Xero data insights links Australian small business growth to technology spend

- Call for small business to take a ‘first mover’ advantage to quickly adopt new technologies
- Warnings to avoid a digital divide between big and small business in Australia

4 September 2019 Brisbane - Xero, the global small business platform, has today released new data from Xero Small Business Insights that shows technology investment is directly associated with business growth, highlighting that Australian small businesses that increase their investment in technology grow their revenue and create jobs faster than other businesses.

Sharing the data for the first time to coincide with Xerocon Brisbane, Trent Innes, Managing Director, Xero Australia and Asia, has warned of the danger of a digital divide emerging between small businesses and large enterprises and highlighted the advantage small business has in being agile in adopting new technology.

The data update, ‘Wired for Success: the impact of technology spending on small business’, is based on anonymised and aggregated data from Xero Small Business Insights and was prepared by AlphaBeta Advisors.

It finds that small businesses:

- that increase their spend on information and communications technology (ICT) are 68% more likely to be growing
- with higher ICT spending growth grew revenue 3.5 percentage points faster than those with lower ICT spending growth
- with higher ICT spending growth grew employment 5.2 percentage points faster than those with lower ICT spending growth

It was found that, on average, Xero subscribers in Australia spend less than 1% of total revenue on ICT each year. This expenditure relates to categories including: Internet, telephone, mobile, computer, telecommunications, broadband, NBN and ADSL.
The roll out of the NBN is also helping businesses to access faster broadband, and driving greater levels of digitisation and growth opportunities. Xero Small Business Insights data has found that, among businesses on Xero, those in mature NBN regions grew employment by one-third more (2.6 percentage points) than businesses in non-NBN regions in 2017.

“In Australia we are at an inflection point for technology adoption for small business and we have to ensure that they surf this wave. Small business is best placed in terms of size and agility to take advantage of new ways of working. Australian ranks third in the OECD in terms of the percentage of small businesses purchasing cloud computing services. This gives them a powerful start, and Xero’s data indicates a direct link between technology investment and growth. Xero is calling on small business to take a fresh look at their investment in technology to ensure they are in lock-step with big business, taking the first mover advantage where possible. Access to advanced technologies has also never been more prevalent or democratised - from cloud computing to digital ecosystems -- putting powerful services and tools into the hands of anyone with a mobile or laptop.

“While we see large enterprises well on their way to digital transformation, taking advantage of a range of powerful new technologies from AI to blockchain, we have to avoid the dangers of a new digital divide -- one between small and big business. Having a two-speed tech economy would be a disaster for Australia’s productivity and growth, particularly given small businesses generate a fifth of GDP and employ nearly half of all workers.” - Trent Innes, Managing Director, Xero Australia and Asia.

“Small businesses have a huge opportunity to take advantage of increasing broadband connectivity and harness cloud-based business productivity tools. Among Xero users, 35% of medium sized businesses and 44% of larger small businesses are connected to third party apps delivering valuable insights and time savings to business owners,” Andrew Charlton, Director, AlphaBeta Advisors, said.

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About Xero

Born in the cloud, Xero is a beautiful, easy-to-use platform for small businesses and their advisors around the world. Xero provides its 1.8 million subscribers with connections to a thriving ecosystem of 800+ third-party apps and 200+ connections to banks and financial service providers. On the inaugural 2018 Financial Times FT1000 High-Growth Companies Asia Pacific list, Xero was the fastest growing tech company in the $200 million+ segment. Xero won ‘Bookkeeping software of the year’ from the Institute of Certified Bookkeepers UK in 2018, and was rated by Canstar Blue as the best accounting software in Australia from 2015-2018 and in New Zealand in 2019.
About Xero Small Business Insights

Xero Small Business Insights is a snapshot of the sector’s health, updated monthly. Its metrics are based on anonymised, aggregated data drawn from hundreds of thousands of our subscribers. The result is a picture of business conditions that’s more accurate than most private surveys (which have a far smaller sample size) and is more frequently updated than most ABS data on small business. To learn more, visit Xero Small Business Insights.

About AlphaBeta Advisors

AlphaBeta is a strategic economics advisory working with clients across Australia and Asia from offices in Sydney, Canberra, Melbourne and Singapore. Their team of advisors are experts in both strategy and economics who partner with clients from the private, public, and not-for-profit sectors to identify the forces shaping their markets and develop practical plans to create prosperity and well-being. To learn more, visit www.alphabeta.com.