



Australian Business Software
Industry Association

Business Software Industry COVID-19 Impacts Report





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1. Introduction

President's Introduction

On behalf of the Australian Business Software Industry Association (ABSIA), I am pleased to provide the outcome of our recent survey on the impact of COVID-19 on the Business Software Industry.

ABSIA undertook this survey to gauge the impact and overall mood of the industry as we look forward to recovery in the next six months and beyond. The primary goal was to collect this information and present the themes back to the industry and our industry stakeholder groups. In doing so, we believe that this will allow industry members to recognise that they are not alone in dealing with COVID-19 challenges in addition to identifying themes that ABSIA can explore with the industry and stakeholder groups for further action.

I am hopeful that the below report will provide members and stakeholders value. ABSIA welcomes any feedback through our communication channels listed on the next page of the report.

To our members and stakeholders, I thank you for your ongoing support.



Chris Howard
President, ABSIA



Executive Summary

This survey has found that over 90% of the business software industry has been impacted upon by COVID-19 to some extent. While there have been impacts, the industry seems to be optimistic about the road to recovery with most survey respondents indicating that they plan to hire again and grow within the next six months. However with continued cases, cyber security events and potential long term economic impacts, it may not be straightforward.

Moving forward, there are many initiatives the government and industry can pursue to benefit DSPs and ways to better support them. As a result of this survey, ABSIA aims to take the feedback into our own work and our advocacy with the government over the coming months.

About ABSIA

The Australian Business Software Industry Association (ABSIA) is a not-for-profit association acting as the collective voice of the Australian business software industry. ABSIA plays a vital role in transforming how the industry engages with the government by positioning ourselves as a primary point of contact for both parties. These government and industry relationships allow for better input on policy issues that relate to the business software industry and therefore collaboration in the design and delivery of services.

ABSIA Members comprise of software developers, service providers, consulting services, large corporations, SMEs and individual consumers as well as those with a vested interest in the business software industry who do not develop business software.

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2. Survey Process

ABSIA recently conducted a survey with the aim of understanding the impact of the COVID-19 pandemic. The survey consisted of [18 questions](#) that asked respondents about the impacts of COVID-19 on themselves as a business and their attitudes towards the recovery potential over the next six months.

Responses were collected using a common survey system and all survey details were anonymised. Contact details were collected by the survey administrator (internal ABSIA team member) for the sole purpose of follow up or the clarification of answers. No other direct contact details have been shared that would identify a survey response to an individual responder.

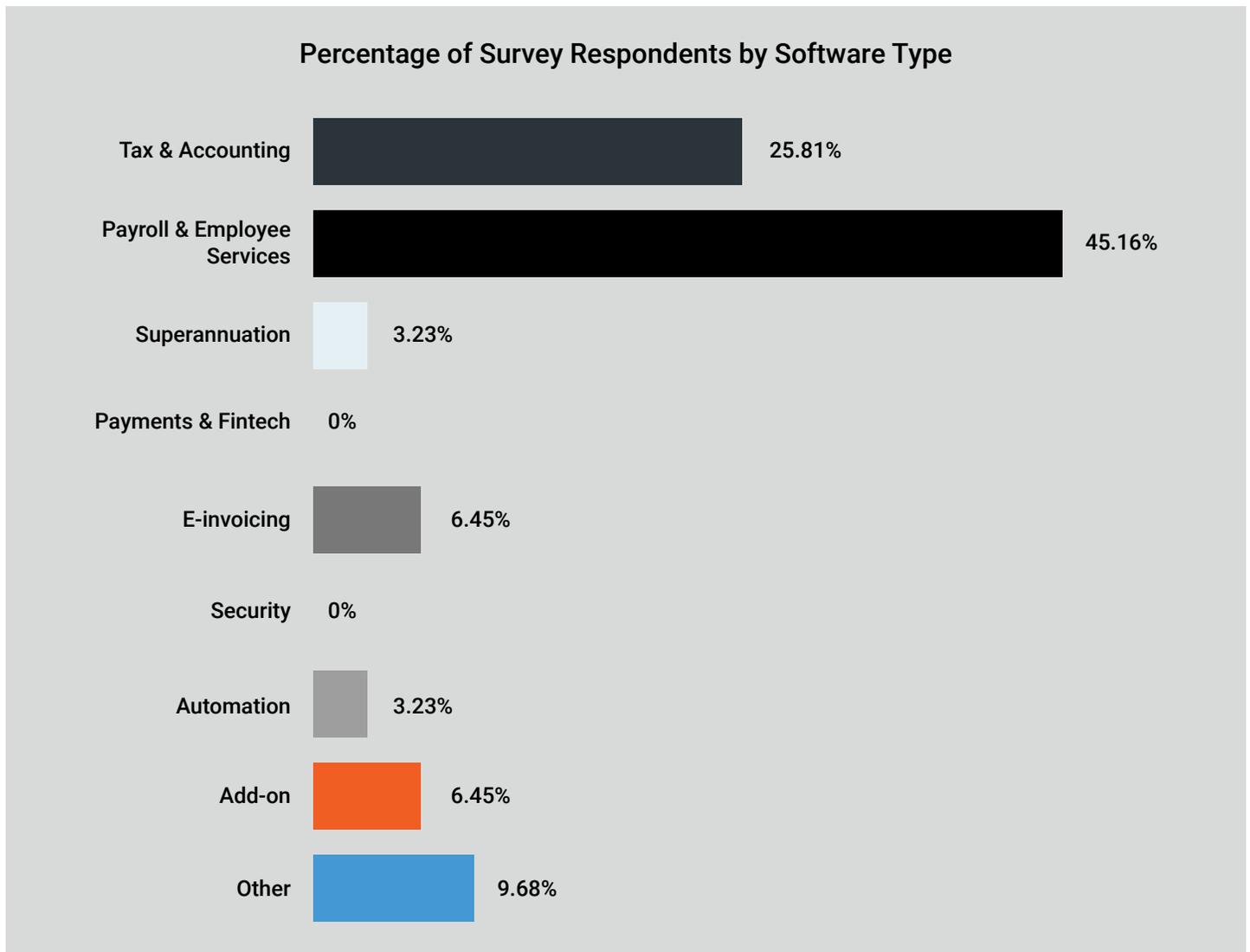
Results were received from a variety of business software providers across Australia and internationally. A limited number of responses were removed as a result of incomplete data. However, the majority of responses were valid and a cross industry response has been analysed.

