

The rise of SMBs around the world

\$3 trillion is the magic number





Contents

Entrepreneurs assemble	3
How can SMBs deliver on growth?	4
Country overview: Australia	5
Country overview: USA	6
Country overview: UK	7
Country overview: Brazil	8

Entrepreneurs assemble

The world economy is expected to grow by \$3 trillion during 2022 – much of that growth will come from SMBs.

SMBs account for the majority of businesses worldwide and are important contributors to job creation and global economic development, [representing about 90% of businesses and accounting for more than 50% of employment](#).

This year, tens of thousands more will join their ranks as new entrepreneurs emerge and economies recover from the worst of the pandemic.

The entrepreneurs that deliver SMB growth are resilient, driven by a passion for their businesses, so there are relatively few ingredients to success. Among them is a certainty, which is a rare commodity in such an unpredictable economic landscape.

Traders will welcome indications that the Omicron variant could be the [tail-end of the crisis in some regions](#) but it may be years before the ever-present risk of new COVID-19 variants is removed.

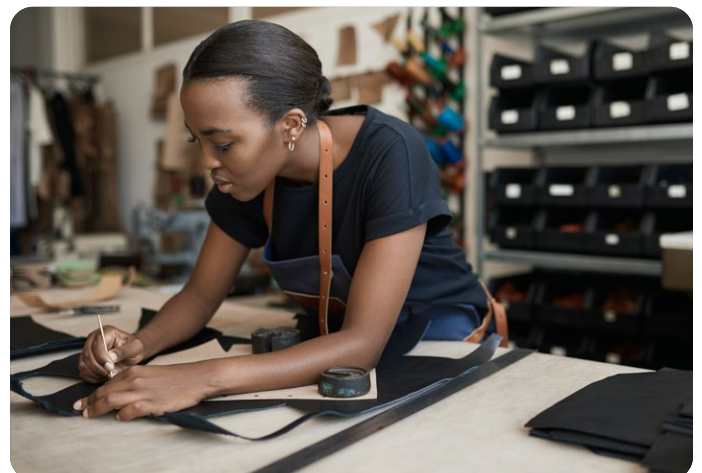
They will also have to contend with the economic impact caused by years of virus-related disruption, which will affect both supply and demand for years to come. Global markets are experiencing similar late-pandemic issues, such as inflation caused by rapidly soaring demand.

This has placed unprecedented pressure on global supply chains that have been scaled back during the crisis, while a global shortage of goods and labor is fueling inflation around the world.



Although this creates significant hurdles for small and medium businesses to overcome, it has also shaped an environment in which they can thrive in the long-term as two key trends play to their strengths.

1. Ongoing disruption to global supply chains means more resources are being dedicated to domestic production, which will benefit smaller, local suppliers either through direct contracts or as part of a regional supply chain. [Source](#)
2. Post-pandemic consumers tend to prefer local experiences rather than travelling long distances to shop. While this can favor online retail, it also increases engagement with local SMBs, particularly if they can offer the convenience customers expect, such as digital and contactless payments. [Source](#)



How can SMBs deliver on growth?

The key is to remove the barriers that restrict high growth, low resource businesses from thriving.

In this environment, where company owners are focused on responding to the daily challenges of rebuilding their business, any distractions are the enemy of growth.

Owners want to spend less time in the back office trying to understand their business and ensure as much of each day is spent with customers, especially as a growing proportion of consumers expect brands to demonstrate they know them on a personal level; personalization matters more than ever, according to global consultancy McKinsey, which says [71% of consumers expect companies to deliver personalized interactions](#).

To do this, the engine of an SMB's business just needs to work. Payments need to be simple, banking needs to be quick, data and insight readily available.

Businesses also have to respond to the accelerating

shift from cash to digital payments, which makes trust an increasingly important factor for SMBs.

Suppliers need to be trusted to process payments quickly without errors, while their systems need to be secure to maintain service levels; if your email goes down for a day, that is annoying, but if your banking or payments system is inoperable, [the impact can be catastrophic](#).

Failure is simply not an option in a year that will secure the future of many SMBs; they will value reliability and service more than ever in the same way their customers do.

Together, SMBs represent a global force for good that will underpin future economic growth and deliver post-pandemic prosperity to billions of people worldwide.

They just need the tools to deliver.



Australia



GDP
\$1.3 trillion



GDP Growth 2022
4.1%



SMBs
2.4 million



The number of companies in Australia reached 3 million in the first quarter of 2022, having grown by 1.2 million in the past decade.

Recent growth reflects a rapid improvement in the economic outlook with lockdowns and international travel restrictions lifted.

The country's economy is now bigger than it was before the pandemic, with pent-up demand released for items such as clothing and footwear, furnishings and recreational goods.

