

# Westpac Small Business Report.

Here to help support your  
business over Christmas.

In collaboration with **Deloitte**.



**200 years**  
proudly supporting Australia

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## About Westpac.

Westpac is Australia's first bank, and Australia's oldest company. For over 200 years Westpac has been supporting all Australians. We provide a broad range of banking and financial services, including consumer, business and institutional banking and wealth management services. Our Business Bank division is responsible for sales and service to micro, small-to-medium enterprises and commercial business customers in Australia. The division also provides specialist services for cash flow finance, trade finance, automotive and equipment finance, property finance, treasury and auto finance loans.

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## About Deloitte.

Deloitte provides audit, tax, consulting, and financial advisory services to public and private clients spanning multiple industries. With a globally connected network of member firms in more than 150 countries, Deloitte brings world-class capabilities and high-quality service to clients, delivering the insights they need to address their most complex business challenges.

Deloitte's approximately 244,000 professionals are committed to becoming the standard of excellence.

# Foreword.

**Westpac has been proudly backing small businesses like yours since we opened our doors 201 years ago. Through our daily interaction with businesses, we know they're run by courageous individuals with plenty of passion and purpose.**

As the backbone of Australia's economic success, the challenges you face must be recognised and addressed. This is why we've taken the time to understand more about you through the Westpac Small Business Report. This is the first report in a four part series which includes insights on how you're feeling about doing business in Australia, and top tips from 50 of your most profitable and evolving peers.

Many of you told us the lead-up to Christmas is a critical and demanding time for you. More than half of you expect to forfeit sleep, exercise, and precious time with family and friends to deal with pressures such as cash flow, compliance and paperwork.

These findings are a timely reminder for all of us that more work needs to be done at a national, state and local level to help make things easier for small business owners, and why more Australians need to shop local, to support small businesses.

The good news is that while the stresses of Christmas, red tape, paperwork and an uncertain economy are real, there are positive economic signs as we enter another year. Strong export demand, a lower AUD, employment and population growth and continuing investment in infrastructure will all contribute to new opportunities for your business.

On behalf of Westpac, thank you for keeping our economy strong, for your hard work and grit, and for driving our nation forward.

I hope this report gives you some practical tools to help you make the most of the opportunities of Christmas and plan for a successful year ahead.

We also welcome your suggestions and feedback on this report and encourage you to share your thoughts with us by emailing [westpacbusinessbanking@westpac.com.au](mailto:westpacbusinessbanking@westpac.com.au).

Regards,



**Ganesh Chandrasekkar**  
General Manager, SME Banking



# About the research.

## A snapshot of small business.

This report is the first in a four part series focusing on small businesses in Australia. It is based on a survey of 500 Australian small businesses from all industries, wider desktop research and consultations with successful small businesses conducted between September and November 2018. The table below provides a snapshot of how businesses in our research are performing.

Overall, businesses are experiencing fairly consistent growth and business performance. The median business has been growing its revenue and customer base over the last twelve months, and expects to do the same over the coming twelve months.

	The median small business's...	Growth since 12 months ago	Expected growth 12 months from now
	Income from sale of goods and services	↑ 1% to 9%	↑ 1% to 9%
	Number of employees	Stayed the same	Stayed the same
	Cost of inputs	↑ 1% to 9%	↑ 1% to 9%
	Number of products offered	Stayed the same	↑ 1% to 9%
	Value of international sales	Stayed the same	Stayed the same
	Number of customers	↑ 1% to 9%	↑ 1% to 9%

The survey had two focuses: an ongoing module that measures business attitudes towards the present and future, and a Christmas module. The Christmas module examined how business operations changed over the period November 1st to January 31st compared to the rest of the year.

As part of the research, we analysed what the 50 firms with the largest profits were doing to be successful. While scattered across all industries, successful businesses are overrepresented in the retail trade, professional services, manufacturing and construction industries.

### In comparing the 50 businesses with the largest profit to those with the least, we found that:

#### 1.

More profitable firms don't believe offering pre-sales provides any benefit. Only 44% of successful business provide pre-sales or believe they offer benefit, compared to 60% of less successful businesses.

#### 2.

More successful businesses have a larger share of international customers. More than one in five (22%) of the top businesses have their main customers overseas compared to 18% of the bottom businesses.

#### 3.

Successful businesses are equally likely to close over the Christmas season, but require staff to take fewer days of leave - five days compared to less successful businesses that require nine days.

# Key findings.

## Christmas wellbeing for small business owners.

58%

said they expect to miss out on sleep due to work demands during the Christmas period.

63%

won't have a chance to relax and wind down over the holiday season.

58%

will miss out on spending time with family and friends.