ABSIA understands that not all businesses were able to participate in this survey and share the level of information that the survey asked for. Regardless, ABSIA wishes to thank survey respondents and those who engaged with the survey.

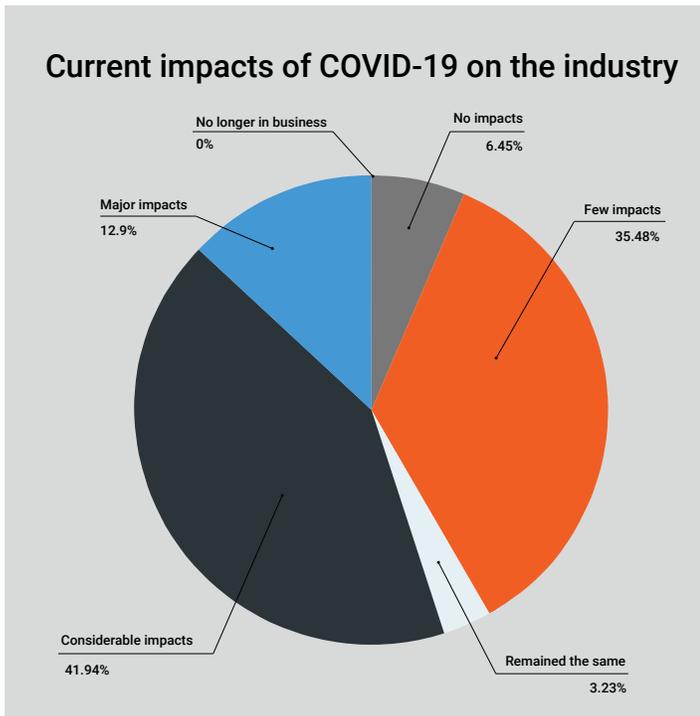
These results have been summarised into the key findings and statistics presented in this report.

3. Who Responded?

Business software companies providing tax and accounting, payroll and employee services, superannuation, e-invoicing, automation, add-on or other services responded to this survey from across the world with 90% of respondents located in Australia. This result mostly follows the current makeup of ABSIA's community with many operating in the tax and payroll space.



4. Impacts on Business Software Providers



Over 90% of the respondents indicated that their business had been impacted on by COVID-19. 54% of respondents have experienced considerable to major impacts with a further 35% experiencing few or minimal impacts. These results only take into account the current impacts of COVID-19 and do not factor in any potential long-term effects on the industry. What this suggests is that COVID-19 has had a heavy impact on the industry at this time and there may be ramifications on the industry as we move to recover.

While no respondents had gone out of business at the time of the survey, [32% of respondents](#) were worried about declines in revenue as a result of their customers downsizing or reducing costs. This concern has been raised with continued media attention on the downward trend of the Australian and global economies. The potential impacts to

respondents if their customer organisations were to go out of business would include but not be limited to:

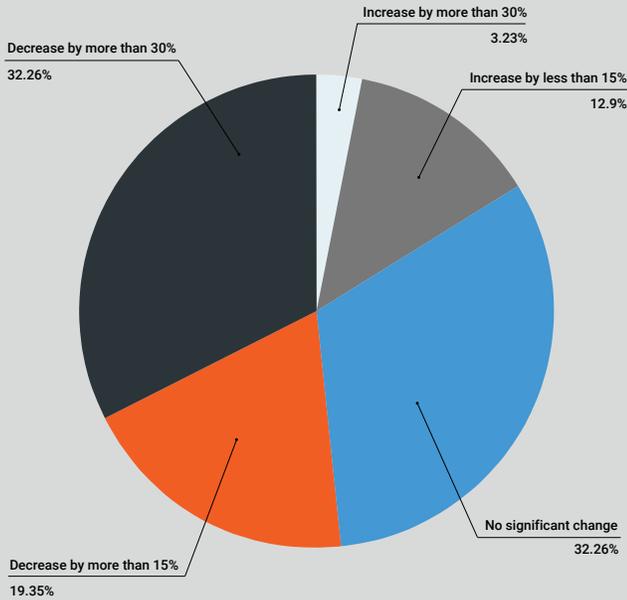
- Loss of revenue;
- Loss of market;
- Inability to cover debts; and
- Risk of insolvency

On a wider scale, according to the Australian Bureau of Statistics, [74% of businesses have had to change how they operate](#). A further [72% of businesses have seen a decrease in revenue](#) as a result of COVID-19.

Changes in Revenue

52% of the respondents were expecting decreases in revenue at the time of the survey. However, 32% responded that they do not expect revenue impacts at all. A small amount of respondents are expecting an increase in revenue over the coming months.

