

Will SMEs expand their sales or suppliers internationally to get through tough economic times?

A Money Transfer Comparison Study

December 2022



**MONEY TRANSFER
COMPARISON**

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About the study

Money Transfer Comparison commissioned an independent study of 210 owners and senior decision-makers across small-to-medium businesses to gauge whether SMEs would look to expand production or sales into international markets if tougher economic times were to hit Australia.

Respondents were asked to identify what aspect of their business they might consider expanding overseas including sales and international suppliers. Business owners could also specify if they had already expanded internationally, or if they would never outsource part of their business to international markets.

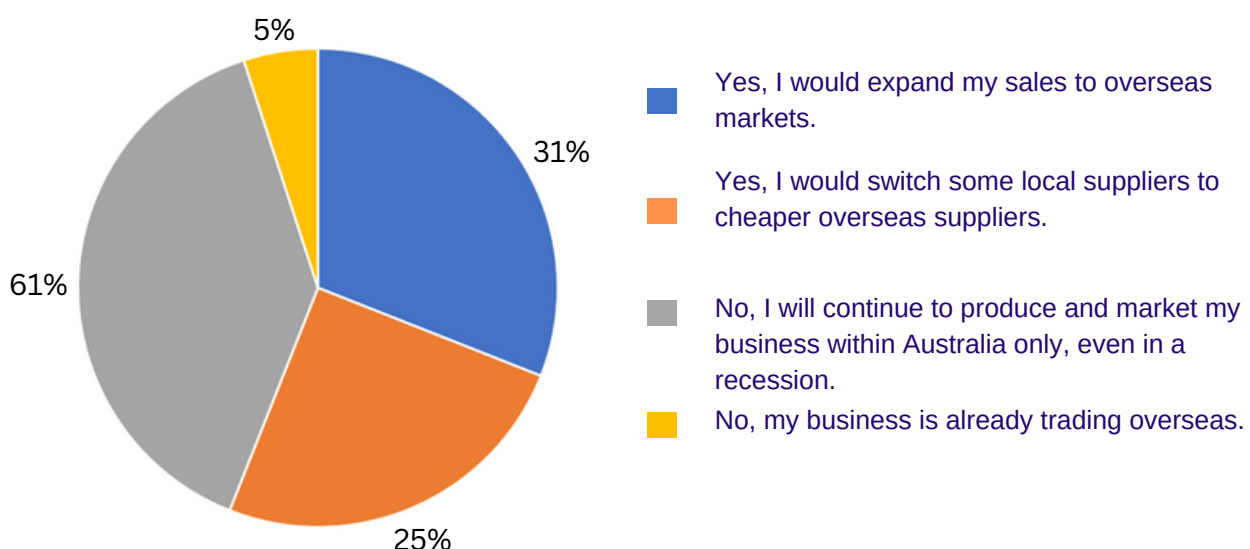
Money Transfer Comparison also sought to discover what type of supplies SMEs might outsource internationally, including parts and materials, labour and software and technology.

Small Business Loans Australia surveyed 210 owners and senior decision-makers across the full SME spectrum: micro (1-10 employees), small (11-50 employees) and medium-sized (51-200 employees).

What percentage of businesses will look to expand into international markets or switch suppliers to cheaper overseas alternatives in tough economic times?

Money Transfer Comparison found that 61 per cent of Australian SMEs would operate some aspect of their business in international markets through either suppliers, labour, production or sales. Almost a third (31 per cent) said they would expand their sales to overseas markets and 25 per cent would switch to cheaper overseas suppliers. A meagre 5 per cent said they are already operating or sourcing supplies internationally to some degree.

