Xero’s ‘Rebuilding Australia’ report identifies small business successes and others battling to survive COVID-19

The new report details the shifting shape of the small business sector

Melbourne – Tuesday, 28 July 2020 – Small businesses in Australia’s healthcare, manufacturing and construction sectors are most confident about the state of their industry over the remainder of 2020, according to a new research report released today by global small business platform Xero.

While some sectors are optimistic, small businesses in professional services, accommodation, food and the education industries are the least confident about their business’s outlook over the same period.

Authored by Bernard Salt, one of Australia’s leading social commentators, the report Rebuilding Australia: the role of small business provides a deep dive into how the engine room of Australia’s economy has fared during the COVID-19 crisis, as well as opportunities for the revival of the small business sector beyond the pandemic.

The report found nearly half (48%) of surveyed small business owners are optimistic about their prospects in the second half of this year, and that one in four (23%) expect revenue to jump up by more than 10% by December.

Commenting on the report’s launch, Bernard Salt said: “Here we are in the middle of both a pandemic and the worst recession in three generations. The fact that half of all small businesses remain optimistic about their prospects in the second half of the year says something about the sheer determination and inherent optimism of the small business community in Australia.”

Small businesses transforming in a new world

Most small businesses say that COVID-19 will change the way they do business over the long term and remote working is set to be the new norm with the emergence of ‘self-contained’ suburban regional centres.

In the three months to 20 May 2020, regional towns experienced significant jobs growth and are emerging as potential hot spots for small business, with Toowoomba, Illawarra (Wollongong) and Geelong leading the pack. During the same period, 32,000 jobs were added to the utility sector and a further 32,000 were added to the construction industry, followed by a 24,000 boost in jobs in the agriculture sector across the country.
The lockdown has seen a surge in demand for skills in technology and in home improvement as small business shifts online and as workers improve their new home office. Over the first three months of the lockdown, March-May, the ABS tracked a 215% increase in the number of workers employed as multimedia specialists and web developers, and the plumber workforce jumped by 15 per cent or 12,828 workers. There’s also been a surge in the creative workforce with the number of workers employed as canvas and leather goods makers jumping 89% while fashion and jewelry designers increased by 48%.

Trent Innes, Managing Director, Xero Australia and Asia, said: “Small business has long been the backbone of Australia’s economy, and so when the pandemic hit, the sector bore the brunt.

“Data from the Rebuilding Australia report sheds light not only on how resilient businesses have fared in navigating the uncharted waters presented by the COVID-19 crisis, but it also delivers valuable insights into what it takes to operate a small business, to adapt in challenging times, and to remain confident of coming out the other side, even stronger.

“We also see that the pandemic has hastened the adoption of digital trends by businesses, highlighting the importance of continued investment in digitisation in the revival of our small business economy,” Trent Innes said.

COVID-19 propels small business innovation

While small businesses have been hit twice as hard as bigger businesses by the crisis, the lockdown period has been a ‘time to thrive’ for some. The CoreData survey showed that one in 10 small businesses have prospered through the lockdown.

There are common themes behind small business success stories, with 25% of small businesses that thrived during the pandemic reporting to have adapted their operations, while 39% have found new customer markets. Flexible working hours (30%) and remote working arrangements (28%) have also been common enablers allowing businesses to prosper during these challenging times.

Another common theme among businesses that report prospering is investment in technology, with 35% expecting to increase their investment in tech even further in the next three months. Of those looking to invest in the coming months, sales and marketing platforms will be the primary investment focus, followed by product/service innovation and project management.

“Small businesses that have prospered during the pandemic may well have been in the right industry at the right time but, according to the survey, the best-of-the-best adapted, found new markets and invested in technology,” Bernard Salt said.

To support Australian small businesses as they transition to a new world post COVID-19, Xero has also launched a guide, *Stronger and smarter: a small business handbook*, in partnership with management
consultant Hamish Park. The guide provides a roadmap and practical tips to support business owners to prosper both now and into the future.

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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.

About Rebuilding Australia: the role of small business report
Xero published this report to provide information and insights to help small businesses navigate the pandemic crisis. The Demographics Group assisted with this project by analysing and writing the report. The report addresses how small businesses have responded to the COVID-19 crisis, while identifying opportunities for small businesses to thrive in a post-pandemic world. This report draws upon data published by the Australian Bureau of Statistics, survey information collected by research group CoreData, and Xero’s Small Business Insights reports.