Expected changes in revenue



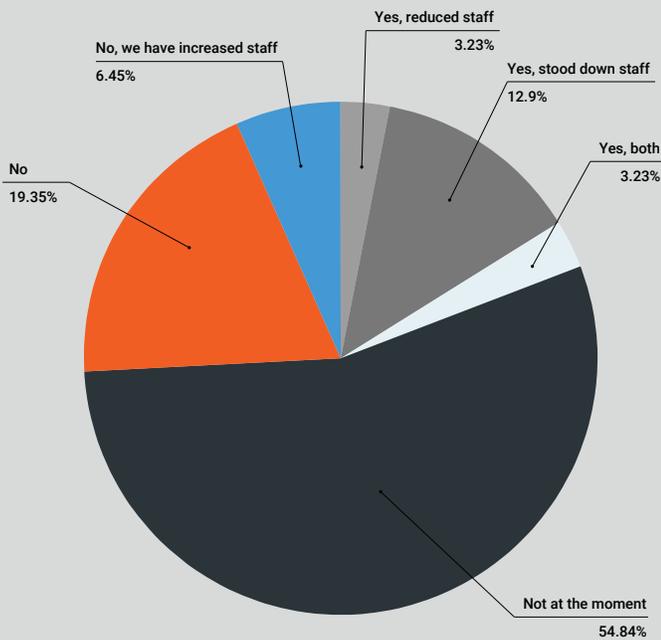
While this survey did not ask respondents about whether they were receiving assistance from any government stimulus measures, it would be interesting to see whether receiving COVID-19 stimulus measures had lessened the revenue impacts for some respondents.

Changes in Staff

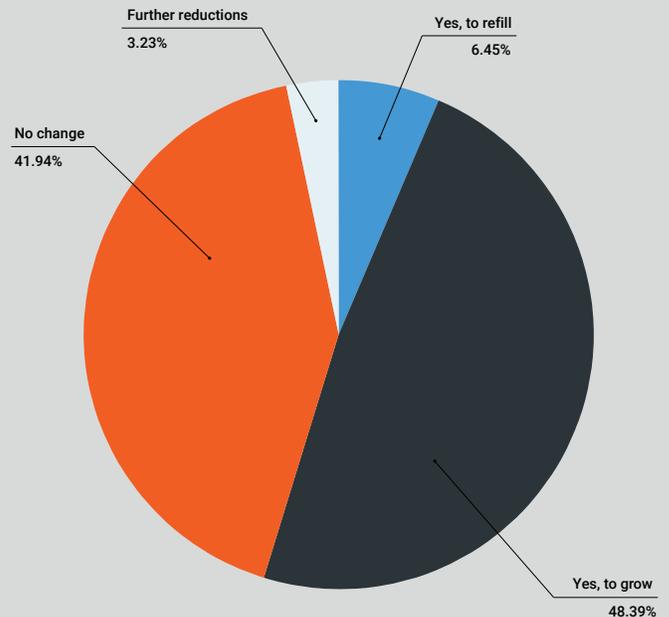
Over 50% of respondents have not needed to reduce or stand down staff at the time of the survey. The JobKeeper stimulus measure may have allowed more respondents (and those in the industry) to keep their staff on until the program ends, which may also explain why many respondents had not experienced any changes “at the moment”.

When it comes to hiring plans for the next 6 months, 50% of respondents were looking to hire again to either refill or grow their staff. This response is promising, however with many respondents currently experiencing revenue impacts, the ability to follow through with these plans depends heavily on the long term economic effects. Meanwhile, 42% did not foresee any changes in their staff numbers.

