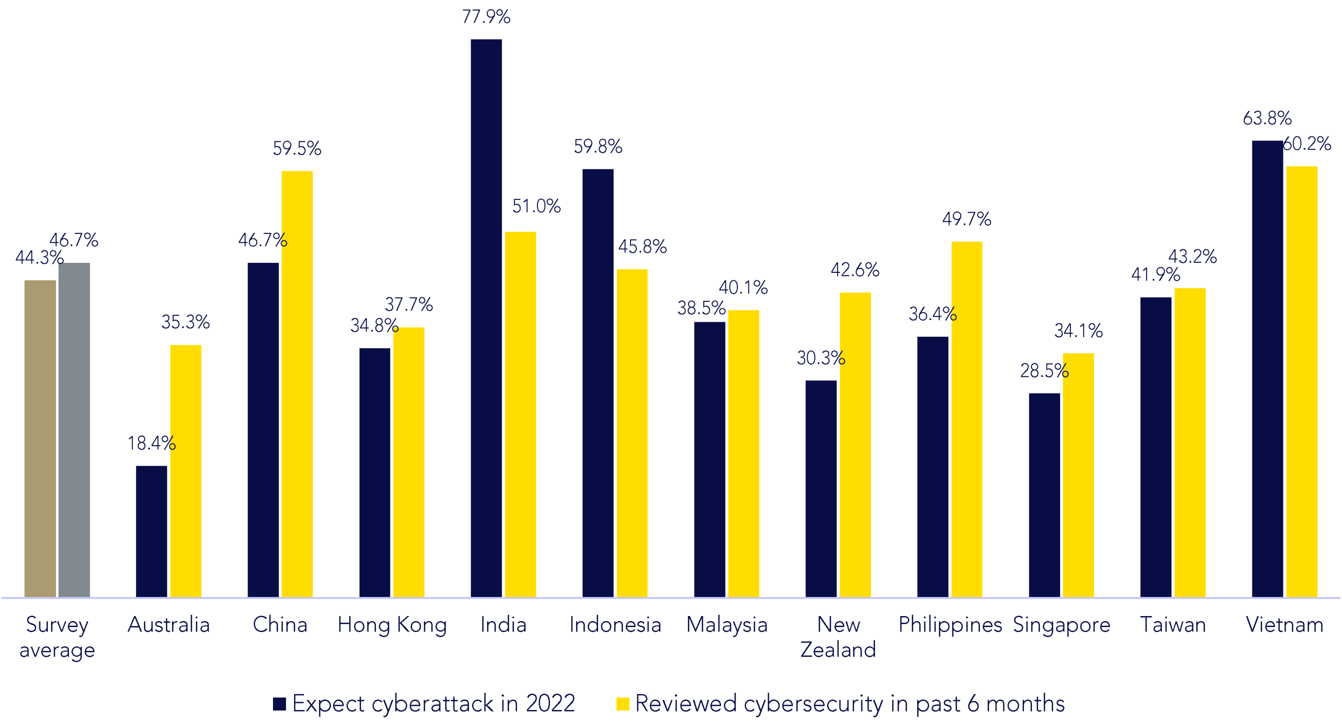
- Businesses with five or more employees were more likely to generate more than 10 per cent of their sales through new payment technologies.
- 70.9 per cent of retail businesses generated more than 10 per cent of their sales through new payment technologies. However, "utilities" businesses were the most likely to receive payments through new payment technology (74.1 per cent).
- Businesses that sought advice from marketing consultants and IT consultants or specialists in 2021 are much more likely to receive more than 10 per cent of their sales through digital payment options.

Recommendations

- Businesses should consider new payment technologies, particularly online or digital payment methods.
- Governments have a role to play in explaining new payment technologies to small businesses and how they can be adopted.
- Governments, with the support of professional advisers, should encourage the development and deployment of new FinTech products that make payments easier.

## Cybersecurity

### Comparison of those who believe a cyberattack is likely in 2021 against those that have reviewed their cybersecurity in past six months – by market




Key findings

The perceived threat of a cyberattack on the small businesses in the Asia-Pacific increased slightly in this survey from the previous survey. 44.3 per cent of businesses say that a cyberattack on their business in 2022 is likely, up from 38.5 per cent in 2021.

Small businesses in Australia, New Zealand and Singapore are the least likely to expect a cyberattack, while small businesses from India and Vietnam are the most likely. The higher uptake of technology by small business in those markets compared to Australia, New Zealand and Singapore helps to explain that difference.

