

Geared for Growth:



Gains from online advertisement for Australia's small and medium enterprises (SMEs) and the economy.





Introduction

Online advertising has become a key driver of businesses' customer acquisition, ecommerce, and competitiveness around the world, including in Australia. Online advertising can enable Australian small and medium enterprises (SMEs) to build brand awareness, scale, and reach new domestic and international markets faster than traditional marketing methods. For remote SMEs, online ads can bridge the disadvantages of distance, limited local demand, and high fixed marketing costs. Today's AI-powered online ads can augment these gains through automation, creative insights, enhanced targetability, and improved measurement that deliver better insights, smarter investment allocation and stronger campaign effectiveness – bringing new efficiencies and greater return on investment.

Online ads will continue to play a crucial role in the development of Australian SMEs, particularly in light of Australia's current policy discussions on:

- **Unlocking economic growth and competitiveness.** Australia's [productivity growth has stagnated](#) in recent years. The Business Council of Australia and the [Productivity Commission](#) alike have highlighted the importance of digital services and AI, foregrounding the importance of broad-based access as a means to jumpstart Australia's productivity growth.

- **Enhancing SME productivity and exports.** SMEs make up about [a third of Australia's GDP and 42 percent of employment](#). However, there is considerable concern in Australia about SMEs' productivity gap and efforts to bridge it through digital transformation and export support. The government has various initiatives such as [Digital Solutions grants](#) to enable SMEs to use digital marketing and other digital services to reach new customers and grow more competitive.
- **Promoting remote SMEs' digital transformation, access to markets, and growth.** About a third of Australian companies are in regional and remote areas, and they typically struggle with digital transformation more than metropolitan firms do. As per the [2025 National Small Business Strategy](#), national, state, and territory governments are working to scale their support to enable remote SMEs to use digital services and access new markets.

Online ads can promote Australia's key priorities to drive productivity, SME growth and exports, and regional development. However, there is limited empirical evidence to date on how different types of Australian SMEs already use online advertising, what gains online ads generate for SMEs and the Australian economy, and how government policies and programs could promote the use of online ads as an SME productivity driver.





The purpose of this report is to bridge this knowledge gap and promote policies and programs conducive to SMEs' use of online ads in Australia. The report (1) reviews the results of a survey with 1,100 Australian SMEs on their online ads use and gains from online ads; (2) estimates the broader economic and productivity gains from online ads for the Australian economy; and (3) promotes policies and programs conducive to Australian SMEs' use of online ads.

The main findings are as follows:

- **Australian SMEs invest in online ads as a key success driver for their businesses.** Over three-quarters of Australian SMEs already use online ads and another 21 percent plan to adopt them in 2026. Among users of online ads, over 60 percent of micro and small firms and 86 percent of medium firms spend at least three percent of revenue on online ads - and 37 percent and 54 percent respectively, spend five percent or more. SMEs' spending on online ads has increased robustly over time as a share of their total ads spending, with 51 percent of micro and small and 57 percent of medium firms spending more than a quarter of their overall advertising budget on online ads in 2025.
- **SMEs use a wide variety of ad formats and providers.** Most SMEs use multiple ad formats and providers - as many as 93 percent use three or more providers and 68 percent use six or more. In addition, 43 percent of micro and small and 77 percent of medium firms use external advertising agencies, the vast majority of them Australian microenterprises, to help run their ad campaigns.
- **Online ads promote SMEs' return on investment in ads, customer acquisition, and revenue and export gains.** A majority of SMEs find that online ads outperform traditional ads, such as flyers, TV and radio ads, not only in terms of tracking the impact of ads but also on return on ad investment and customer retention. SMEs investing robustly in online ads are significantly more likely to achieve faster revenue growth, diversify their exports, and amplify their ecommerce sales than their peers, controlling for other factors that affect firm performance.
- **AI amplifies the impact of online ads on SMEs' business outcomes.** So far, 40 percent of micro and small firms and 52 percent of medium firms use AI in online advertising initiatives, mainly for fraud prevention, targeting, and analytics. SMEs that integrate AI into their ad initiatives have significantly higher revenue growth and export intensity than their non-AI using peers.
- **Overall, SMEs' use of online ads contributes conservatively A\$152 billion to Australia's economy each year.** SMEs that use online ads attribute roughly 10-13 percent of their revenue to online ads. This spending is equivalent to about 5-6 percent of Australia's nominal GDP. In addition, if all Australian SMEs used online ads and at least 20 percent more spent at least five percent of their revenue on online ads, the gains from online ads could increase to A\$231 billion, about 8 percent of Australia's GDP.
- **SMEs want the government to support their ad usage through training on AI use in ad campaigns, guidance on compliance with privacy and data laws, and information on regulations related to online ads.** SMEs' adoption of online ads is constrained by limited budgets, skills gaps, and fraud risks. SMEs have strong demand for government support in AI training and regulatory guidance around data privacy and ads regulations. Over one-half of SMEs see the government as offering useful guidance and resources for online advertising, a base to build upon.



Given the significant macroeconomic contribution of online advertising, Australia should treat SME digital advertising capability as a driver of national competitiveness and integrate it closely into SME productivity, export growth, and digital trade strategies.

In particular, policymakers could promote targeted training programs on optimising online ads and AI-driven advertising tools and analytics; provide scalable guidance on privacy, data, and online ad regulations; and develop trust-building frameworks to reduce fraud, impersonation, and misleading ads that disproportionately affect smaller firms. There is also an opportunity to deepen support for accessing affordable digital tools, shared measurement platforms, and advisory services, leveraging Australia's strong ecosystem of SME ad agencies.

The report is organised as follows. Section 2 maps how Australian SMEs use online advertising, including uptake levels, spending patterns, adoption of multiple formats and providers, the growing use of AI in ads, and the role of external agencies. Section 3 assesses the gains SMEs achieve, showing how firms measure ad performance and presenting evidence that higher ad spending and AI use are linked to stronger revenue growth, export activity, and ecommerce intensity. Section 4 outlines the challenges SMEs face in using online ads and their priorities for government support, especially training SMEs to use AI in advertising. Section 5 quantifies the broader economic impact, estimating online advertising's contribution to SME revenue and GDP and modelling the additional gains if more SMEs adopted and scaled their digital advertising efforts.

