FOREWORD

Australian business optimistic despite international trade tensions

Australian exporters are benefiting from free trade agreements with key trading partners and most remain optimistic about expanding into new markets, according to encouraging figures in the latest International Business Survey.

Trade is an essential part of Australia’s economy and as a mid-sized open economy we value our trading partners and our exporters.

Australia’s International Business Survey 2019 remains the largest study of its kind and marks the sixth consecutive year in which Australia’s international businesses have used the AIBS platform to share their experiences of key markets, international activities and barriers to earning international revenue.

The survey allows for further understanding of our exporters, which is essential if we are to support them in an increasingly challenging global trading landscape.

Despite the global training environment being dominated by US-China trade tensions and growing uncertainty surrounding Brexit, it is pleasing to see confidence in trading conditions remaining relatively high among survey respondents.

It is also encouraging that Australian exporters remain confident in their ability to grow and expand into new markets. In this year’s survey, 55 per cent of exporters viewed their financial outlook for the next two years as better than the previous two years.

These are indicators of the solid economic climate Australian businesses are experiencing under the Morrison Government, thanks to our considered, disciplined economic management but also in our commitment to opening up new trade deals in additional markets and lowering taxes that encourage more business investment.

The Morrison Government is helping to provide a supportive and growing trade environment that is creating more opportunities for Australian businesses to grow their exports, ultimately creating more Australian jobs.

Senator Simon Birmingham
Minister for Trade, Tourism and Investment
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Executive Summary

Australia’s International Business Survey (AIBS) 2019 is a collaborative effort between the Export Council of Australia (ECA), the Australian Trade and Investment Commission (Austrade) and the Commonwealth Bank of Australia (CBA) and is the largest undertaking of its kind and has been surveying current conditions and future outlook of internationally engaged Australian businesses since 2014. The findings of this report are distinctive and significant because they provide key insights into the nature, needs, concerns and future plans of the Australian international business community.

In 2019, AIBS surveyed a total of 593 businesses who were actively undertaking international business activities representing 75 industry subsectors across more than 90 international markets. While the sample represents a segment of Australian exporters, AIBS value stems from its ability to provide a detailed view of current and future opportunities and challenges faced by businesses that are experienced and successful internationally.

The Breadth of International Business Engagement

AIBS 2019 captures an internationally diversified and fairly experienced sample of the Australian business community. The average AIBS 2019 respondent had 15 years of international experience. The average year international revenue was first earned is 2003.

AIBS 2019 respondents were fairly balanced between goods exporters (59%) and services exporters (51%). Although exporting emerged as the most common component of their international business activities, a significant number of respondents were also involved in importing goods (37%) and services (13%) making outward investment (14%) and receiving inward investment (9%) and other international activities (23%). For 70% of those involved in other activities, the largest and most important international revenue generating activity was related to intellectual property (IP) including creative works protected by patents, copyright and trademarks.

Although AIBS 2019 shows that exporting goods remain the most important activity for respondents, a slight decrease can be observed across the past three years. Interestingly a 5% increase can be noticed in exporting services overseas from 2017 (47%), 2018 (49%) to 2019 (51%) reflecting an increase in the delivery of Australian services into international markets with the importing of services remaining consistent along the past three years.

International revenue is generated from either exporting of goods, services or intellectual property (IP). On average, organisations earn 50% of international revenue from goods sales, 38% of international revenue from services sales and 11% from IP related activities (creative works protected by patents, copyright and trademarks, among others). The top five international markets for revenue generation are the United States, People’s Republic of China (China), Singapore, United Kingdom and New Zealand.

Among those respondents who earned international revenue from only one market, the majority (62%) earned less than AUD 100,000 in international revenue, with 26% earning more than AUD 100,000 but less than AUD 1 million. For respondents earning revenue from the largest six markets, the majority (41%) earned more than AUD 100,000 but less than AUD 1 million. While 21% earned more than AUD 1 million but less than AUD 5 million, with only 4% earning AUD 50 million or more.

For the most diversified cohort of respondents earning international revenue from more than ten markets, 29% earned higher international revenue (AUD 1 million to AUD 5 million), with nearly a quarter of respondents (24%) earning between AUD 10 million and AUD 50 million, while 17% earned over AUD 50 million. Only 3% of respondents in this group earned less than AUD 100,000.

We asked AIBS 2019 respondents to identify the first market they reported to, i.e., looking at the top first export markets, unsurprisingly and consistent with AIBS 2018 results, United States of America and New Zealand remain the top two first export markets with 15% and 10% respectively. These markets have consistently ranked as preferred entry markets due to similar regulatory systems and low language barriers.

Funding from retained earnings was signaled as the most important means of financing international expansion, consistent across the past three AIBS surveys. While most respondents (54%) had no need to pursue additional debt finance in the three years to come.

Australia’s International Business Activity in Focus

AIBS 2019 focused on three key topic areas, relevant in Australia’s trade environment: business experience in India, the use of innovation related activities by Australian exporters and the importance of brand-Australia and multicultural communities to drive export sales.

Regional Focus on India

Nearly one-quarter of respondents (23%) were doing business in India across different States and cities. For 45% of those doing business in India, sales growth and economic growth were listed as the emerging and most important opportunities. The main challenges to do business in India for respondent firms were cultural challenges (31%) and corruption and contract security issues (31%).

Innovation

AIBS 2019 revealed that a little over half of the companies surveyed (52%) said they undertake innovation activities either domestically or overseas, with larger firms taking the lead in innovation. From those undertaking innovation (including R&D related activities) almost three-quarters of respondents (74%) undertake innovation activities domestically - in Australia- in collaboration with an international partner, while almost half of the respondents (48%) undertake innovation activities overseas.

Brand Australia and Multicultural Communities

In assessing the importance of nation branding, specifically ‘being Australian’ as a value add to respondent’s international marketing efforts, 55% of respondents reported that being Australian was “essential” or “very important” with only 12% of respondents reporting it is “not important at all” to their marketing efforts in international markets.

Beyond 2019: New Markets & Future Outlook

Despite current trade uncertainties and tensions due to the United States-China trade war, Brexit and a more cautious international business community, AIBS 2019 paints an encouraging picture of Australia’s international future with 55% of respondents stating that the next two years are expected to be “better than the last two years” for their international operations. Small enterprises (with 5 to 19 employees) were the more optimistic about their financial outlook with 64% of them expecting a better financial outlook in the years to come. While 10% of respondents expect the next two years to be “worse than the last two years”.

Comparing with AIBS 2018, these results illustrate a slight downturn in optimism representing a 10% decrease from the more optimistic views reported in AIBS 2018, where 66% of respondents expected to be doing better in the near future.

The overall positive financial outlook for AIBS 2019 respondents seemed to have a positive effect on respondent’s employment plans in Australia, with almost three quarters of respondents (73%) stating that they intend to employ more people and increase headcount. On the less optimistic spectrum, 8% of respondents said they plan to decrease headcount, while 28% of respondents said they do not expect to make changes.

Looking towards new international markets to do business with, just 11% of respondents stated that they do not plan to do business in any new markets in the next two years, keeping the status-quo, whilst the majority did show intent to expand their business reach to new markets, with 36% of respondents planning to do business in one to three new markets over the next two years.

A further 23% planned to do business in four to five new markets, with 19% planning to do business in six new markets or more over the next two years.
RESPONDENTS PROFILE

Over 92% (593) of the respondents were undertaking international business activities and earning international revenue, while 8% were not. Micro businesses with four or fewer employees comprised over a quarter of respondents (29%), while large businesses with 200 or more employees accounting for only 9% of respondents. Respondents were, on average, well-experienced in international markets and leaned predominantly toward the export of goods and services, rather than importing or other international activities.

From a revenue perspective, the majority of respondents (59%) earned less than AUD 5 million in total revenue in the last financial year, with 33% of those respondents earning less than AUD 1 million.

Over a quarter of respondents (29%) earned more than AUD 5 million but less than AUD 100 million in the last financial year, while those earning over AUD 100 million represented 8% of respondents including 5% who earned AUD 200 million or more.

Looking at industry sectors, approximately 21% of businesses classified themselves as belonging to the manufacturing sector (excluding food and beverage) representing the largest pool of respondents, followed by 17% classified in agriculture, forestry and fishing and food and beverage. 10% of respondents are involved in professional, scientific and technical services and a further 10% involved in education and training.

From the total of AIBS 2019 respondents, 8% reported not undertaking international business activities. Among them, the main reason for not undertaking international activity as reported by 29% of these respondents was the lack of international leads or contacts, followed by 27% of respondents who were concentrating on scaling up domestically instead of internationalising. This was followed by uncertainty in how to start exploring opportunities and uncertainty on how to operate across different markets, both with 18%.

REPORT SECTIONS

This report provides more detail into the experiences of internationally active Australian businesses, split into six chapters.

Chapter 1 looks at the breadth of international businesses engagement, exploring the diverse international activities of respondents, analysing the activities that generate international revenue, current international markets and access to finance.

Chapter 2 focuses on three core topics: doing business in India, the role of innovation in international business and the importance and impact that brand Australia and multicultural communities have on Australian businesses strategies, particularly in Asian markets.

Chapter 3 dives explores the opportunities and challenges that might emerge for Australian businesses in the near future.

A deeper look into four key industries that emerged in AIBS 2019 can be found in Chapter 4 and Chapter 5 which provides a breakdown by five States.

Finally, Chapter 6 provides a general overview of AIBS 2019 respondents profile, providing more detail into the respondents, their international activity and others.

AIBS 2019 incorporated data from previous AIBS surveys (AIBS 2018 and AIBS 2017) to draw comparisons, discussions and explore patterns and changes relevant to internationally active Australian businesses.
THE BREADTH OF INTERNATIONAL BUSINESS ENGAGEMENT
FIGURE 1.1.1. TYPES OF INTERNATIONAL ACTIVITY

<table>
<thead>
<tr>
<th>% of respondents</th>
<th>Total</th>
<th>Exporting goods overseas</th>
<th>Exporting services overseas</th>
<th>Importing goods from overseas</th>
<th>Importing services from overseas</th>
<th>Receiving inward investment</th>
<th>Making outward investment</th>
<th>Other international activity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exporting goods overseas</td>
<td>59</td>
<td>64</td>
<td>11</td>
<td>100</td>
<td>35</td>
<td>99</td>
<td>48</td>
<td>55</td>
</tr>
<tr>
<td>Exporting services overseas</td>
<td>51</td>
<td>46</td>
<td>9</td>
<td>86</td>
<td>18</td>
<td>66</td>
<td>58</td>
<td>45</td>
</tr>
<tr>
<td>Importing goods from overseas</td>
<td>17</td>
<td>13</td>
<td>8</td>
<td>18</td>
<td>10</td>
<td>100</td>
<td>40</td>
<td>33</td>
</tr>
<tr>
<td>Importing services from overseas</td>
<td>13</td>
<td>18</td>
<td>14</td>
<td>30</td>
<td>19</td>
<td>140</td>
<td>25</td>
<td>24</td>
</tr>
<tr>
<td>Receiving inward investment</td>
<td>9</td>
<td>8</td>
<td>11</td>
<td>19</td>
<td>14</td>
<td>100</td>
<td>31</td>
<td>21</td>
</tr>
<tr>
<td>Making outward investment</td>
<td>14</td>
<td>14</td>
<td>14</td>
<td>16</td>
<td>18</td>
<td>18</td>
<td>27</td>
<td>31</td>
</tr>
<tr>
<td>Other international activities</td>
<td>23</td>
<td>22</td>
<td>23</td>
<td>21</td>
<td>21</td>
<td>11</td>
<td>39</td>
<td>43</td>
</tr>
<tr>
<td>None of these</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
</tr>
</tbody>
</table>

Q5. Over the past year, has your business been involved in any of the following activities? Please select all that apply.
Base: all respondents, N=593; Goods, n=368; Services, n=319

Looking beyond their main activity, Australian internationally active firms are involved in a wide range of international business activities (Figure 1.1.2).

Takings goods exporters as an example, AIBS 2019 found that from those respondents mainly engaged in exporting goods, 35% are also exporting services overseas. Further, 33% are also importing goods from overseas while 48% also engage in services imports. Around a quarter of respondents also engage in inward/outward investment while 59% of goods exporters are also involved in other international activities. A further breakdown by activity is provided in Figure 1.1.2, which highlights the diversity of respondents’ international business engagement.

Although AIBS 2019 respondents’ international activities were fairly consistent with AIBS results from previous years, some interesting findings emerged (Figure 1.1.3).

Although overall exporting goods remains the most important activity for respondents, a slight decrease on goods exports can be seen from AIBS 2017 (62%), AIBS 2018 (60%) to AIBS 2019 (59%).

However, a 5% increase can be noticed in exporting services overseas from 2017 (47%), 2018 (49%) to 2019 (51%) reflecting an increase in the delivery of Australian services into international markets with the importing of services remaining consistent for the past three years.

For companies engaged in investment related activities, receiving inward investment remained broadly constant from 2017 to 2019. Engagement in other activities remains largely unchanged along the past three AIBS surveys.