One positive development is that in nearly all markets, more businesses reviewed their cybersecurity in the past six months than believe their business is likely to be cyberattacked in 2022.

However, there is significant room for improvement in India and Indonesia. Despite more than seven in ten Indian small businesses expecting that they will be cyberattacked in 2022, only 51 per cent checked their cybersecurity in the past six months. Indonesia's results are also concerning. Nearly six in ten expect that they will be cyberattacked in 2022, but only 45.8 per cent reviewed their cybersecurity in the past six months.

Other findings:

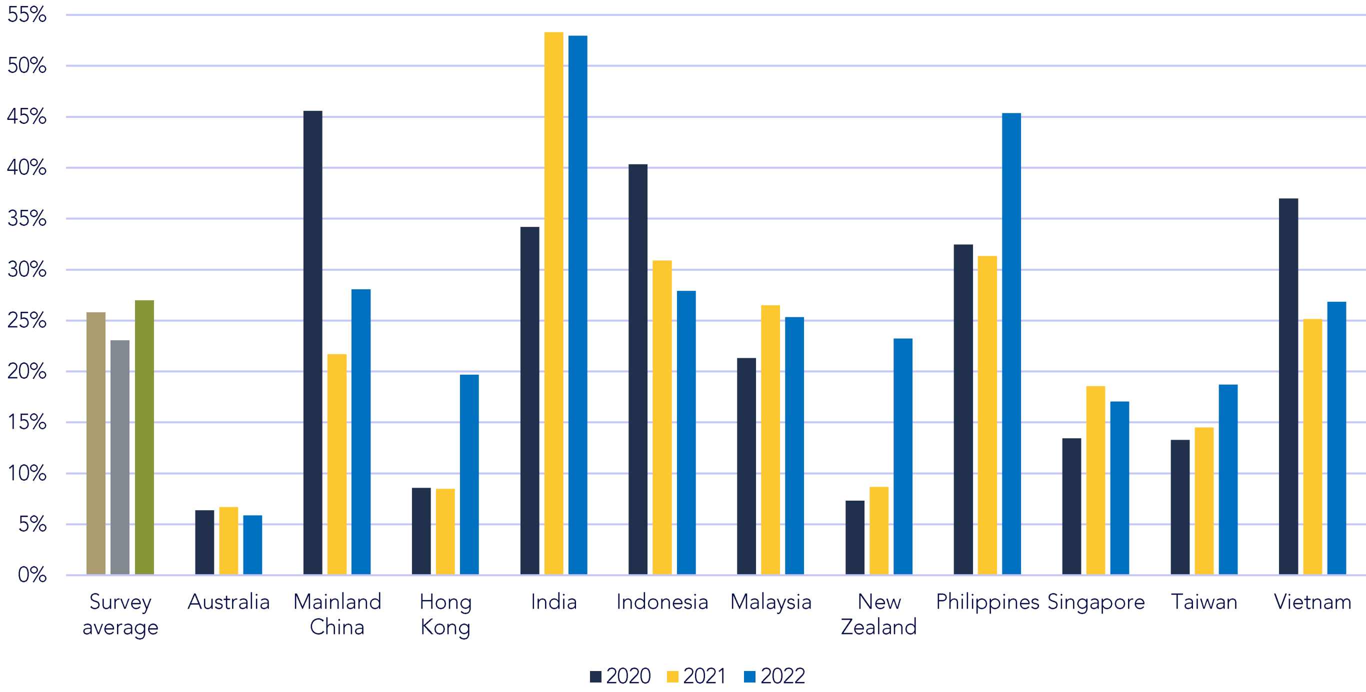
- Businesses that grew strongly in 2021 are significantly more likely to have reviewed their cybersecurity in the past six months than businesses that were unchanged or shrank.
- Businesses with five to 19 employees are significantly more likely to have reviewed their cybersecurity in the past six months than those with less than five employees.
- Businesses where the respondent is aged under 40 are more likely to have reviewed their cybersecurity in the past six months than those where the respondent is aged 50 or over. Similarly, younger respondents are more likely to expect that their business will be cyberattacked this year.
- Businesses that state they will innovate in 2022 are significantly more likely to believe they will be cyberattacked than those not expecting to innovate. Similarly, innovative businesses are much more likely to have reviewed their cybersecurity in the past six months.
- "Public administration and safety", "Banking, finance or insurance" and "Utilities" businesses are the most likely to have reviewed their cybersecurity systems in the past six months.
- "Public administration and safety" and manufacturing businesses are the most likely to expect to be cyberattacked in 2022.
- "Agriculture, forestry and fishing" and "Education and training" businesses are the least likely to expected to be cyberattacked this year.
- Businesses that did not seek external advice in 2021 are much less likely to have reviewed their cybersecurity in the past six months than businesses that sought external advice.