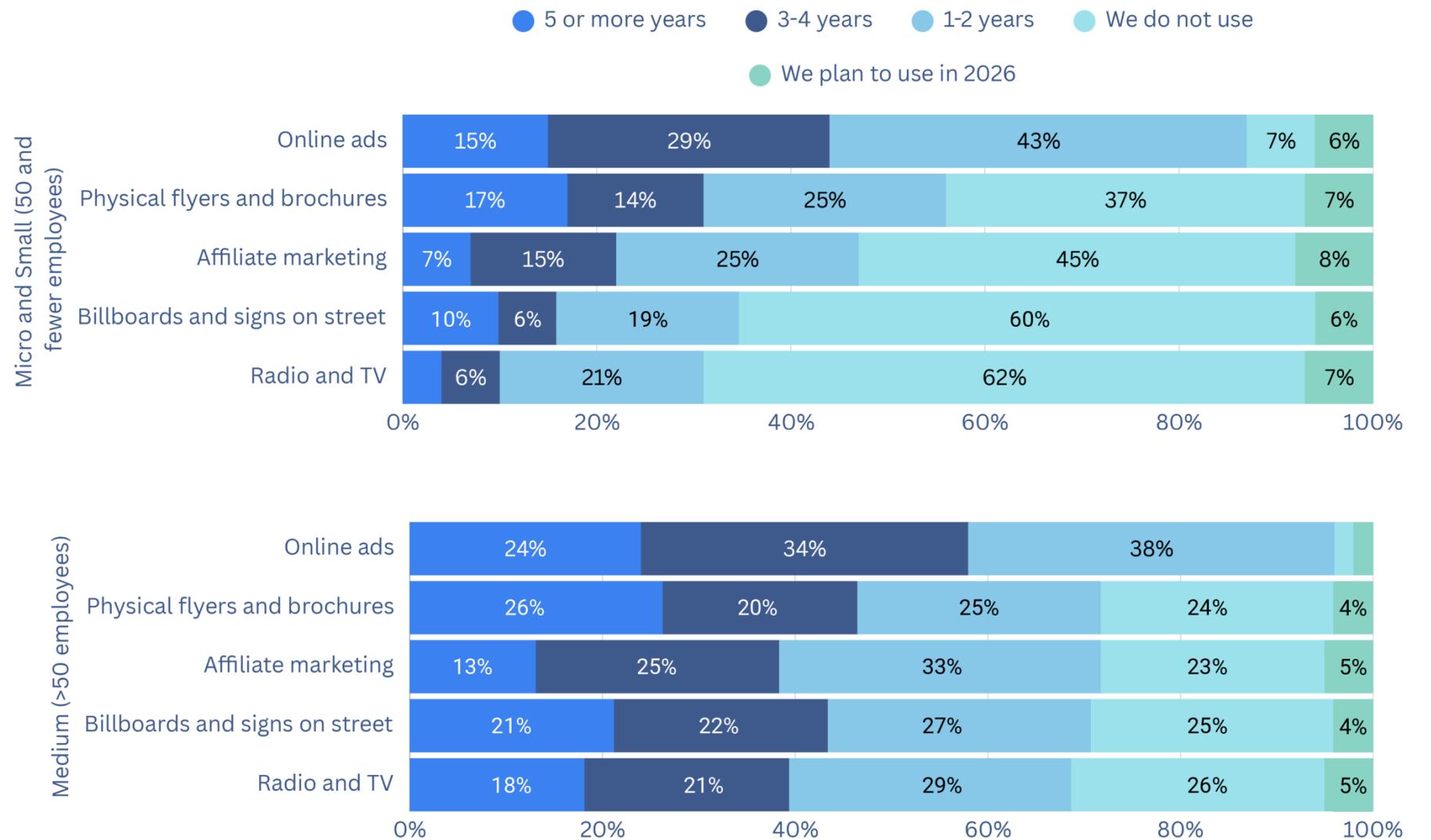


Australian SMEs' usage of online ads

SMEs have increased their use of online ads and spending on online ads

Online advertisement is now a core part of Australian firms' marketing strategies. Some 78 percent of firms reported using online ads and another 21 percent indicated they plan to use online advertising in 2026. Of the firms that reported using some types of online advertising (and thus were qualified into the survey), 87 percent of micro and small firms and 96 percent of medium firms reported having used online ads for more than a year and 44 percent and 58 percent, respectively, have used online ads for three or more years (figure 1). Given their strong adoption of online ads in the past 1-2 years, SMEs use online ads more widely today than they use more traditional advertisements, such as flyers and TV.

Figure 1 - Firms' length of time using various forms of advertisement, by size





SMEs have increased their use of online ads and spending on online ads

SMEs report spending quite robustly on online ads: 63 percent of micro and small and 86 percent of medium firms invest three percent or more of their revenue in online ads, and 37 percent and 54 percent spend five percent or more (figure 2). There are however some notable geographic disparities: SMEs in remote areas have also adopted online ads especially in the past couple of years, but their investment still lags behind that of their peers in larger cities and major metropolitan regions (figure 3).

Figure 2 - SMEs' spending on online ads as percent of total revenue, by firm size

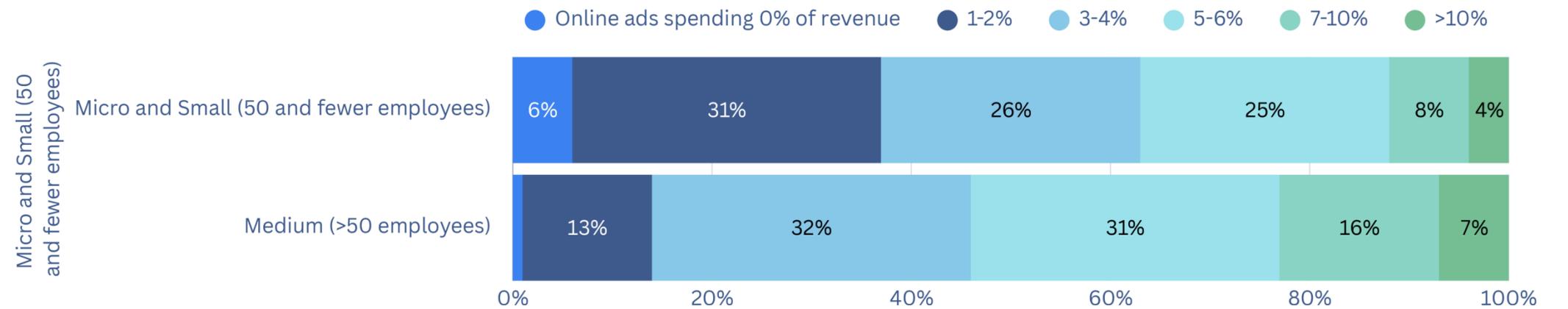


Figure 3 - Share of SMEs spending five percent or more of their revenue on online ads, by firm size and location

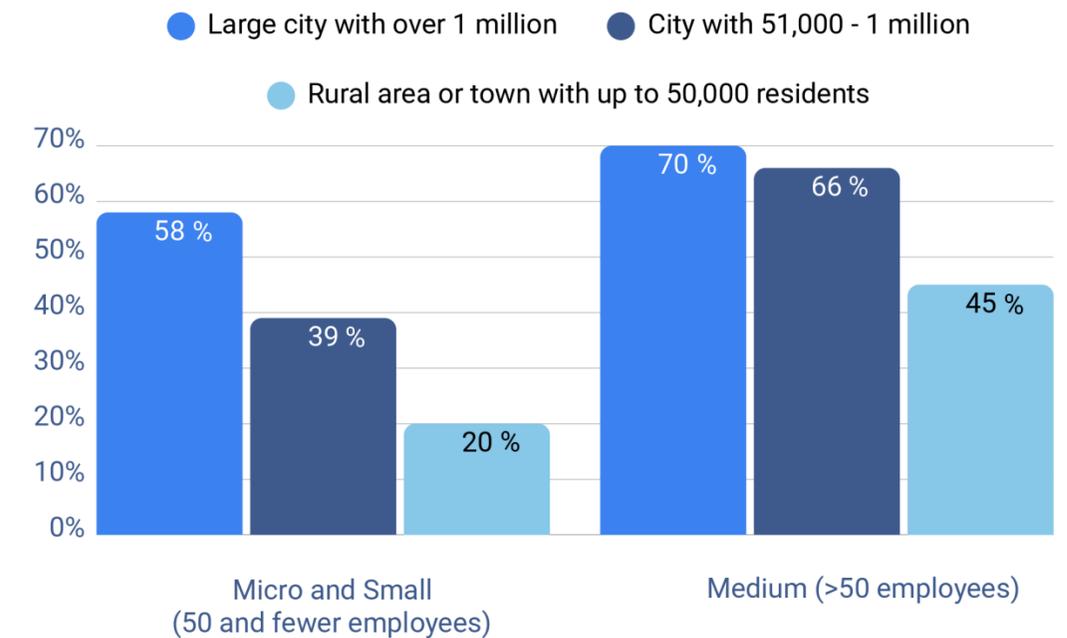




Figure 4 - SMEs' spending on online ads as percent of ad budget in 2023-25, by firm size

SMEs' spending on online ads has increased over time as a share of their total advertising spending, with 51 percent of micro and small and 57 percent of medium firms spending more than a quarter of their overall advertising budget on online ads in 2025, up from 37 and 36 percent in 2023 (figure 4).

SMEs use multiple ad formats and providers at once

SMEs' most commonly used online ad formats are social media (67 percent of SMEs use), email marketing (56 percent), and search advertising (46 percent) (figure 5). Social media ads are also favoured as top-3 ad formats by almost half of all SMEs (figure 6).