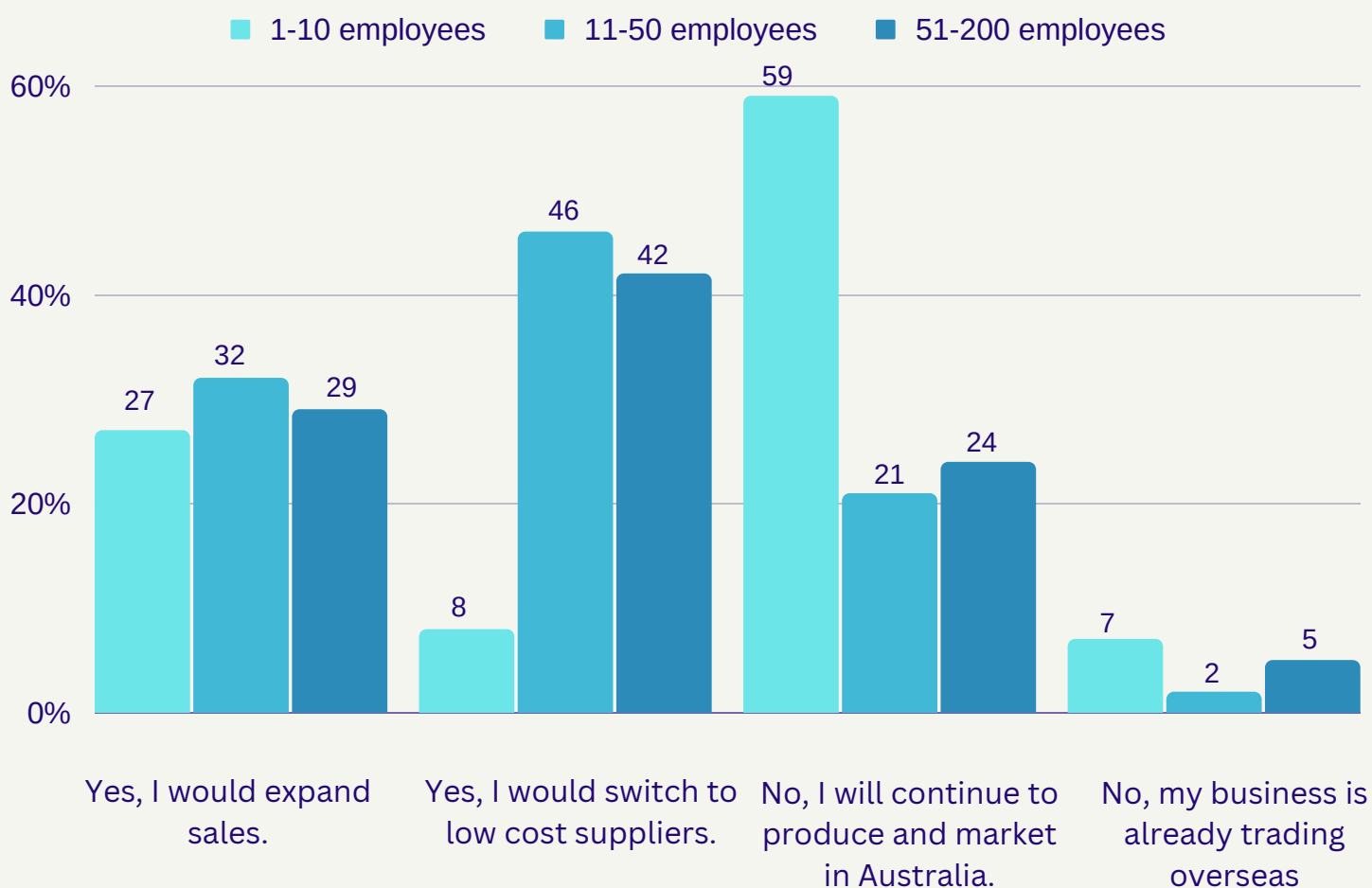
More than a third (39 per cent) were strong on their goals to remain Australian-made and would continue to produce and market their business within Australia only, even in tough economic periods such as a recession.



Money Transfer Comparison analysed responses across business sizes and found the larger the business the more likely they are to sell or source from overseas. More micro businesses (59 per cent) felt strongly about selling and sourcing supplies in Australia – likely because of the difficulty of doing so on a small scale in overseas markets. This compares with just 21 per cent of small businesses and 24 per cent of medium-sized businesses.

However, small businesses are most likely to outsource to low-cost overseas suppliers in tough economic periods, chosen by almost half (46 per cent) of this category, followed by 42 per cent of medium-sized businesses and only 8 per cent of micro businesses.

Would you expand production or sales to international markets in tough economic periods? (By business size.)



Would you expand production or sales to international markets in tough economic periods? (By State.)

Across the States and Territories, ACT and SA businesses are most likely to expand some aspect of their sales or production to overseas markets, chosen by an equal 67 per cent, followed by 66 per cent of Victorian, 61 per cent of NSW, 57 per cent of West Australian and 56 per cent of Queensland businesses.

West Australian businesses are the least likely to switch local suppliers to cheaper overseas suppliers, chosen by only 14 per cent. This compares with 21 per cent of Victorian businesses, 24 per cent of Queensland businesses, 27 per cent of South Australian businesses, 30 per cent of NSW businesses and 33 per cent of ACT businesses.