### Paperwork and compliance.

8 hours

Small businesses spend up to eight hours on average each week chasing invoices for payment.

4/10

Four in ten business owners receive payments from debtors later over the Christmas period.

12 hours

Small businesses spend 12 hours on average each week completing paperwork to comply with government regulation.



### Women.

Female small business owners are more likely than their male counterparts to make personal sacrifices for their business, with 34% of women willing to sacrifice their own salary to pay staff compared to 27% of men, and 36% of women saying their working hours impact their lifestyle, compared to 30% of men.

## Successful businesses.



### International customers.

More successful businesses have a larger share of international customers. More than one in five (22%) of the top businesses have their main customers overseas.



### Online channels.

Newer businesses (less than three years old) make half their sales through online channels, while businesses more than 20 years old make only one-third of sales online.



### Growth.

Small businesses are growing, primarily driven by businesses growing their domestic customer base incrementally (58%), although many are also increasing exports (37%) or offering new products or services (49%).



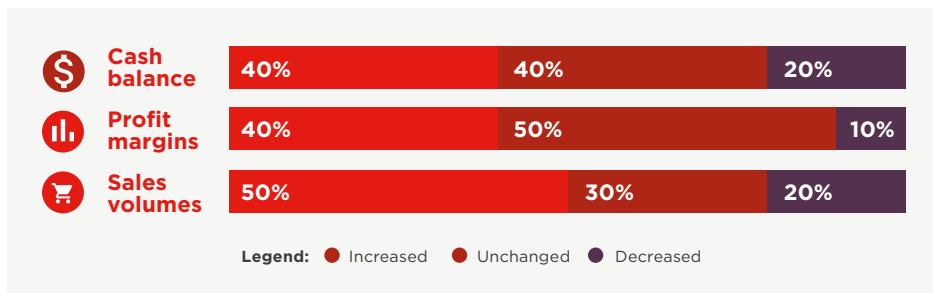
### Industry.

Manufacturing businesses saw the strongest growth in terms of income growth, export growth and customer base. This is largely driven by the sector's gradual shift away from big production lines towards other activities in the value chain such as designing, recycling and packaging.

# 1 Festive, or restive?

Christmas is the busiest time of year in the Australian economy – in fact, the December quarter is consistently the biggest quarter of the year for economic activity.<sup>1</sup> According to our report, half of businesses see their sales volumes increase over this period.

**Figure 1.1: Change in business activity over Christmas.**



Source: Deloitte Access Economics

While many industries experience a boost in sales at Christmas, this isn't everyone's experience. Figure 1.1 shows that for over one third of businesses, nothing changes significantly over the festive season. And others – such as those in agriculture, education and real estate – actually see a decline in sales.

**Figure 1.2: Industries experiencing the largest change in sales volumes at Christmas.**



Source: Deloitte Access Economics

This is partly driven by the fact that many of these businesses close over Christmas (for instance, schools close for holidays).

Despite this, small businesses are quietly confident - over a third of small business owners feel positive about Christmas. Nonetheless, there is an air of uncertainty over the season - one quarter of small business owners are unsure what the Christmas period will mean for them.

**What's the right strategy for your business at Christmas?**

Wind down? Ramp up? Ride the wave?

**Did you know?**

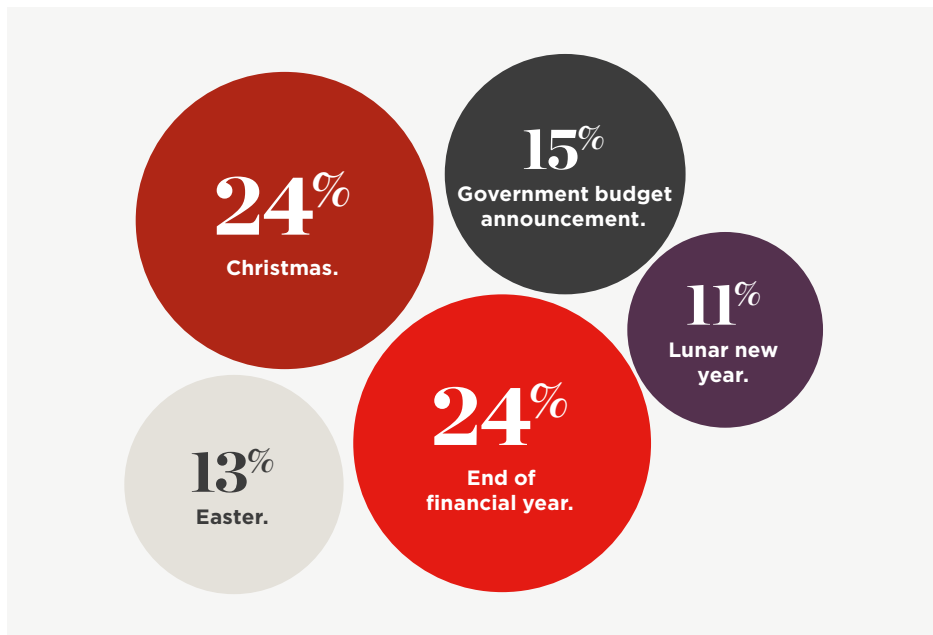
Our research shows that more successful businesses have a larger share of international customers. More than one in five (22%) of the top businesses have their main customers overseas compared to 18% of the bottom businesses.