FIGURE 1.1.2. DIFFERENT TYPES OF INTERNATIONAL ACTIVITIES

Q5. Over the past year, has your business been involved in any of the following activities? Please select all that apply.
Base: all respondents, N=593

FIGURE 1.1.3. INTERNATIONAL ACTIVITIES BY YEAR (2017 – 2019)

Q5. Over the past year, has your company been involved in any of the following activities? Please select all that apply.
Base: All respondents, 2018 n=593; 2017 n=629; 2017 n=954

1.0 THE BREADTH OF INTERNATIONAL BUSINESS ENGAGEMENT

This chapter maps the diversity of internationally active Australian businesses to access the finance necessary to support their business opportunities (section 1.7). Throughout the report, where possible, analysis of AIBS 2019 will be compared to previous year’s AIBS survey data to identify relevant similarities, patterns and also key differences in the behavior of internationally active Australian businesses across the past years.

1.1 THE DIVERSITY OF INTERNATIONAL BUSINESS ACTIVITIES

In broad terms and looking at the main type of international business activity in which respondents are engaged, AIBS 2019 showed that respondents were fairly balanced between goods exporters (59% of respondents) and services exporters (51%). Exporting is the most common component of their international business activities, but a significant number of respondents were also involved in importing goods into Australia (37%) and to a lesser extent were involved in importing services (13%) (Figure 1.1.1).

Nearly a quarter of respondents were involved in investment related activities, either receiving inward investment (9%) or making outward investment (14%). 23% of all respondents were involved in other international activities including research and development and employing temporary staff from overseas in Australia, among others.
1.2 EXPORTING AND IMPORTING ACTIVITIES

Looking at firms involved in goods trade, from the 352 respondents who export goods, exporting final goods directly from Australia remains the most important activity with 79% of respondents considering it either “essential” or “very important” in contributing to their overseas revenue (Figure 1.2.1).

Exporting goods as part of supply contracts involving overseas multi-national companies (MNCs) was considered “essential” or “very important” by half of all respondents ranking this as the second most important activity in generating overseas revenue. The involvement with MNCs signals potential opportunities for networking, collaboration, integration into global value chains and access into new markets.

Further, 42% of respondents stated that exporting goods indirectly using export agents or other businesses is “essential” or “very important” to generating overseas revenue, while 33% indicated that exporting intermediary goods for further production outside Australia was the next most important revenue generating activity.

For the 37% of respondents importing goods (n=219), importing materials, parts or components incorporated into products for subsequent export was “essential” or “very important” to 50% of respondents. Interestingly, importing final goods for re-export was less relevant with 25% of respondent’s indicating this activity as “essential” or “very important” to overseas revenue.

Consistent with previous surveys, exporters’ revenue seems more dependent on sending final goods directly from Australia to international markets, whilst importers’ revenue is more dependent on the import of intermediary goods for subsequent export.

FIGURE 1.2.1. IMPORTANCE OF EXPORTING AND IMPORTING GOODS

<table>
<thead>
<tr>
<th>Activity</th>
<th>% of respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exporting final goods directly from Australia</td>
<td>14 13 45 34</td>
</tr>
<tr>
<td>Exporting goods related to supply contract</td>
<td>11 10 10 17 32 18</td>
</tr>
<tr>
<td>Exporting goods indirectly via export agents</td>
<td>11 13 14 20 28 14</td>
</tr>
<tr>
<td>Exporting of intermediate goods from</td>
<td>15 21 15 14 22 11</td>
</tr>
<tr>
<td>Importing materials, parts or components</td>
<td>10 9 11 20 24 26</td>
</tr>
<tr>
<td>Importing of final goods for re-export</td>
<td>14 28 19 14 16 9</td>
</tr>
</tbody>
</table>

In a comparative analysis looking at goods trade for years 2017, 2018 and 2019, unsurprisingly exporting final goods directly from Australia into foreign markets remains the most important mode of operating in international markets. This was followed in importance by exporting goods related to supply contracts with foreign multinationals (46% average), with exporting goods indirectly (40% average) coming in third place and exporting intermediate goods for further production with 29% in average across the past three years.

For services trade (see Figure 1.2.3), 72% of respondents exporting services in 2019 indicated that exporting final services directly from Australia was the most important activity in generating overseas revenue. This is consistent with a trend observed in data from AIBS 2017 and 2018 (see Figure 1.2.4).

Exporting services indirectly via foreign sales branches, subsidiaries or joint ventures was the second most important activity in generating overseas revenue (42% of respondents), followed by exporting intermediate services directly from Australia for further production processes which was key to 21% of respondents in generating foreign revenue.

For respondents importing services, 53% of respondents indicated that the most important revenue generating activity was importing services or intellectual property as input into product for subsequent export. This denotes a 18% increase from findings reported in AIBS 2018. Further, 41% of importers stated that importing services related to supply contracts with overseas MNCs was “very important” or “essential” to their revenue generation.

Looking at imports, a 10% decrease in importing materials or parts for subsequent export can be observed from 2017 to 2019 while importing final goods for re-export showed a slight 3% decrease from 2017 compared to 2019 (Figure 1.2.2).
1.3 INWARD AND OUTWARD INVESTMENT

Amongst difficult and uncertain conditions in international business and a reported decline of global foreign investment, AIBS 2019 respondents remain engaged in investment related activities (Figure 1.3.1). Whilst 63% of respondents engaged in outward investment stated that investing in a new overseas operation (e.g. sales branch, subsidiary, manufacturing facility) was “very important” or “essential” to their international revenue, this figure shows a slight decrease from the 69% reported in AIBS 2018 survey. For 33% of respondents, investing in an existing overseas business via merger/acquisition was deemed critical for generating overseas revenue. For firms receiving inward investment, 67% of respondents indicated that receiving capital from foreign investors was “essential” or “very important” in generating overseas revenue.

FIGURE 1.3.1. IMPORTANCE OF MAKING OUTWARD/RECEIVING INWARD INVESTMENT

<table>
<thead>
<tr>
<th>Activity</th>
<th>% of Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investing in a new overseas operation</td>
<td>5 5 8 20 38 25</td>
</tr>
<tr>
<td>Investing in an existing overseas business</td>
<td>8 14 15 27 26 7</td>
</tr>
<tr>
<td>Receiving capital from an overseas investor</td>
<td>6 4 22 51 16</td>
</tr>
</tbody>
</table>

Q10: How important is the following activity to your business in terms of generating overseas revenue?
Q11: How important is the following activity to your business in terms of generating overseas revenue?

Base: respondents making outward investment, n=85; respondents receiving inward investment, n=55

In looking at data on services exports and imports for the past three years (Figure 1.2.4), while service export figures have remained overall stable and constant, a more interesting story can be seen in the import of services or intellectual property as input into products for subsequent export. This category has exhibited a 18% increase compared to figures reported in AIBS 2018, showing an increased interest of Australian businesses in the import of these types of services.

FIGURE 1.2.4. IMPORTANCE OF EXPORTING AND IMPORTING SERVICES BY YEAR (2017 – 2019)

<table>
<thead>
<tr>
<th>Activity</th>
<th>% of Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exporting of final services directly from Australia</td>
<td>72 70 71</td>
</tr>
<tr>
<td>Exporting services indirectly via foreign sales branch, subsidiary or joint venture</td>
<td>42 42 44</td>
</tr>
<tr>
<td>Exporting services related to supply contract with overseas multinational corporation</td>
<td>41 40 41</td>
</tr>
<tr>
<td>Exporting of intermediate services into further production processes directly from Australia</td>
<td>21 27 24</td>
</tr>
<tr>
<td>Importing services</td>
<td></td>
</tr>
<tr>
<td>Importing of services or intellectual property as input into product for subsequent export</td>
<td>35↑ 44</td>
</tr>
</tbody>
</table>
In a comparative analysis looking at the past three AIBS surveys, a clear increase in the importance of receiving capital from foreign investors can be seen from the 59% reported in 2017 followed by the 53% reported in 2018, to the current 71% reported in AIBS 2019 indicating a 18% increase compared to last year (Figure 1.3.2).

For businesses engaged in outward investment, a decrease can be observed in the importance in investing in foreign operations with an overall 10% decrease from the figures reported in AIBS 2017 compared to AIBS 2019.

For those engaged in outward investment, focused on investing in an existing overseas business, not much change can be observed for the past three years.

1.4 INVOLVEMENT IN OTHER INTERNATIONAL BUSINESS ACTIVITIES

A total of 23% of respondents reported being involved in other international business activities beyond trade and investment. For 70% of those involved in other activities, the largest and most important international revenue generating activity was related to intellectual property (IP) including creative works protected by patents, copyright and trademarks. Those who earned more revenue from IP related activities were businesses in the professional, scientific and technical services sector, with 83% of respondents from that industry considering IP as "essential" or "very important" in generating international revenue (Figure 1.4.1).

This was followed by 26% of respondents who considered activities related to manufacturing of products or parts of products overseas through licensing as "essential" or "very important" whilst employing temporary skilled labour from overseas was important for a quarter of respondents (25%) with particular importance for larger companies.

FIGURE 1.3.2. IMPORTANCE OF MAKING OUTWARD/RECEIVING INWARD INVESTMENT BY YEAR (2017 – 2019)

<table>
<thead>
<tr>
<th>% of respondents</th>
<th>2019</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investing in new overseas operation</td>
<td>62↑</td>
<td>69↓</td>
<td>72</td>
</tr>
<tr>
<td>Investing in an existing overseas business</td>
<td>33</td>
<td>35</td>
<td>34</td>
</tr>
<tr>
<td>Receiving capital from an overseas investor to your business</td>
<td>53</td>
<td>59</td>
<td>71</td>
</tr>
</tbody>
</table>

*Chart Displays Top 2 Box % Score (Essential + Very Important)
P-<sup>+</sup> Denotes result is significantly higher than 2019
P-<sup>-</sup> Denotes result is significantly lower than 2019
Q. How important is the following activity to your business in terms of generating overseas revenue? Base: Respondents making outward investment, 2019 n=85, 2018 n=83, 2017 n=133

FIGURE 1.4.1. IMPORTANCE OF OTHER INTERNATIONAL ACTIVITIES

<table>
<thead>
<tr>
<th>% of respondents</th>
<th>2019</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intellectual property</td>
<td>12</td>
<td>7</td>
<td>13</td>
</tr>
<tr>
<td>Manufacturing of products or parts of products overseas through licensing</td>
<td>13</td>
<td>21</td>
<td>14</td>
</tr>
<tr>
<td>Employing temporary skilled labour from overseas</td>
<td>9</td>
<td>28</td>
<td>17</td>
</tr>
</tbody>
</table>

*Q12. How important is the following activity to your business in terms of generating overseas revenue? Base: respondents with other international activities, n=138

Don’t know | Not applicable | Not at all important | Not very important | Somewhat important | Very important | Essential
Looking at past AIBS surveys data mapping the importance of other international activities, IP related activities remain as the most important from a revenue perspective, while a slight increase in the relevance of licensing agreements to manufacture products or part of products overseas can be observed from 2017 (20%) to 2019 (27%), whilst employing skilled labour from overseas for temporary tasks has remained fairly unchanged for the past three years, with a slight peak of 28% captured in AIBS 2018 (Figure 1.4.2).

FIGURE 1.4.2. IMPORTANCE OF OTHER INTERNATIONAL ACTIVITIES BY YEAR (2017 – 2019)

<table>
<thead>
<tr>
<th>Activity</th>
<th>% of respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intellectual property</td>
<td><em>Not asked in 2017</em></td>
</tr>
<tr>
<td>Manufacturing of products or parts of products overseas through licensing</td>
<td>27</td>
</tr>
<tr>
<td>Employing temporary skilled labour from overseas</td>
<td>28</td>
</tr>
<tr>
<td>% of respondents</td>
<td>70</td>
</tr>
<tr>
<td>% of respondents</td>
<td>70</td>
</tr>
</tbody>
</table>

*Chart Displays Top 2 Box % Score (Essential + Very Important)

Although this pattern of revenue generation has remained mostly unchanged as reported in AIBS 2017 and AIBS 2018 (see figure 1.5.2), a 4% increase in revenue generated from intellectual property (IP) can be observed from 2017 to 2019, showing that internationally active firms are leveraging and generating profits from assets derived from intellectual property related activities.

FIGURE 1.5.2. INTERNATIONAL REVENUE DISTRIBUTION BY ACTIVITY (2017-2019)

- % of respondents
  - Services: 38%
  - Goods: 37%
  - Intellectual property: 11%

Nearly one-quarter of survey respondents (25%) have earned international revenue since 2000, denoting extensive experience and understanding of the international business landscape. Further 21% of businesses have earned international revenue for nearly five decades, while 35% of respondents started earning international revenue from 2010 onwards.

The average AIBS 2019 respondent had 15 years of international experience. The average year international revenue was first earned is 2003. For large businesses the year was 1989, for small firms the year was 2005, and for micro firms the year was 2008. Not significant differences by industry could be identified in the data.

FIGURE 1.5.4. YEAR STARTED EARNING INTERNATIONAL REVENUE

- % of respondents
  - 2010 - Present: 17%
  - 2000-2009: 37%
  - 1970-1999: 21%
  - 1900-1969: 35%
  - Don’t know: 25%

In looking at types of transactions undertaken by internationally active businesses, the vast majority of respondents (71%) were focused on business-to-business (B2B) export sales, while only a 26% of export sales involved business-to-consumer (B2C) export transactions (Figure 1.5.3). This figure remains unchanged from AIBS 2018.

