

# Understanding micro business

Australia's largest solo and micro business survey

2012 – 2013



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Welcome to Understanding micro business, 2012 – 2013.

**Given the economic uncertainty of recent years, you might assume  
Australia's micro business owners to be in the doldrums.  
The reality is just the opposite!**

While in agreement that it's a tough business environment, 86% of micro business owners are happy in their work and they're getting happier. Along with a sense of flexibility and independence, they enjoy incomes higher than Australian averages and feel increasingly enthusiastic about their businesses.

In fact, 90% of the business owners surveyed would not seriously consider working for someone else, even in a highly lucrative and suitable office job!

This survey explores the challenges and opportunities as well as precise demographics, the moveable feast of technology, networking styles, outsourcing, marketing, exit plans and more, providing a clear snapshot of Australia's largest business sector.

Conducted every two years and now in its third publication, this is the biggest survey of its kind. The results provide valuable data for Government, industry and the media, and help give the micro business community the authoritative voice it deserves.

Importantly, this survey shows us exactly what tools and resources the Flying Solo community need. For example past surveys have led us to create our flourishing online forums – now the busiest of their kind in Australia – launch our annual events program and build our directory to over 45,000 members, we assure you there's lots more good stuff to come.

A massive thank you to the 1,000+ Flying Solo community members who gave so freely of their time and to Optus Business for supporting the survey and Australia's micro business sector.

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**Flying Solo | Australia's Micro Business Community**

If you are one of the flourishing number of solo or micro business owners, or have dreams of going it alone, you'll get support, inspiration and advice from Australia's liveliest business community, Flying Solo.

From the people behind business bestseller, Flying Solo: How to go it alone in business, the free-to-access website features daily expert articles, videos and commentary on topics including starting out, networking, marketing, working smarter and technology.

Plus Flying Solo's discussion forums are the ideal place to gain knowledge and demonstrate your expertise. You'll find answers to any question, build valuable connections, share referrals and discover many offline meet-ups and events happening around the country.

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## Executive Summary

### Demographics

The demographic profile of 2012 survey respondents comprised a combination of males and females (60 per cent female), predominantly aged between 25 and 54 years of age (80 per cent), from all over Australia - the majority from NSW, followed by Victoria and Queensland. A small cohort (one per cent) of respondents were in the Northern Territory, 2012 being the first year NT was represented in the survey.

Solo and micro business owners continue to be part of the highest income households in Australia, with 24 per cent in households having incomes of more than \$150k. This is virtually unchanged from the 2008 survey and compares with six per cent of general Australians with household incomes of \$156k or more. Personal incomes also remain relatively higher amongst soloists than the general population, with 18 per cent reporting earnings of more than \$100k, (same as Flying Solo's 2008 Survey), compared with four per cent of Australians earning \$104k or more, as shown by 2006 ABS Census data.

### Business set-up

Solo and micro business owners in this survey had been in business for various lengths of time; from six per cent who have yet to start their own business, to people who have been operating for more than five years (37 per cent); these proportions have remained relatively unchanged since 2008.

The majority of businesses offer services only (60 per cent), and this proportion increased by eight per cent from Flying Solo's 2010 survey.

The top four things that first appealed to small and micro business owners when setting up their own business are flexibility (18 per cent), control (17 per cent), working from home (13 per cent), and improved lifestyle (12 per cent). These results were the same in 2010.

### Running the business

Solo and micro business owners predominantly run their businesses from home (75 per cent). Over half (58 per cent) work from a home-based office, with 27 per cent also working from another room at home. One in five (20 per cent) also work from someone else's office or home, 19 per cent occasionally work in a café, and up to 10 per cent also work in other public places. The majority of soloists (71 per cent) are happy with their arrangement.

Micro business owners continue to work long hours, although there has been a slight decrease in those working 50 hours a week or more (15 per cent, down from 21 per cent and 20 per cent in the 2010 and 2008 Flying Solo surveys respectively). The majority (74 per cent) take a break from their work during the day and many take on a range of other activities, some of which are related to their work, others are home or leisure-based.

There are a number of things that small and micro business owners would like to better understand to enable them to operate more efficiently; these predominantly relate to sales and marketing, finance issues and attracting the right clients or customers.

### Finding new business

Solo and micro business owners tend to spend relatively little time generating new business (77 per cent spend a few hours a week or less). They are likely to rely on word-of-mouth from existing clients (deemed successful by 31 per cent), and repeat business (successful for 20 per cent). A number (13 per cent) report their website is a successful means of finding new work, and seven per cent see business growth success from social media. Half of soloists (51 per cent) receive repeat business from most or all of their clients, with 12 per cent receiving repeat business from all of their clients.

### Technology

Solo and micro business owners continue to spend a great deal of their day online for work or leisure; 40

per cent are online for most or all of their day, 10 per cent online all day. The three preferred technology tools are laptops (used all the time by 70 per cent), smartphones (used all the time by 67 per cent), and desktops (used all the time by 59 per cent).

Online communities are effective for this audience, particularly online forums (effective for 36 per cent), LinkedIn (effective for 33 per cent) and Facebook (effective for 33 per cent). Having a website is important or very important for 84 per cent of the group.

### **Networking**

Small informal group meetings remain the preferred style of networking by the majority (64 per cent), however, its appeal is gradually being replaced by a preference for online forums, which is preferred by 26 per cent, up from 16 per cent and 11 per cent in 2010 and 2008 respectively.

The majority of soloists (64 per cent) attend face-to-face networking functions less than four times a year. Slightly more than a third (36 per cent) of soloists attend face-to-face networking functions more than four times a year, much less than in 2010 (56 per cent).

### **Outsourcing**

A number (27 per cent or less) of solo and micro business owners regularly outsource a range of services. The vast majority (81 per cent) prefer to use Australian suppliers than to outsource offshore. A quarter of soloists in the survey say they would only ever use Australian suppliers when outsourcing services.

### **Happiness**

The vast majority (86 per cent) of respondents are happy in their work, with their happiness and enthusiasm increasing over time. The longer they are in business, the happier they tend to be. The happiest people have been working for themselves for more than five years.

Those who are most happy are more likely to work in the beauty and fashion industries, as well as business support and administration, events and entertainment, photography, property, technology or web services.

Happiness did not show any correlation to the numbers of hours worked. That is, those who worked the longest hours were not necessarily less likely to be happy than those who put less time into their business.

The majority of solo and micro business owners feel more enthusiastic about their business than they used to. This positive outlook is reflected in the finding that the biggest challenges identified in previous surveys have considerably reduced in frequency. Additionally, a half of all soloists would not even consider accepting an offer of a lucrative, suitable job working for someone else.

### **Business income**

The income generated by solo and micro business owners contributes to their household income to varying degrees.

Most businesses (57 per cent) were not impacted by the economic downturn. Just less than a third (31 per cent) said they did feel pressure during that time, but did not consider leaving the business. This is despite the majority (63 per cent) of soloists agreeing that it's tough operating in this economic climate; and more than half are not satisfied with the income generated by the business. About half of respondents cut their own salary in recent years and have found additional sources of income, mostly from working in another job or government subsidies and less so from property, stocks and shares than in previous years.

These findings reinforce the determination, drive and commitment that most solo and micro business operators have, even in difficult times.

## Spending habits

The spending habits of solo and micro business owners has not greatly changed from previous years. However, respondents in the 2012 survey are more likely to be postponing holidays in Australia or overseas until they can afford it. Nine per cent have been on a holiday in Australia in the past six months, 15 per cent intend to do so in the next six months, seven per cent have recently been on an overseas holiday, with 13 per cent intending to do so in the next half year.

Business purchases are predominantly being made either in store (52 per cent) or online (43 per cent). A small proportion of solo and micro business owners (three per cent) buy goods using their smartphone. Online purchasing is becoming more popular, with 58 per cent of soloists making an online purchase for work or pleasure five times or more in the last three months.

If they had a spare \$5,000, soloists would put it towards a range of things, with just 28 per cent putting it directly into the business. Some would take that holiday they had been putting off.

## The future

The majority (71 per cent) of soloists do not have an exit strategy for their business. Plans for business growth have remained relatively unchanged over the years. Close to half of solo and micro business owners plan to continue operating as a small and profitable business and the other half would like to grow into a larger business.

Nine out of 10 respondents would not seriously consider working for someone else, even if offered a highly lucrative and suitable office job.

This suggests that the future looks stable and bright for solo and micro business owners, and the majority have no intention of working in any other way.

## Flying Solo

Flying Solo continues to provide an important place to learn for the vast majority (84 per cent), a sense of

community (64 per cent), a place of support and encouragement for 52 per cent, and a place to promote their business for 34 per cent.

## Introduction

### Background

Conducted every two years, Flying Solo's *Understanding Micro Business* survey covers a wide range of topics designed to take the pulse of Australia's micro business sector.

From growth plans to business challenges, marketing to money, work style to lifestyle, it reveals emerging trends and identifies what makes this key business sector tick.

Surveys have been completed for 2008-2009 and 2010-2011. Flying Solo commissioned NSF Consulting to conduct this *Understanding Micro Business* survey 2012-2013.

The survey was developed online using QuestionPro- a professional online survey tool; and a link was supplied to Flying Solo to embed in their website and weekly newsletter. It was also broadcast to Flying Solo's Facebook and Twitter communities.

There were approximately 27,000 people who were asked to participate in the survey. The survey was accessed by 3,232 people. This represents a response rate 12 per cent. The survey was completed by 1,093 respondents.

### Report guide

The results for every question are detailed in written format. Almost all questions are also shown with illustrative diagrams, showing trend data when direct comparisons from previous surveys could be made.

For the purpose of visual clarity and simplicity, graphs do not include every percentage measure for every result; they are designed to show broad results and visual trends, with accompanying text describing each measure.

Each question is reported as a percentage of the total number of people who responded to that question. The total number of responses to each question is given as "n= " above each chart, where

single responses were asked for. Response numbers are not given for multiple responses questions, due to the multiple counting effect.

Comparisons have been made against findings from previous surveys where possible, to show trends in findings.

# Chapter 1: Demographics

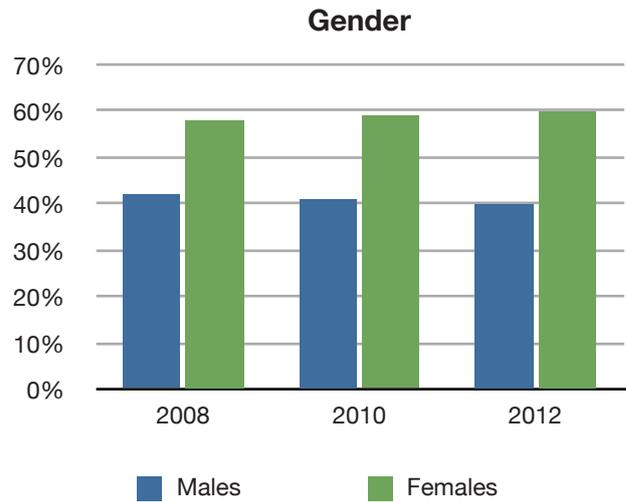
The demographic profile of 2012 survey respondents comprised a combination of males and females (60 per cent female), predominantly aged between 25 and 54 years of age (80 per cent), from all over Australia - the majority from NSW, followed by Victoria and Queensland. A small cohort (one per cent) of respondents were in the Northern Territory, 2012 being the first year NT was represented in the survey.

Solo and micro business owners continue to be part of the highest income households in Australia, with 24 per cent in households having incomes of more than \$150k. This is virtually unchanged from the 2008 survey and compares with six per cent of general Australians with household incomes of \$156k or more. Personal incomes also remain relatively higher amongst soloists than the general population, with 18 per cent reporting earnings of more than \$100k, (same as Flying Solo's 2008 Survey), compared with four per cent of Australians earning \$104k or more, as shown by 2006 ABS Census data.

## Gender

The gender distribution has remained relatively unchanged for three surveys.