Response	By State (%)					
	NSW	VIC	QLD	SA	WA	ACT
Yes, I would expand my sales to overseas markets.	29	41	24	33	29	33
Yes, I would switch some local suppliers to cheaper overseas suppliers.	30	21	24	27	14	34
No, I will continue to produce and market my business within Australia only, even in a recession.	39	34	44	33	43	33
No, my business is already trading overseas.	2	4	7	7	14	0

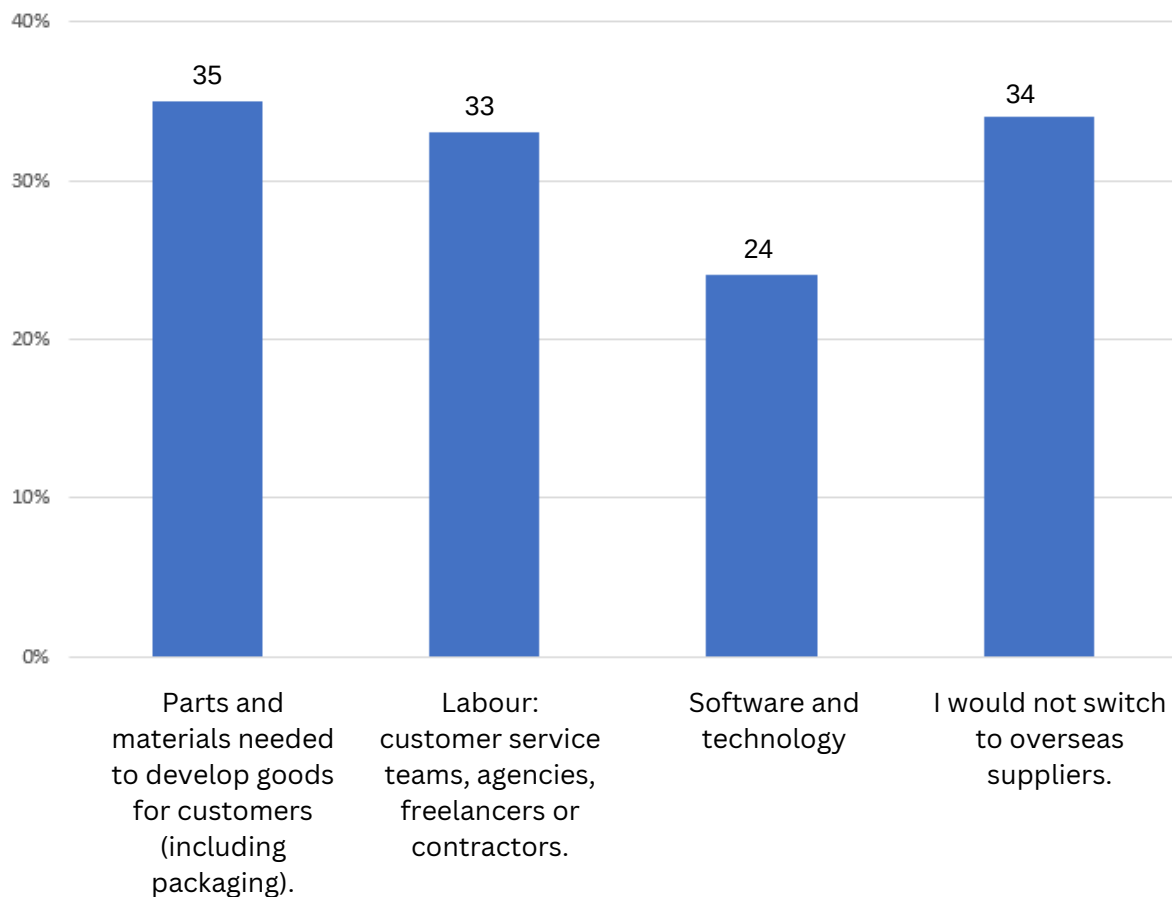
What types of suppliers would Aussie SMEs use overseas if the Australian economy experiences a downturn?

Money Transfer Comparison also sought to discover the type of suppliers that SMEs would use overseas in the event of an economic downturn.