1. ABS. (2018). 5206.0 - Australian National Accounts: National Income, Expenditure and Product, Jun 2018.

Ultimately, though Christmas offers opportunities for upside, most businesses do not see it as a period that will make or break the year. Only one-quarter of small businesses see the Christmas period as the most important time of the year (see Figure 1.3). Another quarter see the end of financial year as most important, and 15% see government budget announcement as the most important time to their business.

This reflects varied customer needs. For example, professional services businesses, or those who primarily have business customers, often see end of financial year as busy season. Similarly, government budget announcements can affect all businesses – but in particular, those who have government as a key client will see this time of year as critical.

**Figure 1.3: The most important time of the year for small businesses.**



Source: Deloitte Access Economics

Leveraging the opportunities offered by other important times of year can also bring businesses opportunities to smooth their cash flow by making the most of other markets. For example, exporting businesses are more likely to say that Lunar New Year is important (18% compared to 9% of domestically focused businesses).

**Tip: Have you thought about how you could make use of export markets?**

**Businesses that export are more likely to grow at Christmas time.**

**Did you know?**

Asian markets are particularly important export destinations for Australian businesses; around 66% of all Australian exports go to the region, with almost 30% going to China alone.<sup>2</sup>

2. Austrade Economics. (2017). Trade and Investment Note: Australia's export performance in FY2017. Retrieved from [https://www.austrade.gov.au/ArticleDocuments/5720/Australias\\_export\\_performance\\_FY2017.pdf.aspx?Embed=Y](https://www.austrade.gov.au/ArticleDocuments/5720/Australias_export_performance_FY2017.pdf.aspx?Embed=Y)

## 2 Work before wellbeing.

Many small businesses are established to support the wellbeing of owners – whether that’s about work-life balance, providing a source of employment for family or being your own boss. In fact, a recent survey found that 34% of small businesses were established for an owner-related reason.<sup>3</sup>

But running a small business can sometimes mean compromising on these very goals, including personal wellbeing. Our research finds that over one third of small businesses are compromising on their wellbeing, be that their health (36%), personal finances (45%) or sense of connection with others (37%).

**Figure 2.1: Proportion of small business owners that miss out on personal activities due to work commitments at Christmas.**



Source: Deloitte Access Economics

The Christmas period can be particularly challenging on this front. More than half (58%) of small business owners say they are likely to miss out on sleep because of work at Christmas, 63% won’t have a chance to relax and wind down or go on holidays, and 58% will miss out on spending time with family and friends.

However, this is not to say that every small business owner is feeling the strain at Christmas. Small businesses told us they require staff to take nine days of annual leave on average at Christmas, with operators citing ‘give owners a break’ (30% of survey respondents) and ‘give staff a break’ (15%) as key reasons for this decision.

**Christmas can be hectic.**  
 As hard as it might seem, make sure you take some time out.  
 Being sleep deprived impairs your ability to make decisions, innovate & communicate effectively.



### Women make more sacrifices.

Female small business owners are more likely to compromise on their wellbeing to deal with business pressures than their male counterparts are. Our research shows 34% of women say they sacrifice their salary to pay staff, compared to 27% of men, and 36% of women say their working hours affects their lifestyle, compared to 30% of men. Women are more likely to say they have sacrificed family holidays, working with peers and their wellbeing.

40% of women compared to 35% of men, are likely to consider ‘working without peers’ a sacrifice. It is possible that women feel more isolated than their male counterparts when running a small business. At the last Census (in 2016), only one in three small businesses in Australia were run by women.<sup>4</sup> This is growing (the 2016 numbers were up 2 percentage points over the last decade) but not quickly enough. Finding ways to assist women to minimise the sacrifices they identify in our research will be important in continuing to increase the number of women in small business in the future.