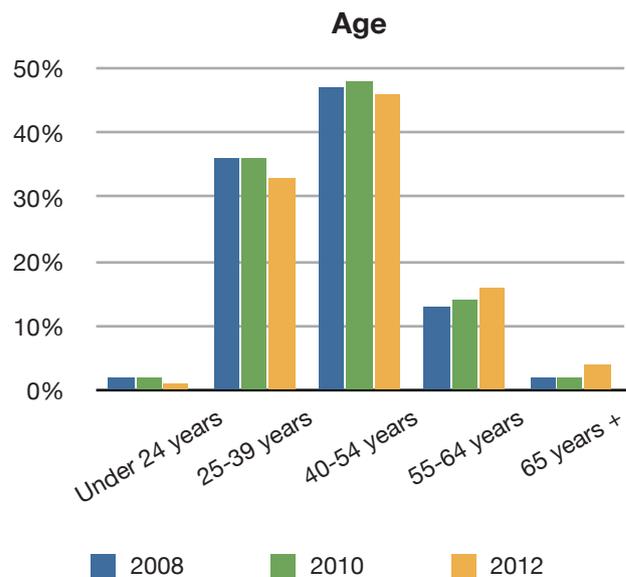
In this survey 60 per cent of respondents were female, 40 per cent male. This compares with 59 per cent females and 41 per cent males in 2010; and 58 per cent females and 42 per cent males in 2008. The gender breakdown for all three years is shown in the following graph.



## Age

The three surveys attracted respondents from a range of ages, however, with a consistent cohort of respondents aged between 25 and 54 years.

Almost half (46 per cent) of respondents in this survey were aged between 40-54 years of age; a third (33 per cent) were 25-39 years old; 16 per cent were between 55 and 64 years of age, four per cent were over 65 years of age, and one per cent less than 24 years old. This is shown in the following graph.

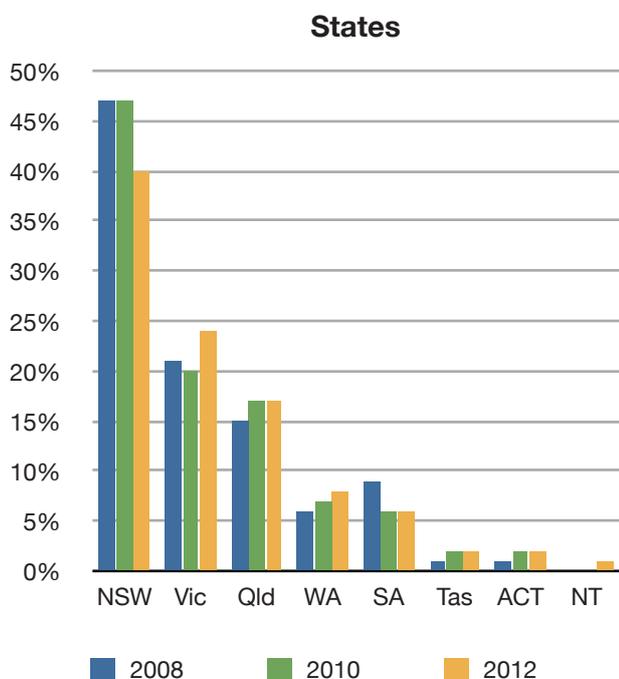


## Location

This survey attracted slightly fewer respondents from NSW and slightly more from Victoria than the previous two surveys. It also attracted a small cohort of respondents from the Northern Territory (11 respondents), compared with none in the previous years' surveys.

In 2012 there were 40 per cent of respondents from NSW (down from 47 per cent in both 2010 and 2008). Slightly less than one in five (24 per cent) were from Victoria (20 per cent in 2010, 21 per cent in 2008); 17 per cent lived and worked in Queensland (same as in 2010, up from 15 per cent in 2008); eight per cent were from Western Australia (up marginally from 7 per cent in 2010 and 6 per cent in 2008); six per cent were from South Australia (same as in 2010, 9 per cent in 2008); two per cent from Tasmania and the ACT respectively and one per cent from the Northern Territory, a state that was not represented in either of the previous two surveys.

The following graph illustrates the location of respondents to all three surveys.



## Household income

Solo business owners continue to live in the highest income households in Australia.

The income categories used in this survey were the same as those in the 2008 survey so that comparisons and trends over six years could be observed. However, they are different to those in the 2010 survey, which were in line with ABS categories, so direct comparisons are more difficult to make with the general population. However, the highest and lowest income brackets are similar enough for valid comparisons to be made.

At the lower end of the spectrum, there were 13 per cent of respondents in the 2012 survey who reported a household income of less than \$40k (31 per cent in 2008). This compares with 40 per cent of the Australian population who reported to have a household income of less than \$41,599 in the 2006 ABS Census.

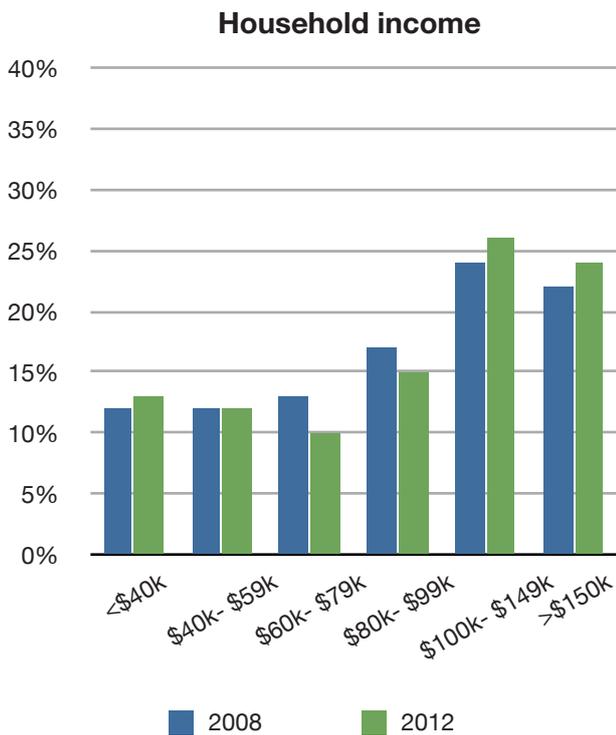
The comparison between soloists in 2012 and 2008 and the general Australian population is shown as follows.

### Gross annual household income

	2012	2008	ABS 2006 CENSUS
<\$40k	13%	12%	40% (<\$41,599)
>\$150k	24%	22%	6% (\$156k or more)

Household incomes have remained relatively stable for respondents since 2008. In 2012 there were 13 per cent who reported gross household incomes of less than \$40,000 (12 per cent in 2008), 12 per cent reported \$40k-\$59k (same as 2008), 10 per cent in the \$60k-\$79k bracket (13 per cent in 2008), 15 per cent in household incomes of \$80k-\$99k (17 per cent 2008), 26 per cent reported household incomes of \$100k-\$149k (24 per cent in 2008) and 24 per cent with household incomes of more than \$150k (22 per cent in 2008).

Household incomes from 2008 to 2012 are shown in the following graph.



### Personal income

Findings from the 2012 survey confirm that solo business owners continue to earn higher than the general Australian population. There were 18 per cent who reportedly earned more than \$100k from their business in 2012 (same as in 2008). This compares with a broad Australian population figure of just four per cent earning \$104k or more.

At the lower end of the spectrum, there were 37 per cent of respondents in 2012 who were earning less than \$40k in gross personal income (31 per cent in 2008). This compares with 69 per cent of the general population in the lowest income bracket <sup>1</sup>

These comparisons are shown in the following table.

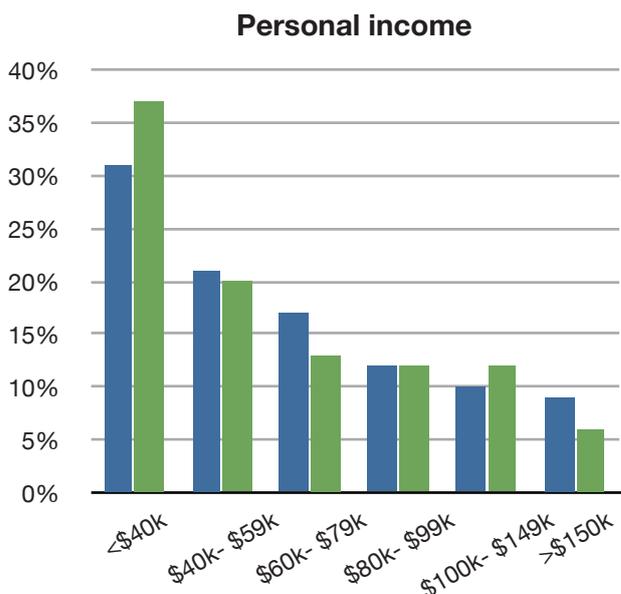
### Gross personal income from business

	2012	2008	ABS 2006 CENSUS
<\$40k	37%	31%	69% (<\$41,599)
>\$100k	18%	18%	4% (\$104k or more)

A larger proportion of respondents are earning lower personal incomes from their business than they did in 2008, although there has been a very slight increase (2 per cent) in those earning between \$100k and \$149k per year.

This survey revealed 37 per cent of respondents who reported personal incomes of less than \$40k per year (up from 31 per cent in 2008). One in five (20 per cent ) reported personal incomes of \$40k-\$59K in 2012 (21 per cent in 2008); 13 per cent were in the \$60k-\$79k income bracket (17 per cent in 2008); 12 per cent earned between \$80k and \$99k in 2012 (same as in 2008); 12 per cent were in the \$100k-\$149k (up from 10 per cent in 2008); and fewer respondents had a personal income of more than \$150k (6 per cent compared with 9 per cent in 2008).

The personal income trends from 2008 to 2012 are shown in the following graph.



<sup>1</sup> 2006 ABS Census data. Income brackets were not identical but are close enough for broad comparison purposes.

## Chapter 2: Business set up

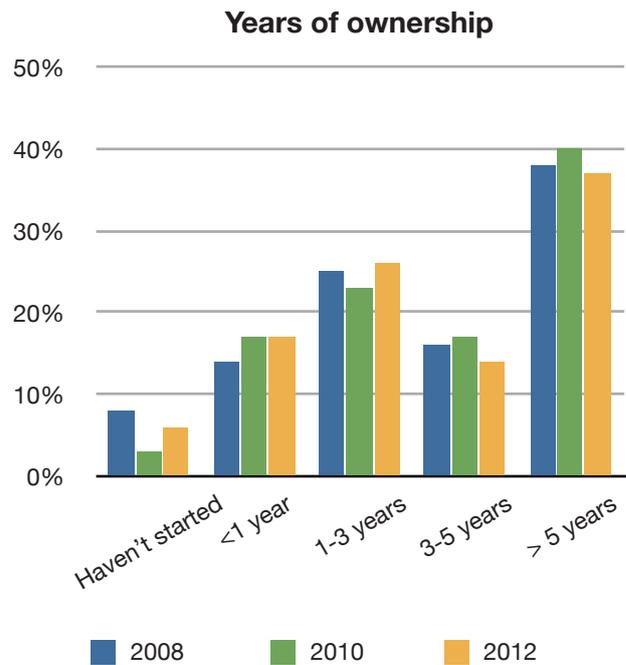
Solo and micro business owners in this survey had been in business for various lengths of time; from six per cent who have yet to start their own business, to people who have been operating for more than five years (37 per cent); these proportions have remained relatively unchanged since 2008.

The majority of businesses offer services only (60 per cent), and this proportion increased by eight per cent from Flying Solo’s 2010 survey.

The top four things that first appealed to small and micro business owners when setting up their own business are flexibility (18 per cent), control (17 per cent), working from home (13 per cent), and improved lifestyle (12 per cent). These results were the same in 2010.