FIGURE 1.5.3. PERCENTAGE OF EXPORT SALES: OVERSEAS CONSUMERS VERSUS BUSINESSES

- % of respondents
  - Consumers: 26%
  - Business: 48%
  - Don’t know: 18%

In analysing the value of international revenue earned, 56% of respondents earned AUD 1 million or less in international revenue, with 26% of those respondents earning less than AUD 100,000 in international revenue (Figure 1.5.5).

AIBS 2019 also reported that 18% of respondents earned between AUD 1 million and AUD 5 million. Businesses earning more than AUD 5 million in international revenue but less than AUD 50 million made up to 14% of respondents, and business earning AUD 50 million or more accounted for 5% of respondents.

FIGURE 1.5.5. INTERNATIONAL REVENUE LAST FINANCIAL YEAR

- % of respondents
  - Less than $100,000: 23%
  - $100,000 - less than $1m: 18%
  - $1m to less than $5m: 12%
  - $5m to less than $10m: 6%
  - $10m to less than $50m: 5%
  - $50m or more: 3%
  - Don’t know: 18%

A combined analysis looking at the value of international revenue earned and the number of markets revenue is generated from can be seen in Figure 1.5.6.

Among those respondents who were less diversified and earned international revenue from only one market, the majority (64%) earned less than AUD 100,000 in international revenue, with 26% earning more than AUD 100,000 but less than AUD 1 million. For respondents earning revenue from four to six markets, the majority (41%) earned more than AUD 1 million, but less than AUD 10 million. While 21% earned more than AUD 1 million but less than AUD 5 million, with only 4% earning AUD 50 million or more.

For the most diversified cohort of respondents earning international revenue from more than ten markets, the majority (29%) earned higher international revenue (AUD 1 million to AUD 5 million) with nearly a quarter of respondents (24%) earning between AUD 10 million and AUD 50 million, while 17% earned over AUD 50 million. Only 3% of respondents in this group earned less than AUD 100,000.

FIGURE 1.5.6. REVENUE BY NUMBER OF MARKETS

- % of respondents
  - Less than 10 markets: 4%
  - 10 - 20 markets: 29%
  - 21 - 25 markets: 20%
  - 26 or more markets: 35%

In analysing the value of international revenue earned, 56% of respondents earned AUD 1 million or less in international revenue, with 26% of those respondents earning less than AUD 100,000 in international revenue (Figure 1.5.5).
In a comparative look at the number of international markets that Australian exporters earn revenue from, data from the last three AIBS surveys can be seen in Figure 1.5.7.

In broad terms the number of markets where Australian businesses earn international revenue has remained consistent from what was reported in AIBS 2017, 2018 and 2019. On average 61% of respondents earn revenue from one up to five markets across the past three years, exhibiting some degree of market diversification. While those earning revenue from eleven or more markets represented a 20% of respondents in average across the years. 15% of respondents across the past three years have consistently reported earning revenue from six to ten markets.

For AIBS 2019 respondents, internationalising into foreign markets using foreign operation modes including exporting/ importing, investment and others is not only key to their economic success but also critical to their survival. As showcased in Section 1.5, AIBS respondents also generate revenue from international markets as part of their business activities and international strategies.

We asked AIBS 2019 respondents to identify the first market they entered (Figure 1.6.1). In looking at the top ten first export markets, unsurprisingly and consistent with AIBS 2018 results, United States of America and New Zealand remain the top two first export markets with 15% and 10% respectively. These markets have consistently ranked as preferred entry markets where institutional distance and language barriers are low. Australia is also signatory to comprehensive free trade agreements with the United States (AUSFTA in force since 1st January 2005) and a closer economic relations trade agreement with New Zealand (ANZCERTA, in force since 1st January 1983).

Looking at the markets that follow in the preferred market to enter list, interestingly China moved to the top third market displacing the United Kingdom which is now only the sixth preferred market. The drop from the third to the sixth position of the United Kingdom can arguably be attributed to the current changes in the market, uncertainty generated in the business community by Brexit and the current international business landscape.

Markets located in East Asia, Southeast Asia and the Pacific comprised the remainder of the top ten first overseas markets, including Singapore (8%), Japan (5%), Indonesia (4%), India (4%), Malaysia (2%) and Philippines in the tenth position with 2%.

Germany and France (both with 2% of respondents) were the only other European markets in the top twenty, with no South American markets included in the top twenty list.

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Germany and France (both with 2% of respondents) were the only other European markets in the top twenty, with no South American markets included in the top twenty list.
A common thread that can be identified in the top ten markets listed in Figure 1.6.1, is that they were either English speaking (e.g. United States of America, United Kingdom), located in the broader Asian region (e.g. China, Japan, Indonesia, India, Malaysia, Philippines) or both (e.g. New Zealand, Singapore).

Comparing AIBS 2018 and AIBS 2019 data, the survey results clearly highlight the relevance of markets located in Asia and Asia-Pacific in particular for Australia’s international business activities (Figure 1.6.2).

In a combined analysis exploring the first market firms internationalised to and the reasons for market selection, some interesting insights emerged (Figure 1.6.3).

At an aggregate level and considering the top five markets to enter, the emergence of an opportunity (2%), being approached by a client or partner (4%) and family ties (6%) does not seem too relevant when Australian businesses decide on the first international market to enter to.

Looking at the same data (Figure 1.6.3) now zooming into the top five markets respondents most commonly first entered, the reasons behind the choice of market tell a slightly different story.

Although the most important reason “demand for product/fit for market” is shared among all five top markets, the subsequent reasons vary.

The second more important reason for choice of market is “English speaking” relevant for those entering into United States, New Zealand and Singapore. While “transparent business practices” and “efficient transportation and infrastructure” is of relevance for those exporting into both Singapore and Japan. Interestingly, the existence of a “Free Trade agreement with Australia” is ranked as the third most important reason for choice of market for Australian exporters entering the Chinese market. Australia and China are party to a comprehensive bilateral Free trade agreement – CHaFTA – in force since 20th December 2015 now well into its fourth year in operation, granting tariff reductions and market access benefits that have largely benefited Australian exporters and increased bilateral trade.

In a comparative analysis mapping the rationale behind the choice of first international market for AIBS 2018 and AIBS 2019, no big changes can be observed (Figure 1.6.4).

Overall the critical reason for choice of market to first enter to is driven by the existence of demand for the product/service that Australian businesses offer and the fit of the offering for the selected market.

Q. Which was the first market your business exported to?
Base: All respondents, 2019 n=593, 2018 n=629

Q. Why did you choose that market as your business’ first market?
Base: All respondents, 2019 n=593, 2018 n=629

Although the same question was asked for AIBS 2018 and AIBS 2019 ‘Why did you choose that country as your business’ first market? Please select all that apply’ AIBS 2018 provided more options e.g. ‘economic growth’ hence data was not captured for those options for AIBS 2018.
In analysing international revenue earned from foreign markets, AIBS 2019 looked at the two most valuable markets from a revenue perspective for Australian businesses (Figure 1.6.5).

The top five markets for international revenue generation are the United States, People’s Republic of China (China), Singapore, United Kingdom and New Zealand (Figure 1.6.6).

The United States was the largest market for international revenue for 17% of respondents, and the second largest market for 10% of respondents. China was the largest market for international revenue for 36% of respondents and second largest for 7%. The third largest market is Singapore for 6% of respondent and the second largest market for another 6% (Figure 1.6.5).

Additionally, AIBS 2019 highlights that in combining the ASEAN region markets of Brunei, Cambodia, Indonesia, Philippines, Singapore, Thailand, Laos, Myanmar and Vietnam, 27% of respondents indicate the ASEAN region as the one they derive most international revenue from.

**FIGURE 1.6.5. TOP FIFTEEN MARKETS FOR INTERNATIONAL REVENUE IN THE PAST YEAR**

<table>
<thead>
<tr>
<th>Market</th>
<th>% of respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States Of America</td>
<td>17</td>
</tr>
<tr>
<td>People’s Republic of China</td>
<td>16</td>
</tr>
<tr>
<td>Singapore</td>
<td>15</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>12</td>
</tr>
<tr>
<td>New Zealand</td>
<td>6</td>
</tr>
<tr>
<td>Japan</td>
<td>5</td>
</tr>
<tr>
<td>India</td>
<td>5</td>
</tr>
<tr>
<td>Indonesia</td>
<td>3</td>
</tr>
<tr>
<td>Thailand</td>
<td>3</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>3</td>
</tr>
<tr>
<td>Germany</td>
<td>3</td>
</tr>
<tr>
<td>United Arab Emirates</td>
<td>2</td>
</tr>
<tr>
<td>Canada</td>
<td>2</td>
</tr>
<tr>
<td>Papua New Guinea</td>
<td>1</td>
</tr>
<tr>
<td>Malaysia</td>
<td>1</td>
</tr>
</tbody>
</table>

Q26. What was the market from which your organisation earned international revenue in the past year?

Q27. Which were the top two markets from which your organisation earned international revenue in the past year?

For these top fifteen markets, AIBS measured the approximate share of respondent’s international revenue that these markets accounted for, in order to determine how concentrated or reliant respondents are on these markets (Figure 1.6.6).

Among those exporting to Papua New Guinea, revenue generated from their engagement in Papua New Guinea makes up an average of 63% of their international revenue. For Australian businesses exporting to China (49%) and those exporting to the United Arab Emirates (49%), revenue from these markets make up an average of almost half of their total international revenue.

For those exporting to the United States, revenue from this market makes up an average of 48% of their revenue, while those exporting to New Zealand and Japan – both with an average of 45% - also generate close to half of their international revenue from those markets. This shows the high reliance of Australian exporters on some international markets over others.

On the lower reliance side, those exporting to Canada and Malaysia – both with an average of 27% - the revenue generated in those markets accounts just for over one-quarter of their whole revenue.

**FIGURE 1.6.6. MARKET SHARE INTERNATIONAL REVENUE BY YEAR**

Looking at the revenue share from the ten most important international markets across the past three AIBS surveys, some changes can be observed across the years (Figure 1.6.6).

While China has remained as a key market to earn revenue for the past three years, a 11% drop can be observed from the figure reported in AIBS 2018, when those exporting to China were earning 60% of their revenue from that market, while the figure is 49% for AIBS 2019.

Interestingly a 10% increase can be observed in 2019 (49%) compared to both 2017 and 2018 (39% each) for those earning revenue from the United Arab Emirates. Those earning revenue from the United States and from New Zealand, follow a consistent pattern both with an average of 48% share in international revenue generated from those markets.

**FIGURE 1.6.7. MARKET SHARE INTERNATIONAL REVENUE BY YEAR (2017 – 2019)**

Q28. For approximately what share of your international revenue did each of these markets account?

Base: Varies based on number of respondents exporting to each market; range n=122-20

For approximately what share of your international revenue did each of these markets account? Base: Varies based on number of respondents exporting to each market; range n=122-20
### 1.7 ACCESS TO FINANCE

A common thread across AIBS reports since 2014, has been to assess the ability of Australian businesses to access the finance necessary to support their international operations. AIBS has also mapped business experience in obtaining additional finance for international business opportunities, including reasons for being unsuccessful, and the ease of obtaining additional finance for international relative to domestic opportunities. This has allowed to map the finance landscape of Australian internationally active firms for the past six years.

In looking at the top five avenues for financing export operations for AIBS 2019 respondents, the most important source was funding from retained earnings, with 61% of respondents deeming this “essential” or “very important” (Figure 1.7.1).

Funding from owners, family or friends was ranked second in importance (“essential” or “very important”) for 44% of respondents. This was followed by funding through loans from domestic banks deemed “essential” or “very important” for 27% of respondents. Funding from domestic investors and funding from overseas investors was ranked fourth and fifth with 25% and 20% respectively.

#### TABLE 1.7.1. IMPORTANCE OF FINANCING AVENUES

<table>
<thead>
<tr>
<th>Source of Funding</th>
<th>% of Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Funding from retained earnings</td>
<td>27</td>
</tr>
<tr>
<td>Funding from owners/ family/friends</td>
<td>21</td>
</tr>
<tr>
<td>Funding through loans from domestic banks</td>
<td>11</td>
</tr>
<tr>
<td>Funding from domestic investor</td>
<td>7</td>
</tr>
<tr>
<td>Funding from overseas investor</td>
<td>6</td>
</tr>
<tr>
<td>Funding through business credit card finance</td>
<td>5</td>
</tr>
<tr>
<td>Funding through loans from domestic branch of overseas banks</td>
<td>4</td>
</tr>
<tr>
<td>Funding through letters of credit with a domestic bank</td>
<td>2</td>
</tr>
<tr>
<td>Funding from debtor finance company</td>
<td>2</td>
</tr>
<tr>
<td>Funding from discount letters of credit with a domestic branch of an overseas bank</td>
<td>2</td>
</tr>
<tr>
<td>Funding from finance company</td>
<td>2</td>
</tr>
<tr>
<td>Funding from trade finance facility from domestic banks</td>
<td>2</td>
</tr>
<tr>
<td>Funding through business credit card finance</td>
<td>1</td>
</tr>
</tbody>
</table>

#### FIGURE 1.7.2. IMPORTANCE OF FINANCE OPTIONS BY YEAR (2017-2019)

*Chart Displays Top 2 Box Score (Essential + Very Important)*

In assessing the success rate of AIBS 2019 respondents in accessing additional finance for their international activities in the past three years (Figure 1.7.3), 25% of respondents reported being successful in securing additional finance, with 16% reporting not being successful and a further 54% reporting they did not seek additional finance.