Every area of the economy has seen rising demand, with spending growing strongly in SMB heartlands, such as hotels, cafes and restaurants along with recreation and culture. With borders now open, tourism is expected to report strong growth in 2022. Analysts say that consumers accumulated \$250bn of savings since the start of the pandemic, which is now re-entering the economy through higher spending on goods and services.

Treasurer Josh Frydenberg praised Australia and Australians as "world beaters" for the response to the Coronavirus pandemic and resilience, saying: "We have one of the highest vaccination rates in the world, one of the lowest mortality rates in the world and now, unquestionably, one of the strongest economic recoveries in the world."

However, in common with most major economies, the rapidly rising demand generated by the removal of restrictions, coupled with supply chain limitations and staffing shortages, is causing inflationary pressures. Business leaders are calling for the urgent removal of any "roadblocks to recovery" to drive faster and sustained private sector-led growth.

Among priorities listed by the Business Council of Australia are unlocking skilled migration and creating a central future industries fund that better targets government support for local industries, including help for them to compete globally.

Recent research found that one-third of Australian small and medium business owners plan to expand internationally in the next two years, using online platforms, as they look to increase revenue, expand their customer base and future proof their business.



Source:

GDP by Country - Worldometer (worldometers.info): <https://smallbusinessassociation.com.au:https://www.oecd.org/newsroom/oecd-economic-outlook-sees-recovery-continuing-but-warns-of-growing-imbalances-and-risks.htm>
<https://asic.gov.au/regulatory-resources/find-a-document/statistics/company-registration-statistics/2021-company-registration-statistics/#new>

USA



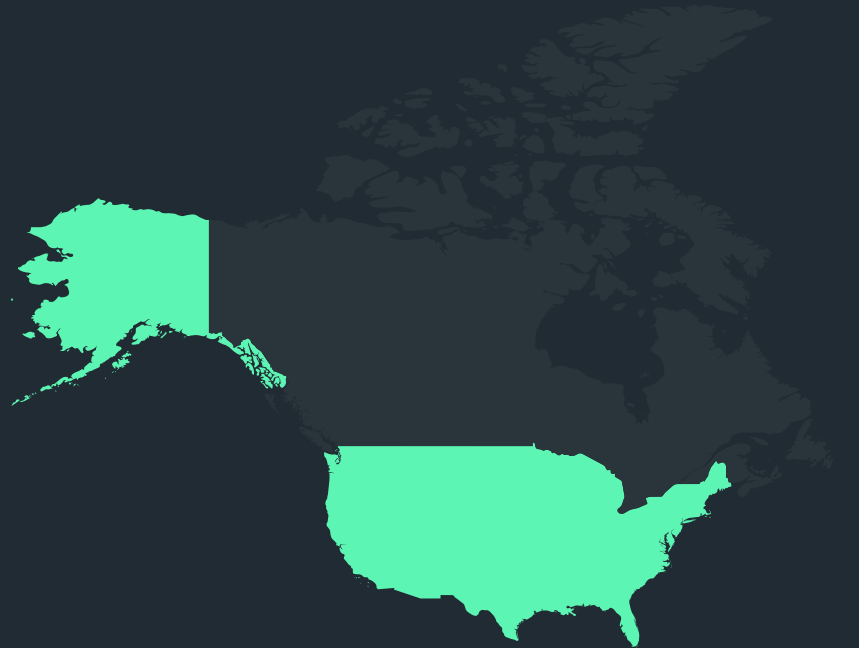
GDP
\$19.5 trillion



GDP Growth 2022
3.7%



SMBs
32.5 million



The number of small businesses has steadily grown throughout the pandemic and there are now nearly two million more companies than before the crisis began.

Small businesses will be key to future US growth, typically accounting for two-thirds of net new job creation. They also drive innovation, contributing 13 times as many patents as large companies.

However, future growth will incur higher costs. Average hourly wages at small businesses are growing at their fastest for a decade, on the back of increasing demand for labor.

Despite this, SMB optimism in the US is improving. More firms are planning to increase capital outlays and employment (49% of owners reported job openings that could not be filled) on the back of improved earnings.

While digitalization and online sales were the key trend at the height of the pandemic, bricks-and-mortar stores have shown resilience in an omnichannel world. Analysts reported 8,100 new store openings last year, far exceeding closures.

Stimulus-driven consumer spending has been increasingly focused on supporting local retailers, while digital-only channels have looked towards physical outlets as a way of opening new channels to growth.

According to Deloitte, there are signs of a “great retail reset” that will accelerate the fusion between digital and physical channels to create seamless omnichannel experiences.

It reports that the majority of retail executives are focusing on digital marketing to gain market share and find new shoppers, then engage with them more

profitably across physical and digital channels. One vital element for small business leaders is being able to focus on generating this growth instead of managing internal issues.

Nearly half of US small business owners say they handle company tech support themselves, with banking and bill paying their most frequent operational activities.