### Years of ownership

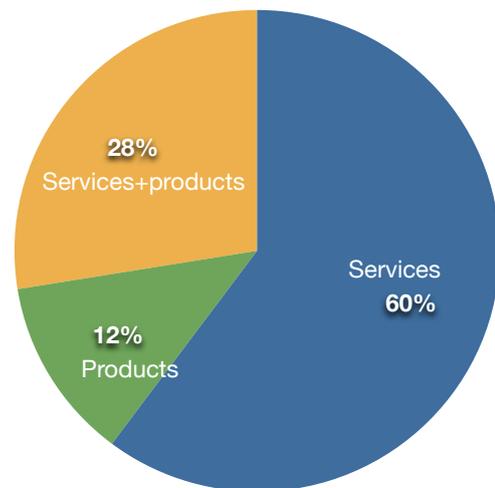
Slightly more than a third (37 per cent) of respondents had been operating their business for more than five years; 26 per cent for 1-3 years, 14 per cent for 3-5 years and six per cent hadn’t started yet. This reflects findings from both the 2010 and 2008 surveys.



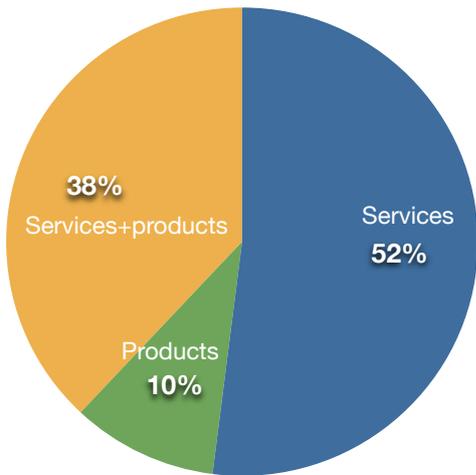
### Business type

The majority of respondents (60 per cent) sell services only, up from 52 per cent in 2010. Less than a third (28 per cent) sell both services and products (down from 38 per cent in 2010), with 12 per cent selling just products (10 per cent in 2010). This change in business type from 2010 to 2012 is illustrated in the following two pie charts.

Business type- 2012 (n=1083)



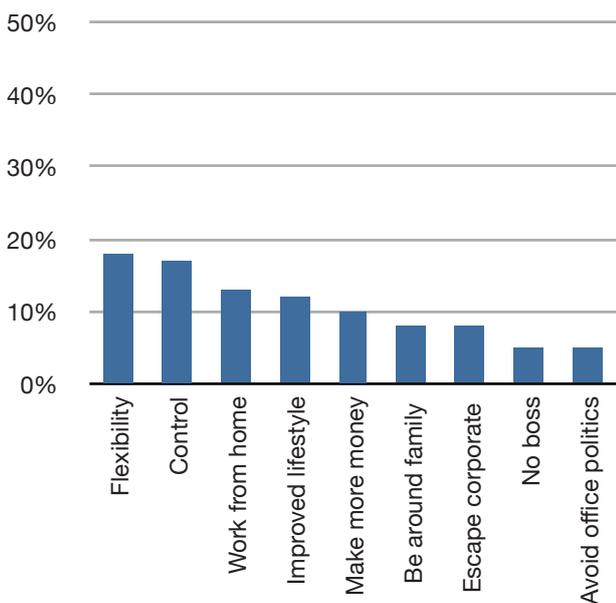
**Business type- 2010 (n=1143)**



**Benefits of being in own business**

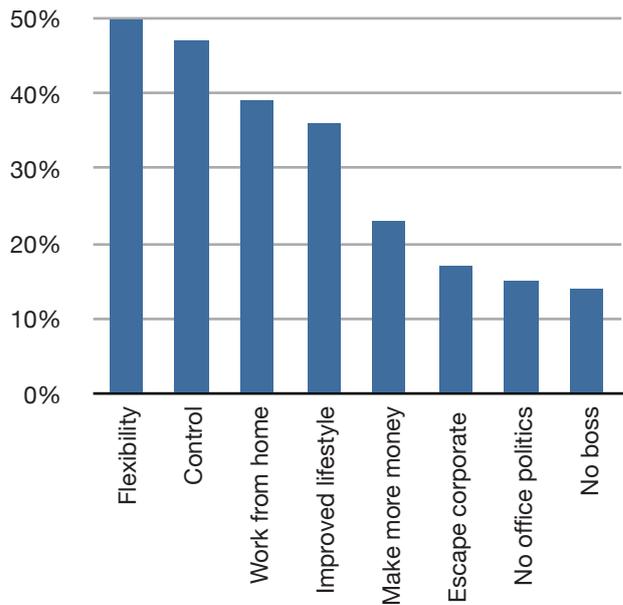
Respondents were asked what *first* attracted them to starting their own business. There were a range of things including flexibility (18 per cent), being in control (17 per cent), working from home (13 per cent), improved lifestyle (12 per cent), making more money than working for someone else (10 per cent), being around family (8 per cent), having no boss (5 per cent) and avoiding office politics (5 per cent). This is shown below.

**Why started own business (n=1235)**



These findings mirror a similar question asked in the 2010 survey- what most appeals about their business; the top responses being flexibility (59 per cent), being in control (47 per cent), working from home (39 per cent), making more money (23 per cent), escaping corporate life (17 per cent), no office politics (15 per cent), and no boss (14 per cent).

**Things most appeal about business (2010)**



The similar pattern of findings between these two questions suggests that respondents' expectations relating to going into business are widely met.

# Chapter 3: Running the business

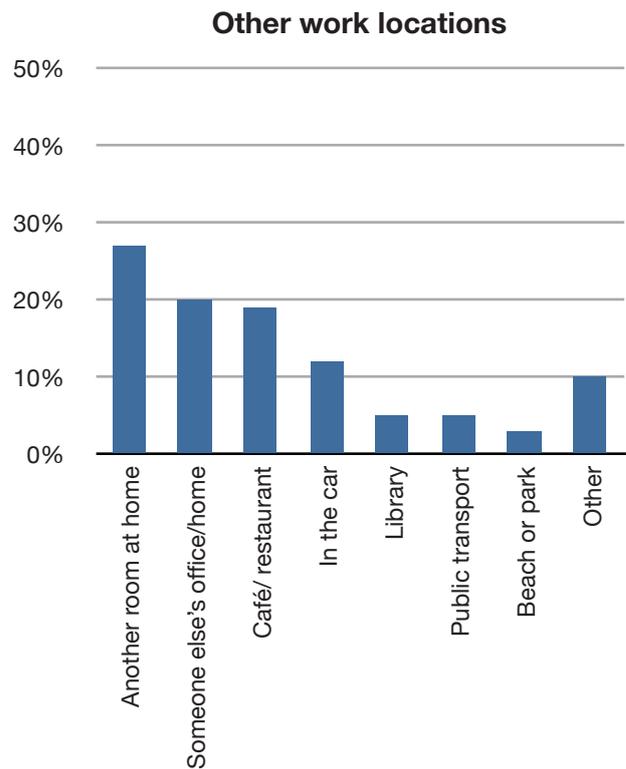
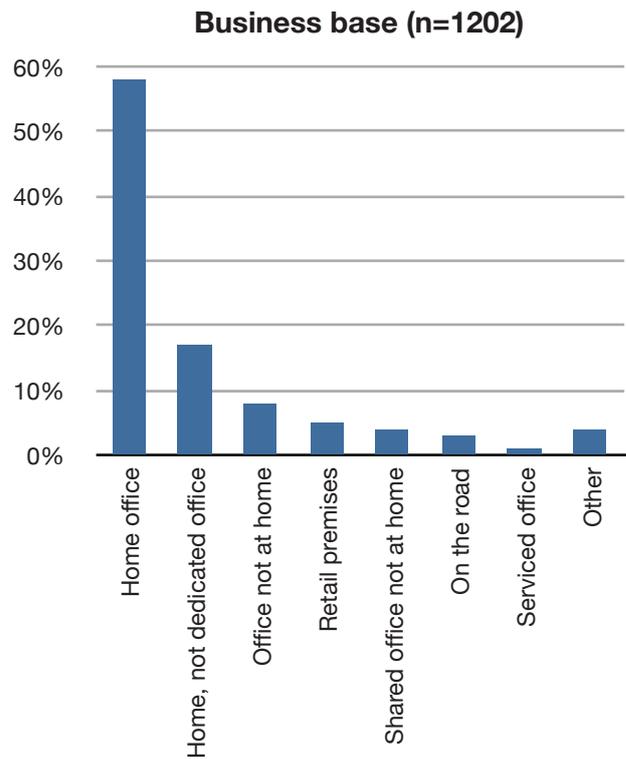
Solo and micro business owners predominantly run their businesses from home (75 per cent). Over half (58 per cent) work from a home-based office, with 27 per cent also working from another room at home. One in five (20 per cent) also work from someone else's office or home, 19 per cent occasionally work in a café, and up to 10 per cent also work in other public places. The majority of soloists (71 per cent) are happy with their arrangement.

Micro business owners continue to work long hours, although there has been a slight decrease in those working 50 hours a week or more (15 per cent, down from 21 per cent and 20 per cent in the 2010 and 2008 Flying Solo surveys respectively). The majority (74 per cent) take a break from their work during the day and many take on a range of other activities, some of which are related to their work, others are home or leisure-based.

There are a number of things that small and micro business owners would like to better understand to enable them to operate more efficiently; these predominantly relate to sales and marketing, finance issues and attracting the right clients or customers.

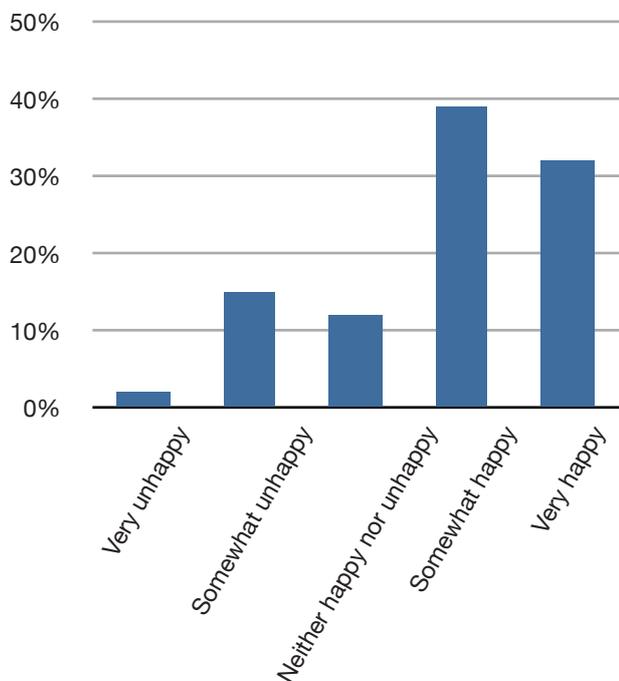
## Business base

Solo and micro business owners predominantly run their businesses from home (75 per cent). However, at times, respondents also worked elsewhere. This is shown in the following two graphs.



The majority of respondents are happy with their workplace set up, with 71 per cent reporting they were either happy or very happy with this arrangement. Just less than a third (32 per cent) said they were *very happy* with their work space set up. This is seen in the following diagram.

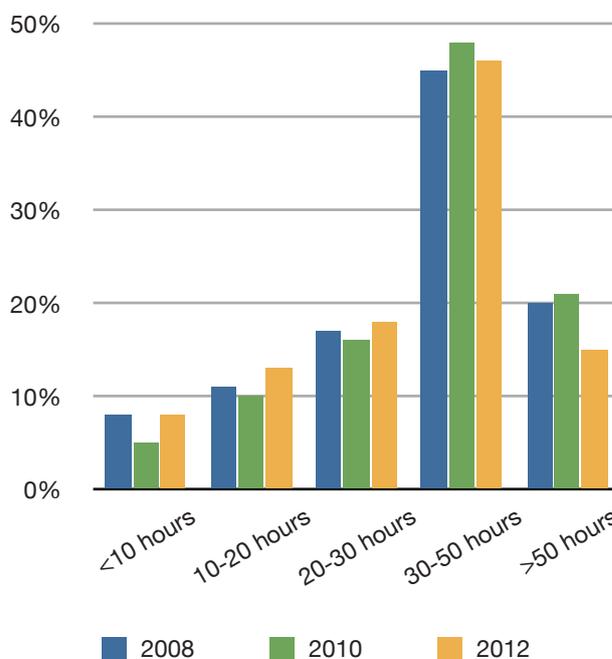
**Satisfaction with work space set up (n=1196)**



Slightly more than in one five (21 per cent) worked 20 hours or less (15 per cent in 2010 and 19 per cent in 2008).