Businesses that have reduced, stood down or increased staff



Attitudes towards hiring again



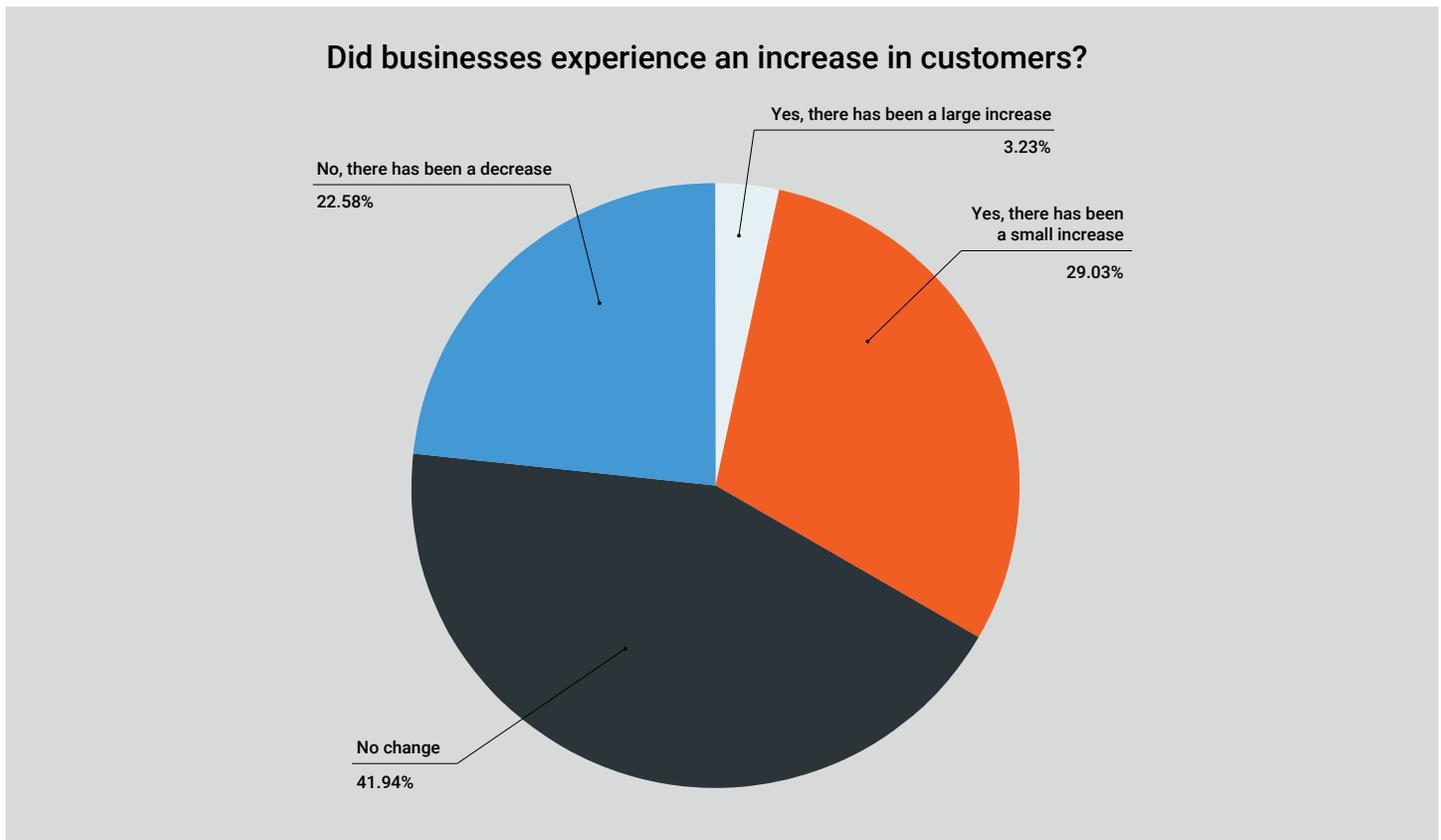
Changes in Customers

With many businesses being forced into working from home situations as a result of COVID-19 restrictions, it has provided the perfect time for many of these businesses to digitise their operations. ABSIA recognised this as an opportunity for the business software industry to assist businesses in making this transition and digitising which may have provided an ideal climate for providers to gain new customers.

What the results suggest is that respondents either experienced no change (42%) or a decrease (23%) in customers at the time of the survey. A smaller percentage (29%) did experience a small increase in customers. This mixed result suggests that the industry is relatively stable and that these client changes were perhaps reactionary to COVID-19, or an opportunistic activity for customers to either reduce costs or move from one provider to an alternative provider. However, these factors were not further examined in the survey and therefore were not analysed in this report.

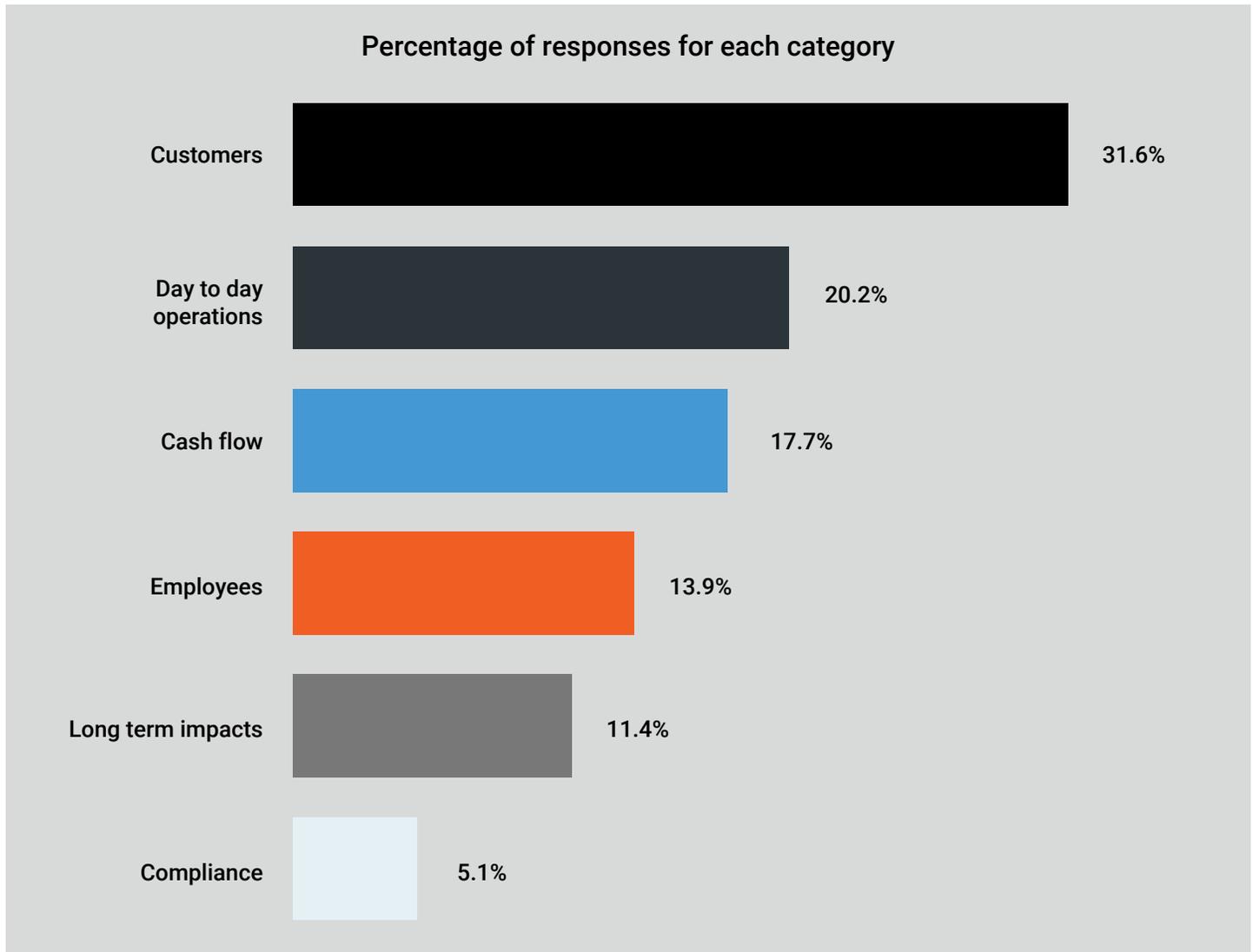
One survey respondent provided a comment that summarised the reason for these mixed results well.

“ We have seen some increase in clients as those who were using legacy products scrambled to get onto a cloud solution so that they could run their businesses from home. However, overall there has been a decrease in clients as there have been a number who have been forced out of business and many existing clients have, for example, downgraded the number of software licenses to save money. ”



What is the Industry Worried About?

At the time of this survey, respondents were broadly worried about their customers, day to day operations, cash flow, employees, long term impacts and compliance.