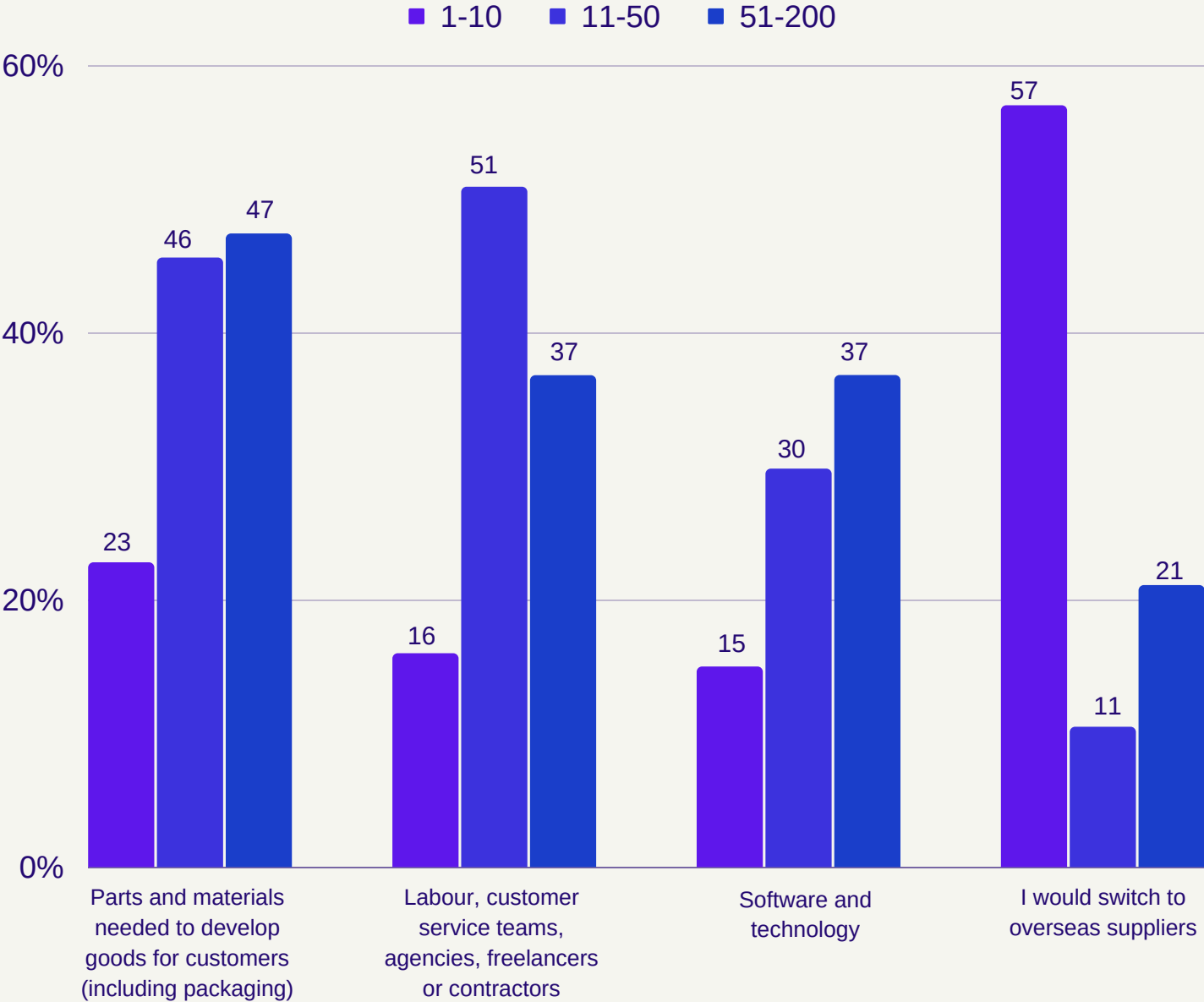
More than a third (35 per cent) of SMEs expanding overseas would use international parts and materials, including packaging, to develop their goods. One third (33 per cent) would outsource labour including customer service teams, agencies, freelancers or contractors internationally. One quarter (24 per cent) would use software and technology from overseas.

One third (34 per cent) of SMEs wouldn't outsource any business suppliers overseas in an economic crisis.

What types of suppliers would Aussie SMEs use overseas if the Australian economy experiences a downturn?



What types of suppliers would Aussie SMEs use overseas if the Australian economy experiences a downturn? (By business size.)



Micro businesses are again least most likely to spend in Australia, with 57 per cent unwilling to switch to any overseas suppliers, in contrast with 21 per cent of medium-sized businesses and 11 per cent of small businesses.

Small businesses are most likely to outsource cheaper labour internationally, chosen by half (51 per cent) of this group, followed by 37 per cent of medium-sized businesses and 16 per cent of micro businesses.

What types of suppliers would Aussie SMEs use overseas if the Australian economy experiences a downturn? (By State.)

Across the States and Territories, ACT businesses are most likely (chosen by 67 per cent) to outsource parts and materials to develop goods for customers. This was followed by 40 per cent of Queensland and SA businesses, 38 per cent of WA businesses and 32 per cent of NSW and Victorian businesses.

A third (33 per cent) of ACT and WA businesses would outsource software and technology internationally, compared with 31 per cent of Queensland, 27 per cent of SA, 21 per cent of NSW and 18 per cent of Victorian businesses.

Response	By State (%)					
	NSW	VIC	QLD	SA	WA	ACT
Parts and materials needed to develop goods for customers (including packaging)	32	32	40	40	38	67
Labour: customer service teams, agencies, freelancers or contractors	36	38	36	27	14	33
Software and technology	21	18	31	27	33	33
I would not switch to overseas suppliers.	33	32	33	33	43	33