The following graph shows the hours worked each week and the differences between the three survey years.

**Hours worked each week**



### Hours worked each week

Soloists continue to work long hours, although there has been a slight decrease in those working over 50 hours a week. There was no correlation between hours worked and happiness; that is, those who worked longer hours were no more likely to be unhappy than those who spent less time working.

Close to half (46 per cent) of respondents reported working between 30 and 50 hours per week (48 per cent in 2010, 45 per cent in 2008).

Almost one in five respondents worked between 20-30 hours per week (18 per cent, compared with 16 per cent in 2010 and 17 per cent in 2008);

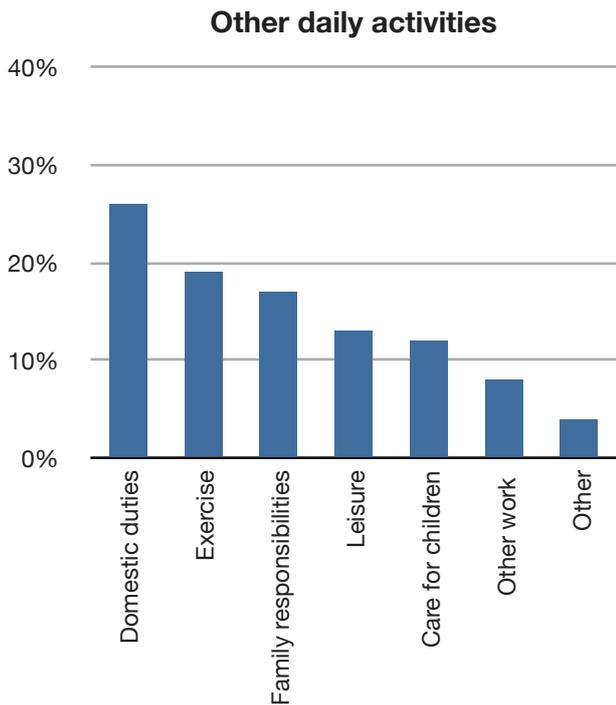
There were 15 per cent who worked more than 50 hours per week, slightly less than in previous years (21 per cent and 20 per cent in 2010 and 2008 respectively).

## Other daily activities

Respondents tend to partake in a range of other activities on a typical working day; the majority (74 per cent) said they take a break from their business during the day. Those who don't take a break from their business during the day mostly said they were too busy and pressured by deadlines.

Slightly more than one in four engage in domestic duties (26 per cent); 19 per cent do exercise; 17 per cent take on family responsibilities; 13 per cent leisure; 12 per cent care for children; eight per cent work in another job and four per cent engage in other things including study, voluntary work, caring for others, resting, or working on activities to build the business.

This is shown in the following graph.



## Knowledge gaps

Respondents were asked what aspects of their business they would like to better understand. A great number of responses fell under the themes of sales and marketing (attracting the right clients) and finances (particularly tax and accounting).

Other knowledge gaps identified were media, time management, social networking and technology.

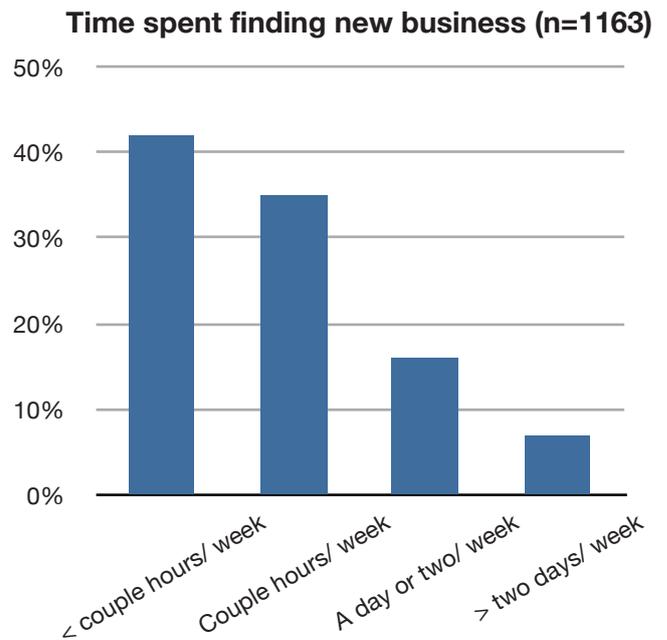
## Chapter 4: Finding new business

Solo and micro business owners tend to spend relatively little time generating new business (77 per cent spend a few hours a week or less). They are likely to rely on word-of-mouth from existing clients (deemed successful by 31 per cent), and repeat business (successful for 20 per cent). A number (13 per cent) report their website is a successful means of finding new work, and seven per cent see business growth success from social media. Half of soloists (51 per cent) receive repeat business from most or all of their clients, with 12 per cent receiving repeat business from all of their clients.

### Time spent generating new business

The majority of respondents (77 per cent) spend a few hours a week or less looking for new clients or customers, with 42 per cent spending less than a couple of hours a week. Sixteen per cent reported to spend a day or two per week finding new business; seven per cent spend more than two days each week looking for new clients or customers.

This is shown in the following graph.



### Ways of generating new business

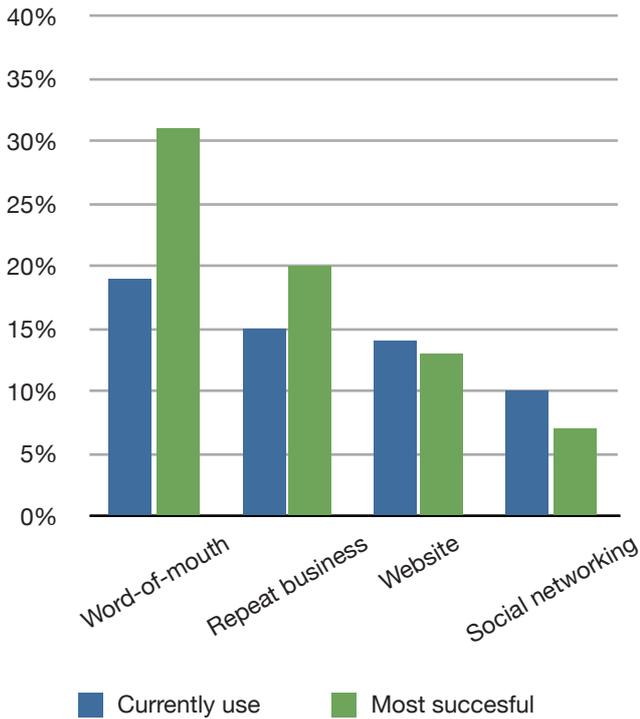
Word-of-mouth and repeat business continue to be the most effective ways of generating new business, however, the percentage of respondents who have successfully used these methods is lower in 2012 than in previous years.

The 2012 survey showed that close to a third of respondents (31 per cent) considered word-of-mouth to be a successful way of finding new business.

There were 13 per cent of respondents who said their website was an effective way of generating new business. One in ten respondents used social networking to find new clients or customers.

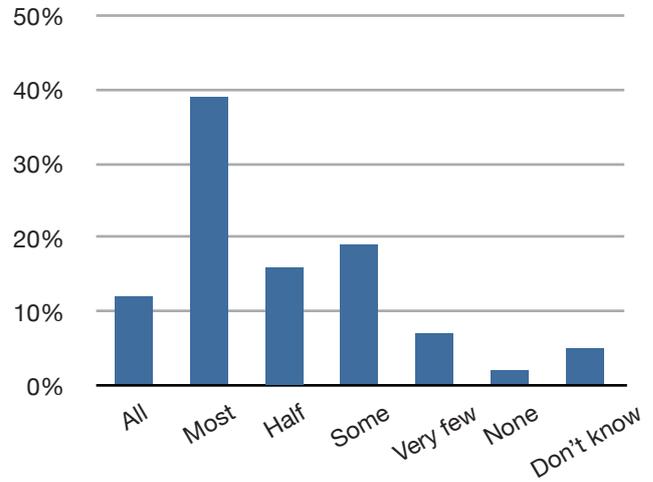
These top findings to this question are shown in the following graph.

### Generating new business



reported receiving very few or no repeat business from their clients (two per cent received none). This is shown in the following graph.

### Clients provide repeat business (n=1160)



A range of other marketing activities were found to be effective by less than 10 per cent of respondents. These included business partnerships (7 per cent), free directory listings (2 per cent), blog (2 per cent), paid online marketing or advertising (3 per cent), trade fairs or conferences (2 per cent), online forums (1 per cent), cold calling (2 per cent), local paper advertising (2 per cent), details on vehicle (1 per cent), letterbox drops (1 per cent), or fridge magnets (1 per cent). This is consistent with overall trends from previous years.

### Repeat business

One in five (20 per cent) of respondents claimed repeat business was an effective way of generating revenue.

Half of all respondents (51 per cent) reported receiving repeat business from most or all of their clients. Slightly less than one in five (19 per cent) said some of their clients provided repeat business; 16 per cent received repeat business from half of their clients. Just under one in ten (9 per cent)

# Chapter 5: Technology

Solo and micro business owners continue to spend a great deal of their day online for work or leisure; 40 per cent are online for most or all of their day, 10 per cent online all day. The three preferred technology tools are laptops (used all the time by 70 per cent), smartphones (used all the time by 67 per cent), and desktops (used all the time by 59 per cent).

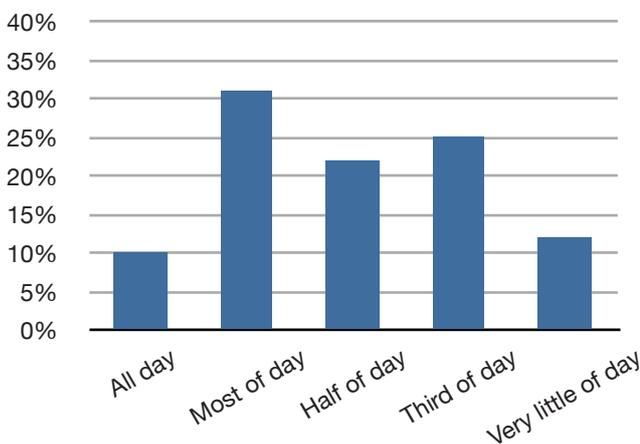
Online communities are effective for this audience, particularly online forums (effective for 36 per cent), LinkedIn (effective for 33 per cent) and Facebook (effective for 33 per cent). Having a website is important or very important for 84 per cent of the group.

## Time spent online

The time spent online has remained unchanged between the 2010 and 2012 surveys, although the questions were asked slightly differently (2010 survey measured time online for work only, 2012 survey asked about time online for work or leisure).

Forty per cent of respondents spend most or all of their day online for work or leisure (10 per cent spend *all day* online); 22 per cent spend half of their day online; 25 per cent are online for a third of their day, and there are 12 per cent of respondents who said they do not spend much of their typical working day online. This is seen in the following graph.

**Time spent online (n=1152)**



The 2010 survey asked respondents about how much time they spent online for work only. Forty percent said they were online most of the time or all of the time for work (same as 2012 result for work or leisure); 22 per cent were online for half of the day (same as 2012 for work or leisure); 11 per cent said they spend very little time online for work (similar to 2012 finding). For many business owners who work from home and spend most of the day online, there is inevitably an increasing blurring of the line between work and leisure/domestic activities.

