

Beijing, 23 April 2020

For immediate release

CPA AUSTRALIA: TECHNOLOGY AND DIGITAL CAPABILITIES ARE KEY FOR SMALL BUSINESSES IN CHINA TO OVERCOME THE CHALLENGES OF COVID-19

China's small business sector's strong focus on technology and digital capabilities places it in a better position to recover comparatively quickly from the impacts of COVID-19, according to analysis of an annual Asia-Pacific Small Business Survey conducted by CPA Australia, one of the world's largest accounting bodies.

Many of China's small businesses also well placed to recover as they entered the crisis with reasonably strong finances. Despite challenging conditions in 2019, 81 per cent of surveyed small businesses from China reported that they grew and 57 per cent of small businesses increased employee numbers.

Technology and digital capabilities are key to support small businesses to manage challenges

Even before the Covid-19 pandemic, the survey results indicate a clear link between adoption of digital technologies and strong business growth. With a surge in consumer demand for e-commerce and online services caused by measures to control the COVID-19 outbreak, a strong focus on improving technology and digital capabilities will be essential to support small businesses navigate through this challenging time and help them rebound strongly.

Amongst the surveyed markets, small businesses from China continue to be leaders in earning revenue from online sales, adopting new digital or mobile payment methods and using social media for business purposes. For example, 86 per cent of surveyed small businesses from China earned over 10 per cent of their revenue from online sales, 91 per cent of businesses generated more than 10 per cent of their sales through new payment technologies, and 98 per cent of businesses used social media for business activities, including selling products or services, communicating with existing customers and digital marketing.

An innovative culture is also very important for small businesses steering through uncertain times. According to the survey, small businesses from China are the most likely to innovate with 93 per cent of small businesses stating that they will or intend to introduce a new product, service or process in 2020.

They are also big investors in technology, and for many this investment is generating a quick return, with 57 per cent finding that such investment in 2019 was already profitable. Amongst all markets surveyed, small businesses from China were the most likely to have invested in business intelligence and analytical software, cloud computing and data visualisation software.

Given China's large middle-income population and recent government measures such as issuing digital coupons and the plan to extend weekends to two and a half days to boost domestic consumption, local small businesses

with their strong digital and technology capabilities and an innovative culture will be well positioned for future growth.

It would however be beneficial if they invested in reviewing and analysing their existing customer data to improve customer satisfaction and utilise digital technologies to identify new customer demands and tap into new business possibilities that are likely to emerge over the course of the crisis and beyond.

Financial support measures are key for small business recovery

The survey findings suggest that government financial support measures in 2019 such as tax reforms and improvements to small business financing may have helped small businesses in China to grow.

While small businesses in China were most likely to identify 'increasing costs' as a significant barrier to growth (30 per cent) in 2019, the percentage who selected this option is at its lowest point since China was first included in the survey in 2015. In addition, respondents who identified tax as a barrier to growth (9 per cent) is also at an all-time low, suggesting that various government measures such as the 200 billion yuan tax cuts and fees reduction implemented in 2019 are helping small businesses in China to manage through challenging times.

Further, amongst the eleven surveyed markets, small businesses from China were the most likely to state that it was easy or very easy to access external finance, with 54 per cent of small businesses reported that it was easy to access finance in 2019, suggesting that ease of access to external finance is important for small businesses from China to fund their growth.

Since the COVID-19 outbreak, the Government has implemented numerous fiscal and monetary policies to support small businesses, including value-added tax (VAT) relief for small businesses and the injection of 550 billion yuan of liquidity into the market. It is crucial for small businesses from China to keep abreast these government support measures and make full use of them to reduce their financial burden, including measures to reduce staff costs, materials costs, taxes and rent.

CPA Australia has six tips for China's small businesses in 2020:

- Make full use of government relief measures, including tax cuts and fee reductions / exemptions.
- . Focus on improving cash flow and financial health.
- Keep abreast of technology trends such as the development of 5G technology and blockchain technology to identify opportunities such technologies provide to improve business operations and to stay ahead of competitors.
- Encourage staff with any downtime to undertake training so they are better skilled to meet the recovery needs of your business.
- Capitalise on your existing pool of loyal customers and focus on improving customer satisfaction to retain existing customers and to attract new customers.
- Keep an open eye to any opportunities that may emerge in the recovery.

Other CPA Australia resources to assist small businesses in China to manage through COVID-19

- [CPA Australia's checklist on managing through COVID-19](#)

About CPA Australia

CPA Australia is one of the world's largest accounting bodies with more than 166,000 members working in 100 countries and regions around the world, and with more than 25,000 members working in senior leadership positions. It has established a strong membership base of more than 19,000 in the Greater China region.

About CPA Australia Asia-Pacific Small Business Survey

The CPA Australia Asia-Pacific Small Business Survey provides annual insights into the views of small businesses across the region and forms part of a longitudinal study that began in 2009. The 11th CPA Australia annual survey comprised extensive surveying of 4,193 small business operators in eleven markets, including 772 from five cities in Mainland China (Beijing, Guangzhou, Shanghai, Shenzhen and Chongqing), Hong Kong, Taiwan, Malaysia, Vietnam, Indonesia, Singapore, the Philippines, India, Australia and New Zealand. The survey was conducted between 18 November and 12 December 2019 before the COVID-19 pandemic.

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