Customers

The majority of respondents (32%) indicated that they were worried about their customers, whether this was their survival and financial viability or the direct cash flow impacts from their customers cancelling or downsizing their applications. Other respondents were concerned about their ability to support their existing customers and being able to provide each of their customers with the same assistance. Some respondents were worried about bringing in new business and identifying new prospects.

Day to day operations

20% of respondents were worried about the day to day operations of their businesses such as running them remotely due to COVID-19 restrictions, the productivity of their staff and their ability to remotely manage projects. Equipment for staff working from home was a challenge for some but it seems most were able to meet these needs in the end. Cost reductions from parent companies or reductions on

optional spends, resulting in delayed projects, impacted some respondents.

Cash flow

18% of respondents were worried about cash flow and revenue impacts to their businesses which relates closely to the responses for customers. Some were worried about the cost of running their businesses with increased customer enquiries while others were concerned about their current pricing models and how this will impact on their revenue. Late payments was another common concern amongst respondents.

Employees

Similar to managing day to day operations, 14% of respondents were worried about the productivity of their staff while working from home as well as their ability to engage with them. Retaining staff was another common concern. On a positive note, many respondents were worried about the health and safety of their staff.

Long term impacts

Long term impacts, including the economic impacts and recovery, was conveyed by 11% of respondents. A slow moving market and falling consumer confidence may impact on respondents considerably over the next six months. Some respondents have had their expansion plans put on hold.

Compliance

The compliance work required of many respondents during the initial economic shutdown worried 5% of respondents. The ability of respondents to keep up to date with the ATO's changes to JobKeeper was a common concern. Some found that the lack of clarity made it difficult to support customers to the level they would have liked.

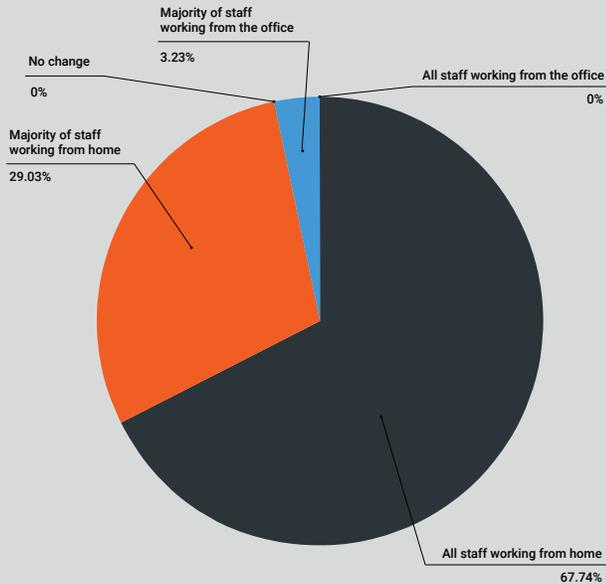
How is the Industry Transitioning Back to Work in the Office?

At the time of the survey, 68% of respondents had their staff working from home with 63% planning on returning to an office environment in line with the government's roadmap, which forecasted the beginning of July for "official return to work". With continued cases arising, the actual return to office date may change amongst respondents depending on each organisation's risk appetite.

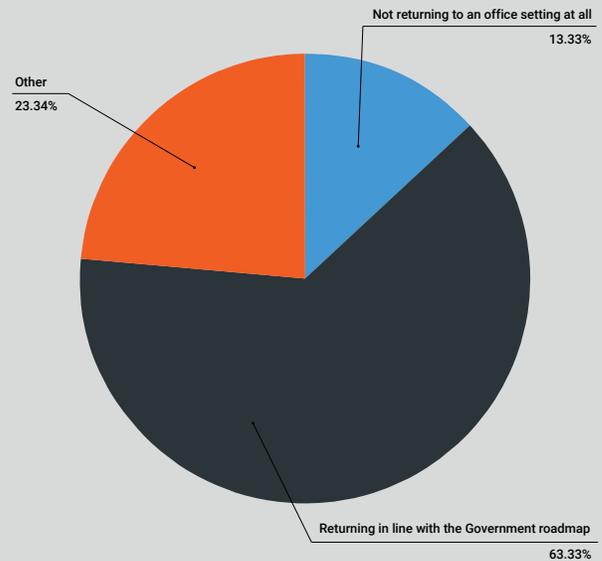
Interestingly, 13% of respondents have stated that they are not planning to return to an office setting at all. With increased capability through virtual connectivity tools, this may lead to other organisations considering remote working as a longer-term operational model.

The survey highlighted that some businesses had their own plans such as a partial return to office, permanently keeping some staff working from home, staff returning to the office on a voluntary basis and returning back with an alternating schedule for staff.