For respondents not seeking additional finance, the largest number (68%) had no need for additional debt to fund international business opportunities – which was also the top reason in AIBS 2018 and 2017. The second largest reason was an expectation that they would not be able to secure additional funding based on past experiences as reported by 9% of respondents.

#### TABLE 1.7.3. OBTAINING ADDITIONAL FINANCE

<table>
<thead>
<tr>
<th>Reason for Not Seeking Additional Finance</th>
<th>% of Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Did not need additional debt to fund international business opportunities</td>
<td>68</td>
</tr>
<tr>
<td>Did not expect to be able to secure additional funding based on past experiences</td>
<td>21</td>
</tr>
<tr>
<td>Balance sheet could not accommodate additional debt</td>
<td>18</td>
</tr>
<tr>
<td>Counterparty risk</td>
<td>15</td>
</tr>
<tr>
<td>Business experience</td>
<td>13</td>
</tr>
<tr>
<td>Counterparty risk</td>
<td>13</td>
</tr>
<tr>
<td>Lack of Collateral</td>
<td>13</td>
</tr>
<tr>
<td>Australian bank wouldn’t do it</td>
<td>12</td>
</tr>
<tr>
<td>Poor credit history</td>
<td>10</td>
</tr>
<tr>
<td>Other</td>
<td>9</td>
</tr>
<tr>
<td>None of these reasons</td>
<td>9</td>
</tr>
<tr>
<td>Don’t know</td>
<td>2</td>
</tr>
</tbody>
</table>

#### FIGURE 1.7.3. OBTAINING ADDITIONAL FINANCE

*Table Displays Top 2 Box Score (Essential + Very Important)*

In analysing AIBS data for 2017, 2018 and 2019 (Figure 1.7.2), the same pattern can be observed in relation to the importance of the different sources of funding. AIBS respondents consistently rely on their business earnings to fund their international endeavors, while also relying on funding from close sources as family, friends and owners to fund their international operations.
Q. How do you plan to seek funding? Base: Planning to access funding for finance expansion n=202

Q. Do you plan to access funding to finance expansion of your export/overseas business in the next 12 months? Base: All respondents n=564

For the 36% of respondents who plan to access additional funding, the most popular means were funding through overseas investors and/or funding from retained earnings (both with 40%), followed by funding from a domestic investor (36%) and funding through loans from domestic banks and funding from owners/family or friends with 32% and 29% of respondents respectively.

Comparing funding for international versus domestic opportunities for AIBS 2019 respondents (Figure 1.7.6), only 10% of respondents found it “much easier” or “somewhat easier” to source additional debt finance for international business opportunities, while 38% found it “much easier” or “somewhat easier” to source debt finance when it was related to domestic business opportunities. 31% of respondents found it to be “about the same” for both international and domestic business.

Comparing AIBS data for 2017, 2018 and 2019, while in AIBS 2017 19% of respondents indicated it was “much easier” or “somewhat easier” to source additional debt Finance for international business opportunities, in AIBS 2019 only 10% of AIBS 2019 respondents agreed with those statements representing a 9% decrease.

Looking at the ease of sourcing additional debt funding for domestic opportunities, a 10% increase in the easiness to access funds can be observed from 28% reported in AIBS 2017 to the current 38% reported in AIBS 2019.

In looking at the mechanisms that Australian businesses use to mitigate the risk of non-payment when selling overseas (Figure 1.7.7), the three most used mechanisms were: requesting full payment before shipment (43%), followed by 35% of respondents requesting partial pre-payment to counterparts before shipment of goods and a 14% of businesses using letter of credit as a mechanism to secure payment.
AUSTRALIA’S INTERNATIONAL BUSINESS ACTIVITY IN FOCUS
AIBS 2019 put a key focus on India. India offers huge potential for Australian businesses, and represents a key market for growth in the region.

Australia’s trade with India has increased substantially over the past two decades. The combination of strong growth in demand for Australia’s key commodities and services exports and the increased openness of the Indian economy has driven an increase in bilateral trade. This has been further supported by the Indian Government’s policy agenda to encourage investment and boost productivity which has lifted import demand more generally.

Though opportunities exist, there are still key challenges to overcome to reap more fruits from trade with India. The following sections examine the views of Australian businesses involved in trade with India, where in India they earn revenue from and the challenges they face in doing business in that market.

Nearly one-quarter of respondents (23%) were currently doing business in India, while 74% were not (Figure 2.1.1). From those engaged in business with India, 42% were large firms with 200 employees or more, followed by 30% composed by medium size firms and small firms (5-19 employees) and micro firms (0-4 employees) with a 20% and 15% respectively.
For those respondents doing business in India (Figure 2.1.2), the States they were doing business in order of importance were: Maharashtra (45%), Delhi National Capital Region (38%) and Tamil Nadu in the third place with 34% of respondents.

FIGURE 2.1.2. INDIAN STATES/REGIONS BUSINESSES IS BEING UNDERTAKEN IN

% of respondents
- Maharashtra: 45%
- Delhi National Capital Region inc. New Delhi: 38%
- Tamil Nadu: 34%
- Andhra Pradesh, Telangana, Hyderabad: 23%
- Karnataka: 19%
- West Bengal: 15%
- Gujarat: 14%
- Punjab: 14%
- Rajasthan: 9%
- Uttar Pradesh: 7%
- Kerala: 6%
- Goa: 6%
- Haryana: 6%
- Odisha: 3%
- Assam: 2%
- Chhattisgarh: 2%
- Jammu and Kashmir: 2%
- Jharkhand: 2%
- Uttarakhand: 2%
- Other: 5%
- Across India (areas not specified): 8%

Q52. In which Indian states do you do business?
Base: Currently doing business in India n=139

Looking at the city level, the cities where more international activity was undertaken by Australian businesses were Mumbai (36%), followed by Chennai (32%) and New Delhi (30%).

FIGURE 2.1.3. INDIAN CITIES BUSINESSES IS BEING UNDERTAKEN IN

% of respondents
- Mumbai: 36%
- Chennai: 32%
- New Delhi: 30%
- Hyderabad: 18%
- Bengaluru: 17%
- Kolkata: 13%

Q52. In which Indian cities do you do business?
Base: Currently doing business in India n=139

For those respondents doing business in India, when asked about the nuances of doing business in that market, 31% reported corruption and contract security issues, and 31% reported cultural challenges, being the most important barriers to trade.

This was followed by 28% who indicated the difficulty in finding a partner as a barrier, and a quarter of respondents (25%) stating that issues related to intellectual property protection, difficulties in navigating government and market access issues as key roadblocks to operating and doing business in India (Figure 2.1.4).

FIGURE 2.1.4. BARRIERS TO DOING BUSINESS IN INDIA

% of respondents
- Cultural challenges/capabilities: 31%
- Corruption/contract security issues: 31%
- Partner identification: 28%
- Intellectual property protection: 25%
- Difficulties navigating government: 25%
- Market access issues: 25%
- Inadequate infrastructure: 17%
- Local competition: 17%
- Tariff barriers: 14%
- Language: 14%
- Currency volatility: 9%
- Geopolitical issues: 9%
- Non-tariff barriers: 8%
- Visa issues: 6%
- Social unrest/community relations disputes: 5%
- Other: 3%
- None of the above: 6%
- Not sure: 3%

Q53. What are the main barriers you encounter when doing business in India?
Base: Currently doing business in India n=139

For the 74% of AIBS 2019 respondents not doing business in India (Figure 2.1.5), the four main reasons for not doing so were due to their business being focused on other markets (42% of respondents), followed by difficulty in identifying a partner (29%), concerns due to corruption or contract security issues (22%) and problems related to market access issues which were critical for over one-fifth of respondents.

FIGURE 2.1.5. REASONS FOR NOT DOING BUSINESS IN INDIA

% of respondents
- Focused on other markets: 42%
- Difficult to identify a partner: 29%
- Corruption or contract security issues: 22%
- Market access issues: 21%
- Cultural challenges/capabilities: 18%
- Difficulty navigating government: 12%
- Local competition: 11%
- Tariff barriers: 7%
- No demand: 6%
- Language: 6%
- Non-tariff barriers: 5%
- Geopolitical issues: 3%
- Not cost effective: 2%
- Social unrest or community relations disputes: 2%
- Consider in future or currently trying: 2%
- Payment issues: 2%
- Other: 4%
- None of the above: 6%
- Not sure: 4%

Q51. Why are you not currently doing business in India?
Base: Not currently doing business in India n=491
When asked about the main opportunities encouraging respondents to do business in India (Figure 2.1.6), 45% of respondents see sales growth and economic growth as the emerging and most important opportunities, while 38% consider access to a growing consumer market as a key opportunity.

Further, 27% of respondents considered the fact that India is an English-speaking market as important with 22% considering having guidance from a local partner to be key to unlocking business opportunities in India.

AIBS 2019 respondents were asked what are the key information and services they require, to help them materialise business opportunities in India (Figure 2.1.7). The majority (37% of respondents) indicated that having access to industry-specific market research is key, followed by 34% of respondents who consider having advice on local agents and partners critical to progress business.

Information on local taxes and other regulations was also considered important for over a quarter of respondents (26%). Access to industry specific market research is key, followed by 34% of respondents who considered having advice on local agents and partners critical to progress business. Information on local taxes and other regulations was also considered important for over a quarter of respondents (26%).

AIBS 2019 placed a key focus on innovation and understanding the innovation practices of internationally active Australian firms. In a globalised economy, undertaking innovation-related activities is a key driver to achieve a competitive advantage that leads to economic growth in international markets. Innovation activities include all developmental, financial and commercial activities undertaken by a firm that are intended to result in an innovation for the firm.13 AIBS 2019 explored whether Australian businesses are engaging in innovation activities, what types of innovation are the most relevant, where are innovation activities undertaken and what markets do Australian internationally active firms collaborate with.

AIBS 2019 revealed that a little over half of the companies surveyed (52%) said they undertaking innovation activities either domestically or overseas, while 44% of firms surveyed answered as not undertaking innovation activities, with 4% of respondents unsure (Figure 2.2.1).

### TABLE 2.1. MAIN OPPORTUNITIES ENCOURAGING BUSINESS IN INDIA

<table>
<thead>
<tr>
<th>% of respondents</th>
<th>Sales growth</th>
<th>Economic growth</th>
<th>Access to growing consumer market</th>
<th>English-language market</th>
<th>Guidance from local partner</th>
<th>Skills and human capital</th>
<th>Improving ease of doing business</th>
<th>Access to global or regional global value chains</th>
<th>Economic reform</th>
<th>Family ties</th>
<th>Other</th>
<th>None of the above</th>
<th>Not sure</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>45</td>
<td>45</td>
<td>38</td>
<td>27</td>
<td>22</td>
<td>20</td>
<td>16</td>
<td>14</td>
<td>12</td>
<td>5</td>
<td>6</td>
<td>4</td>
<td>2</td>
</tr>
</tbody>
</table>

### TABLE 2.1. FURTHER INFORMATION OR SERVICES NEEDED TO EFFECTIVELY DO BUSINESS IN INDIA

<table>
<thead>
<tr>
<th>% of respondents</th>
<th>Industry specific market research</th>
<th>Advice on local agents and partners</th>
<th>Information on local taxes and other regulations</th>
<th>Information on customs and border procedures including visas</th>
<th>Information on market compliance and risk</th>
<th>Country-specific economic, political and market information</th>
<th>Information on IP and trademark protection</th>
<th>Regional economic, political and market information</th>
<th>Information on pricing</th>
<th>Information on non-tariff barriers</th>
<th>Help or advice with local language and business culture</th>
<th>Other</th>
<th>None of these</th>
<th>Don’t know</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>37</td>
<td>34</td>
<td>26</td>
<td>25</td>
<td>24</td>
<td>23</td>
<td>22</td>
<td>18</td>
<td>17</td>
<td>16</td>
<td>16</td>
<td>8</td>
<td>17</td>
<td>4</td>
</tr>
</tbody>
</table>


2%4. Does your business undertake any innovation activities conducted overseas, or here in Australia in collaboration with an international partner?

%5. What information or services do you require to progress doing business with India?

%6. What are the main opportunities encouraging you to do business in India?
FIGURE 2.2.2. WHERE INNOVATION IS UNDERTAKEN

Q15. Where do you undertake innovation (including research or development) activities?

Base: Undertake innovation activities n=309

The majority of respondents (71%) engage in product innovation activities related to goods and/or services, while 35% engage in operational process innovation (Figure 2.2.3). This is followed by innovation in marketing methods (24%) and scientific research with 22%. Organisational/managerial process innovation was relevant for one-fifth of respondents (20%).

FIGURE 2.2.3. TYPES OF INNOVATION UNDERTAKEN WITH INTERNATIONAL PARTNERS

Q19. Which types of innovation, research or development activity did your business undertake in collaboration with international partners?

Base: Undertake innovation activities with international partners n=272

Respondents reported that the markets they collaborate the most with in innovation, research and development activities are first, the United States (37%), followed by China (32%)—who are also our main trade partners as reported by AIBS 2019. Australian firms also collaborate with the United Kingdom (15%), Singapore (12%) and Germany (11%) with two of the top five markets located in Asia and two in Europe (Figure 2.2.4.).

FIGURE 2.2.4. TOP 15 COUNTRIES COLLABORATING WITH ON INNOVATION

Q16. Which market or markets do you collaborate with on innovation, research or development activity?

