MEDIA RELEASE

Technology uptake critical to NZ small business resilience and long term success

65% of Kiwi SMEs have increased productivity after implementing cloud-based tools

New Zealand — July 8, 2020 — Xero, the global small business platform, has found the majority¹ of small businesses in New Zealand want to increase productivity in a post-COVID world but feel that the cost of technology, the time it takes to implement and a lack of information about what to do is preventing them.

Craig Hudson, Managing Director of New Zealand and the Pacific Islands at Xero, says before the pandemic, Xero worked with the New Zealand Institute of Economic Research to develop economic modelling which explored how leveraging technology could help to grow New Zealand’s productivity.

“Before COVID-19, NZIER concluded that a 20% uptake in cloud-based technology would deliver huge productivity gains and contribute up to $6.2 billion in annual GDP growth for New Zealand’s economy.

“SMEs account for more than a quarter of New Zealand’s GDP. So when we transform SMEs we help transform our economy and lift the living standards of all New Zealanders. The challenge is to encourage and empower small business owners to invest in productivity-boosting cloud technology,” says Hudson.

New research² to understand what SMEs think about productivity and technology found 65% of SMEs agree that using cloud-based technology has helped their organisation operate more productively.

However, roughly half³ of small business decision-makers found the cost of cloud-based technology prohibitive. A third highlighted not having the time⁴ available or the right knowledge⁵ as the main factors stopping cloud adoption.

“At Xero, we’ve seen first-hand that working smarter using digital technologies is the key to unleashing business potential. The uptake of cloud-based technology, such as Google Docs, Microsoft Office 365, Vend or Hubdoc is a huge part of this.

¹ 64.8%
² Concluded by Xero and Pureprofile at the beginning of June 2020
³ 49%
⁴ 35.5%: not enough time is stopping small businesses from increasing productivity
⁵ 33.6%: lack of knowledge is stopping small businesses from increasing productivity
quote and invoice while out on a job versus the ones who need to create, print and deliver these documents physically,” says Hudson.

In fact, for small businesses wanting to increase their productivity, nearly half said it was now a matter of survival\(^6\) for their business.

“We have to find ways to help SMEs overcome these barriers and incentivise technology uptake. Unlocking this productivity means our businesses can recover faster, and these profits can find their way back into the wider economy through higher wages, increased spending and tax,” says Hudson.

When asked what would help them increase their usage of cloud-based tools, 49% of small business decision makers said they would use a subsidy to adopt these tools into their business.

“An incentive to SMEs can be fiscally neutral because the productivity gains from using technology means SMEs are more profitable and therefore pay more tax. Together we can help small businesses recover and thrive long-term, as well as build more resilience, diversity and depth into the economy,” says Hudson.

The research also showed that, on average, businesses are using approximately three cloud-based tools\(^7\), but 20% aren’t using any at all.

It also revealed that 42% of SMEs admit that, with the benefit of hindsight, they wish their business had better processes in place before COVID-19. Nearly three quarters\(^8\) also had to make quick changes to the technology they use to keep their business functioning during lockdown.

“We know that small businesses can change their processes with the right incentives and advice, and SMEs proved this to themselves during lockdown. Now’s the time to maximise these technology gains for the long term benefit of New Zealand,” concludes Hudson.

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Notes to Editor:

About the NZIER economic modelling:
Xero New Zealand commissioned NZIER to investigate the economic potential of cloud-based business tools to support the productivity and performance of New Zealand business and the flow-on impacts to the New Zealand economy.

We used NZIER’s computable general equilibrium (CGE) model of the New Zealand economy to estimate the economic benefits of a 20% increase in the uptake of cloud computing. The modelling was grounded in the results for businesses found in the literature.

\(^6\) 47% of businesses wanting to increase their productivity told us it was a matter of survival
\(^7\) Kiwi small businesses using 3.4 cloud-based tools
\(^8\) 73% of small businesses made changes to their operation to remain functional during lockdown
A 20% increase in the uptake of cloud computing by businesses would have the following estimated annual effects, at the national level:

- GDP increases by between $3.5 billion and $6.2 billion (1.2–2.1%).
- Household spending increases by between $2.6 billion and $4.6 billion.
- Output increases by between $4.1 billion and $7.3 billion annually.
- Real wages increase by between $1.8 billion and $3.3 billion.
- Capital stock increases by between $1.1 billion and $1.9 billion.
- Exports increase by between $341 million and $618 million.

**About June research:**
The new research was conducted with n=505 business owners and key decision makers across New Zealand from the Pureprofile panel which concluded at the beginning of June 2020.

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**About Xero**
Xero provides a beautiful and easy-to-use cloud-based accounting software service for small businesses and their advisors around the world. Xero connects more than two million subscribers with an ecosystem of over 800 third-party apps and 200 plus connections to banks and financial service providers. The IDC MarketScape recognised Xero as a Leader in the Worldwide SaaS and Cloud-Enabled Small Business Finance and Accounting Applications 2020 Vendor Assessment. On the 2020 Financial Times High-Growth Companies Asia Pacific list, Xero was the largest company by revenue to come from New Zealand or Australia. Xero has also been included in the 2020 Bloomberg Gender-Equality Index and the FTSE4Good Australia 30 Index.