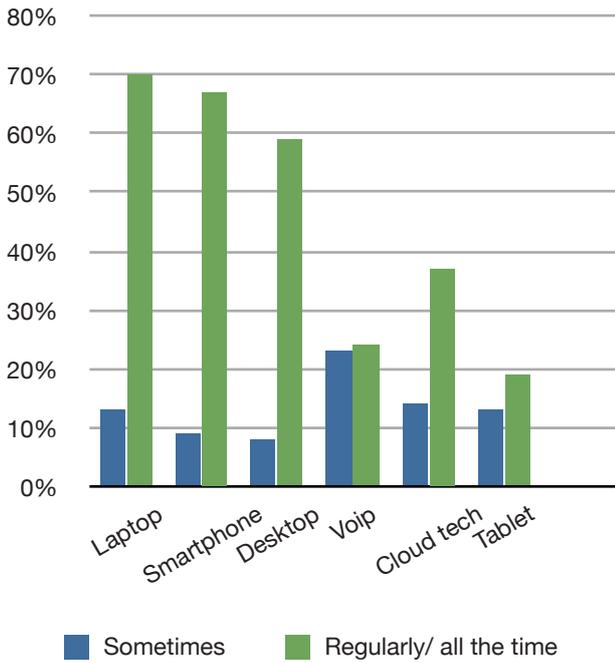
## Technology used for business

The laptop, smartphone and desktop are by far the top three technology devices used by respondents in the 2012 survey, all of them used *all the time* by more than half of all respondents.

The vast majority of respondents (83 per cent) said they use their laptop for business (70 per cent use it *all the time*, 13 per cent *sometimes*); 76 per cent use a smartphone for business (67 per cent *all the time*, 9 per cent *sometimes*); 67 per cent of respondents also use their desktop for their work (59 per cent *all the time*, 8 per cent *sometimes*).

Close to half (47 per cent) of respondents use Voip technology for their business (24 per cent *all of the time*, 23 per cent *sometimes*); 51 per cent use cloud technology (37 per cent use it *all the time*, 14 per cent *sometimes*); and a third (32 per cent) of respondents use a tablet for work (19 per cent *all the time*, 13 per cent *sometimes*). The following graph illustrates these findings.

### Technology used for business

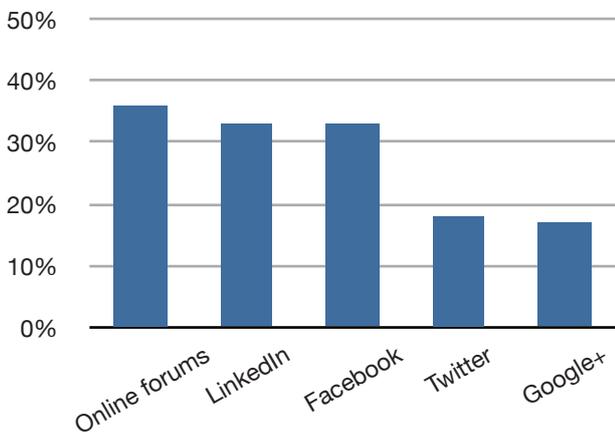


### Online communities

A third of respondents or more claimed that Facebook, LinkedIn and online forums were effective for their business. Specifically, 36 per cent found online forums effective (only 6 per cent claimed they were *very effective*), 33 per cent LinkedIn (8 per cent claimed *very effective*), 33 per cent Facebook (9 per cent *very effective*), 18 per cent Twitter (4 per cent *very effective*), and 17 per cent claimed Google+ to be effective (7 per cent *very effective*).

The overall effectiveness (sum of effective and very effective) is seen in the following graph.

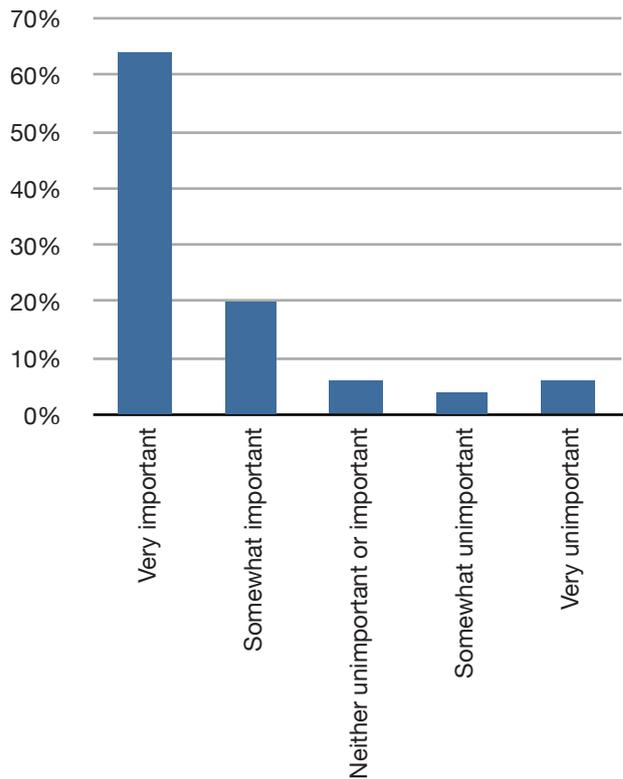
### Effectiveness of online communities for business



### Websites

The vast majority of respondents (84 per cent) said it was important or very important to have a website for their business. Almost two thirds (64 per cent) felt it was *very important*. One in ten respondents did not believe a business website was important to them (6 per cent said it was *very unimportant*). There were six per cent who were neutral on the subject. This is shown in the following graph.

### Importance of a website (n=1136)



## Chapter 6: Networking

Small informal group meetings remain the preferred style of networking by the majority (64 per cent), however, its appeal is gradually being replaced by a preference for online forums, which is preferred by 26 per cent, up from 16 per cent and 11 per cent in 2010 and 2008 respectively.

The majority of soloists (64 per cent) attend face-to-face networking functions less than four times a year. Slightly more than a third (36 per cent) of soloists attend face-to-face networking functions more than four times a year, much less than in 2010 (56 per cent).

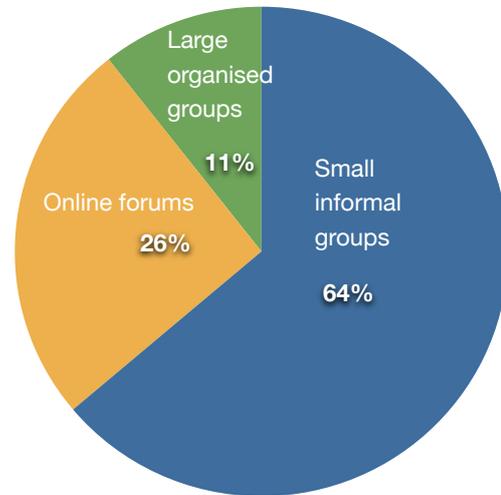
### Preferred networking style

In 2012 there were just less than two thirds (64 per cent) of respondents who preferred networking in small groups, declining from 68 per cent in 2010 and 72 per cent in 2008. At the same time, a preference for participation in online forums at 26 per cent in 2012 has increased from 16 per cent in 2010 and 11 per cent in 2008<sup>2</sup>.

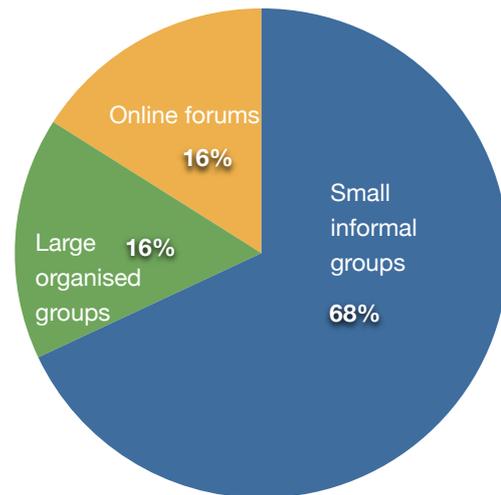
The preference for formal networking in large structured groups remains consistently relatively low, and declining, at 11 per cent in 2012, decreased from 16 per cent in 2010 and 17 per cent in 2008.

This changing trend can be seen in the following series of three pie charts.

Preferred networking style- 2012 (n=1111)

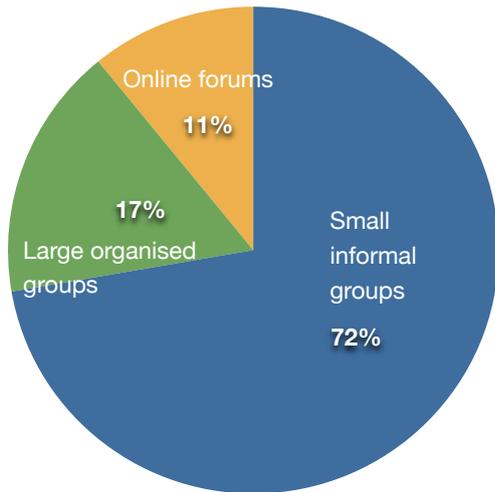


Preferred networking style- 2010 (n=1144)

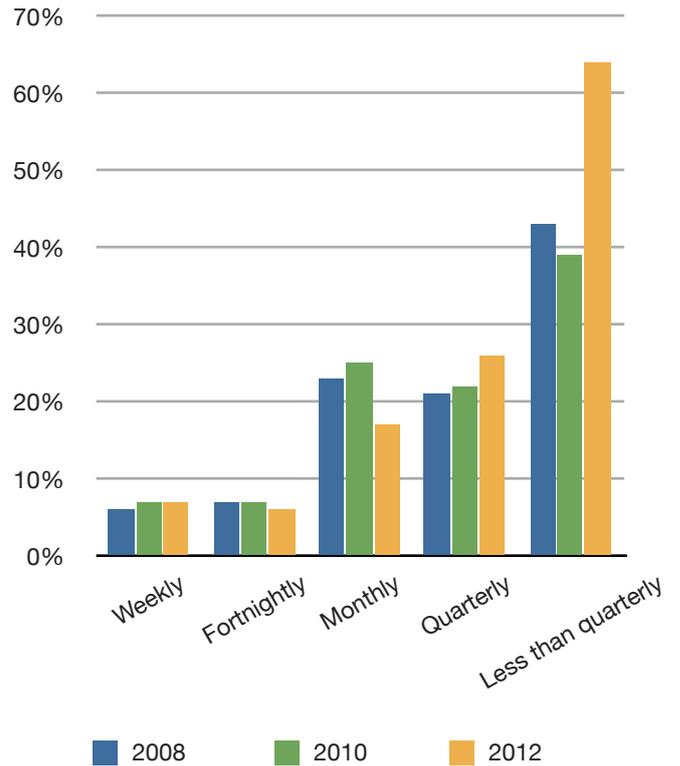


<sup>2</sup> These survey respondents are part of the Flying Solo online community and Flying Solo hosts Australia's largest small business forums.

### Preferred networking style- 2008



### Attending networking functions



### Attending networking functions

The declining preference for face-to-face networking was reiterated when respondents were asked how often they attend face-to-face networking functions.

In 2012 close to two thirds of respondents (64 per cent) attended face-to-face networking functions less than four times a year. This compares to 39 per cent in 2010 and 43 per cent in 2008.

Just over one in four (26 per cent) of respondents said they attended face-to-face networking quarterly, compared to 22 per cent in 2010 and 21 per cent in 2008.

As might be expected, those who more regularly attended face-to-face networking functions more regularly also reduced in number in 2012. There were 17 per cent of respondents who took part in networking in small groups once a month, down from 25 per cent in 2010 and 23 per cent in 2008. Similar low numbers of respondents attend face-to-face networking more often than that; only six per cent said they attend fortnightly and seven per cent weekly.

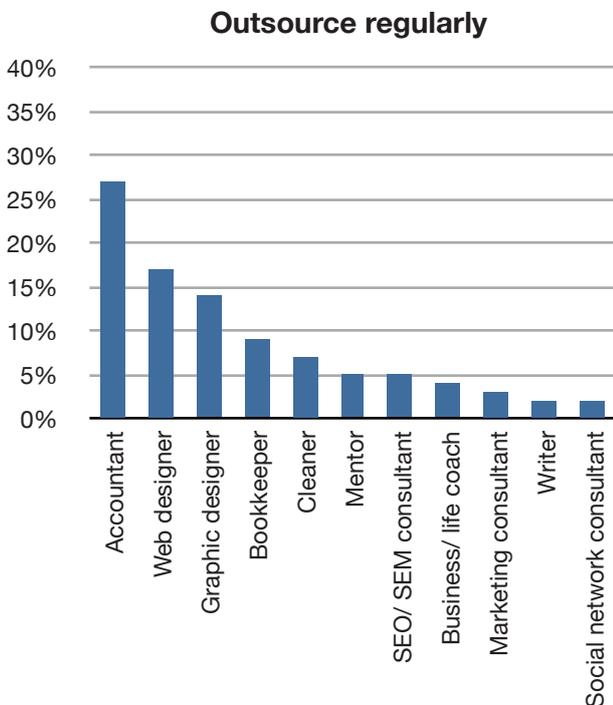
These trends are shown in the following graph.