Current Staff Working Environments



Expected Return to Work Plans

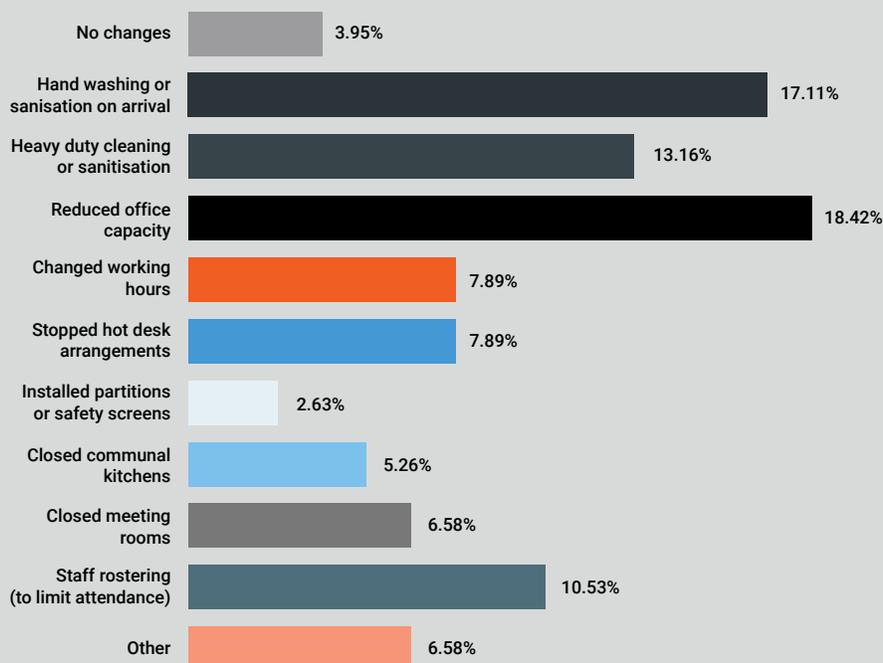


Changes to Workplaces

18% of respondents indicated that they will be reducing their office capacity, requiring hand washing or sanitisation on arrival, implementing heavy duty cleaning or sanitisation and rostering staff to limit attendance. One answer that was popular in the other category was restricting numbers in meeting rooms and break out areas.

In light of COVID-19 and return to work plans, it is expected that workplaces will now have more strict health and safety policies around personal health if they do not have such policies already.

Intended changes to workplaces as a result of COVID-19



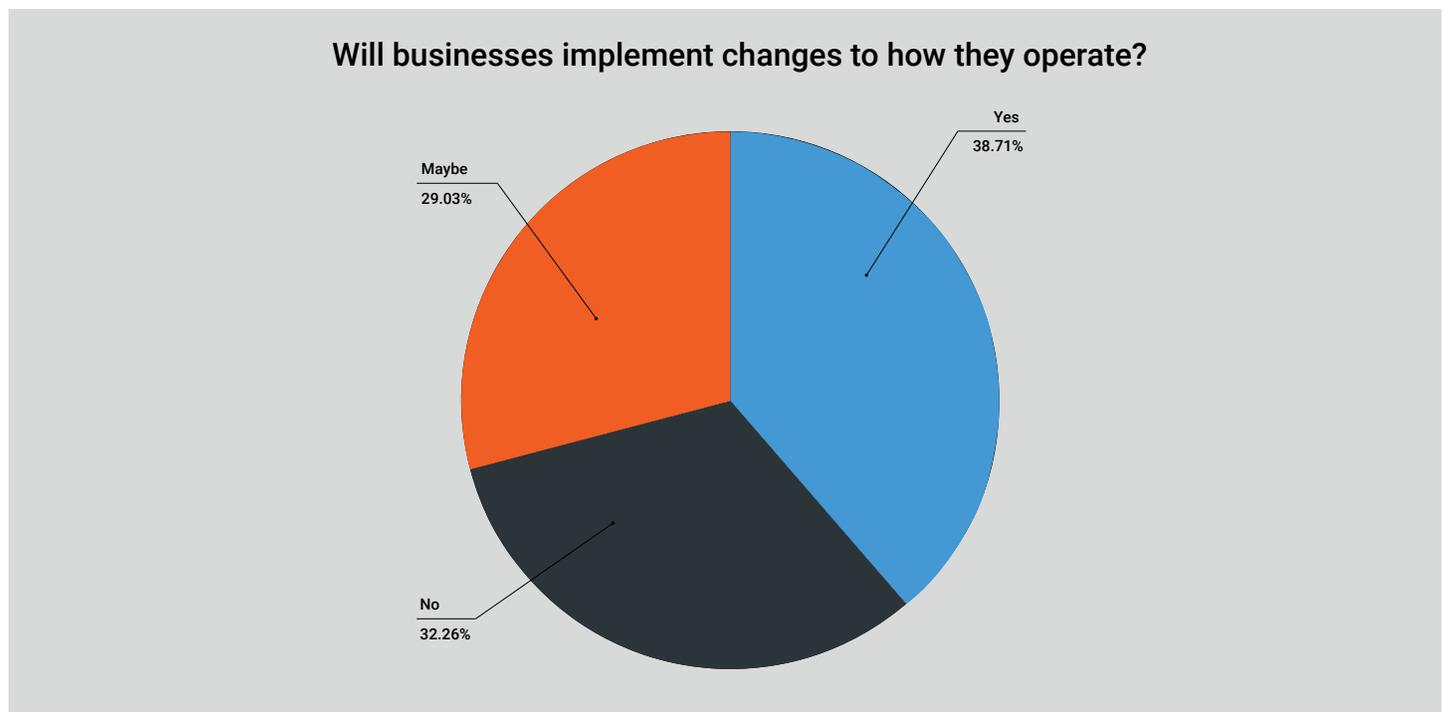
Will Businesses be Changing How They Operate or Respond to Industry Challenges?

The answers were fairly even with a 6% difference between the respondents who answered yes (39%) or no (32%). However across all answers, comments included flexibility around working from home.

When responding yes, other comments included:

- Offering discounts on services to counteract the impacts of COVID-19;
- Trying out new sectors and products;
- Improving marketing collateral and carrying other business development activities;
- More online meetings;
- Already implemented a 20% reduction in work hours to reduce overheads and prevent the need to retrench staff;
- Evaluating suppliers;
- Potentially reducing service offerings;
- Greatly reduced air travel;
- Moving to annual prices for some products;
- Consolidating customers onto fewer products; and
- Alternative sales and marketing methods to respond to reduced conferences and industry events.

Respondents who answered no, commented that their staff had responded well to working from home arrangements or they had already worked remotely. Respondents who answered maybe suggested that it would depend on the medium term impacts on their target market, actions from their overseas parent companies and the implementation of key projects and their impacts on employers. Others were shifting their development focus to deliver extended cloud systems that support a distributed workforce, providing increased support for clients with reduced workloads looking to implement efficiencies and some were still analysing the situation and the responses from their customers.