3. Chartered Accountants ANZ (2018), The future of business: Dynamic, digital and socially responsible.  
 4. Smart Company. (2018). More Australian women now run their own business. Retrieved from <https://www.smartcompany.com.au/finance/economy/more-australian-women-are-business-owners/>



## Case study #1.

# Future Fitouts.

Future Fitouts is a Brisbane-based business specialising in commercial fitouts for offices, industrial, education and medical/health practices. Now in its eighth year of operation, it remains family owned, run by Lauren Lowe and her partner Aaron Lowe. They've served over 500 clients in the Brisbane area, and are growing quickly, with 10 staff in the office, plus an offsite crew of 20-30.

For Lauren Lowe, having the right people is critical to business success: "If the right person comes knocking, don't wait until you have a position available, try to create a position for them. Then the challenge is keeping them happy and increasing workload."

Staff wellbeing is a central focus for Lowe, who has spent many years researching how to boost office morale and staff retention. "Through our business, we're able to see what works best for staff in terms of office design," she said. "Our office is full of light and bright colours; there is often relaxing music playing and oils diffusing. We also have an exercise space, so every morning as a team we enjoy 10 minutes of meditation; stretching or we play a game. Now we can't get rid of our employees on a Friday afternoon!"

Monthly BBQ breakfasts are also held to unite the office and offsite contracting teams. "A lot of people in the industry hear about these breakfasts, and how we look after our people, and they reach out wanting to work with us."

Giving back to the community is another important focus for Lowe. Along with significant charitable giving, the business is involved with a program called 'Buy 1 Give 1'. "Every time we get a new enquiry we donate one meal to a rescued animal. Every time we submit a fee proposal we donate one brick to a school in Kenya.

"And every time we complete a project we save a tree in the Daintree Rainforest. It means that instead of having monthly revenue targets, we have 'brick' or 'tree' targets, and that really motivates staff," Lowe said.

She does note that achieving work/life balance can be a challenge. "I don't use the term, 'the business is my life'. But with my business, my child and my family all being priorities, it does leave little time for me to spend on myself." But despite the sacrifices, Lowe wouldn't change a thing. "When you're committed to your business, and you love getting up in the morning and coming to work, it's all worth it."

Lowe's top tips for other Australian businesses are to be flexible: "No plan ever works perfectly. You have to be able to adapt and respond quickly, and be ready for the unexpected"; and to be governed by a strong vision: "We try to make all our decisions according to our values, and the few times we've deviated it hasn't gone well. Be purpose-led rather than revenue-led."

### Tip: Learn to say 'no'!

"It's tempting to take on everything as a business owner, but if you spread yourself too thin you risk your business and your health."

**Lauren Lowe**, Future Fitouts

### 💡 Did you know?

Our research shows that successful businesses are equally likely to close over the Christmas season, but require staff to take fewer days of leave - five days compared to less successful businesses that require nine days.



## 3 The cash flow challenge.

Another common challenge faced by smaller businesses is cash flow. More than 16% of small and 10% of medium businesses say they need to improve cash flow to achieve their financial goals.<sup>5</sup>

Managing cash flow can be particularly challenging during the Christmas period. While 55% of businesses are cash flow positive in December (making it the highest point in the year), less than half (48%) are cash flow positive in January and February, making these months the weakest.<sup>6</sup>

For many, this means spending significant time on chasing invoices - our research shows that businesses spend an average of eight person hours each week chasing customers to pay invoices.

**Small businesses spend a lot of time chasing invoices. Could you be using e-Invoicing to reduce this burden?**

### e-Invoicing.

Every year, 1.2 billion invoices are processed by Australian businesses,<sup>7</sup> with the associated time and monetary costs becoming increasingly prohibitive.

Earlier in 2018, the Federal Government announced it would be introducing electronic invoicing across all levels of government as part of a broader initiative to deliver faster and easier-to-use digital services for businesses.<sup>8</sup> And in October, the Australian and New Zealand Governments announced a formal agreement to introduce e-Invoicing, ensuring the two nations will have a consistent approach to its introduction, and businesses will more easily be able to interact across the Tasman.<sup>9</sup>

e-Invoicing reduces the cost of invoicing by around 70%, and the move to e-Invoicing could result in economic benefits of \$28 billion over 10 years.<sup>10</sup>

Two out of every three businesses think that billing reminders for overdue invoices and a system that automatically marks invoices as paid would be useful, yet less than half (46% and 33% respectively) use these services now. If more businesses began to use e-Invoicing, they could significantly reduce the amount of time they currently have to dedicate to chasing invoices, and therefore boost productivity.

### Did you know?

Our research shows that more profitable businesses don't believe offering pre-sales provides any benefit. Only 44% of successful businesses use pre-sales, compared to 60% of less successful businesses.