# Chapter 7: Outsourcing

A number (27 per cent or less) of solo and micro business owners regularly outsource a range of services. The vast majority (81 per cent) prefer to use Australian suppliers than to outsource offshore. A quarter of soloists in the survey say they would only ever use Australian suppliers when outsourcing services.

## Services outsourced

Respondents said they outsourced a number of services regularly; 27 per cent outsourced accounting services; 17 per cent used a web designer; 14 per cent a graphic designer; and less than 10 per cent of respondents outsourced a book keeper (9 per cent), cleaner (7 per cent), mentor (5 per cent), SEO/ SEM consultant (5 per cent), business/life coach (4 per cent), marketing consultant (3 per cent), writer (2 per cent), and social networking consultant (2 per cent). This is shown in the following graph.



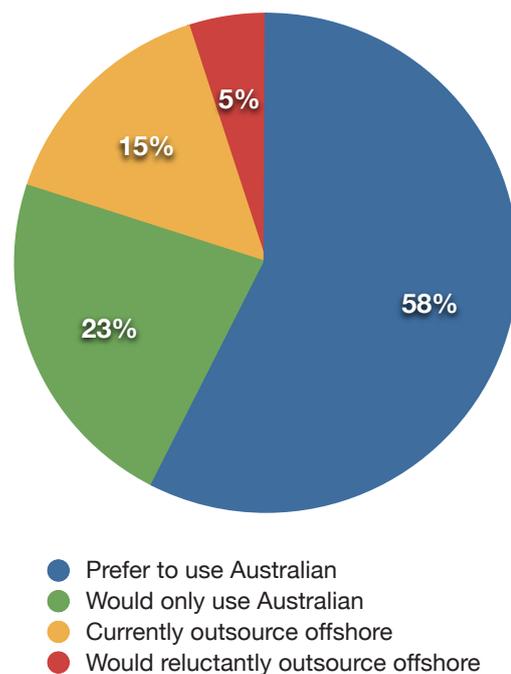
Outsourcing accountants, web designers, graphic designers and book keepers also featured highly in the surveys of 2010 and 2008.

## Attitude to offshore outsourcing

When asked of their attitudes to offshore outsourcing, the vast majority (81 per cent) prefer to use Australian suppliers than to outsource overseas. There were 23 per cent of respondents who would *only* use Australian suppliers, a further 58 per cent would *prefer* to use Australian.

There are 15 per cent of respondents who already outsource offshore; another 5 per cent would do so reluctantly. This is shown in the following pie chart.

Attitude to outsourcing (n=1104)



## Chapter 8: Happiness

The vast majority (86 per cent) of respondents are happy in their work, with their happiness and enthusiasm increasing over time. The longer they are in business, the happier they tend to be. The happiest people have been working for themselves for more than five years.

Those who are most happy are more likely to work in the beauty and fashion industries, as well as business support and administration, events and entertainment, photography, property, technology or web services.

Happiness did not show any correlation to the numbers of hours worked. That is, those who worked the longest hours were not necessarily less likely to be happy than those who put less time into their business.

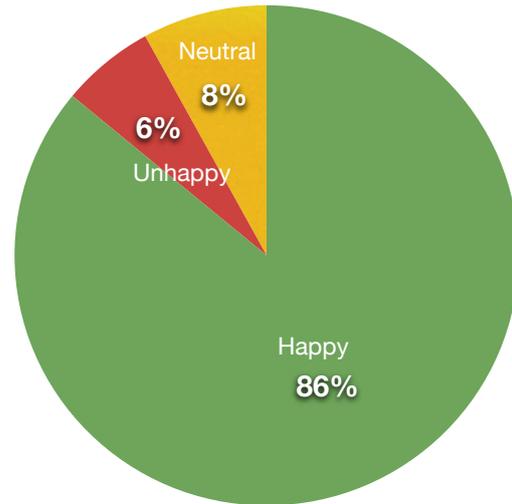
The majority of solo and micro business owners feel more enthusiastic about their business than they used to. This positive outlook is reflected in the finding that the biggest challenges identified in previous surveys have considerably reduced in frequency. Additionally, a half of all soloists would not even consider accepting an offer of a lucrative, suitable job working for someone else.

### Happiness at work

The vast majority of respondents (86 per cent) said they were happy in their work. More than a third of respondents (38 per cent) said they were *very happy*.

Only six per cent said they were unhappy in their work, with one per cent claiming to be *very unhappy*. The following pie chart shows the clear high proportion of respondents who claimed to be happy in their work.

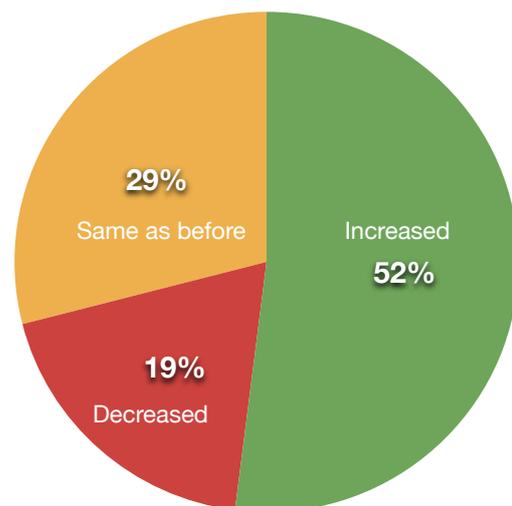
Happiness at work (n=1107)



### Enthusiasm

Slightly more than half (52 per cent) of respondents said they feel more enthusiastic about their business than they used to. Just less than one in five (19 per cent) said they felt less enthusiastic about their business than they used to, and 29 per cent said they felt the same level of enthusiasm as before about their business. This is shown in the following pie chart.

Enthusiasm (n=1109)



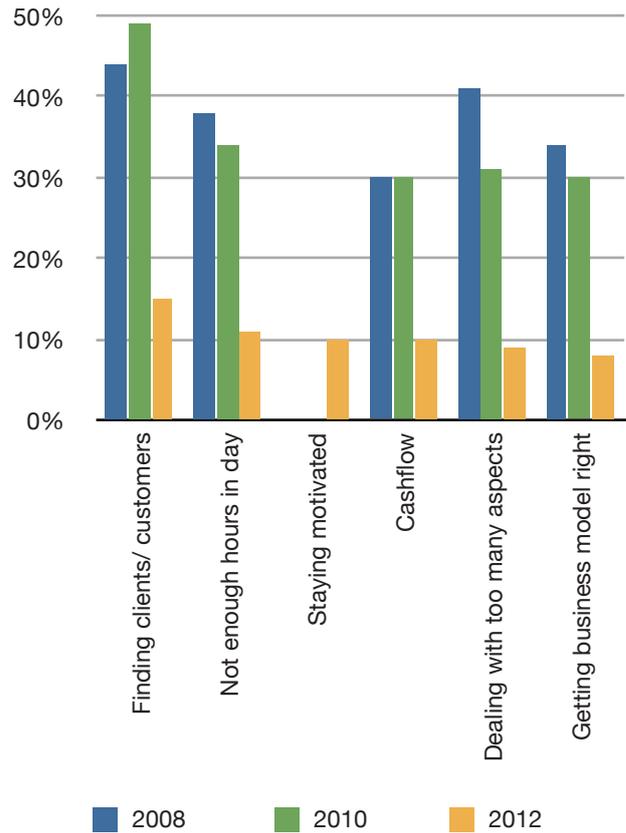
## Biggest challenges

The biggest business challenges facing respondents since 2008 has continued to be finding new clients or customers, and not having enough hours in the day. However, in 2012, there were considerably fewer respondents who identified these- or other factors- as challenges. It is unclear why this is the case, but it suggests that solo and micro business owners are dealing with these issues considerably better now and fewer consider them to be challenges.

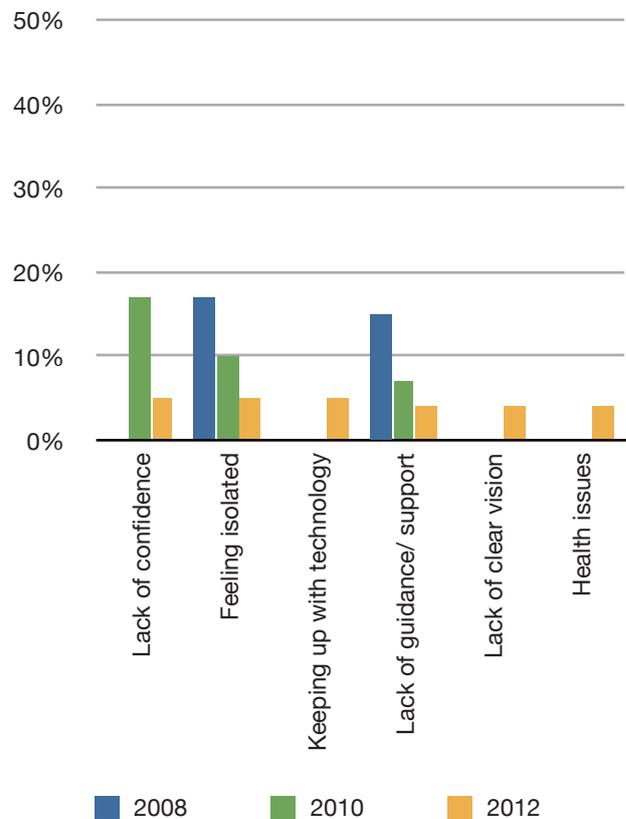
There were 14 per cent of respondents who identified finding clients or customers as one of their biggest challenges (down from 50 per cent in 2010 and 44 per cent in 2008). There were 11 per cent of respondents who felt there were not enough hours in the day (34 per cent in 2010 and 38 per cent in 2008); 10 per cent faced the challenge of staying motivated; another 10 per cent mentioned cash flow (30 per cent in 2010 and 2008); 9 per cent felt they had to deal with too many aspects of the business (31 per cent in 2010 and 41 per cent in 2008); and eight per cent found it difficult getting the business model right (30 per cent in 2010, 34 per cent in 2008).

Five per cent or less felt that the biggest challenges were lack of confidence (5 per cent), feeling isolated (5 per cent), keeping up with technology (5 per cent), lack of guidance or support (4 per cent), lack of clear vision (4 per cent), health issues (4 per cent) and other (2 per cent). This is shown in the following two graphs.

Biggest challenges- last 12 months



Biggest challenges (cont)



## Chapter 9: Business income

The income generated by solo and micro business owners contributes to their household income to varying degrees.

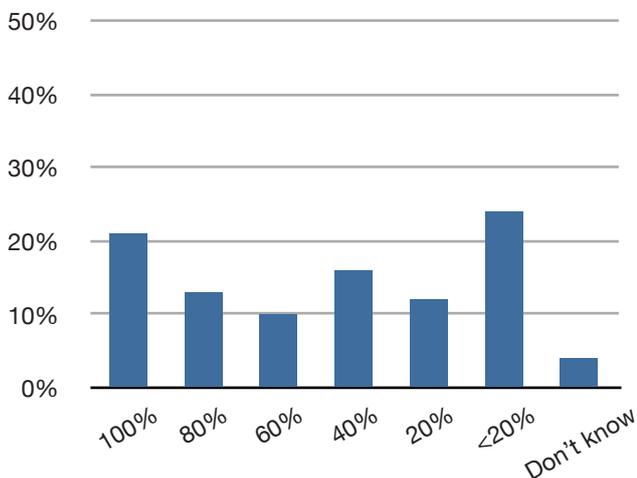
Most businesses (57 per cent) were not impacted by the economic downturn. Just less than a third (31 per cent) said they did feel pressure during that time, but did not consider leaving the business. This is despite the majority (63 per cent) of soloists agreeing that it's tough operating in this economic climate; and more than half are not satisfied with the income generated by the business. About half of respondents cut their own salary in recent years and have found additional sources of income, mostly from working in another job or government subsidies and less so from property, stocks and shares than in previous years.