### Recommendations

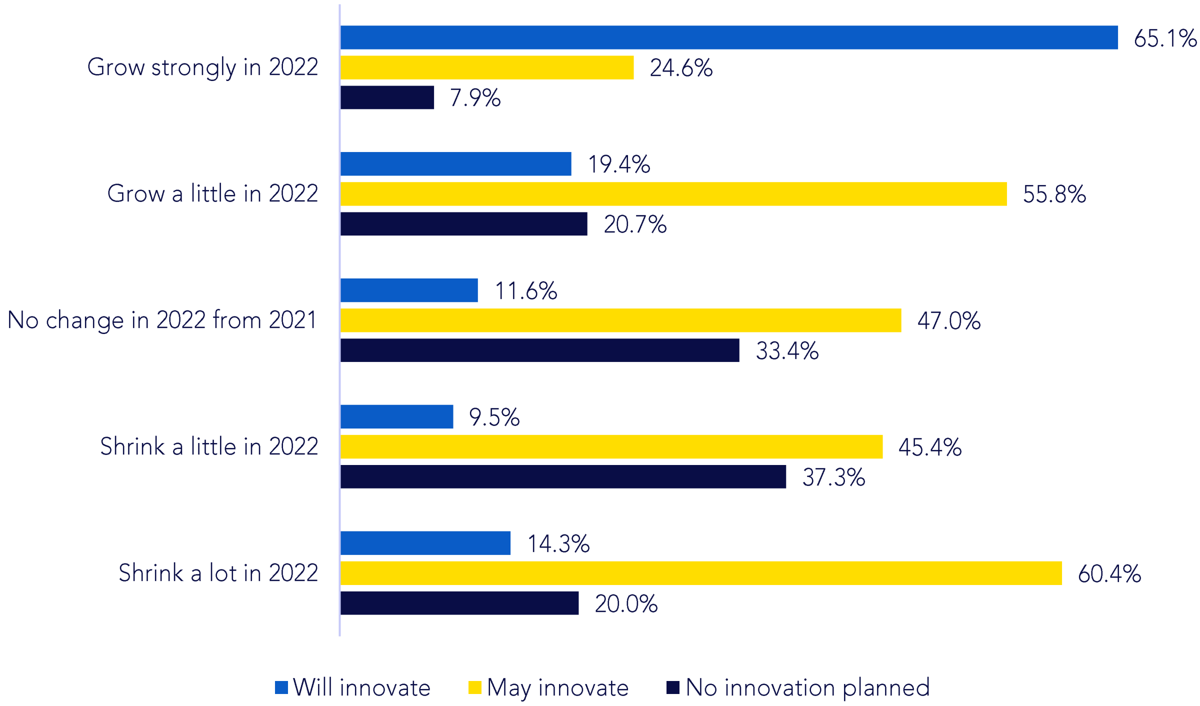
- Businesses of all sizes – and using varying levels of technology – are potentially vulnerable to cyberattack. They should take appropriate action to reduce this risk.
- Businesses should consider seeking professional advice on what action they should take to reduce their cyber risk.
- Businesses should consider the tips on improving cybersecurity provided by government agencies, such as the Australian Cyber Security Centre at cyber.gov.au.
- Governments seeking to encourage innovation should provide targeted cybersecurity resources to businesses to help them better manage their (perceived) increased risk of cyberattack.