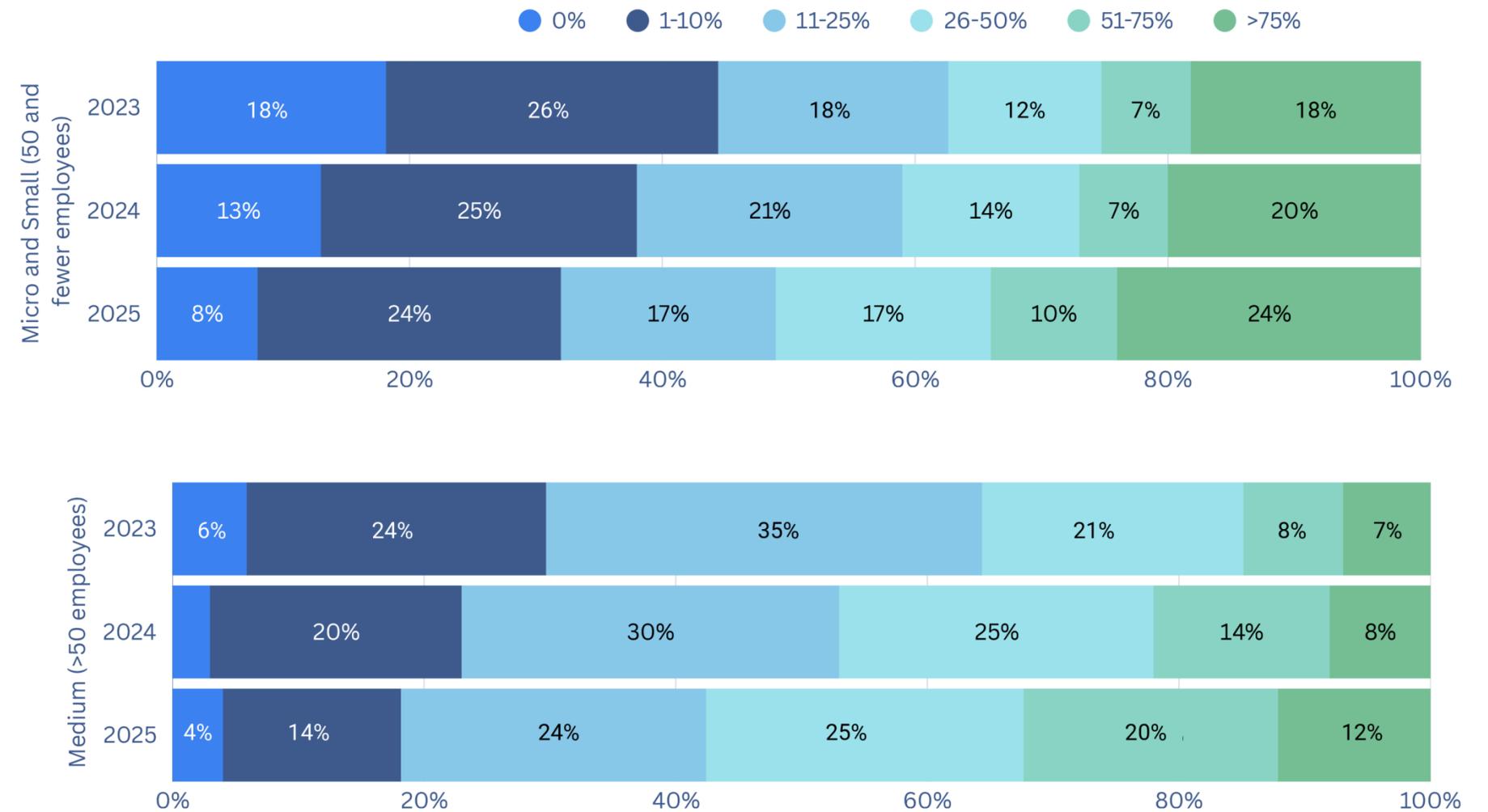




Figure 5 - Share of SMEs using different online ad formats

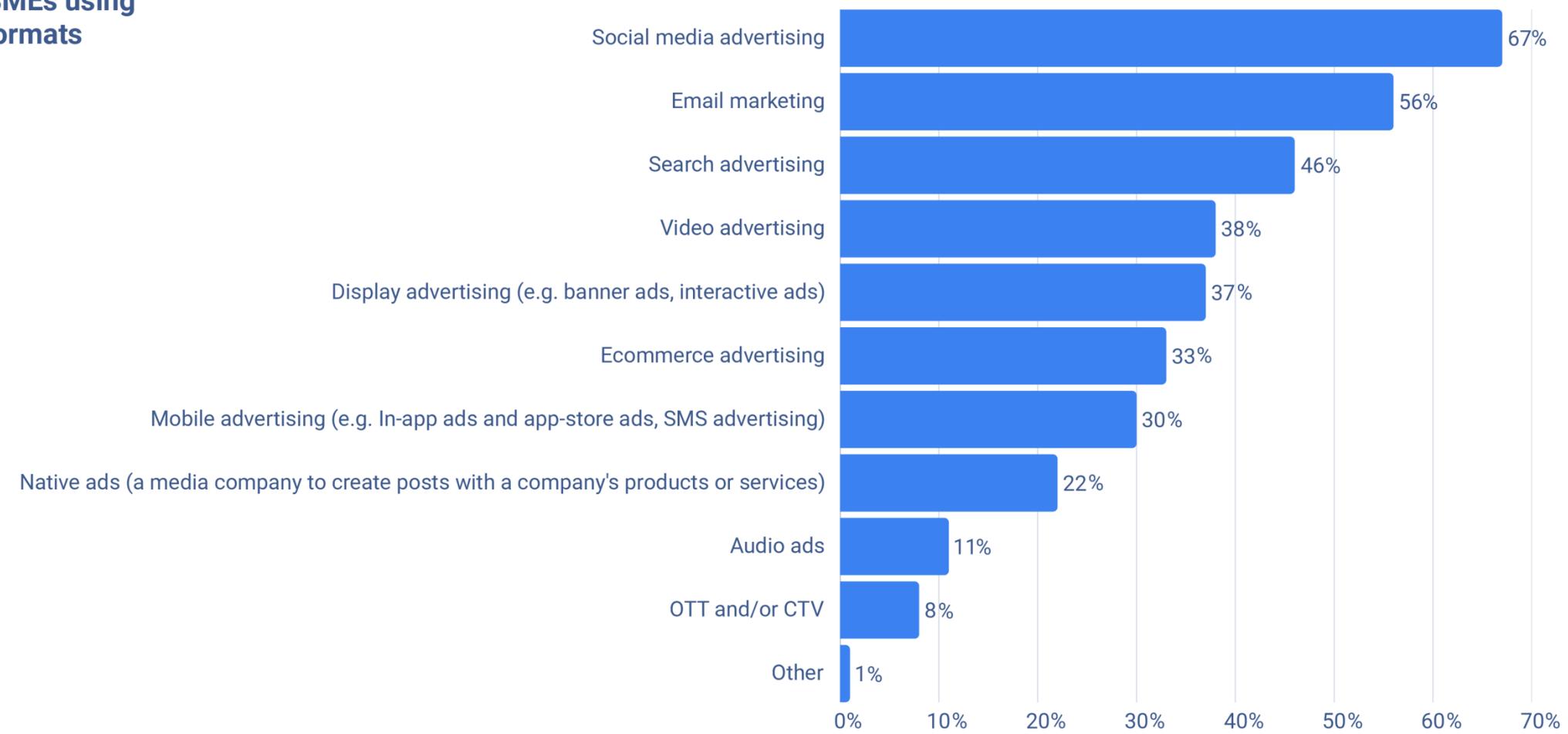




Figure 6 - Share of SMEs' ranking different online ad formats

That said, SMEs maintain a diversified advertising portfolio: as many as 70 percent use three or more ad formats and 23 percent use five or more (figure 7).