These findings reinforce the determination, drive and commitment that most solo and micro business operators have, even in difficult times.

### Contribution to household income

The income generated by the businesses of respondents contributes to their household income to varying degrees. This is shown in the following graph.

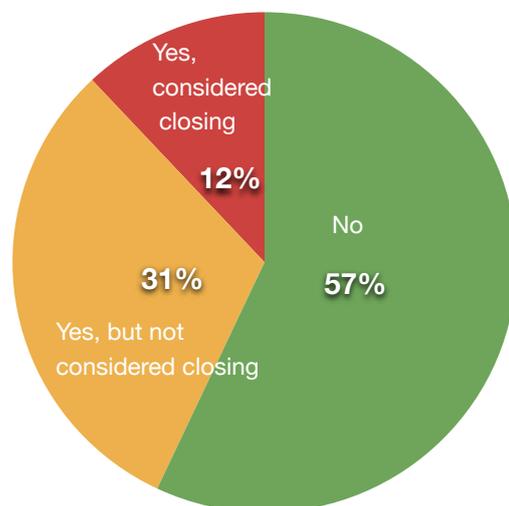
**Household income generated from business**



### Economic climate

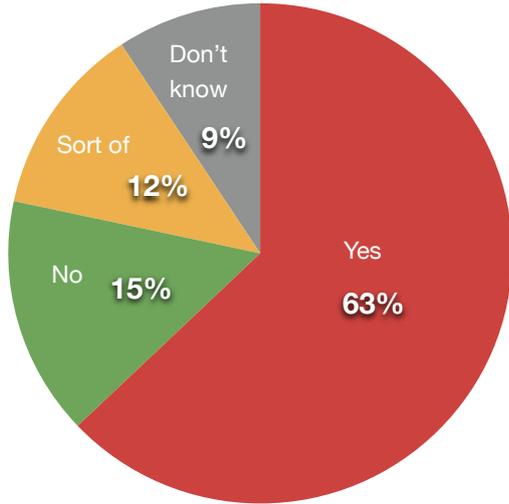
The economic downturn did not affect the majority of individuals who participated in the 2012 survey. The majority of respondents (57 per cent) said their business had not suffered from the economic downturn. Slightly less than a third of respondents (31 per cent) said their business had suffered but they had not intended leaving it to do something else. There were 12 per cent of respondents who reported their business had suffered from the economic downturn and they had considered closing the business. This is shown in the following pie chart.

**Suffered from economic downturn (n=1096)**



Despite the economic downturn not directly affecting the businesses of more than half of respondents, close to two thirds (63 per cent) agreed that it was tough being a business owner or entrepreneur in the current economic climate. There were 15 per cent who did not agree that it was tough being a business owner in this economic climate; 12 per cent thought it was 'sort of' tough, and 9 per cent didn't know. This is shown in the following pie chart.

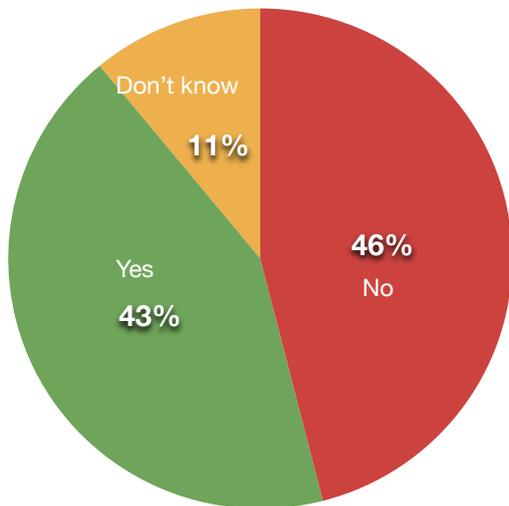
**It's tough in this economic climate (n=1107)**



**Cutting own salary**

Less than half of respondents said they have had to cut their own salary in recent years. Almost the same proportion (43 per cent) said they had cut their own salary, and a further 11 per cent said they did not know. This is shown in the following pie chart.<sup>3</sup>

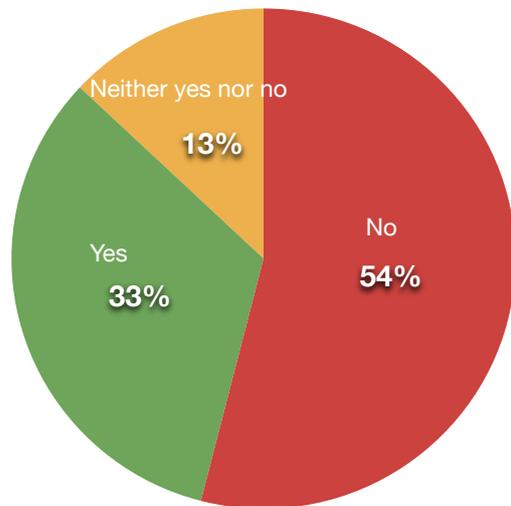
**Cut own salary (n=1102)**



**Satisfaction with income**

A third of respondents (33 per cent) are satisfied with the income their business generates (27 per cent are *somewhat* satisfied, 6 per cent *very* satisfied). Slightly more than half of respondents (54 per cent) are not satisfied with the income generated by their business (33 per cent are *somewhat* dissatisfied, 21 per cent *very* dissatisfied). A further 13 per cent were neither satisfied nor dissatisfied with the income generated by their business. This is shown in the following pie chart.

**Satisfied with income (n=1087)**

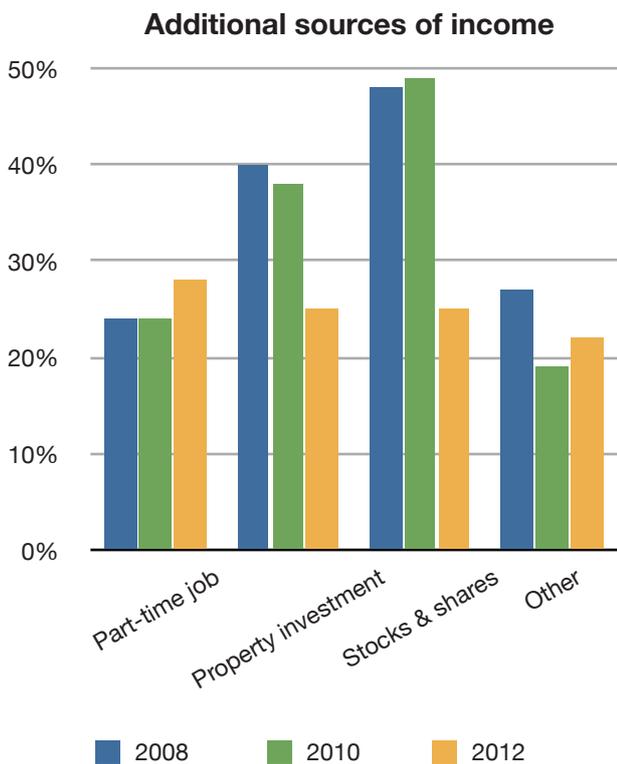


<sup>3</sup> It should be kept in mind that other studies have shown that small business owners do not pay themselves a regular salary at all, which impacts on the interpretation of this question.

## Additional sources of income

Since 2008, respondents have continued to accrue income from similar sources additional to their business, although at different rates, with income from part time jobs and other sources increasing and income from investment in property, stocks and shares decreasing.

In 2012 there were 28 per cent of respondents who reported receiving additional income from working in a part time job (up from 24 per cent in 2010 and 2008). One in four (25 per cent) received additional income from property investment (down from 38 per cent in 2010 and 40 per cent in 2008); and another 25 per cent received income from investment in stocks and shares (down from 49 per cent in 2010 and 48 per cent in 2008). There were 22 per cent of respondents who accrued income from other sources (19 per cent in 2010 and 27 per cent in 2008). This is seen in the following graph.



# Chapter 10: Spending habits

The spending habits of solo and micro business owners has not greatly changed from previous years. However, respondents in the 2012 survey are more likely to be postponing holidays in Australia or overseas until they can afford it. Nine per cent have been on a holiday in Australia in the past six months, 15 per cent intend to do so in the next six months, seven per cent have recently been on an overseas holiday, with 13 per cent intending to do so in the next half year.

Business purchases are predominantly being made either in store (52 per cent) or online (43 per cent). A small proportion of solo and micro business owners (three per cent) buy goods using their smartphone. Online purchasing is becoming more popular, with 58 per cent of soloists making an online purchase for work or pleasure five times or more in the last three months.

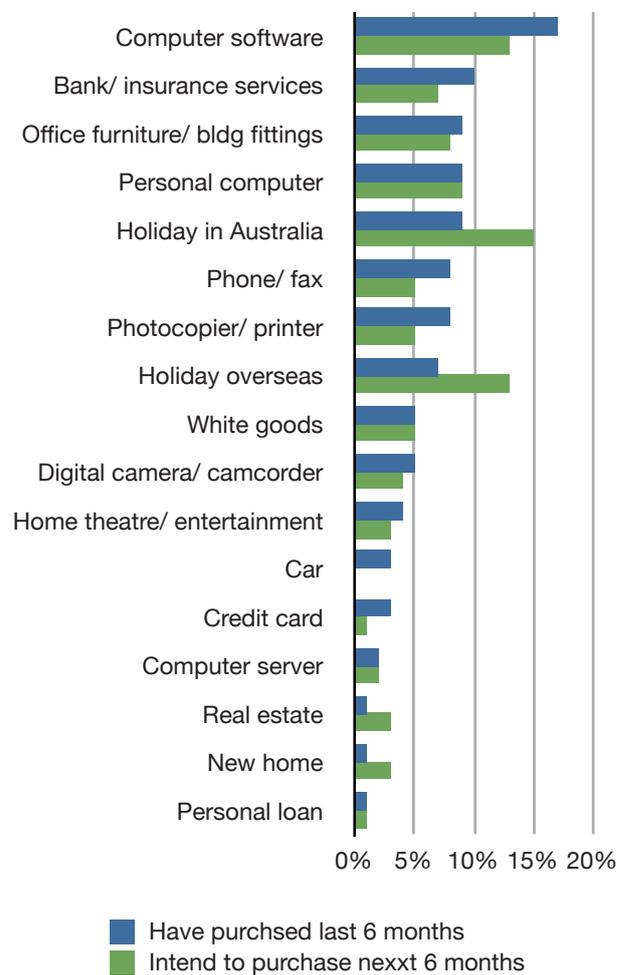
If they had a spare \$5,000, soloists would put it towards a range of things, with just 28 per cent putting it directly into the business. Some would take that holiday they had been putting off.

## Purchase behaviour

In the last six months, 17 per cent of respondents have purchased computer software, with 13 per cent intending to purchase computer software in the next six months. 10 per cent of respondents have purchased bank/insurance services, seven per cent intend to do so. Nine per cent have purchased office furniture or building fittings, eight per cent intend to do so. Whilst only nine per cent of respondents have been on an Australian holiday in the last six months, 15 per cent intend to do so in the next six months. Eight per cent have purchased a photocopier/printer, five per cent intend to do so. Seven per cent have been on an overseas holiday, whilst 13 per cent intend to do so. Five per cent have purchased white goods, another five per cent intend to do so. Five

per cent have bought a home theatre or entertainment system, with three per cent intending to purchase in the next six months. Only three per cent have purchased a car, and there were no respondents who intended to do so in the next six months. Only one per cent had bought real estate, with three per cent intending to do so. Another one per cent had bought a new home, with three per cent intending to do so. One per cent had taken out a personal loan, with another one per cent intending to do so. This is shown in the following diagram.