**Tip: Keep your finger on the pulse! Do you have real time cash flow data?**

**Biz Invoice is the first integrated invoicing payment solution from a major Australian bank. It allows businesses to conveniently create and send customised invoices direct from Westpac Live online banking at any time. Through Biz Invoice businesses can have better visibility of their cash flow position, send reminders when invoices are overdue and receive payment notifications.**

5. Ibid.

6. Sydney Morning Herald (2017). Small business on the brink with only half recording positive cash flow. Retrieved from <https://www.smh.com.au/business/small-business/small-business-on-the-brink-with-only-half-recording-positive-cash-flow-20170911-gyeurw.html>

7. The Treasury. (2018). e-Invoicing. Retrieved from <https://treasury.gov.au/consultation/e-invoicing/>

8. The Treasury. (2018). Government progressing eInvoicing. Retrieved from <http://kmo.ministers.treasury.gov.au/media-release/061-2018/>

9. The Treasury. (2018). Australia and New Zealand sign a Trans-Tasman eInvoicing Arrangement.

10. Ibid

# 4 Cost of compliance.

One significant burden for time-poor small business owners is paperwork. Small businesses say they spend 12 ‘person hours’ every week completing paperwork to comply with government regulations. Across all Australian businesses, this adds up quickly. Deloitte Access Economics estimates the cost of regulation to Australian businesses is \$100 billion annually.<sup>11</sup>

**Figure 4.1: Average hours spent weekly, per employee, on completing paperwork to comply with government regulations.**



Source: Deloitte Access Economics

Time spent on compliance varies, with smaller businesses facing a larger burden per employee compared to medium-sized businesses (as shown in Figure 4.1).

Paperwork and red tape can get in the way of achieving business goals. Across Australia and New Zealand, government regulation and compliance ranks as the second highest barrier to good business performance.<sup>12</sup> The Australian Government has committed to reducing this burden, through investment in RegTech (see box below).

## RegTech

Governments have long attempted to reduce the compliance burden of government regulations, that is, to cut red tape. Repealing unnecessary legislation, setting red tape reduction targets and creating rules, such as ‘one-in-one-out’ approaches to regulation have been part of this effort. However, aspirations have not always been met because of the consistent growth of regulation.

A new approach to addressing the compliance burden comes from regulatory technology, also known as RegTech, which uses technologies such as machine learning, and robotic process automation. In 2018, Deloitte Luxembourg identified 248 examples of RegTech applications around the world, mostly in the financial services sector, that improve the experiences of regulators and businesses.

The Australian Government has identified the development of RegTech as a priority, committing \$6 million for ASIC to promote Australia as a leader in its development. The Data 61 / CSIRO project Regorous converts regulations into logic so that it can map inconsistencies and overlaps between regulations and be available to third parties to develop apps to make it easier to comply. An exemplar, PermitMe, identifies the permits and licences businesses require and collects the necessary information so they can apply for them quickly and efficiently online. The development of such apps could make life easier for more small businesses in the future.

**Are there ways for your business to spend less time on paperwork – and more time on growing sales, creating jobs and meeting the needs of your customers?**

11. Deloitte Access Economics. (2014). Building the Lucky Country #4. Note: Figure has been updated to 2018 dollars.  
12. Ibid

# 5 Growth: it's complex.

Across Australia, our research suggest that small businesses have grown modestly in revenue terms relative to this time last year. But while some are doing fairly well, many are also only just scraping by. So, what's driving variations in business performance?

GDP growth is on trend at 3.4% for the year, and unemployment is falling gradually, down to 5.0%. But our research shows that growth in revenue has been primarily driven by businesses growing their domestic customer base incrementally (58% of respondents), while fewer businesses are growing through increasing their exports (37%) or offering new products or services (49%).

**Figure 5.1: Proportion of businesses that have increased each of the following over the last 12 months.**



Source: Deloitte Access Economics.

Not being open to doing things differently - and better - limits the potential for growth in these businesses. 'Innovation active' businesses are more likely to be growing sales, profitability and productivity than their non 'innovation active' counterparts (and often competitors).<sup>15</sup>

ABS data has previously shown that innovation in goods and services increases firm growth by an average of 3.3 percentage points, and innovating in marketing increases turnover growth by 4 points, relative to businesses that are not innovating.<sup>16</sup>

**If you're not innovating, as in doing something new or different every year, your business is less likely to grow.**

**Tip: Think carefully about whether discounting is always the right strategy.**

"People who come for a discount won't come back at full price. You're better to focus on brand and customer experience than lure one-timers in with a lower price."