Source:

<https://www.mckinsey.com/featured-insights/employment-and-growth/restarting-the-us-small-business-growth-engine>

<https://www.paychex.com/employment-watch/#/>

<https://tradingeconomics.com/united-states/nfib-business-optimism-index>

<https://www.oberlo.co.uk/statistics/number-of-small-business-in-the-us>

<https://nsba.biz/new-nsba-cisco-report-on-pandemic-recovery-and-technology/>

[2022 Retail Industry Outlook | Deloitte US](#)



GDP
\$2.6 trillion



GDP Growth 2022
4.7%



SMBs
5.5 million



Amid the removal of all domestic Covid restrictions the national focus has changed to living with the virus and supporting recovery.

Official figures show strong GDP growth, but some business leaders argue the UK economy is facing a “materially weaker 2022” as rising inflation, soaring energy bills and tax increases dampen the recovery. Analysis by the British Chambers of Commerce found that 73% of firms were increasing prices because of rising costs, with the majority citing soaring energy bills and higher wage settlements.

The chamber would like an energy price cap for small businesses and more financial support.

SMBs may need to consider new ways to support and encourage consumer spending, such as loyalty and offers, as a recent survey revealed that 90% of shoppers are worried about the impact of inflation, with one-third likely to reduce discretionary spending because of soaring energy prices.

Recruitment is another area of change, with potential employees more likely to favor employers they see as sustainable and responsible.

Two-thirds of employees surveyed felt it was important for the company they work for to be committed to acting sustainably, and nearly half want employers to demonstrate they are actively promoting these values. More than half of employees say they are more likely to work for a company if it provides resources and tools for them to become more sustainable.

Furthermore, potential employees rank a clear social/ethical purpose higher than convenience factors such as remote or hybrid working.



Business leaders are responding. Eight out of 10 say their organization should support employees to make sustainable decisions and display sustainable behaviors.

However, they must balance this against harsh economic realities, with warnings of a growing late payment problem for SMBs.

Around 30% of small businesses have seen late payment of invoices increase, with nearly one in 10 saying late payment is threatening the viability of their business.

The Federation of Small Businesses estimates more than 400,000 businesses risk closure because of late payments in 2022.

Source:

<https://www.oecd.org/newsroom/oecd-economic-outlook-sees-recovery-continuing-but-warns-of-growing-imbalances-and-risks.htm>

<https://www.fsb.org.uk/uk-small-business-statistics.html>

Brazil



GDP
\$2 trillion



GDP Growth 2022
1.4%



SMBs
32.5 million



Early in 2022 a Brazilian SMB became the country's first start-up to put a satellite into space.

It was carried into orbit by Elon Musk's SpaceX, with the achievement reflecting the ambition and potential of Brazilian SMBs. The PocketSat was developed entirely within Brazil.

Investments in startups in Brazil broke records in 2021, reaching \$9.4 billion, more than double the previous year.

A successful government auction of deep-sea oil prospects will also generate billions of dollars in investment, which is likely to cascade down to SMB suppliers and generate growth.

However, supply bottlenecks, rising inflation, higher interest rates and policy uncertainty have slowed the pace of recovery (Brazil technically entered a recession in the third quarter of 2021) while the country has been hit particularly hard by the pandemic.

Although COVID infection rates are lower than in 2021, Brazil has one of the world's highest death tolls and it is still feeling the impact of the virus, while some other global economies are emerging from restrictions.

The OECD says the need to rekindle economic activity after the pandemic has intensified the urgency of tackling long-standing structural policy challenges, including increasing productivity and creating an economy where opportunities are open to all.

It said this includes reducing barriers to trade, entrepreneurship and competition and simplifying the tax system, particularly for VAT.

Growth and social progress over the past two decades create the potential for a strong recovery, but it will depend on future policies.



Source:

<https://www.riotimesonline.com/brazil-news/brazil/spacex-launches-first-satellite-developed-by-brazilian-startup-into-space/>

<https://www.riotimesonline.com/brazil-news/rio-politics/brazil-investment-in-startups-more-than-doubles-in-2021-exceeds-us9-4-billion/>

<https://distrito.me/>

<https://www.oecd.org/economy/growth/Brazil-country-note-going-for-growth-2021.pdf>

<https://www2.deloitte.com/us/en/insights/economy/americas/brazil-economic-outlook.html>

<https://impact.economist.com/projects/digital-brazil-mexico/brazilian-smes/Fintech-and-insurtech-innovation-in-Brazil-set-to-take-off-on-regulatory-tailwinds>
| TechCrunch



Partnering with banks to create data-led experiences for SMBs

Pollinate helps banks transform data into experiences by helping them securely analyze the wealth of data they own in ways that transform their merchant acquiring solutions for their business customers – this allows them to go beyond just offering alternative payment solutions. Pollinate can also help merchants develop single transaction, settlement and reconciliation views that help SMBs better understand their financial position.

To find out more, check out the [Pollinate platform](#) and get in touch with our team.