Base: Undertake innovation activities with international partners n=272

Looking into the main international partners Australian firms collaborate with on innovation, an overwhelming 83% reported collaborating with the private sector (company and businesses) whilst over one-quarter of respondents engaged in collaboration with higher education institutions (26%) (Figure 2.2.5).

FIGURE 2.2.5. MAIN INTERNATIONAL COLLABORATION PARTNERS

Q17. Who are the main international partners that you collaborate with on innovation/R&D activities?

Base: Undertake innovation activities with international partners n=272

AIBS 2019 asked those undertaking innovation related activities what the main reasons are for collaborating with an international partner. 59% of respondents state that they collaborate with an international partner to get market access, while 53% do so to access skills, expertise and experience that is not available in Australia. A further 35% stated that access to resources and infrastructure which were not available domestically, as the key reason for collaboration (Figure 2.2.6).

FIGURE 2.2.6. REASONS FOR COLLABORATING WITH AN INTERNATIONAL PARTNER

Q18. What are the main reasons for collaborating with an international partner?

Base: Undertake innovation activities with international partners n=272
Most respondents engaged in innovation related activities (42%) expressed that they would not change the markets they collaborate with, though 31% did express that if feasible, they would be open to explore other markets to collaborate with.

China was ranked first as a potential innovation partner by 32% of respondents followed by United States (20%), United Kingdom (19%) and Germany (17%). 19% of respondents expressed they would engage in innovation related activities that are conducted domestically in Australia, rather than with international partners (Figure 2.2.7).

**FIGURE 2.2.7. WOULD CHANGE COUNTRIES TO COLLABORATE WITH ON INNOVATION**

![Pie chart showing responses to whether respondents would change countries to collaborate with on innovation.](image)

**TOP 10 COUNTRIES WISHED TO INNOVATE WITH**

<table>
<thead>
<tr>
<th>Country</th>
<th>% of respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>People's Republic of China</td>
<td>32</td>
</tr>
<tr>
<td>United States</td>
<td>20</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>19</td>
</tr>
<tr>
<td>Australia</td>
<td>19</td>
</tr>
<tr>
<td>Germany</td>
<td>17</td>
</tr>
<tr>
<td>India</td>
<td>14</td>
</tr>
<tr>
<td>Singapore</td>
<td>12</td>
</tr>
<tr>
<td>Japan</td>
<td>12</td>
</tr>
<tr>
<td>Taiwan</td>
<td>10</td>
</tr>
<tr>
<td>Indonesia</td>
<td>10</td>
</tr>
</tbody>
</table>

For those undertaking innovation related activities, (Figure 2.2.8), the three most important support systems in exploring innovation research and development collaboration opportunities with international partners are grants (61%), introductions to potential overseas collaborators (52%) followed closely by access to further information on access to international grants and funding opportunities (51%).

**FIGURE 2.2.8. SUPPORT SYSTEMS VALUABLE TO INNOVATION AND COLLABORATION OPPORTUNITIES**

<table>
<thead>
<tr>
<th>Support System</th>
<th>% of respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grants</td>
<td>61</td>
</tr>
<tr>
<td>Introductions to potential overseas collaborators</td>
<td>52</td>
</tr>
<tr>
<td>Further information on access to international grants and funding opportunities</td>
<td>51</td>
</tr>
<tr>
<td>Networking events</td>
<td>46</td>
</tr>
<tr>
<td>Business missions to explore new opportunities</td>
<td>45</td>
</tr>
<tr>
<td>Access to finance</td>
<td>36</td>
</tr>
<tr>
<td>Understanding intellectual property and regulatory requirements that may impact international collaboration</td>
<td>30</td>
</tr>
<tr>
<td>Not interested in exploring innovative activities and collaborating with international partners</td>
<td>8</td>
</tr>
<tr>
<td>Other</td>
<td>5</td>
</tr>
<tr>
<td>Unsure</td>
<td>3</td>
</tr>
</tbody>
</table>

2.3. BRAND AUSTRALIA AND MULTICULTURAL COMMUNITIES

As referred to in the AIBS 2019 highlights report, businesses trading internationally often rely on the brand of their market in forging business relationships and influencing buyer decisions. A clear and defined message on the nation brand can have a strong impact on international consumers drawing attention to Australian products and driving sales.

AIBS 2019 sought to explore the importance of two key aspects that impact international business activity. Firstly, how Australian businesses are leveraging on the use of “brand Australia” in their international operations and secondly, the role of multicultural communities in supporting international market development.

In assessing the importance of nation branding, specifically ‘being Australian’ as a value add to respondent’s international marketing efforts (see Figure 2.3.1) 55% of respondents reported that being Australian was “essential” or “very important” with only 12% of respondents reporting it is “not important at all” to their international marketing efforts.

This finding indicates that Australian businesses engaged in trade with Asian markets are the ones who deem brand Australia most important.
In looking at the importance of ‘being Australian’ for international marketing efforts by industry (Figure 2.3.2), Australia nation brand was reported “essential” or “very important” to an overwhelming 82% of businesses involved in agriculture, forestry, fishing and food & beverage manufacturing.

This was followed by 60% of those involved in wholesale trade and 59% of businesses involved in education and training.

When asked about the likelihood of using Australia’s Nation Brand efforts to help support their industry internationally, 56% of respondents stated they were likely to use this as a key resource (Figure 2.3.3).

In addressing the same question now by market, 75% of Australian businesses exporting to Japan, followed by 72% exporting to Hong Kong and 65% doing business with China were the ones most likely to leverage on Australia’s Brand as key part to their industry’s international activities.

Similarly, some being Australian was more important in some industries than others (Figure 2.3.4). Agriculture, forestry, fishing and food & beverage manufacturing (76%), those involved in wholesale trade (67%) and respondents involved in education and training (61%) were most likely to leverage on Australia’s nation brand to support the international promotion of their industry.
In exploring the importance of multicultural communities in supporting Australian firms international market development (Figure 2.3.5), whilst a total of 47% of Australian businesses regarded multicultural communities either “essential” (11%), “very important” (15%) or “somewhat important” (21%) to their international development activities, 50% of respondents reported multicultural communities not being a critical factor to their international market development activities.

FIGURE 2.3.5. IMPORTANCE OF MULTICULTURAL COMMUNITIES IN AUSTRALIA

Turning to services exports (Figure 2.3.7), 38% agreed that domestic consumption of their services by local multicultural communities helps them promote their service to overseas consumers. Most of the respondents who agreed are doing business in China, India and ASEAN countries. A further 35% disagreed, with the majority of those respondents doing business in the United States.

FIGURE 2.3.7. DOMESTIC CONSUMPTION OR EXPERIENCE OF YOUR SERVICE BY LOCAL MULTICULTURAL COMMUNITIES HELPS TO PROMOTE YOUR SERVICE TO OVERSEAS CONSUMERS

Goods exporters were also asked whether they agree or disagree that there is a relationship between their domestic product sales to local multicultural communities, and the generation or fulfilment of demand for their product from overseas consumers (Figure 2.3.6). While the majority (43%) of goods exporters disagreed (comprised mainly by those doing business in United States of America and the United Kingdom), a quarter of respondents (comprised mainly by exporters doing business in China and India) did agree that there is a relationship between selling their products to multicultural communities in Australia and demand generation from overseas consumers.

FIGURE 2.3.6. IS THERE A RELATIONSHIP BETWEEN DOMESTIC SALES OF YOUR PRODUCT TO LOCAL MULTICULTURAL COMMUNITIES AND THE GENERATION OR FULFILMENT OF DEMAND FOR YOUR PRODUCT FROM OVERSEAS CONSUMERS

Q32. How likely are you to leverage Australia’s Nation Brand efforts to help support the promotion of your industry internationally?
Base: All respondents (Total) n=593, individual industry’s range from n=123 to n=33

Q33. How important are multicultural communities in Australia including international students and tourists, for your company’s international market development activities in specific markets?
Base: All respondents n=593

Q34. Do you agree or disagree there is a relationship between domestic sales of your product to local multicultural communities, and the generation or fulfilment of demand for your product from overseas consumers?
Base: Sell goods n=352

Q35. Do you agree or disagree that domestic consumption or experience of your service by local multicultural communities helps to promote your service to overseas consumers?
Base: Sell services n=301
BEYOND 2019: NEW MARKETS & FUTURE OUTLOOK
3.0 BEYOND 2019: NEW MARKETS & FUTURE OUTLOOK

AIBS 2019 aimed to better understand the perception of opportunities and challenges that internationally active Australian businesses expect to face in the years ahead. In doing so, it asked respondents about their financial outlook for the next two years, their employment plans and prospective new markets. This paints a picture of the present and near future of Australian internationally active firms in the context of a changing and uncertain international business landscape.

Overall, the financial outlook for international operations in the next two years for over half of respondents was seen as positive. 55% of AIBS 2019 respondents stated that the next two years are expected to be “better than the last two years” for their international operations (Figure 3.1).

Small enterprises with 5 to 19 employees were the more optimistic about their financial outlook with 64% of them expecting a better financial outlook in the years to come.

From the respondents, a further 30% said the next two years would be “about the same” with 10% of respondents expecting the next two years to be “worse than the last two years”.

Overall these results illustrate a slight downturn in optimism representing a 10% decrease from the more optimistic views reported in AIBS 2018, where 66% of respondents expected business to be doing better in the near future. The AIBS 2019 results represent a three year low with 59% of respondents optimistic in 2017 but not as low as 2016 where 47% of respondents had a positive outlook.

The overall positive financial outlook for AIBS 2019 respondents seemed to have a positive effect on respondent’s employment plans in Australia, with almost three quarters of respondents (73%) stating that they intend to employ more people and increase headcount.

Less optimistically, 8% of respondents said they plan to decrease headcount, while 28% of respondents said they do not expect to make changes in the next two years to their employment plans.

<table>
<thead>
<tr>
<th>BUSINESS SIZE/BETTER OVERALL FINANCIAL OUTLOOK THAN LAST TWO YEARS</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-4 (Micro)</td>
</tr>
<tr>
<td>5-19 (Small)</td>
</tr>
<tr>
<td>20-199 (Medium)</td>
</tr>
<tr>
<td>200+ (Large)</td>
</tr>
</tbody>
</table>

% of respondents

<table>
<thead>
<tr>
<th>PLANS FOR FUTURE HEADCOUNT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase headcount</td>
</tr>
<tr>
<td>Decrease headcount</td>
</tr>
<tr>
<td>No change in next 2 years</td>
</tr>
</tbody>
</table>

% of respondents

Overall, would you say the overall financial outlook for your business’s international operations over the next two years is…? Base: all respondents, n=593
Q59. How many employees does your business have? Base: respondents answering their overall financial outlook “better” than the last two years, n=328

$\uparrow$: indicates a decrease from the previous year.

Office, has your future outlook influenced your employment plans in Australia? Base: all respondents, n=593
Q46b. How much, if at all, do you expect your employment plans in Australia to change over the next two years? Base: influenced employment plans, n=430
For those planning to do business in new markets (Figure 3.4.), China was the most popular new market to do business, with 19% of respondents planning to do business in that market over the next two years, followed by the United States of America (16%), Indonesia and India (both with 15%) and Canada (13%).

The majority of Australian businesses intending to do business with China are concentrated in specific industries with manufacturing of food and beverages accounting for 32% of respondents and 28% within the agriculture, forestry and fishing industry. For those planning to do business with the United States, 24% are focused on food and beverages manufacturing followed by 15% in the education and training sector. Finally, for Australian businesses intending to expand into Indonesia, 22% are part of the agriculture, forestry and fishing industry, while education and training account for 20% of respondents.

AIBS 2019 respondents were also asked whether their international target markets have changed and if so how and why (Figure 3.5). Further, respondents were invited to provide open text responses in answering this question. Some of those comments have been included in this section.

% of respondents

| Expansion of Markets | 10 |
| Increased Demand | 9 |
| New opportunities | 8 |
| Focus/growth in South East Asia | 5 |
| More competitive | 4 |
| Trends / Shifts in overall preferences (e.g. more sustainable) | 4 |
| Geopolitical issues (e.g. Brexit, Trump) | 4 |
| Focus/growth in China | 3 |
| Changes in legislation/trade barriers (e.g. tariffs, customs) | 3 |
| Markets are maturing | 3 |
| Approached by new markets/customers | 2 |
| Risky / uncertain environment | 2 |
| Different consumer needs/preferences between countries | 2 |
| Focus/Growth in North America | 2 |
| Difficult business environment in certain countries | 2 |
| Free Trade Agreements | 1 |
| Impact of currency exchange rates | 1 |
| Less support from Australian government | 1 |
| No change | 34 |

The second most relevant reasons for reported changes in target markets was increased demand in the new target market signaled by 9% of respondents. A respondent commented: “Australian market is becoming harder and harder so having to look for opportunities overseas.”

Another respondent said: “Australian dollar allows opportunities in more price sensitive economies, including India.”

From the 34% of AIBS 2019 respondents who stated that their target markets have not changed, some of those businesses’ views are quoted below:

“No change to strategic targets in the last two years. Perhaps a little more interested in South East Asia than we were, as it has become apparent that our value proposition resonates there somewhat more than what we expected.”

“Has not changed, issue for expansion remains entirely linked to inability to access funding for growth.”