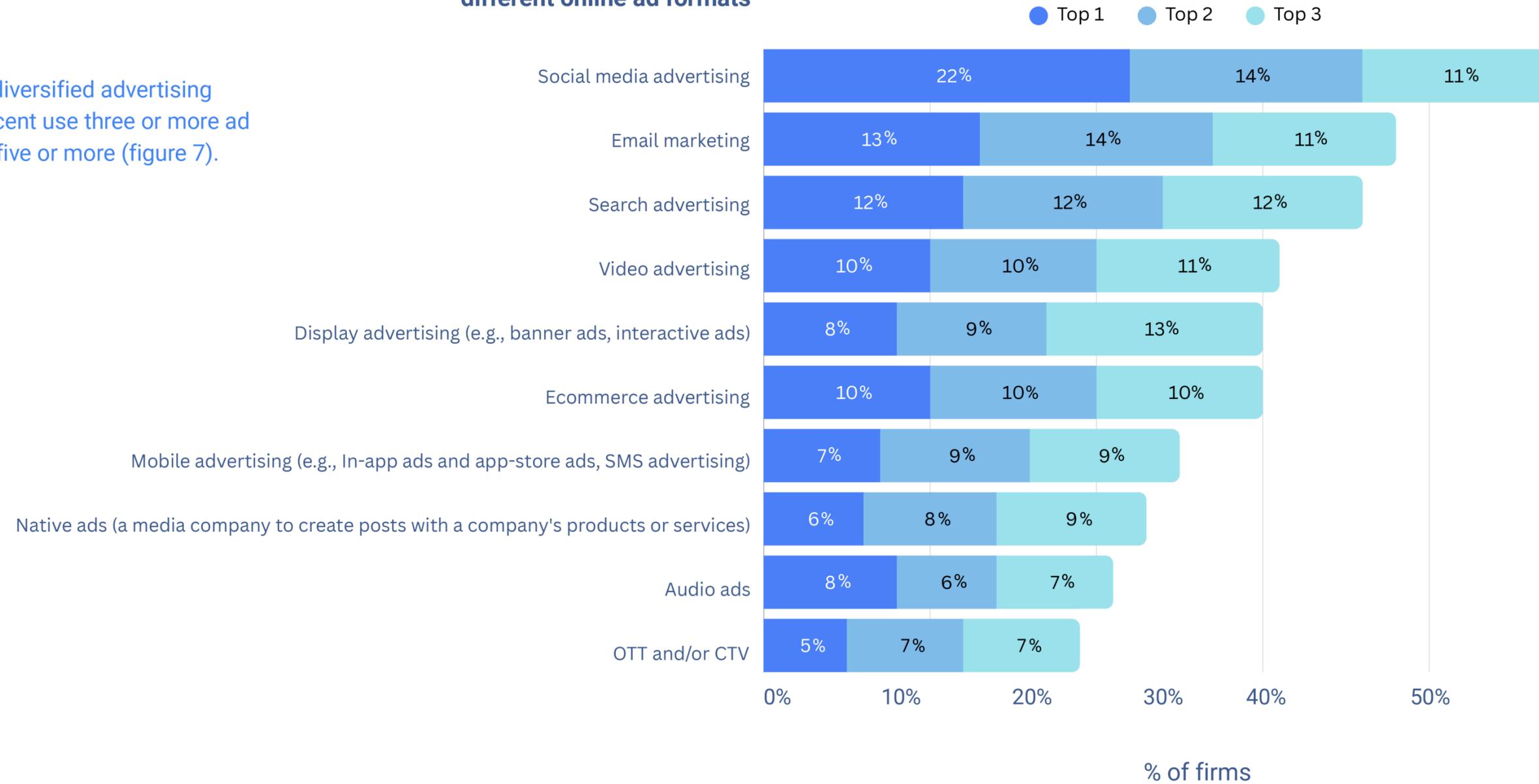
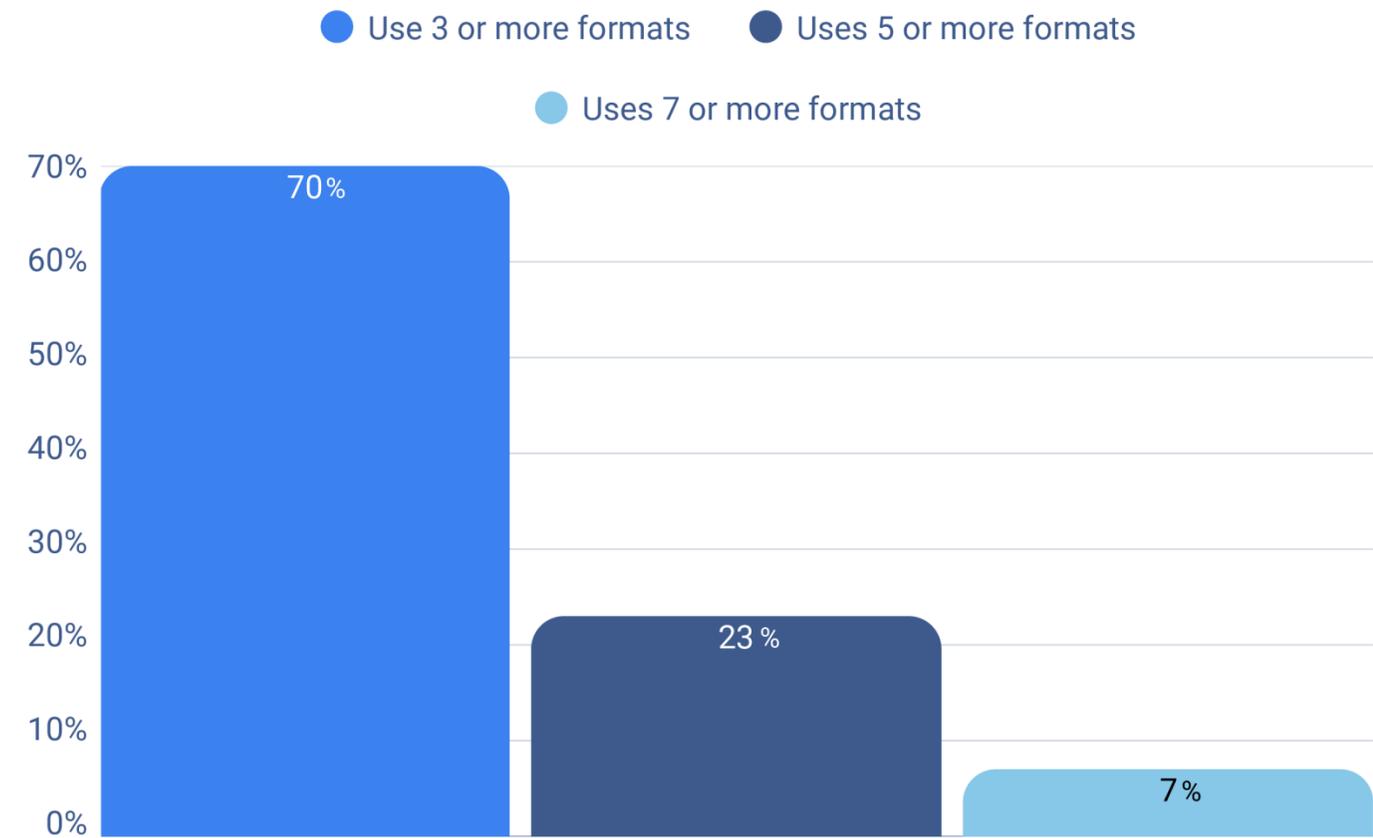