5. The Industry's Outlook

Regulatory Changes

Respondents provided the top three regulatory changes that they would like to see as a result of this crisis. These results have been summarised into the following headings:

- Workplace regulations
- Tax
- Continued subsidies and support
- ATO and government related
- Greater support for DSPs and the software industry

Workplace regulations

As a result of COVID-19, many respondents wanted to see more flexible rules in awards and workplace reform to allow for greater staff flexibility. Others would like to see more flexible employee termination regulations and specific pandemic termination rules put in place. Flexibility in industrial relations and reform to provide flexible working arrangements without penalties, essentially making the COVID-19 changes to industrial relations permanent, was suggested by multiple respondents. Simplified award rules were also suggested by a respondent.

Tax

Payroll tax harmonisation and concessions were suggested by multiple respondents. Respondents would like to see the simplification of Australia's tax system with one respondent saying this would encourage R&D. Another respondent suggested that there should be permanent legislation that can be enacted during times of crisis to temporarily reduce tax and other compliance burdens on employers and therefore save jobs.

Continued subsidies and support

Some respondents were interested in having subsidies continue to support employees working from home and employment growth.

ATO and government related

Overall respondents wanted to see greater levels of security for ATO registered products. However when mentioning the Operational Framework, responses were mixed:

- Tightening of the Operational Framework;
- Levelling the playing field for Operational Framework requirements; and

- Loosening of Operational Framework requirements as a result of high costs of implementation.

One respondent called for less impacts on software when implementing solutions for stimulus measures. In this time developers were required to undertake most of the hard work and were then having to provide tax advice on top of this. Another respondent also raised the importance of mandating and enforcing mandates for STP.

More generally, respondents wanted to see reduced red tape, the tightening of security to reduce direct and indirect impacts of security events and internet access defined as an essential service. Now that the industry “has a taste” of how fast the government can move as a result of COVID-19, one respondent mentioned how they would like to see faster action from the government in general.

Greater support for DSPs and the software industry

One respondent wanted to see more emphasis on employers rather than DSPs to solve employer’s problems. So a question for the industry and government is how do we support employers to help solve their problems rather than relying on DSPs to solve these issues?

Other comments included targeted support such as R&D and tax incentives for DSPs to develop digital products that support employers and then further support for employers to purchase software that will help drive digital uptake. On a similar note, one respondent suggested that there should be support for all tiers of government to digitise B2G processes. For example, all processes that include data and payments should align with existing technical framework XML files sent via ebMS or AS4. Respondents also wanted greater incentives for consumers to buy Australian made software.

Initiatives for the Business Software Industry

Respondents wanted to see the government and industry pursue a range of different initiatives which would provide opportunities for innovation and efficiencies within the business software industry. These include previously mentioned changes to and the simplification of employment laws.

Fair Work

Respondents would like to see Fair Work engage with software providers similar to how the ATO works with DSPs. Additionally, respondents would like to see more APIs from Fair Work awards and state payroll tax offices.

Promotion

Respondents were interested in seeing the promotion of work from anywhere software solutions and digital services that would benefit them or the industry. Other respondents wanted to see incentives to encourage digitisation.

E-invoicing

E-invoicing was popular with respondents calling for more work in this area to increase awareness and encourage adoption. Others wanted to see mandates for e-invoicing including mandates for enterprises and government departments as well as for invoices with 30 day payment terms. One respondent

mentioned the need for a marketing campaign for all businesses about the benefits of e-invoicing.

Looking at the wider picture, e-commerce as a whole was mentioned by one respondent.

Government

Respondents suggested that they would like to be involved in more collaboration opportunities with the government. For example, the increased involvement of Australian payroll developers in initiative design and more collaboration with DSPs on decisions and impacts. Further, one respondent wanted government agencies to reduce their reliance on DSPs to communicate and sell government initiatives.

Other respondents wanted to see the government support SMEs through pushing major vendors to engage with them and to support SMEs in adopting digital systems. Understanding that not all organisations are able to fully automate or support certain initiatives, one respondent asked for more leeway in such circumstances. Another wanted to see the continued roll out of digital business wholesale services from the government.

More specifically, respondents wanted STP to be expanded to include other aspects of taxation and the SBR2 platform to be expedited.

Incentives

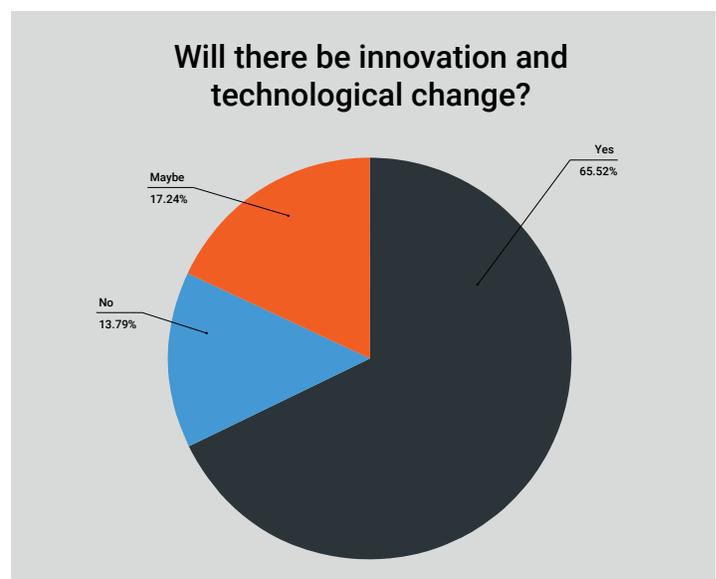
Respondents wanted to see a variety of tax changes including states standardising payroll tax management (including agent access), lower company tax to foster business investment and tax subsidies for innovation. One respondent suggested the simplification of government procurement processes so small businesses can have a fair go.

Some respondents indicated that they would like to see incentives for businesses to innovate and modernise as well as stronger support for startups. Others suggested more APIs to encourage innovation and APIs to provide working visa entitlements.

Will the Next 12 Months be a Significant Time for Innovation and Technological Change?