**Steve Agi, Burger Love**

13. ABS. (2018). 5206.0 - Australian National Accounts: National Income, Expenditure and Product, Jun 2018.

14. ABS. (2018). 6202.0 - Labour Force, Australia, September 2018.

15. Office of the Chief Economist. (2017). Australian Innovation System Report. Retrieved from: <https://publications.industry.gov.au/publications/australianinnovationsystemreport2017/documents/ais-2017-chapter-4.pdf>

16. Ibid.



## Case study #2.

# Dresden Optics.

Dresden Optics is a rapidly expanding medium-sized business that manufactures prescription eye glasses. In financial year 2017-18, the business employed 45 people and made revenue of over \$2 million.

Dresden is moving into overseas markets, and while 10% of employees are currently based overseas, this is set to rise to 40% over the next three years. This increasing focus on export opportunities won't change where the glasses are made - manufacturing will continue in Australia even after sales are opened to Canadian and New Zealand markets.

One thing that will change is the company's hiring processes. Bruce Jeffreys, the business's founder, feels that hiring people trained overseas will be important when expanding to those markets: "When we hire new employees, we usually choose those who have been trained overseas, so they speak other languages and have a strong understanding of sales. Australians can be a little too risk averse."

Dresden Optics differentiates itself from the rest of the market by specialising in the production of one style of glasses, applying advanced manufacturing with large-scale automation. "This allows us to keep costs low and compete with international manufacturers that have lower labour costs," says Jeffreys. Dresden Optics doesn't offer discounts on its products and won't in the future: "Offering great value through a high-quality product at a very low price provides little room for discounting."

Christmas is a busy time for the business, which plans accordingly. According to Jeffreys: "The days leading up to this period are usually quite manic because of a rush of orders that come through just before Christmas, so the months leading up to Christmas are spent planning. Staffing is a particular challenge because so many people take extended breaks."

Jeffrey's offers some useful tips for younger businesses around the importance of putting time into distribution models. "The ability to scale the product or service efficiently is often the best way to become a market leader," he said. Equally important is technology: "It is the backbone of every scaling business these days, but it can be hard to find the line between how much you do yourself and where to use a third party."

**Tip: Don't let your debtors get the better of you. Manage your costs carefully to ensure your top line growth translates into cash.**



# 6 Talent and costs.

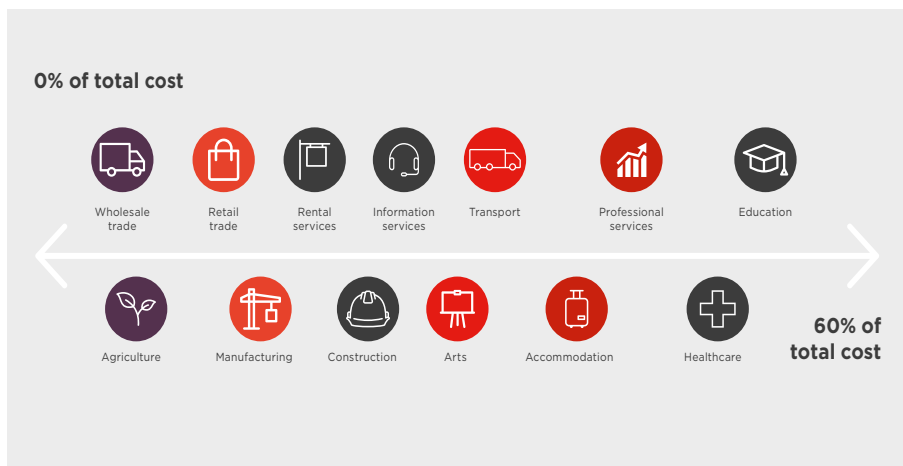
Many Australian businesses operate on small margins. For example, in retail, profits represent just 5% of income.<sup>17</sup> When margins are this skinny, even a slight increase in costs could be the difference between turning a profit and making a loss.

Despite modest inflation, 57% of small businesses say their costs have increased in the last 12 months. In fact, in almost all of the industries, the majority of businesses said their costs have risen.<sup>18</sup>

Staff costs can represent a significant proportion of these costs. Salary and wage expenses constitute 18% of total costs for Australian small businesses,<sup>19</sup> yet only one-third (38%) of Australian businesses employ staff,<sup>20</sup> so for employing businesses, these costs are likely to be higher. In service industries, labour costs can be more than 50% of total costs.<sup>21</sup>

**Have you considered employing more contract or casual workers as a way to scale operations more easily?**

**Figure 6.1: Wage and salary costs as a proportion of total expenses, FY15-16.**



Source: Deloitte Access Economics analysis based on ATO Tax Statistics, Table 6

Of course, having the right staff can pay big dividends for business. In fact, if Australian businesses could improve the quality of management to be half way to the world’s best, the economy would see a \$70 billion boost to GDP.<sup>22</sup>

Our research shows that businesses are reluctant to hire more staff, even when they’re growing. Over half (52%) of businesses don’t expect to have more employees 12 months from now, despite the fact that 62% expect their income will have increased over the same period.