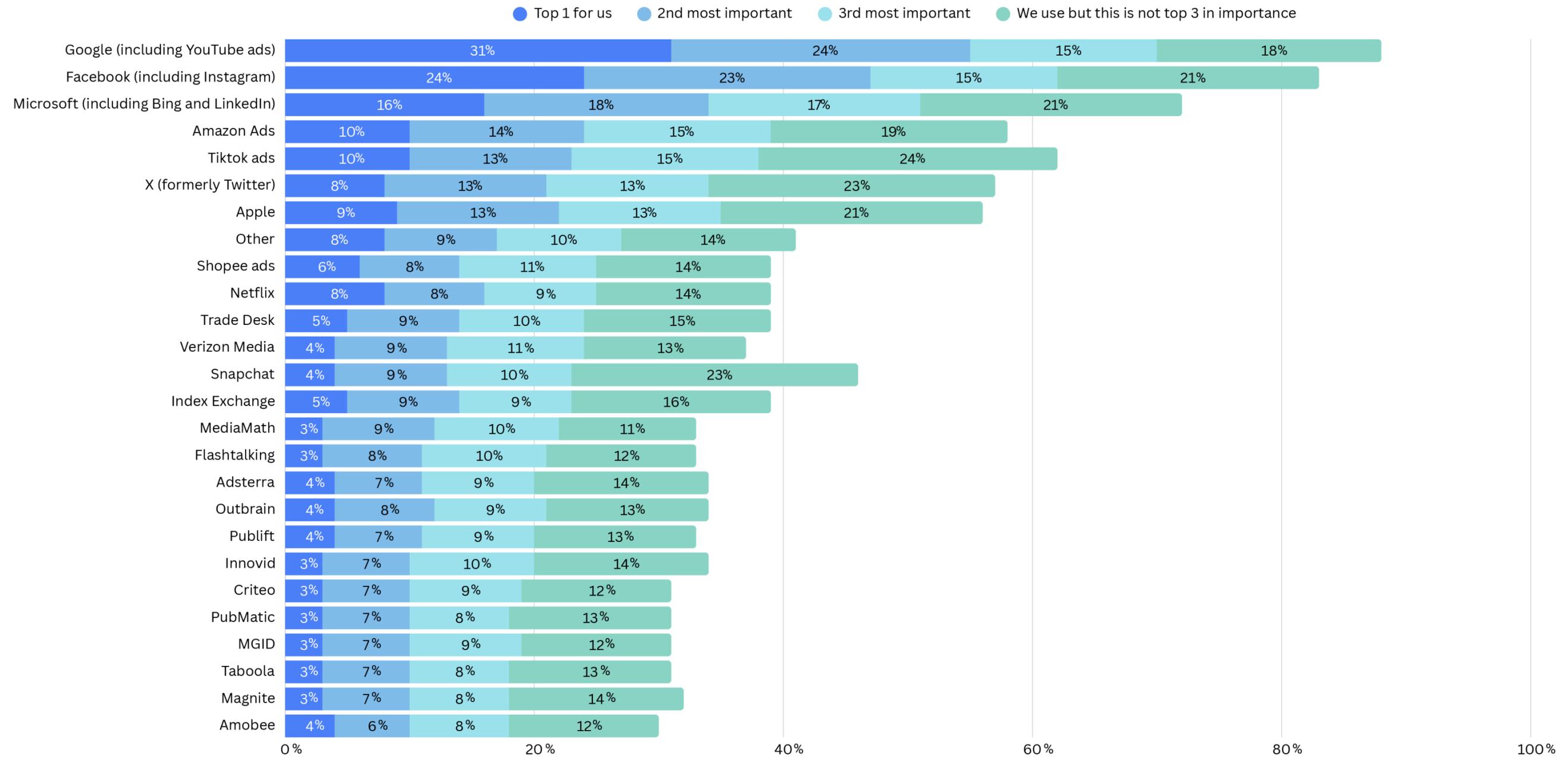
Figure 7 - Share of SMEs using diverse ad formats



SMEs also use several types of advertising providers, with Google, Meta and Microsoft's platforms being the most popular (figure 8).



Figure 8 - Share of SMEs reporting using different ad providers





However, SMEs use many providers at once: as many as 93 percent use three or more providers and 68 percent use six or more (figure 9).

In addition to diverse advertising providers, SMEs are increasingly interested in using influencers: 26 percent of micro and small firms and 45 percent of medium firms already use them, and 31 percent are planning to (figure 10).

SMEs use online advertising due to cost-effectiveness, ease of use, and reach across Australia

SMEs have turned to using online advertising for various reasons. They see online ads as cost-effective, first and foremost: 54 percent choose online ads platforms because of their cost-effectiveness, while 47 percent choose them because of their ease of use and maintenance, 46 percent cite geographic reach beyond Australia and 42 percent reliability and consistency as reasons to use online ads (figure 11). SMEs are also increasingly seeing gains from integrating AI into their ad initiatives (case 1).

Figure 9 - Share of SMEs reporting use of diverse ad providers

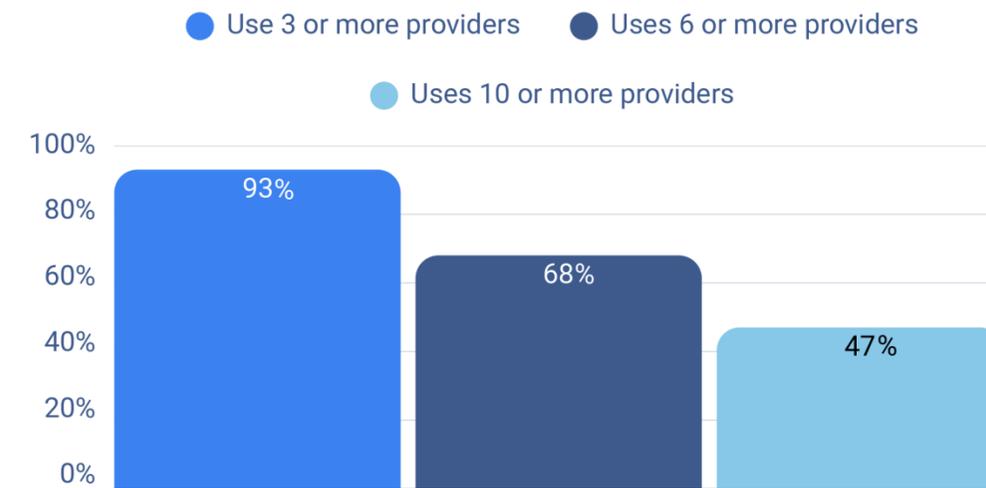


Figure 10 - Share of SMEs reporting use of influencers, by size

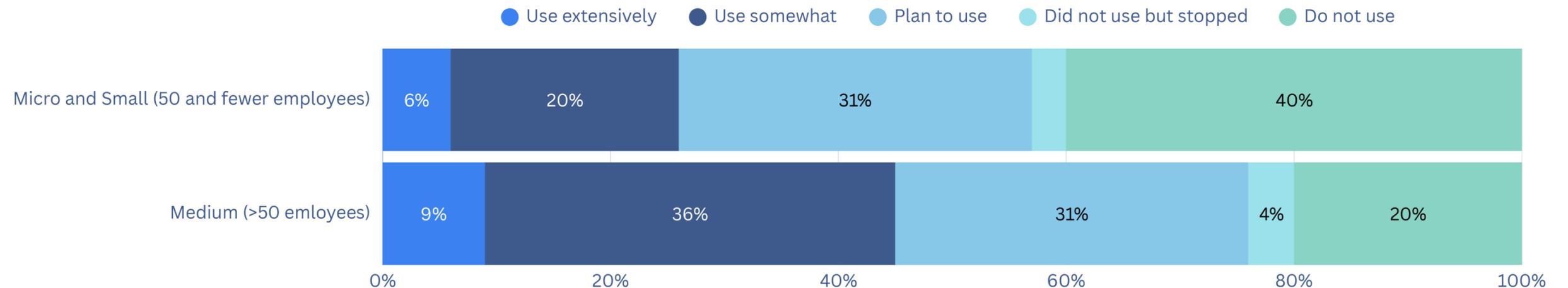
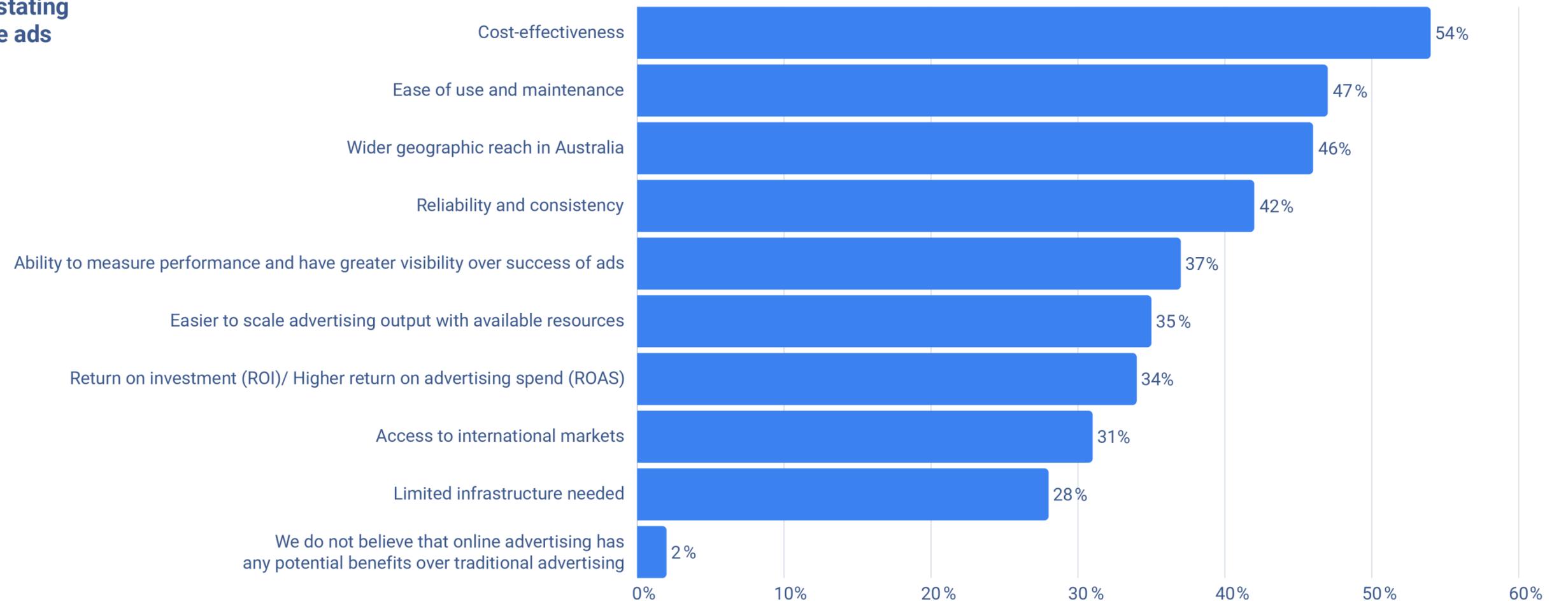