For those respondents who did report changes to their target markets, the most common reason for those changes was a desire to expand to new markets with 10% of respondents indicating this as the key reason.

A respondent commented: “We attempted to crack the US market a few years ago unsuccessfully so are concentrating on APAC.”

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Another respondent said: “Australian market is becoming harder and harder so having to look for opportunities overseas.”

The second most relevant reasons for reported changes in target markets was increased demand in the new target market signaled by 9% of respondents. A respondent commented: “Greater interest in our products since we’ve increased our scope of offering. Our brand has also further reach than what it did a few years ago.”

A third reason for changes in target markets was the emergence of new opportunities (8%) with a respondent stating: “Saturation in traditional markets. Need to think outside the box and look at other opportunities in new markets that have not been areas of focus in the past.”

An increased focus and growth in Asian markets was cited by 5% of respondents as key to changes in international markets to expand into. For some respondents the current geopolitical environment was key, with a respondent indicating: “On the demand side, our reliance on China as a primary source of export income proved very risky and will make us vulnerable particularly if any geopolitical friction deteriorate further.”

To an extent, economic and currency risks seem to influence new international markets to explore and expand to with a respondent sharing: “Low Australian dollar allows opportunities in more price sensitive economies, including India.” (Figure 3.5)
A CLOSER LOOK AT KEY INDUSTRIES
A CLOSER LOOK AT KEY INDUSTRIES

In this section, we analyse selected industries for AIBS 2019 respondents to profile these sectors, including the breadth of their international business engagement and the opportunities and challenges Australian businesses report going forward.

The four biggest industry sectors represented by AIBS 2019 respondents are

1. MANUFACTURING (EXCLUDING FOOD AND BEVERAGE MANUFACTURING, 21% OF ALL RESPONDENTS)
2. FOOD & BEVERAGE, AGRICULTURE, FORESTRY AND FISHING (17%)
3. PROFESSIONAL, SCIENTIFIC, AND TECHNICAL SERVICES (10%)
4. EDUCATION AND TRAINING (10%).

The four biggest industry sectors reported account for 58% of all AIBS 2019 respondents.

4.1 RESPONDENT PROFILE

In average, the majority of respondents across the four key industries - representing a 31% of respondents - were categorized as medium enterprises comprised by 20 to 199 employees. The manufacturing industry sector and the food & beverage, agriculture, forestry and fishing were above the average with 39% and 34% of respondents respectively, categorized as medium enterprises. Respondents in the professional, scientific and technical services sector were below the average with only a quarter or respondents being medium enterprises by headcount (Figure 4.1.1).

Looking at the size of AIBS 2019 respondents, micro enterprises (with 0 to 4 employees) represented 29% of respondents in average, with manufacturing being the industry sector with less micro enterprises with only 16% of respondents in this category. The highest number of micro enterprises with a 33% of respondents was concentrated in the professional, scientific and technical services sector.

Education and training (with 21% of respondents) and manufacturing (with 16%) stand out with proportionately larger headcount figures being categorized as large enterprises with more than 200 employees, compared to 9% for AIBS 2019 survey overall.

From a revenue perspective, in average 33% of respondents across all four industry sectors reported less than AUD 1 million in the last financial year with 12% on average reporting revenue of more than AUD 50 million (Figure 4.1.2).

40% of respondents in the professional, scientific and technical services sector were earning less than AUD 1 million in total revenue, while 21% of respondents in manufacturing reported to be earning AUD 50 million or more in revenue in the last financial year.

Q59. How many employees does your business have? (% of respondents)
Base: all respondents, Total n=592, Manufacturing n=123, Food & Beverage and Agriculture, Forestry and Fishing n=100, Education and Training n=57, Professional, Scientific and Technical Services n=60

Q60. What was your business's total revenue last financial year? (% of respondents)
Base: all respondents, Total n=592, Manufacturing n=123, Food & Beverage and Agriculture, Forestry and Fishing n=100, Education and Training n=57, Professional, Scientific and Technical Services n=60
Looking at headquarters location of AIBS 2019 respondents by industry, manufacturing businesses were heavily concentrated in New South Wales (36%) followed by Victoria (30%) with Queensland coming third (20%) (Figure 4.1.3). Most respondents in the education and training sector were located in Victoria (33%), followed by 28% in New South Wales, with 15% of respondents located in Queensland.

### 4.2 The Breadth of International Business Engagement

Most respondents in these four main sectors identified in AIBS 2019 were distinctly divided into goods and services exporters, though some overlaps between the two can be observed, and a large number of respondents involved in exporting goods were also involved in importing goods.

Most respondents in the food & beverage, agriculture, forestry and fishing sector (90%) and manufacturing (95%) were involved in exporting goods overseas. While respondents in the education and training sector (79%) and those in professional, scientific and technical services (95%) were mostly involved in exporting services overseas (Figure 4.2.1).

Slightly over three-quarters of respondents in the manufacturing sector (76%) were involved in the import of goods from overseas in addition to exporting goods, reinforcing the interdependences between export and import.

The largest number of respondents engaged as both recipients of inward investment and making outward investment were in the manufacturing sector (with 10% and 17% respectively), followed by respondents in the professional, scientific and technical services (with 8% and 12% respectively).

Some respondents were also involved in other international activities – such as international research and development, with 33% businesses in the manufacturing sector, followed by 21% in the education and training sector and 20% in professional services being actively involved in these other international activities.
By size of international revenue, 66% of respondents in professional, scientific and technical services earned less than AUD 1 million international last year. They were followed by food & beverage and agriculture, forestry and fishing (56%), education and training with 50% of respondents and manufacturing with 44% of respondents earning less than AUD 1 million in international revenue (Figure 4.2.3).

47% of respondents in the manufacturing sector were earning over AUD 1 million but less than AUD 50 million, whilst 29% of respondents in the professional, scientific and technical services were earning that revenue range. Over AUD 1 million but less than AUD 50 million, whilst 29% of respondents in the manufacturing sector were earning less than AUD 50 million, whilst 29% of respondents in the professional, scientific and technical services were earning that revenue range.

Respondents in the food & beverage and agriculture, forestry and fishing (9%) and education and training sectors (9%) represented the largest international revenue earners with respondents in each sector earning more than AUD 50 million overseas in the last financial year. Respondents in the food & beverage and agriculture, forestry and fishing (9%) and education and training sectors (9%) represented the largest international revenue earners with respondents in each sector earning more than AUD 50 million overseas in the last financial year.

Looking at market diversification, respondents in the manufacturing sector were the most diversified, with 39% of respondents earning revenue from just one or two markets in the last financial year, followed by those in the manufacturing sector with 15% of respondents reporting earnings from over 20 markets (Figure 4.2.4). Respondents in the professional, scientific and technical services were the least diversified, with 39% of respondents earning revenue from just one or two markets in the last financial year.

The US was the top market for 37% of businesses for manufacturing sector and 23% in the professional, scientific and technical services sector. China was the top market for international revenue for respondents in three of the top four sectors: education and training (30%), food & beverage and agriculture, forestry and fishing (26%) and professional, scientific and technical services with 23% where it tied with the United States (Figure 4.2.5).
Looking at international revenue by industry, for those earning international revenue in the manufacturing sector, their biggest revenue share came from United States (37% of respondents), followed by China (18%), New Zealand (13%), Singapore (11%) and United Kingdom with 9%. For those in the food & beverage and agriculture, forestry and fishing sector over a quarter of respondents (26%) earned international revenue from China, followed by Singapore (16%), Japan (15%), United States (13%) and Hong Kong with 10%. In the education and training sector, most international revenue is generated in China (30%), followed by the United States with 17%, India with 15%, and Japan and Thailand both with 11%. The United States and China were tied both with 23% in the professional, scientific and technical services sectors, followed by 17% in Singapore and it tie between New Zealand, India and Indonesia – all with 8% of respondents reporting they earn revenue from those international markets.

4.3 OPPORTUNITIES AND CHALLENGES BEYOND 2019

Looking to the future, in average the majority of respondents across sectors (55%) expected an improved financial outlook for their international operations over the next two years, while only 10% of respondents expected their financial outlook to be worse in the coming two years.

Looking into specific industry sectors, respondents in the manufacturing sector (59%) followed closely by those in the education and training sector (58%) were the most optimistic and expected the next two years to be better financially than the last two. Respondents in the food & beverage and agriculture, forestry and fishing sector together with those in professional services were the least optimistic (both with 13%) expecting their financial outlook to be worse in the coming two years (Figure 4.3.1).

FIGURE 4.3.1. OVERALL FINANCIAL OUTLOOK FOR INTERNATIONAL OPERATIONS NEXT 2 YEARS

Q33. Would you say the overall financial outlook for your business’s international operations over the next two years is…? (% of respondents)

Base: all respondents, Total n=629, Manufacturing n=151, Professional, Scientific and Technical Services n=90, Agriculture, Forestry and Fishing n=77, Education and Training n=59, Wholesale Trade n=42

- Better than the last two years
- Worse than the last two years
- About the same as the last two years
- Not sure
The overall optimistic outlook exhibited by the selected four industry sectors seem to influence their employment plans in Australia (Figure 4.3.3).

Employment plans for respondents in the manufacturing sector were most likely to be positively influenced by their financial outlook, with 71% of respondents planning to increase headcount over the next two years, followed by those in professional services (67%) and those in food & beverage and agriculture, forestry and fishing (63%) who also planned to employ more people.

In-line with the survey average reported earlier, respondents in three of the four top industry sectors mostly planned to do business in four to five new markets over the next two years (Figure 4.3.3).

Respondents in education and training (11%) and those in food & beverage and agriculture, forestry and fishing (also with 11%) were most likely to have more ambitious expansion plans, planning to do business in more than ten markets in the next two years.

While the majority of respondents (34%) reported no changes in their target markets, from those who did report changes and looking at patterns across industries, some insights can be drawn (Figure 4.3.4).

For respondents in the food & beverage and agriculture, forestry and fishing sector, the key reason for change in target market was increased focus or growth in the South East Asia region, followed by expansion of markets (13%) and the rise of new opportunities as the third most important reason for change for 10% of respondents.

Respondents in the professional, scientific and technical services sector were most likely to have below-average expansion plans, with 17% having no expansion plans, followed by those in manufacturing with 15% not planning to do business in any new markets over the next two years.
Increase in demand (10%) and new opportunities (10%) are the main reason for those in the education and training sector to explore changes in target markets. This is followed by expansion to new markets (8%) and looking at more competitive markets (5% of respondents).

For those in professional, scientific and technical services, expansion of markets and increased demand were the two main reasons for change, with 12% and 7% each, followed by 5% of respondents stating that seeking new opportunities and looking at more competitive markets is the third reason to change target markets.

FIGURE 4.3.4. CHANGES IN TARGET MARKETS BY INDUSTRY

<table>
<thead>
<tr>
<th>% of respondents</th>
<th>Total</th>
<th>Manufacturing</th>
<th>Food &amp; Beverage and Agriculture, Forestry and Fishing</th>
<th>Education and Training</th>
<th>Professional, Scientific and Technical Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>No change</td>
<td>34</td>
<td>30</td>
<td>38</td>
<td>31</td>
<td>31</td>
</tr>
<tr>
<td>Expansion of Markets</td>
<td>10</td>
<td>13</td>
<td>10</td>
<td>8</td>
<td>12</td>
</tr>
<tr>
<td>Increased Demand</td>
<td>9</td>
<td>16</td>
<td>7</td>
<td>10</td>
<td>7</td>
</tr>
<tr>
<td>New opportunities</td>
<td>8</td>
<td>10</td>
<td>6</td>
<td>10</td>
<td>5</td>
</tr>
<tr>
<td>Focus/growth in South East Asia</td>
<td>5</td>
<td>5</td>
<td>12</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>More competitive</td>
<td>4</td>
<td>3</td>
<td>6</td>
<td>5</td>
<td>5</td>
</tr>
</tbody>
</table>

Q49. Could you please briefly outline how, if at all, your target markets have changed? (Coded open answers)
Base: All respondents who provided a verbatim response Total n=441, Manufacturing n=113, Food & Beverage and Agriculture, Forestry and Fishing n=84, Education and Training n=39, Professional, Scientific and Technical Services n=42.
A CLOSER LOOK
AT STATES
5.0
A CLOSER LOOK AT STATES

In this section, we will analyse selected areas of AIBS 2019 respondents by State, looking at the breadth of their international business engagement and investigating the outlook for opportunities and challenges in their international business activities.

The biggest states represented in AIBS 2019 respondents are

1. NEW SOUTH WALES (34% OF ALL RESPONDENTS)
2. VICTORIA (24%)
3. QUEENSLAND (18%)
4. WESTERN AUSTRALIA (11%)
5. SOUTH AUSTRALIA (5%)

These five states combined accounted for 92% of all survey respondents. Due to the small sample sizes, we do not analyse Tasmania, the Australian Capital Territory of the Northern Territory.

5.1 RESPONDENT PROFILE

A breakdown of the industry by state highlights the relative strengths of each jurisdiction.

As the largest state, NSW’s industry profile largely mirrors the national profile, with the exception of agriculture, forestry and fishing (including food and beverage) and education and training, with fewer in information media and telecommunications.