Though staff can be a significant expense for business, wages can also have an impact on staff morale - and likely performance. As a result, businesses have mixed views on the impact of policies that increase staff costs.

17. ABS. (2018). 8155.0 - Australian Industry, 2016-17. Retrieved from <http://www.abs.gov.au/ausstats/abs@.nsf/mf/8155.0>  
 18. Majority of businesses in all of 19 industry categories surveyed, except for arts/recreation and information, media and telecommunications industries.  
 19. ATO Taxation Statistics  
 20. ABS. (2018). 8065.0 - Counts of Australian Businesses, including Entries and Exits, Jun 2013 to Jun 2017. Retrieved from ABS: <http://www.abs.gov.au/ausstats/abs@.nsf/mf/8165.0>  
 21. ATO Taxation Statistics  
 22. Deloitte Access Economics (2016), Westpac: Businesses of Tomorrow Report.

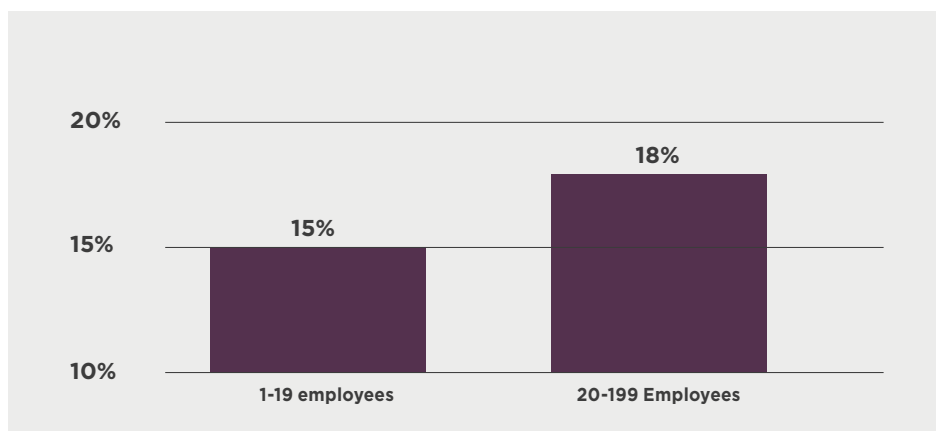
**TIP: Use coaches/mentors to help build your business.**

“It’s easy to get caught up with internal dramas, so having an external consultant can help you clarify things.”

**Lauren Lowe**, Future Fitouts

Four in five businesses said that changes to penalty rates affect their business. Of those, 50% said this impact was neutral (the positives and negatives balanced out). Yet businesses that employ more people were more likely to say the impact was negative.

**Figure 6.2: Proportion of businesses indicating that penalty rates have a negative impact on their business, by number of employees.**



In 2017, the Fair Work Commission decided to cut Sunday penalty rates in the hospitality and retail industries as a way to increase services and trading hours.<sup>23</sup> The changes took effect in July 2018, with Sunday rates cut between 10-15% depending on the industry. In September, the Commission scaled back the reform, increasing Saturday rates for casuals in the retail industry.<sup>24</sup>

However, the Australian Retailer’s Association believes the most recent change comes at the “...very wrong time”. Executive Director Russell Zimmerman notes that, “...this is the time when most retailers are increasing their casual staff ahead of Christmas.”<sup>25</sup> Although the evidence is not conclusive, the Association worries the decision will mean retailers scale back at Christmas rather than hiring more staff.