Figure 11 - Share of SMEs stating reasons for selecting online ads platforms





Case 1 - SMEs' growing use of AI in ads

AI has many use cases for SMEs in online ads. For example, it helps SMEs automate campaign creation, targeting, optimisation, measurement, and fraud prevention, enabling SMEs to reach high-value customers efficiently, improve returns on ad spend, and scale sales without large marketing teams.

In the survey, 40 percent of micro and small firms and 52 percent of medium-sized firms use AI in online ads (figure 12). Over a quarter of SMEs use AI especially for fraud prevention, predictive analytics, and audience targeting; one-half are planning to use AI for these purposes (figure 13). 80 percent see responsible AI implementation as important for harnessing AI's potential (figure 14).

Figure 12 - Share of SMEs that use AI in online advertising, by size

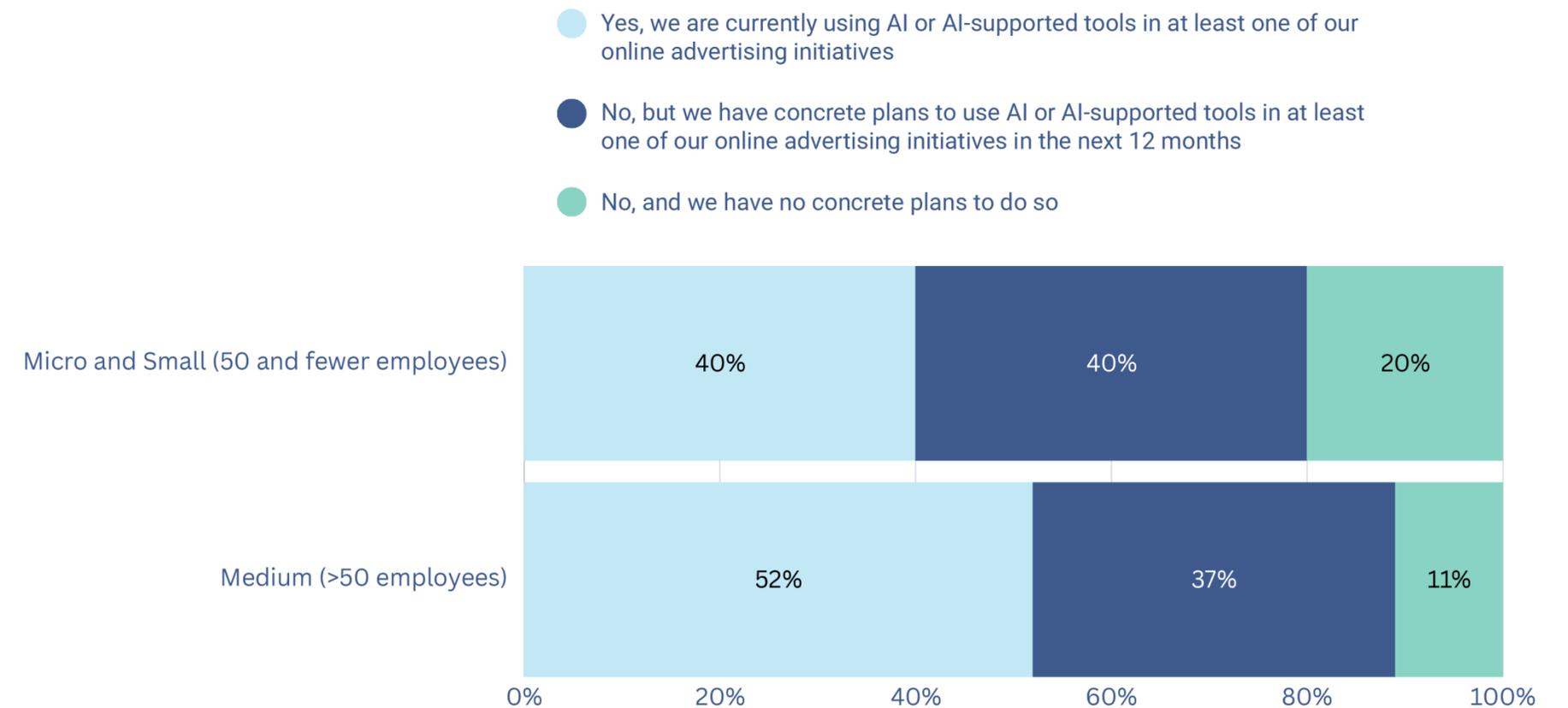
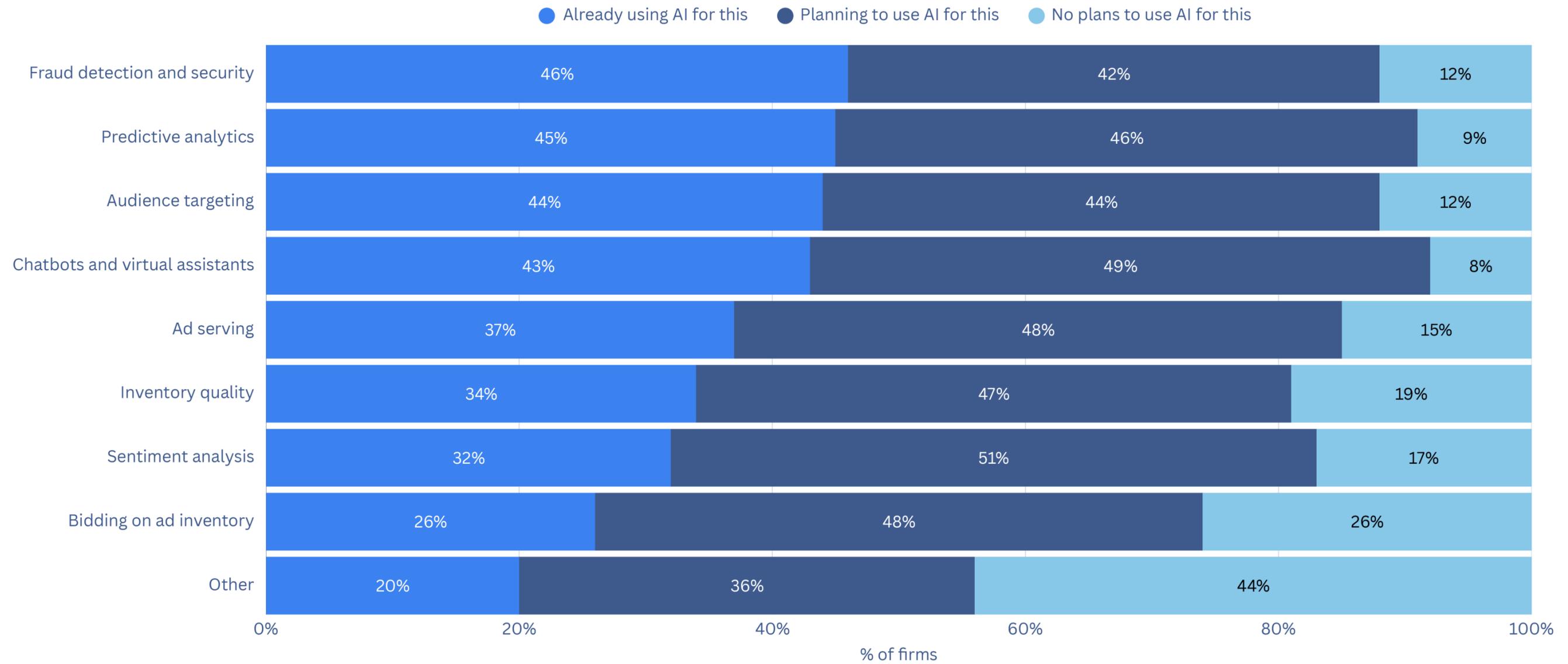