# SMALL BUSINESS AND INNOVATION

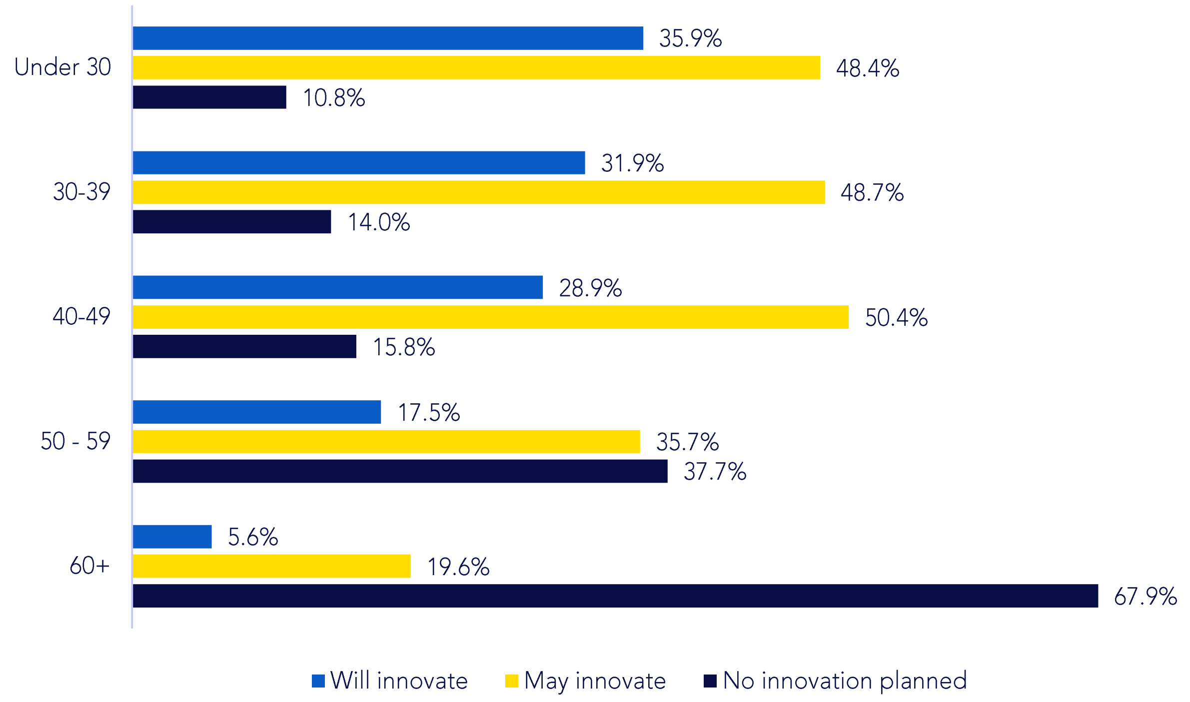
### Small businesses that state they will innovate in the next 12 months - by market and year




### Small businesses that state they will innovate in 2022 - by business growth expectations for that year



## Small businesses that state they will innovate in 2022 - by age of respondent




Key findings
Innovation is a key driver of business growth and job creation. Younger business owners and businesses from developing markets are more likely to expect to innovate.

The percentage of businesses that plan to innovate in 2022 is up from 2021. Twenty-seven per cent expect to innovate this year through the introduction of a new product, process or service to their market or the world, compared to 23 per cent in 2021. This is the highest result recorded in the history of this survey.

The large jump in the percentage of businesses from New Zealand and Philippines that plan to innovate reflects well on their small business sector and government policies to encourage innovation. This focus on innovation should assist them to recover from the negative impacts of the COVID-19 and set them up for long-term business growth.

Small businesses that expect to grow strongly in 2022 are more likely to innovate in 2022 than small businesses that don't expect to grow. This may indicate that high-growth businesses have the extra resources to invest in innovation. It may also indicate that their stronger growth potential gives them a higher risk appetite for innovation.

The age of the respondent is indicative of whether a business will innovate. Younger business owners remain significantly more likely to innovate. 32.9 per cent of respondents aged under 40 state they will innovate in 2022 compared to 12.7 per cent of respondents aged 50 or over.

Other findings:

- The larger the small business, the more likely they are to innovate. 33.8 per cent of businesses with 10 to 19 employees will innovate in 2022 compared with 18.9 per cent of this with fewer than five employees.
- "Public administration and safety" businesses are the most likely to expect to innovate in 2022 (42.4 per cent). "Administrative and support services" businesses are the least likely (16.6 per cent).

- Younger businesses are again more likely to state they will innovate. Of the businesses that have been established for ten years or less, 32.4 per cent will innovate in 2022, while only 10.7 per cent of businesses established more than 20 years will innovate.
- Exporting businesses are more likely to expect to innovate. 72.5 per cent of businesses that expect their overseas sales revenue to grow strongly in 2022 will innovate in 2022, compared with 10.9 per cent businesses that don't expect to sell into overseas markets.
- There is a link between cybersecurity concerns and innovation. 70.6 per cent of businesses that believe it very likely their business will be cyberattacked in 2022, plan to innovate this year, compared with 15.3 per cent that believe a cyberattack on their business is unlikely.

### Recommendations

- Small businesses seeking to innovate should spend time investigating what other businesses in their industry and other industries are doing, including in other markets.
- Policy makers wanting to encourage innovation should consider how best to encourage young people to start or buy their own small business.
- Innovative businesses need to invest more in cybersecurity and governments should be offering information to assist them.
- Businesses not innovating may wish to partner with innovative businesses.