



Geoff Lewis,
Inquiry Director (Services sector)
The New Zealand Productivity Commission
Te Komihana Whai Hua o Aotearoa
PO Box 8036, The Terrace
Wellington 6143

19 August 2013

Dear Mr Lewis,

Thank you for giving MYOB the opportunity to provide feedback on the proposed research topics.

On behalf of MYOB New Zealand, please see attached submission pertaining to the Services Sector inquiry.

Please feel free to contact me in person should you require any further information.

Yours sincerely,

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NZ Business Division Sales Manager,
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19 August 2013

Submission for the Services Sector Inquiry

To The New Zealand Productivity Commission,

This submission is from: MYOB New Zealand,
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Christchurch 8053, New Zealand

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Submission

MYOB supports the inclusion of the ‘addressing barriers to the successful application of information and communications technologies (ICT) to service industries’ as a research topic for the second phase of the Commission’s inquiry into the Services Sector.

Established in 1991, MYOB is New Zealand’s largest business management solutions provider. It serves over 1.2 million active businesses across New Zealand and Australia, with around one quarter from New Zealand, and has a partner network of 20,000 accounting firms, bookkeepers, consultants and other partners.

Further:

- One in three accounting software users in New Zealand use an MYOB solution.
- Approximately 40% of all new MYOB product registrations are for online solutions.
- Each year, approximately two million electronic tax returns are submitted via an MYOB solution to the Inland Revenue.
- MYOB has helped well over 10,000 New Zealand businesses build a business website with GetOnline, a joint initiative with Westpac NZ.
- The organisation invests more than NZ \$35 million in R&D each year.

As part of its market research efforts, MYOB has run the MYOB Business Monitor in New Zealand each year since 2009. This is a nationwide survey of over 1,000 owners and managers of sole trading, micro, small and medium sized businesses from across all industry groups.

Commissioned to Colmar Brunton, the MYOB Business Monitor is designed to research key areas of business performance, including profitability, cash flow and pipeline work, as well as business confidence and satisfaction in the support of Government.

MYOB Business Monitor research (March 2013) finds business owners using ICT are more likely to experience productivity benefits and, or, report indicators of success such as higher revenue. Yet despite proving significant benefits, ICT uptake by New Zealand SMEs remains low. This suggests there is significant scope for New Zealand business operators to increase operational and financial performance through greater use of ICT.

For this reason, MYOB supports further investigation into the obstacles that are preventing business operators from deploying ICT in their business. The findings from this research will inform a more targeted approach to encourage SMEs use of ICT for business success.

Supporting data points from the MYOB Business Monitor (March 2013).

1. Business Websites

- 34% of SMEs operated a business website.
- Those with a business website are almost 10% more likely to have reported a revenue increase in the last 12 months than those without.
- The former group is also more likely to expect to revenue increases in the next year.

Internet usage among consumers is well established, with 86% of New Zealanders using the Internet daily and 80% searching online before buying a product or service (Consumer Commerce Barometer NZ, April 2010). Despite this, only one third of New Zealand SMEs operates a business website, highlighting the stark difference between businesses' adoption of the Internet and the demands of their customers. A significant number of business owners and managers are missing out on sales and marketing opportunities.

When asked which of a number of business changes had occurred through simply having a business website (rather than through using other promotional media), New Zealand business operators said a web presence alone had:

- Increased their customer leads – 44%
- Increased their revenue – 36%
- Made them more competitive – 36%
- Resulted in a better conversion rate for sales leads – 32%
- Resulted in an increase in customer interaction – 31%
- Enabled them to enter new business locations – 21%

When worked alongside other promotional media, the business website had:

- Increased their customer leads – 23%
- Increased their revenue – 23%
- Made them more competitive – 18%
- Resulted in a better conversion rate for sales leads – 17%
- Resulted in an increase in customer interaction – 21%
- Enabled them to enter new business locations – 16%

2. *Cloud Computing*

- 16% of New Zealand businesses said they used cloud computing.
- SMEs that have embraced cloud computing were 16% more likely to have reported a revenue increase in the last 12 months than those who have not.
- The former group is also more likely to expect to revenue increases in the next year.