Figure 13 - Share of SMEs using AI-supported tools in online ads (SMEs that use AI in online ad campaigns only)





External advertising agencies, most of them microenterprises, play a very important role in SMEs' success with online ads

The advertising agency ecosystem has expanded in Australia. In June 2025 13,527 advertisement service providers in Australia, the vast majority of them micro enterprises (figure 15). The number of ad agencies has grown gradually by 21 percent from 2016 levels.

To successfully harness AI's potential, it is important to take steps to ensure that AI is implemented responsibly to mitigate risks (e.g., harmful synthetic content, deceptive impersonation, misinformation)

AI could significantly enhance the efficiency, creativity, and ROI of online advertising campaigns.

Figure 14 - Share of SMEs using AI-supported tools in online ads

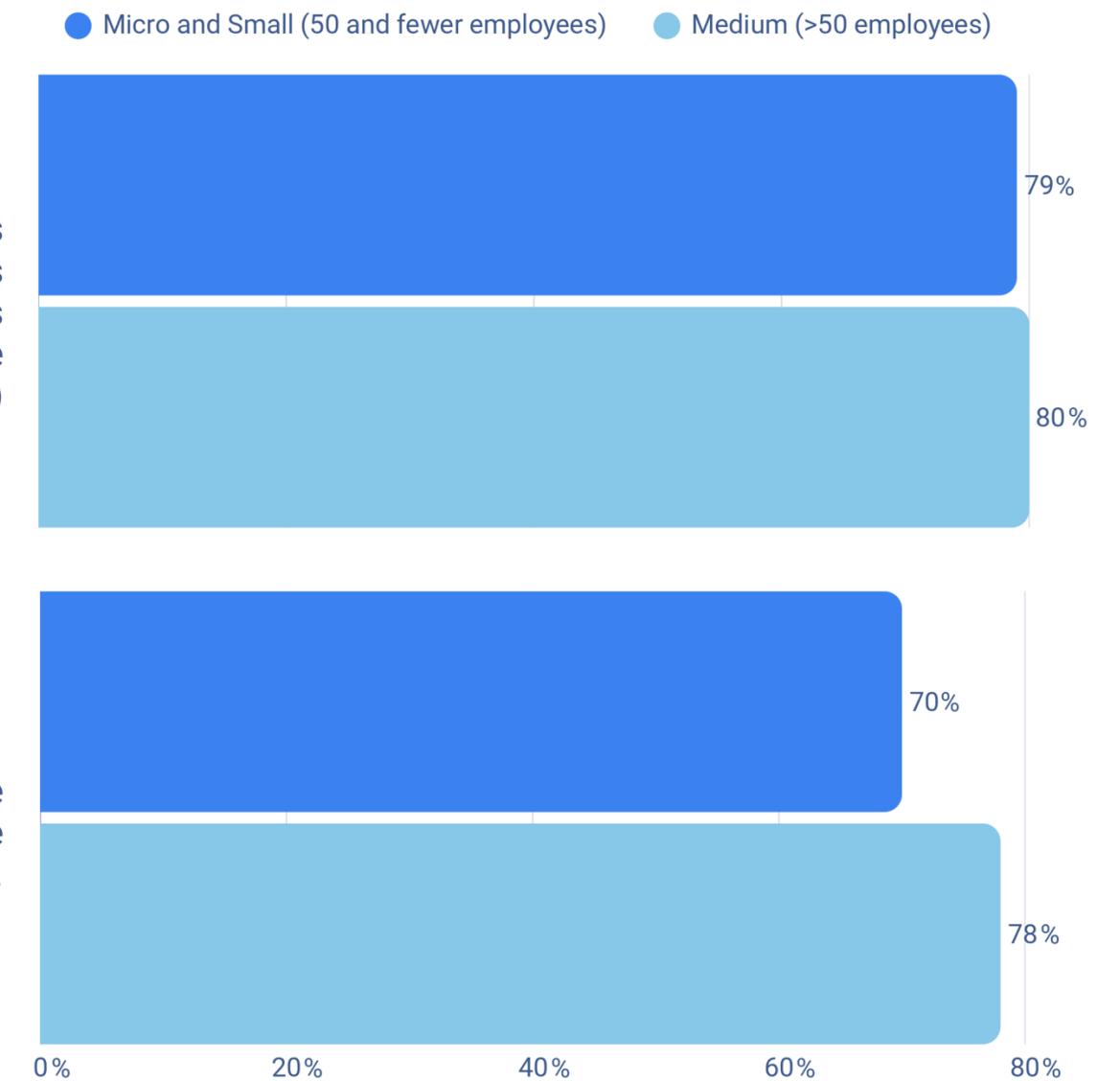
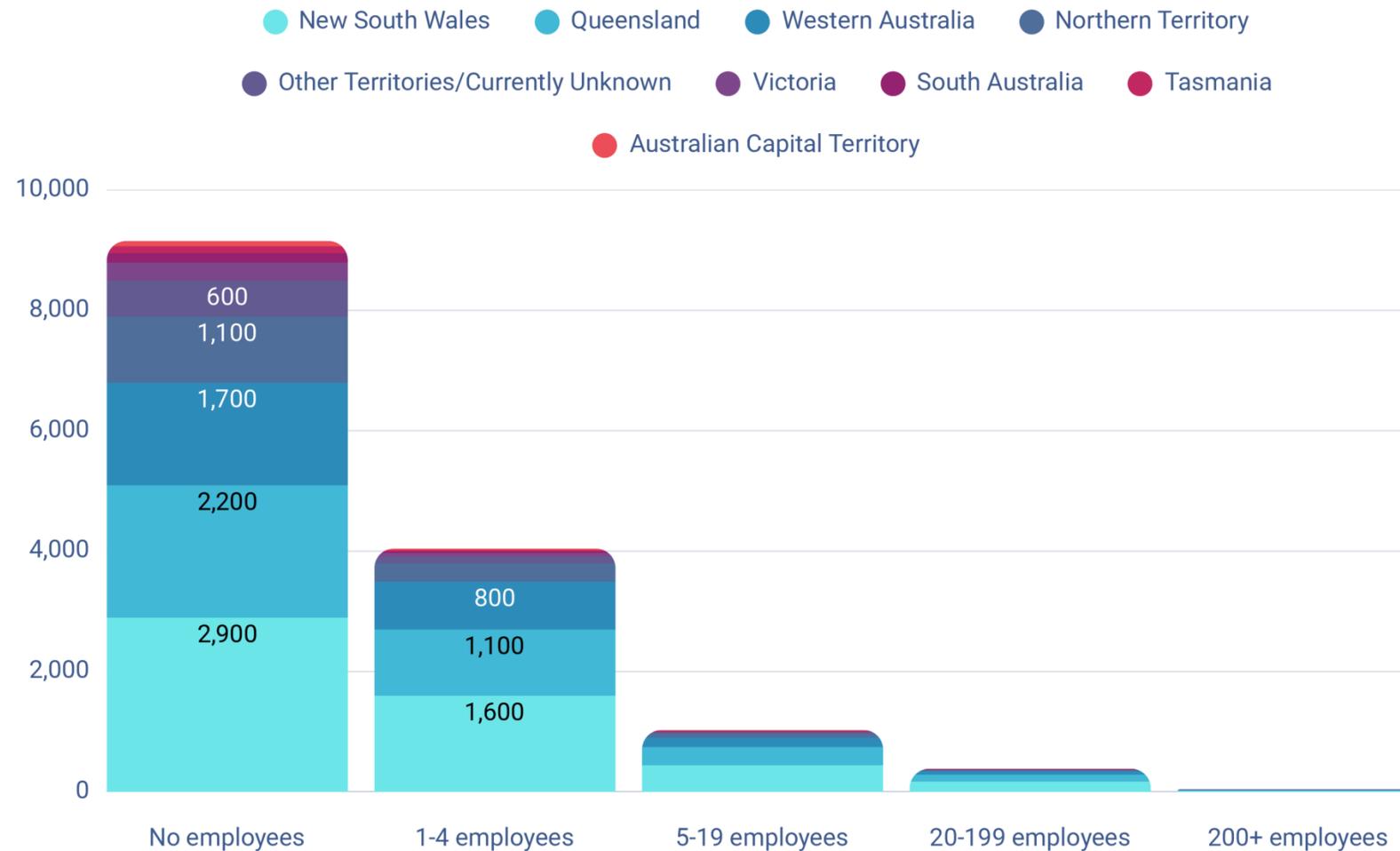