65% indicated that yes, the next 12 months will be a significant time for innovation and technological change.

Just over 30% answered no or maybe believing that innovation and technological change depends somewhat on the government's policy direction and what that does to foster business and consumer confidence. Respondents indicated that they would like to see this as a time of change but a lack of investment funds, financial uncertainty and the fact that organisations have lost their source of income might inhibit innovation and impact on



these organisation's ability to innovate at this time.

Attitudes Towards Cyber Security

The majority of respondents (59%) thought their customer's attitudes towards the importance of cyber security will have changed as a result of working from home. Approximately 40% did not agree or did not agree entirely. With more recent cyber security events and investment in this sector, attitudes towards cyber security may change significantly again.

Some of the respondents who answered yes included the below comments:

- We are already seeing increased requests for details on security for our cloud system;
- They will understand the importance and value;
- Like ourselves, many of our clients had to switch to remote working virtually overnight to keep their businesses running and that then raised problems around cyber security. So it will be much more of a priority for most of our clients going forward;
- I think there will be a concern that people working from home won't be as secure as their workplace, which is fair especially if devices are shared between family members;
- Fraud in the broader ecosystem (early release of super) will lead to additional focus of security risks; and
- Recent media exposure continues to cause alarm and will continue to drive improved requirements for security.

Others suggested that their clients already had a good awareness of security and that COVID-19 saw a temporary reduction in some levels of security to accommodate the immediate changes that developers needed to make.



6. ABSIA's Response to the Survey

ABSIA undertook this survey to collect responses and present the themes back to the industry and relevant stakeholder groups for further action. In sharing this information back to the industry, ABSIA hopes that business software developers can learn from their peers and that this information is useful in helping the industry navigate its way forward.

A number of responses and comments to this survey will be integral to ABSIA's work with government agencies and our advocacy work moving forward. A number of opportunities that ABSIA aims to pursue are laid out below.

Fair Work Australia:

- Establish and build a stronger co-working relationship with Fair Work Australia in a similar manner to what has been established with the ATO

Industry Advocacy:

- Expand the relationships of ABSIA to include a wider breadth and depth of government agencies and state revenue offices
- Lobby state government to engage with the software industry
- Promote Australian made and Australian owned developers
- Promote the successful partnership between government and industry

ATO:

- Continue to expand the information flow to and from the ATO
- Pursue the ATO's SBR2 platform initiative
- Improve the MyGovID machine key
- More innovation from the ATO and banking sector including protecting DSPs from anti-competitive behaviour
- Collaborate more with the ATO on initiative designs
- Advocate for a deferral of compliance-related changes to give the industry an opportunity to recover

ABSIA Internally:

- Host events to the business community about the value of e-invoicing
- Provide media training on how businesses can package their good news stories for the media
- Develop services to help industry members with government engagement
- Continue to promote awareness of cyber security
- More networking opportunities between industry members
- More podcasts and webinars on industry topics

Appendix

Survey Questions

1. Please provide your contact details below (leave blank to remain anonymous):

Name
Company
State
Country
Email address
Phone number

2. What type of software does your business provide? *Please select an option from the dropdown list.*

Tax & accounting
Payroll & employee services
Superannuation
Payments & fintech
E-invoicing
Security
Automation
Add-on
Other

3. To what extent has the COVID-19 crisis impacted on your business?

No impacts
Few impacts
Remained the same
Considerable impacts
Major impacts
No longer in business

4. What are the top 3 challenges you are worried about within your business? *Provide your top 3 answers.*

5. Are you expecting a change in revenue? If so, how much are you expecting?

Increase by more than 30%
Increase by less than 15%
No significant change
Decrease by more than 15%
Decrease by more than 30%

6. Has your business had to reduce or stand down staff as a result of COVID-19?

Yes, reduced staff
Yes, stood down staff
Yes, both
Not at the moment
No
No, we have increased staff

7. Will you be hiring again in the next 6 months?

- Yes, to refill
- Yes, to grow
- No change
- Further reductions

8. Will you be implementing any major changes to how your company operates and/or responds to industry challenges as a result of COVID-19? *Please provide an explanation for your answer in the comment box.*

- Yes
- No
- Maybe
- Please provide an explanation for your answer:

9. Describe your current working environment for Australian staff using an option below:

- All staff working from home
- Majority of staff working from home
- No change
- Majority of staff working from the office
- All staff are working from the office

10. How does your business intend to return to work as restrictions are eased?

- Not returning to an office setting at all
- Returning in line with the Government roadmap
- Already back in an office setting
- Other (please specify):

11. If your staff have returned to the workplace, did you make any changes to the workplace prior to opening? *Please click all that apply.*

- No changes
- Hand washing or sanitisation on arrival
- Heavy duty cleaning or sanitisation
- Reduced office capacity
- Changed working hours
- Stopped hot desk arrangements
- Installed partitions or safety screens
- Closed communal kitchens
- Closed meeting rooms
- Staff rostering (to limit attendance)
- Other (please specify):

12. Has your business seen an increase in clients as they have adopted your products and/or services as a result of COVID-19?

- Yes, there has been a large increase
- Yes, there has been a small increase
- No change
- No, there has been a decrease
- Other (please specify):

13. What regulatory changes would you like to see as a result of this crisis? *Provide your top 3 answers.*

14. What three key initiatives would you like to see the Government and/or industry pursue that would provide opportunities for your products and/or services? *Provide your top 3 answers.*

15. Do you believe the next 12 months will be a significant time for innovation and technological change within the software industry?

Yes

No

Maybe

Other (please specify):

16. Do you believe that your customer's attitudes toward the importance of cyber security will change as a result of working from home? *Please provide an explanation for your answer in the comment box.*

Yes

No

Maybe

Provide an explanation for your answer:

17. What are the three most important things that you believe ABSIA should focus on to help you and your business? *Provide your top 3 answers.*

18. Do you have any further comments or information you are willing to share?