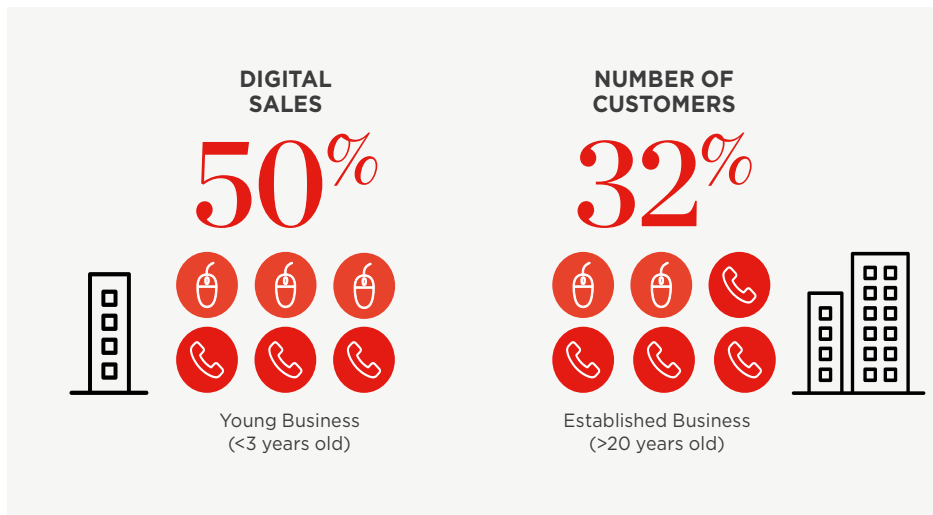
23. Fair Work Commission. (2017). Summary of Decision. Retrieved from <https://www.fwc.gov.au/awards-agreements/awards/modern-award-reviews/penalty-rates-case/about-the-penalty-rates-case>  
24. Financial Review. (2018). Fair Work Commission increases Saturday rates for retail casuals. Retrieved from <https://www.afr.com/news/policy/industrial-relations/fair-work-commission-increases-saturday-rates-for-retail-casuals-20180927-h15z7b>  
25. Sydney Morning Herald. (2018). ‘Wrong time’: Retailers slam penalty rates increase for casuals. Retrieved from <https://www.smh.com.au/business/workplace/wrong-time-retailers-slam-penalty-rates-increase-for-casuals-20180928-p506m3.html>

# 7 Digital is key.

Today, almost every business uses one digital tool or another, whether it be for accounting, finding staff or reaching customers.

New businesses often embed digital tools from the get-go, whereas established businesses need to engage with new technology to remain competitive. Yet this group is falling behind. Our research shows that businesses less than three years old make half their sales through online channels, while businesses more than 20 years old make only one-third of sales online.

**Figure 7.1: Proportion of sales made through different channels, by business age.**



Source: Deloitte Access Economics  
Note: 'Traditional' channels include 'in store/in person', 'over the phone' and 'through the mail'. 'Digital' channels include 'via email', 'through own business website', 'through third party websites' and 'mobile/app'

Previous research has shown that digital engagement enables significant growth for smaller businesses. For instance, highly digitally engaged small businesses are 50% more likely to be growing in revenue and earn 60% more revenue per employee than small businesses with only basic digital engagement (that is, they might have a business email address, but no website, or social media engagement).<sup>26</sup>

This is not to say that digital is the only way to sell; face-to-face customer interaction is important too. The results show businesses made more than one-third of sales in store, regardless of the age of the business.

### How digitally engaged is your business?

Having more digital tools is a proven way to improve your chances of successful growth.

Dresden Optics (see case study #2), uses three channels to sell to customers – walk-ins, online (through its website) and mobile.

26. Deloitte Access Economics. (2017). Connected Small Businesses 2017.



### Case study #3.

# Burger Love.

Opened in 2012, Burger Love serves burgers to over 1,000 Melbournites every day across its six stores (with another three set to open before Christmas). The business is also expanding to other Australian cities – with four stores to open in Adelaide and Brisbane, alongside plans for Sydney next year.

According to Steve Agi, founder of Burger Love, this rapid growth has largely been made possible by social media: “We’ve always relied heavily on social media. We don’t use any paid or print advertising; it’s just not as relevant for our audience.”

The business now has approximately 95,000 active Instagram followers, and it’s not uncommon for a single post to get over 10,000 likes. “Over 70% of our followers are in Melbourne, which helps us to convert those likes into revenue,” Agi said.

“Retention is the hardest part of marketing and we use social media to build customer loyalty.” Agi runs initiatives to both promote the business and build sales. #BurgerKids, for example, encourages children to post their experience in exchange for a free burger, and #FreeBurgers4Life offers free burgers for anyone willing to tattoo a Burger Love burger on themselves (an initiative over 5,000 people have registered for). “You can’t buy that kind of publicity,” says Agi. “We’re planning to livestream one fan getting her tattoo at the opening of a new store in Melbourne later this year.”

Staff wellbeing has always been important for Agi, particularly at Christmas. “We close between Christmas and New Year, so staff can have some time with their families.

“You can have a burger any other day of the year, and sometimes staff need a break.” The business has also negotiated with shopping centre owners to ensure they do not have to remain open for 24 hours. “Our whole business model is ‘happy people making happy food to make people happy’. But if your staff are unhappy, that’s not possible. We have good staff retention rates, and I plan to keep it that way.”

Agi’s advice to other business leaders is to have a thick skin. “You’ll hit walls a lot, but if you believe in what you’re doing it’s much easier to face those challenges with a smile. I always say a good day is one where I get more good emails than bad ones.”



**Tip: Use data from your digital channels to inform your strategy.**

“We have detailed data on everyone that downloads our app which allows us to tailor our strategy and keep growing our customer base.”

**Steve Agi, Burger Love**



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