With smaller sample sizes, WA and SA were quite different to the national average. SA had 35% of businesses in agriculture, forestry and fishing (including food and beverage), compared to the national average of 17%, and 19% in education and training compared to 10% nationally. It had 11 points fewer businesses in manufacturing and none in other services. WA, unsurprisingly, had the most mining businesses (10 points more), with five points fewer manufacturers and no businesses in wholesale trade.

Victoria had five points more businesses than the national average in manufacturing, but fewer in education and training, other services and mining. Queensland had four points more than the national average in agriculture, forestry and fishing (including food and beverage) and education and training, with fewer in information media and telecommunications.

FIGURE 5.1.1. WHAT IS THE MAIN BUSINESS OF YOUR COMPANY

<table>
<thead>
<tr>
<th>Industry</th>
<th>Total</th>
<th>NSW</th>
<th>QLD</th>
<th>VIC</th>
<th>WA</th>
<th>SA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturing (excl. Food &amp; Beverages)</td>
<td>21</td>
<td>22</td>
<td>23</td>
<td>26</td>
<td>16</td>
<td>10</td>
</tr>
<tr>
<td>Agriculture, Forestry and Fishing &amp; Food and Beverage Manufacturing</td>
<td>17</td>
<td>14</td>
<td>21</td>
<td>15</td>
<td>18</td>
<td>35</td>
</tr>
<tr>
<td>Professional, Scientific and Technical Services</td>
<td>10</td>
<td>9</td>
<td>10</td>
<td>11</td>
<td>13</td>
<td>3</td>
</tr>
<tr>
<td>Education and Training</td>
<td>10</td>
<td>9</td>
<td>14</td>
<td>6</td>
<td>6</td>
<td>10</td>
</tr>
<tr>
<td>Other Services</td>
<td>7</td>
<td>10</td>
<td>9</td>
<td>2</td>
<td>10</td>
<td>0</td>
</tr>
<tr>
<td>Wholesale Trade</td>
<td>6</td>
<td>6</td>
<td>5</td>
<td>8</td>
<td>0</td>
<td>10</td>
</tr>
<tr>
<td>Information Media and Telecommunications</td>
<td>5</td>
<td>6</td>
<td>2</td>
<td>6</td>
<td>8</td>
<td>3</td>
</tr>
<tr>
<td>Mining</td>
<td>5</td>
<td>1</td>
<td>5</td>
<td>2</td>
<td>15†</td>
<td>0</td>
</tr>
<tr>
<td>Arts and Recreation Services</td>
<td>4</td>
<td>4</td>
<td>2</td>
<td>5</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Construction</td>
<td>3</td>
<td>4</td>
<td>3</td>
<td>3</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>Retail Trade</td>
<td>3</td>
<td>4</td>
<td>2</td>
<td>2</td>
<td>5</td>
<td>0</td>
</tr>
<tr>
<td>Financial and Insurance Services</td>
<td>2</td>
<td>3</td>
<td>0</td>
<td>4</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Health Care and Social Assistance</td>
<td>2</td>
<td>3</td>
<td>1</td>
<td>3</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Electricity, Gas, Water and Waste Services</td>
<td>2</td>
<td>1</td>
<td>2</td>
<td>1</td>
<td>3</td>
<td>6</td>
</tr>
<tr>
<td>Accommodation and Food Services</td>
<td>2</td>
<td>0</td>
<td>1</td>
<td>4</td>
<td>2</td>
<td>0</td>
</tr>
<tr>
<td>Transport, Postal and Warehousing</td>
<td>1</td>
<td>2</td>
<td>1</td>
<td>1</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Administrative and Support Services</td>
<td>1</td>
<td>0</td>
<td>1</td>
<td>1</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Public Administration and Safety</td>
<td>1</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>3</td>
</tr>
<tr>
<td>Rental, Hiring and Real Estate Services</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Don’t know</td>
<td>3</td>
<td>1</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>3</td>
</tr>
</tbody>
</table>

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With smaller sample sizes, WA and SA were quite different to the national average. SA had 35% of businesses in agriculture, forestry and fishing (including food and beverage), compared to the national average of 17%, and 19% in education and training compared to 10% nationally. It had 11 points fewer businesses in manufacturing and none in other services. WA, unsurprisingly, had the most mining businesses (10 points more), with five points fewer manufacturers and no businesses in wholesale trade.

These five states combined accounted for 92% of all survey respondents. Due to the small sample sizes, we do not analyse Tasmania, the Australian Capital Territory of the Northern Territory.

5.1 RESPONDENT PROFILE

A breakdown of the industry by state highlights the relative strengths of each jurisdiction.

As the largest state, NSW’s industry profile largely mirrors the national profile, with the exception of agriculture, forestry and fishing (including food and beverage), which is three percentage points lower than the national average, and other services, which was three points higher.
Looking at the size of respondent’s businesses considering number of employees, 29% of respondents across the five States were micro enterprises (with 0 to 4 employees) with South Australia having the largest number of micro businesses by headcount (35% of respondents). Only 9% of respondents across States were large businesses with New South Wales having 11% of respondents reporting having 200 or more employees (Figure 5.1.2).

Most of AIBS 2019 respondents were either small enterprises (31% of respondents in average with 5 to 19 employees) or medium enterprises (31% of respondents in average with 20 to 199 employees). New South Wales had the biggest participation in small enterprises with 38% of respondents in this category, while Western Australia had the biggest proportion of medium size enterprises with 37% of respondents in this group.

From a revenue perspective, the majority of respondents (33%) across States reported earning less than AUD 1 million in revenue in the last financial year followed closely by almost a quarter of respondents (24%) reporting much higher earnings between AUD 5 million and AUD 50 million (Figure 5.1.3). South Australia and Victoria were home to the largest number of higher revenue earning respondents, with 23% and 13% respectively earning AUD 50 million or more in the last financial year.

Western Australia was home to the largest number of small businesses in terms of total revenue, with 42% of respondents earning under AUD 1 million in the last financial year, closely followed by South Australia with a 39%, Queensland with 35%, New South Wales with 29% and Victoria with 27% of respondents in this category.
With 29%, South Australia was home to a larger proportion of experienced respondents that first earned international revenue before 2000, followed by Western Australia with 26% of respondents and Victoria with 23%. This denotes that a good pool of Australian internationally active businesses has nearly five decades of international business experience (Figure 5.1.4).

**5.2 THE BREADTH OF INTERNATIONAL BUSINESS ENGAGEMENT**

In looking at the type of international activity by states in AIBS 2019, overall the most important activity was exporting goods (59% of respondents) followed by exporting services (51%). South Australia was home to the largest proportion of respondents involved in exporting goods overseas (71%) though from the smallest respondent base of the five states. This was followed by Queensland (67%) and Victoria (64%) (Figure 5.2.1).

Western Australia was home to the largest proportion of respondents exporting services (55%), followed by New South Wales and Victoria with 51% and 50% respectively. Victoria had the biggest share of respondents engaged in importing goods (48%) and also the largest share in importing services (16%).

On the opposite spectrum, the home states to the largest number of respondents that entered international markets since 2010 were Western Australia with 37% of respondents, followed by New South Wales with 35% and Queensland with 31%(Figure 5.1.4).

**5.2.1 TYPE OF INTERNATIONAL ACTIVITY**

**5.2.2 PERCENTAGE OF EXPORT SALES: OVERSEAS CONSUMERS VERSUS BUSINESSES**

Respondents were fairly uniform across all five states in terms of the proportion of export sales to overseas consumers versus sales to businesses. All around the survey average was 71% of sales to businesses and 27% of sales to consumers. Interestingly, South Australia presented a different distribution with 55% involved in business to business (B2B) activities while 45% were involved in business to consumer (B2C) trade representing the highest level of B2C across all states (Figure 5.2.2).
Looking into the number of international markets that AIBS 2019 respondents by state earn revenue from, Queensland and Victoria were the most diverse in terms of the number of markets from which they earned international revenue, with 25% of respondents in each of these states earning international revenue from 11 or more markets in the last financial year (Figure 5.2.3).

**FIGURE 5.2.3. NUMBER OF COUNTRIES EARNING INTERNATIONAL REVENUE FROM**

Respondents from South Australia were the least diverse with 38% of the state’s respondents earning international revenue from just one or two markets in the last year.

For respondents in New South Wales, the top markets were United States (24%), China (21%), New Zealand (12%), United Kingdom (9%) followed by Singapore, Canada, India and Hong Kong all in the fifth place each with 10%. For respondents in Victoria the top five markets included United States at the top with 27%, followed by China with 24%, Singapore with 14%, United Kingdom with 13% and India in the fifth place with 10%.

For Queensland respondents, the top market is shared by United Stated and China (both with 24%), followed by United Kingdom and New Zealand, also with a tie in the second place with 11%. Third place was for Singapore with 10%, Canada emerged in the fourth place with 9% and Japan with 7% was the fifth market.

For respondents in Western Australia, the top markets from which they earn revenue, with Singapore at the top with 27%, followed by the United States and Indonesia – both with 15%, with Malaysia in the third place with 12%, China fourth with 8% and Thailand on the fifth place with 7%.

For businesses in South Australia, international revenue was concentrated in China with 26%, followed by United States with 23% and in a shared third place each with 10% is the United Kingdom, New Zealand, Japan, United Arab Emirates, Vietnam and Philippines.

**FIGURE 5.2.4. TOP MARKETS FOR INTERNATIONAL REVENUE AND THEIR REVENUE SHARE BY STATE**

- **QLD**: From how many markets has your business earned international revenue in the last 12 months? (% of respondents)
  - NSW: Total n=197, QLD n=105, VIC n=141, WA n=62, SA n=31
  - **Don’t know**: 1
  - **Average share in %**: 13
  - **People’s Republic of China**: 38% of the state’s respondents earning international revenue from just one or two markets in the last year.

- **WA**: Total n=108, QLD n=87, WA n=48, SA n=29
  - **Don’t know**: 2
  - **Average share in %**: 21
  - **Singapore**: 63%

- **SA**: Total n=108, QLD n=87, WA n=48, SA n=29
  - **Don’t know**: 3
  - **Average share in %**: 63
  - **Singapore**: 83%

*Q25: From how many markets has your business earned international revenue in the last 12 months? (% of respondents)*

*Q26/Q27. Which were the top two markets from which your organisation earned international revenue in the past year? Base: Earned international revenue; Total n=446, NSW n=145, VIC n=194, WA n=76, SA n=19

*Q28: For approximately what share of your international revenue did each of these markets account? (average share %) Base: Numbers vary considerably – low base sizes, treat as indicative only*
5.3 OPPORTUNITIES AND CHALLENGES BEYOND 2019

Looking into the future, respondents across all five states were reasonably positive on their financial outlook for the next two years (Figure 5.3.1).

Respondents in Western Australia and Victoria were the ones holding the most positive outlook with 60% and 59% of respondents expecting the next two years to be better than the last two. NSW was the least optimistic and below the survey average, with just over half of respondents (51%) expecting the next two years to be better.

Queensland (54%) and South Australia (55%) respondents coincided with the survey average of 55% expecting the next two years to provide a better financial outlook.

On average 10% of respondents across states expected the next two years to be “worse than the last two years”.

In Queensland 14% of respondents had a more pessimistic outlook followed by respondents in South Australia (12%).

AIBS 2019 also investigated whether a positive financial outlook seems - to an extent - to have influenced employment plans for respondents across the five states.

As per Figure 5.3.2., respondents in Queensland were the ones reporting to be most influenced by their future outlook, with 78% expecting to make changes in their employment plans, with a reported 61% of those respondents planning to increase their employment in Australia. They were followed by businesses headquartered in New South Wales with 73% expecting to make employment changes and 68% of those respondents looking to increase employment in Australia.

Respondents in South Australia were the least influenced by their future outlook, with 55% planning to make changes in their employment in Australia – but only over half of respondents (53%) expecting to increase their employment plans.
In looking at geographic distribution of international business activities for the next two years, respondents headquartered in Queensland had the highest proportion of ambitious businesses (in terms of the number of new markets), with 23% of respondents planning to do business in more than six markets in the next two years – including 13% planning to do business in more than ten new markets (Figure 5.3.3).

Looking at changes in target markets by State, whilst the majority did not report changes (35%), from those whose target markets have changed, expansion to new markets was the most important reason for change for respondents headquartered in New South Wales (14%) and Victoria (13%). Increase in demand was seen also as an important reason for those in Victoria (13%), while looking at new opportunities was key for respondents in Western Australia (12%). Focus and/or growth in South East Asia was seen as a key reason for respondents in Queensland, New South Wales and Victoria to change target markets (Figure 5.3.4).

Victoria had the highest proportion not intending to diversify into new markets, with 15% not planning to do business in any other new markets in the next two years.