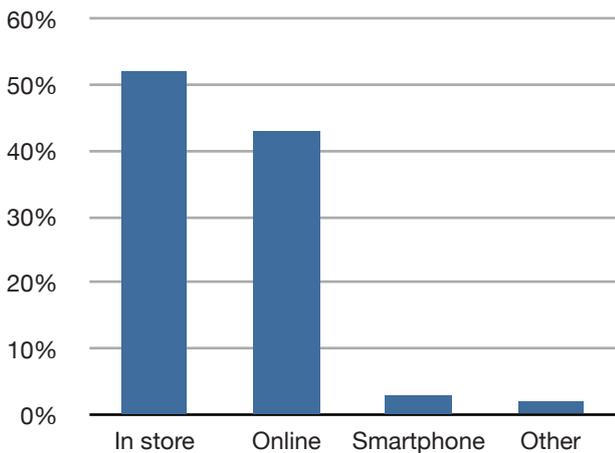
**Purchase behaviour**



## Business purchases

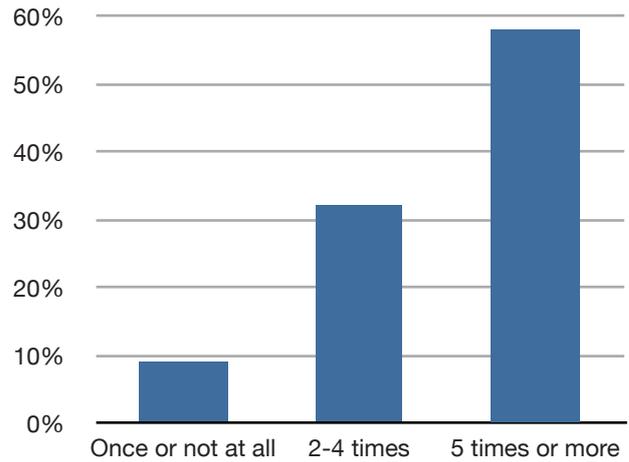
Online purchasing is a very close second to in-store. Just over half of respondents (52 per cent) mostly purchase their business supplies in store. Approaching half (43 per cent) said they do so online. Three per cent mostly make business purchases from their smartphone and two per cent use other means. This is seen in the following graph.

**Purchase business supplies**



More than half (58 per cent) of respondents had made an online purchase for work or pleasure five times or more in the last three months. Just less than a third (32 per cent) had made an online purchase two to four times. Only nine per cent of respondents had made one or no online purchases in the last three months. This is seen in the following graph.

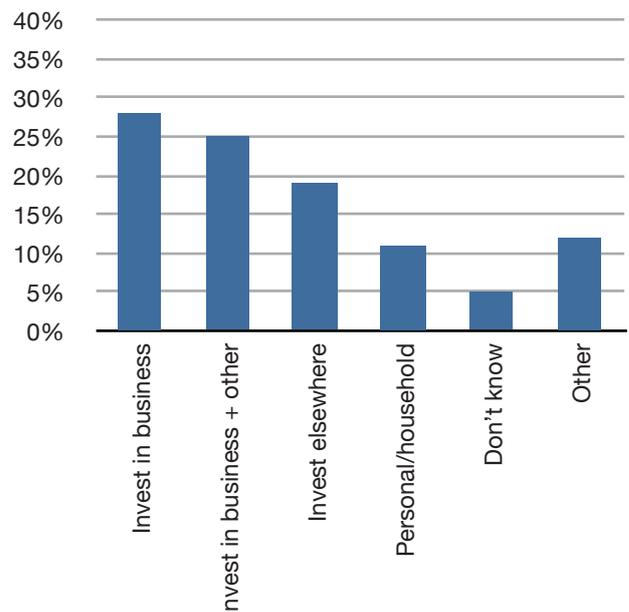
**Online purchase last 3 months (n=1094)**



## With additional money to spare

When asked what they would do if they had \$5,000 to spare, 28 per cent said they would invest the money in developing the business; 25 per cent would spend some of the money on the business, and some of it on other things; 19 per cent would invest the money elsewhere (such as shares/ property/ in the bank); 11 per cent would spend it on household items and five per cent said they didn't know. A further 12 per cent said they would spend the money on other things. The most common responses were contributing to mortgage, having a holiday and paying off debt. The responses to this question are shown in the following graph.

**With \$5,000 to spare (n=1097)**



## Chapter 11: The future

The majority (71 per cent) of soloists do not have an exit strategy for their business. Plans for business growth have remained relatively unchanged over the years. Close to half of solo and micro business owners plan to continue operating as a small and profitable business and the other half would like to grow into a larger business.

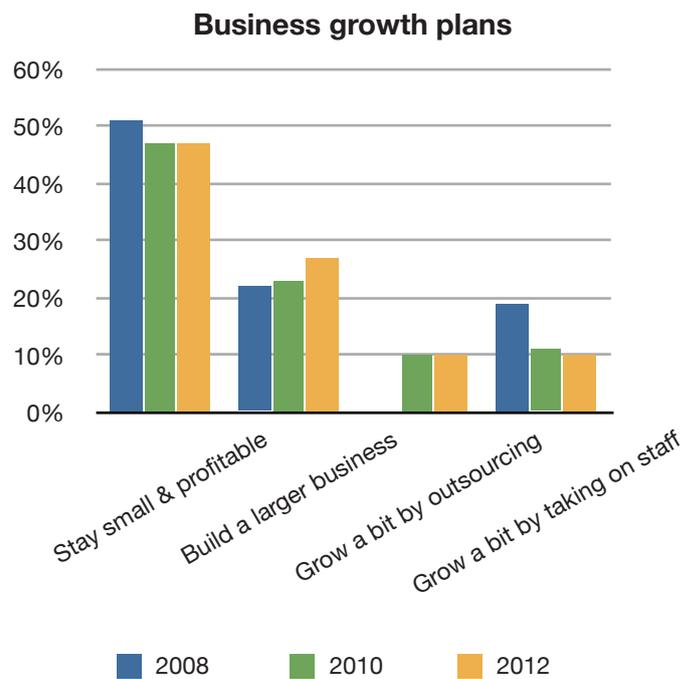
Nine out of 10 respondents would not seriously consider working for someone else, even if offered a highly lucrative and suitable office job.

This suggests that the future looks stable and bright for solo and micro business owners, and the majority have no intention of working in any other way.

### Business growth plans

Only 29 per cent of respondents have an exit strategy for their business. The vast majority (71 per cent) do not have an exit strategy.

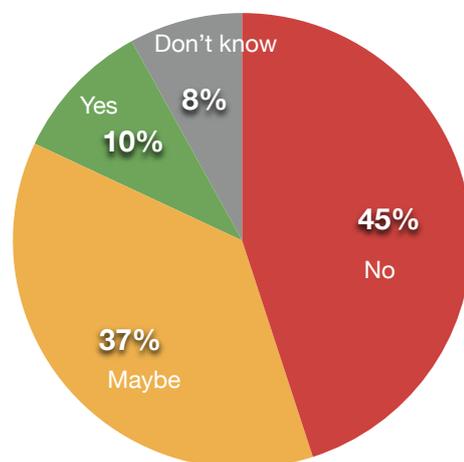
In 2012 almost half of respondents (47 per cent) intended to stay small but profitable (unchanged from 2010, 51 per cent in 2008). There were 27 per cent of respondents who intended to grow a larger business (23 per cent in 2010, 22 per cent in 2008). There were 20 per cent who wanted to grow the business (10 per cent by outsourcing, 10 per cent by taking on staff), which was similar to previous years (21 per cent wanted to grow the business in 2010, 19 per cent in 2008). This trend data is shown in the following graph.



### Consider an alternative job

Respondents were asked if they would consider accepting a lucrative, suitable job that required them to work full time in an office for someone else for five years. Only one in ten respondents (10 per cent) said they would accept such an offer. Close to half of all respondents (45 per cent) said they would *not* consider it; slightly more than a third (37 per cent) said they would consider it, but it would depend on the situation. Eight per cent of respondents were not sure. This is shown in the following pie chart.

### Consider working for someone else (n=1109)



## Chapter 12: Flying Solo

Flying Solo continues to provide an important place to learn for the vast majority (84 per cent), a sense of community (64 per cent), a place of support and encouragement for 52 per cent, and a place to promote their business for 34 per cent.

### Benefits of Flying Solo

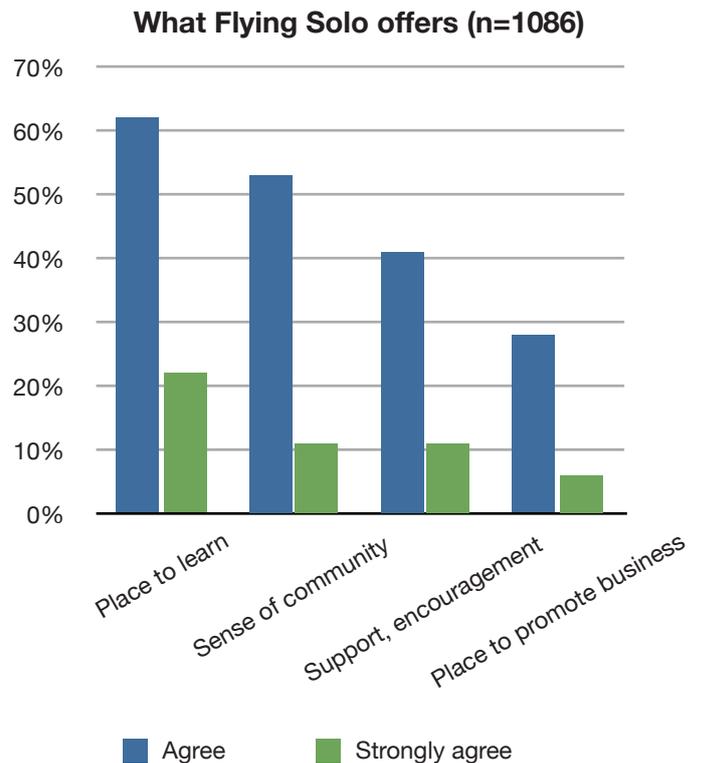
The vast majority of respondents (84 per cent) agreed or strongly agreed that Flying Solo offered a place to learn; 62 per cent agreed, 22 per cent *strongly* agreed. There were 15 per cent who neither agreed nor disagreed; the remainder disagreed or strongly disagreed.

Almost two thirds of respondents (64 per cent) agreed or strongly agreed that Flying Solo provided a sense of community; 53 per cent agreed, 11 per cent *strongly* agreed. A third of respondents (33 per cent) neither agreed nor disagreed; two per cent disagreed, and one per cent strongly disagreed.

Just over half of respondents (52 per cent) agreed or strongly agreed that Flying Solo offered support and encouragement; 41 per cent agreed; 11 per cent *strongly* agreed. There were 44 per cent who neither agreed nor disagreed; the remaining four per cent disagreed.

Slightly more than a third (34 per cent) agreed that Flying Solo offered a place to promote their business; 28 per cent agreed, 6 per cent strongly agreed. There were 47 per cent who neither agreed nor disagreed; 15 per cent disagreed and four per cent *strongly* disagreed.

The level of agreement with these statements can be seen in the following graph.



## Conclusion

This survey has demonstrated that micro business owners continue to be happy, optimistic and positive about their businesses, and the longer they are in business, the happier they tend to be. Located all over Australia, they continue to earn higher than average incomes and are part of higher than average income households.

What micro business owners value most is their sense of flexibility and independence, yet they acknowledge that they still have things to learn. They value learning about what others do in similar situations, and have taken to online communities as a gradual replacement for face-to-face networking. Personal networking and word-of-mouth recommendations are important for maintaining a sense of community but also for finding new business. Technology is giving them new ways of doing this, and they are taking to it confidently and enthusiastically.

The economic downturn has introduced some new financial challenges to the micro business community, but most have had the strength and backup to be able to pull through confidently. Their spending habits remain relatively unchanged from previous years, but holidays are being put on hold until soloists feel they can afford to take them.

Most soloists would not swap their work situation for a lucrative job working for someone else. The majority do not have an exit strategy, and combined with their high earning capacity and general overall happiness, it seems that they are not going anywhere.

The future for solo and micro business owners looks bright.