Despite the low uptake of cloud computing and usage of business websites, the MYOB Business Monitor research indicates that businesses using such Internet technologies are more likely to report a rise in annual revenue than non-users. They are also more optimistic about their own performance and that of the wider economy.

Although online technology is ubiquitous in the workplace, the research suggests SMEs are still uncertain about the cloud. More work needs to be done in ensuring owners and managers understand the specific gains to be had from embracing cloud innovation and exactly how the technology will help produce improved business results.

According to the Monitor, the top five reasons why SMEs use cloud computing are:

- Ability to work from whatever locations they want, or need, to work from – 68%
- Data is better protected and safer online rather than on their own server – 49%
- Enables one or more staff members to work remotely – 42%
- Enables accounting software to receive direct feeds of bank transactions – 36%
- Enables employees and the business operator to be more productive – 29%

The cloud provides a highly secure means of storing and sharing data, and supports improved productivity. It also allows business teams the freedom to work from locations other than the office and collaborate in real-time online. Given that MYOB research has found businesses with remote workers are more productive and profitable, this is a significant benefit.

Despite the growing range of cloud computing options available for business, New Zealand SMEs remained unsure of the technology. 84% of the country's businesses were either still not using it or unsure if they were using it.

3. *Teleworking*

Just under half of the business operators interviewed by the MYOB Business Monitor utilised some form of teleworking within their business, while 53% had employees working only from their business premises.

SMEs with remote workers were 43% more likely to see a revenue rise in the past year.

To assist with teleworking, business operators were most likely to use email (74%), a laptop/computer (61%) and a smartphone (51%). Instant messaging was utilised by almost one quarter of business operators (23%).

Teleworking was seen to provide a number of business benefits, with the top three being:

- Greater employee productivity (27%)
- Reduced travel costs (26%)
- Happier employees (24%)

In summary, MYOB believes the inclusion of 'addressing barriers to the successful application of ICTs to service industries' as one of the research topics focused on during the second phase of the inquiry is critical to ensuring local business operators benefit from the growth and development of a wide range of technology.

Thank you.

About the MYOB Business Monitor report (March 2013)

The MYOB Business Monitor is designed to research key areas of business performance, including profitability, cash flow and pipeline work, as well as business confidence and satisfaction in the support of Government. The MYOB Business Monitor report (March 2013) presents the summary findings for key indicators from the MYOB Business Monitor comprising a national sample of 1,047 business owners, managers and directors (operators), and was conducted in February 2013.

The businesses participating in the online survey are defined as both non-employing and employing businesses. All data has been weighted by industry type, location and number of employees, which are in line with Statistics New Zealand (New Zealand Business Demography Statistics: At February 2010: ISSN 1174-1988.)

The MYOB Business Monitor report was prepared by Gundabluey Research and fieldwork was completed by Colmar Brunton (a Millward Brown Company) for MYOB.

Industry	Weighting	No.
Agriculture	15%	101
Manufacturing and Wholesale	8%	50
Construction & trades	11%	146
Transport and Warehousing*1	3%	42
Finance and insurance*1	6%	33
Professional and Business Services	34%	313
Retail and Hospitality	9%	125
Other Industries**2 (incl. in total results)	14%	236
Total	100%	1047

1 Caveat: There is high margin of error of +/-15% @ 20% on this small base

2 Other Industries, which have been combined to minimise their margin of error, include these sectors: Communication Services; Cultural & Recreational Services; Education; Electricity, Gas & Water Supply Services; Health & Community Services; Mining; and Personal & Other Services

APPENDIX:

MYOB Business Monitor - National Report March 2013

<http://myob.co.nz/myob/backing-kiwi-business/myob-business-monitor-1257829565839#ixzz2c2OTEjvy>