**FIGURE 5.3.3. NUMBER OF NEW COUNTRIES TO DO BUSINESS WITH OVER THE NEXT 2 YEARS**

<table>
<thead>
<tr>
<th>% of respondents</th>
<th>Total</th>
<th>NSW</th>
<th>QLD</th>
<th>VIC</th>
<th>WA</th>
<th>SA</th>
</tr>
</thead>
<tbody>
<tr>
<td>None</td>
<td>11</td>
<td>9</td>
<td>11</td>
<td>15</td>
<td>10</td>
<td>3</td>
</tr>
<tr>
<td>1</td>
<td>6</td>
<td>3</td>
<td>4</td>
<td>4</td>
<td>5</td>
<td>10</td>
</tr>
<tr>
<td>2</td>
<td>15</td>
<td>13</td>
<td>13</td>
<td>18</td>
<td>16</td>
<td>19</td>
</tr>
<tr>
<td>3</td>
<td>15</td>
<td>19</td>
<td>10</td>
<td>11</td>
<td>21</td>
<td>19</td>
</tr>
<tr>
<td>4-5</td>
<td>23</td>
<td>23</td>
<td>25</td>
<td>21</td>
<td>26</td>
<td>23</td>
</tr>
<tr>
<td>6-10</td>
<td>9</td>
<td>12</td>
<td>10</td>
<td>6</td>
<td>3</td>
<td>6</td>
</tr>
<tr>
<td>More than 10</td>
<td>10</td>
<td>7</td>
<td>13</td>
<td>10</td>
<td>11</td>
<td>3</td>
</tr>
<tr>
<td>Don’t know</td>
<td>9</td>
<td>8</td>
<td>13</td>
<td>10</td>
<td>8</td>
<td>13</td>
</tr>
</tbody>
</table>

Q47. How many new markets is your business planning to do business in over the next two years? (% of respondents)
Base: all respondents, Total n=593, NSW n=197, QLD n=105, VIC n=141, WA n=62, SA n=31

**FIGURE 5.3.4. CHANGES IN TARGET MARKETS BY STATE**

<table>
<thead>
<tr>
<th>% of respondents</th>
<th>Total</th>
<th>NSW</th>
<th>QLD</th>
<th>VIC</th>
<th>WA</th>
<th>SA</th>
</tr>
</thead>
<tbody>
<tr>
<td>No change</td>
<td>35</td>
<td>34</td>
<td>32</td>
<td>30</td>
<td>44</td>
<td>42</td>
</tr>
<tr>
<td>Expansion of Markets</td>
<td>10</td>
<td>14</td>
<td>9</td>
<td>13</td>
<td>4</td>
<td>0</td>
</tr>
<tr>
<td>Increased Demand</td>
<td>9</td>
<td>8</td>
<td>5</td>
<td>13</td>
<td>8</td>
<td>4</td>
</tr>
<tr>
<td>New opportunities</td>
<td>8</td>
<td>8</td>
<td>7</td>
<td>5</td>
<td>12</td>
<td>8</td>
</tr>
<tr>
<td>Focus/growth in South East Asia</td>
<td>6</td>
<td>6</td>
<td>7</td>
<td>6</td>
<td>4</td>
<td>0</td>
</tr>
<tr>
<td>More competitive</td>
<td>4</td>
<td>6</td>
<td>8</td>
<td>2</td>
<td>0</td>
<td>4</td>
</tr>
</tbody>
</table>

Q49. Could you please briefly outline how, if at all, your target markets have changed? (Coded open answers)
Base: All respondents who provided a verbatim response, Total n=441, NSW n=154, QLD n=75, VIC n=96, WA n=50, SA n=24
6.0

RESPONDENTS PROFILE
6.1 RESPONDENTS UNDERTAKING INTERNATIONAL BUSINESS ACTIVITIES

A total of 593 internationally active businesses responded to AIBS 2019. Over 92% of the respondents were undertaking international business activities and earning international revenue, while 8% were not (Figure 6.1.1).

FIGURE 6.1.1. BUSINESSES UNDERTAKING INTERNATIONAL ACTIVITY

From a revenue perspective, the majority of respondents (59%) earned less than AUD 5 million in total revenue in the last financial year, with 33% of those respondents earning less than AUD 1 million (Figure 6.1.3).

Over a quarter of respondents (29%) earned more than AUD 5 million but less than AUD 100 million in the last financial year. While those earning over AUD 100 million represented 8% of respondents including 5% who earned AUD 200 million or more.

FIGURE 6.1.3. TOTAL REVENUE LAST FINANCIAL YEAR

As every year, AIBS respondents were requested to classify their business according to the Australian and New Zealand Standard Industrial Classification (ANZSIC) scheme published by the Australian Bureau of Statistics (ABS) (Figure 6.1.4).

Approximately 21% of businesses classified themselves as belonging to the manufacturing industry sector (excluding food and beverage) representing the largest pool of respondents, followed by 17% classified in agriculture, forestry and fishing and food and beverage. 10% of respondents are involved in professional, scientific and technical services and a further 10% involved in education and training.

FIGURE 6.1.4. MAIN INDUSTRY OF YOUR BUSINESS

For respondents engaged in business to business (B2B) trade, most buyers operated in the wholesale trade sector (12% of respondents), followed by manufacturing (11%) and retail trade (10%) (Figure 6.1.5).

FIGURE 6.1.5. INDUSTRY WHERE MOST BUYERS OPERATE

Accounting for a combined 62% of AIBS 2019 respondents, most respondents were small (5 to 19 employees) or medium (20 to 199 employees) businesses in terms of headcount with 33% earning less than AUD 1 million in revenue in the last financial year (Figure 6.1.2).

Micro businesses with 4 or less employees comprised over a quarter of respondents (29%), while large businesses with 200 or more employees accounted for only 9% of respondents. Respondents were on average, experienced in international markets and leaned predominantly toward the export of goods and services, rather than importing or other international activities.

FIGURE 6.1.2. NUMBER OF EMPLOYEES

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Most AIBS 2019 respondents (79%) were head-quartered in the three largest states including 34% from New South Wales, followed by 24% in Victoria and Queensland with 18%.

Businesses headquartered in Western Australia totalled 11% of respondents, South Australia 5%, Canberra with 3%, Tasmania with 2% and a further 2% with headquarters located overseas (Figure 6.1.6).

The heads of respondent businesses were predominantly male (81% of respondents) while businesses led by women accounted only for 18% of respondents. From those businesses led by male heads, the majority were in the agriculture, forestry and fishing and food and beverage industries (86%) followed by manufacturing (84%). Businesses led by women were mainly concentrated in the education and training industry with 33% of respondents followed by 17% focused on professional, scientific and technical services. (Figure 6.1.7). Overall the gender composition of business heads has not reported much changes since AIBS 2014.

The majority of respondents’ businesses were Australian-owned (87% of respondents) with only 9% of businesses having foreign ownership and a further 5% wholly or majority first generation migrant owned (Figure 6.1.8).

AIBS 2019 respondents were fairly internationally experienced (Figure 6.1.9), measured by the year they started earning international revenue. From all respondents, 35% began earning international revenue since 2010, 25% in the last 20 years and 21% started earning international revenue more than 20 years ago.
## 6.2 Respondents Not Undertaking International Business Activities

From the total of AIBS 2019 respondents, 8% (n=51) reported not undertaking international business activities (Figure 6.1.1). Different reasons were cited as the key for not undertaking international business activities. Among them, the main reason (29% of respondents) was the lack of international leads or contacts, followed by 27% of respondents who were concentrating on scaling up domestically instead of internationalising. This was followed by uncertainty in how to start exploring opportunities and being unsure whether there is a market for the goods or services and uncertainty on how to operate across different markets, all with 18%. (Figure 6.2.1).

### Figure 6.2.1. Reasons for Not Undertaking Any International Business Activities

<table>
<thead>
<tr>
<th>Reason</th>
<th>% of Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lack of international leads or contacts</td>
<td>29</td>
</tr>
<tr>
<td>Concentrating on scaling up locally</td>
<td>27</td>
</tr>
<tr>
<td>Uncertain of how to start exploring potential opportunity</td>
<td>18</td>
</tr>
<tr>
<td>Uncertain of how to operate across different countries</td>
<td>18</td>
</tr>
<tr>
<td>Unsure if there is a market for my goods/services</td>
<td>18</td>
</tr>
<tr>
<td>High costs associated with generating international revenue</td>
<td>12</td>
</tr>
<tr>
<td>Feel we are too small to succeed overseas</td>
<td>12</td>
</tr>
<tr>
<td>In the process of starting</td>
<td>12</td>
</tr>
<tr>
<td>Not relevant to business (e.g., membership bodies, government agencies)</td>
<td>12</td>
</tr>
<tr>
<td>Have tried before unsuccessfully</td>
<td>10</td>
</tr>
<tr>
<td>Other</td>
<td>6</td>
</tr>
</tbody>
</table>

Q3. As per the previous question, why is that? Please select all that apply. Base: respondents who do not undertake international business activities, n=51

In analysing what support would be valuable to these respondents in exploring international activities (Figure 6.2.2) the majority (57%) stated that introductions to potential overseas buyers, distributors or partners and supporting through grants would be the most valuable support needed to encourage them to pursue international opportunities. Participation in trade exhibitions and other promotional activities in overseas market (45%) together with networking events (43%), were the next most valuable methods of support. Understanding of free trade agreements (FTAs), market barriers and regulatory requirements that affect overseas markets, together with business missions to explore new opportunities were also considered important by 41% of respondents in supporting the pursue of opportunities abroad.

### Figure 6.2.2. Support Needed for International Business Opportunities

<table>
<thead>
<tr>
<th>Support</th>
<th>% of Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Introductions to potential overseas buyers, distributors or partners</td>
<td>57</td>
</tr>
<tr>
<td>Grants</td>
<td>57</td>
</tr>
<tr>
<td>Participation in trade exhibitions and other promotional activities in overseas markets</td>
<td>45</td>
</tr>
<tr>
<td>Networking events</td>
<td>43</td>
</tr>
<tr>
<td>Understanding of FTAs, market barriers and regulatory requirements that affect overseas markets</td>
<td>41</td>
</tr>
<tr>
<td>Business missions to explore new opportunities</td>
<td>41</td>
</tr>
<tr>
<td>Insight into trends and emerging opportunities</td>
<td>39</td>
</tr>
<tr>
<td>Tailored services to assist with research, strategic planning and market entry</td>
<td>37</td>
</tr>
<tr>
<td>Access to finance</td>
<td>37</td>
</tr>
<tr>
<td>Business Mentoring</td>
<td>31</td>
</tr>
<tr>
<td>Educational courses and workshops</td>
<td>29</td>
</tr>
<tr>
<td>Advice on product/service adaptation or customisation</td>
<td>25</td>
</tr>
<tr>
<td>Other</td>
<td>12</td>
</tr>
<tr>
<td>None of these</td>
<td>4</td>
</tr>
</tbody>
</table>

Q2. What support would be valuable to you in exploring international activities? Base: those who do not undertake international business activities, n=51
AUSTRALIA’S INTERNATIONAL BUSINESS SURVEY (AIBS) PARTNERS

Australia’s International Business Survey is an initiative led by the Export Council of Australia (ECA) in collaboration with the Australian Trade and Investment Commission (Austrade) and the Commonwealth Bank of Australia (CBA).

EXPRESS COUNCIL OF AUSTRALIA (ECA)
The Export Council of Australia is the only industry organisation focused on Australian businesses engaged internationally. We represent businesses across all sectors, of all sizes.
For over 60 years we have been helping Australian businesses to succeed in international markets. We do this by:
• Developing international business skills
• Building Australian business capacity
• Conducting international market research
• Helping to break down barriers to trade
• Building global networks
• Informing Australian trade policy

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AUSTRALIA TRADE
The Australian Trade and Investment Commission (Austrade) is the Australian Government’s international trade promotion and investment attraction agency. We deliver quality trade and investment services to businesses to grow Australia’s prosperity. We do this by generating and providing market information and insights, promoting Australian capability, and facilitating connections through our extensive global network.
We also provide financial assistance for exporters through programs such as the Export Market Development Grants scheme.

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The Commonwealth Bank (ASX:CBA) is one of Australia’s leading providers of personal banking, business and institutional banking and share broking services. With 17.4 million customers and a history spanning more than a century, the Group’s purpose is to improve the financial wellbeing of its customers and communities.
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For more information on Commonwealth Bank, visit www.commbank.com.au

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The AIBS 2019 partners also extend a thank you to all state and federal government agencies that have assisted in bringing this year’s survey together, as well as to our industry partners: the Export Council of Australia (ECA), Austrade, the Commonwealth Bank of Australia (CBA) and AMR.

SURVEY METHODOLOGY
The main objective of the 2019 AIBS survey, similar to those conducted in 2014, 2015, 2016, 2017 and 2018, was to investigate the international business activities of Australian businesses to gain further insights into the nature and significance of their international operations, the challenges they face, the landscape of opportunities and future expansion plans.
Survey questions of 2018 were used as the basis for the 2019 survey subject to inputs and amendments from survey partners: the Export Council of Australia (ECA), Austrade, the Commonwealth Bank of Australia (CBA) and AMR. The survey was conducted by AMR through their online platform and distributed through ECA and Austrade’s databases to ensure the broadest possible reach for the survey. The survey was also promoted by social media by all survey partners. Upon businesses completing the survey, the full data set was provided by AMR to the ECA, Austrade and CBA for quantitative and qualitative analysis and interpretation bringing to life the AIBS 2019 series of reports.
The survey was open from 3 April 2019 to 11 June 2019. At close of the survey a total of 644 responses were collected including 593 fully completed and validated questionnaires from currently internationally active Australian businesses.
The fully completed survey responses were from Australian businesses currently and regularly active in international markets and thus does not necessarily represent all Australian businesses with some international activities (e.g. occasional exporters).
As it is the case with any analysis based on self-reports, the possibility of error cannot be excluded. For example, survey respondents may have interpreted questions incorrectly and/or may not have provided accurate answers.

*
*AMR is a full service market and social research agency. AMR provides a broad portfolio of research services under the name of Colmar Brunton.
partners.