Figure 15 - Number of advertising services firms Australia in 2025, by size and state



Source: Australian Bureau of Statistics, table 8165.0 Counts of Australian Businesses, including Entries and Exits, June 2021 to June 2025

As many as 43 percent of the surveyed micro and small firms and 77 percent of medium firms use external advertising agencies to run their ad campaigns (figure 16). SMEs see external agencies as offering useful analytics tools to understand consumer preferences, helping to understand ad performance, and accelerating the adoption of online ads (figure 17-18).



Figure 16 - Number of ad agencies used by firms (Share of SMEs by size)

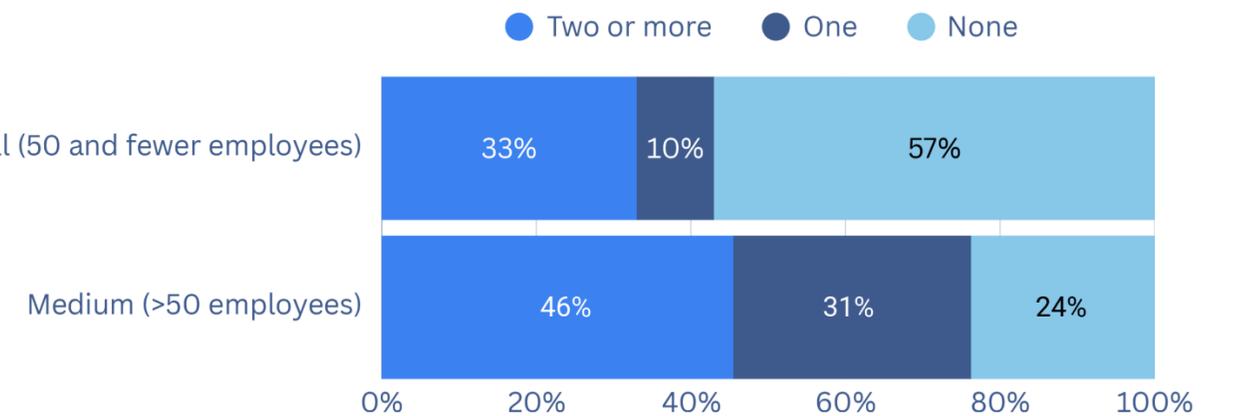




Figure 17 - Share of SMEs describing reasons for using external agencies

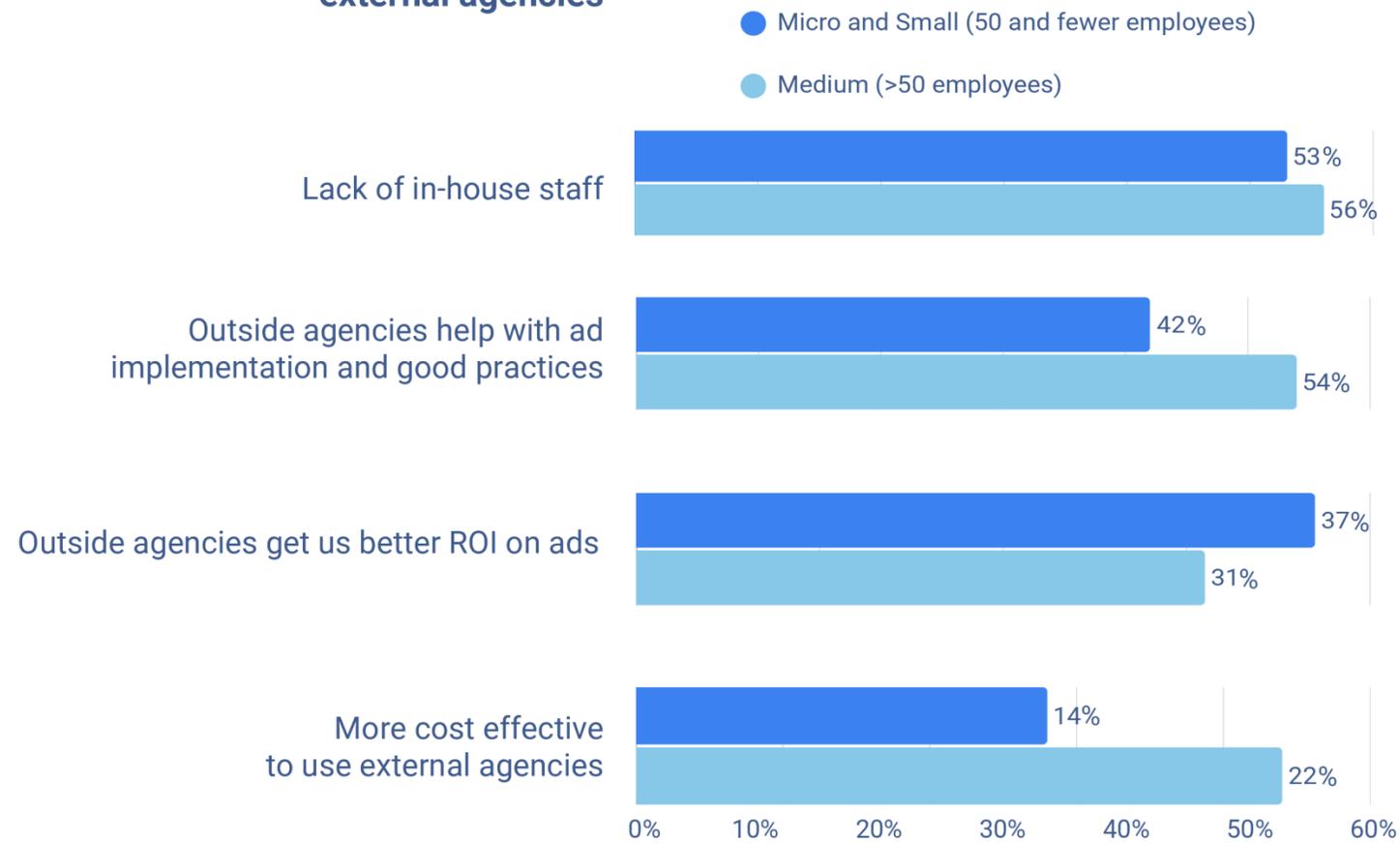
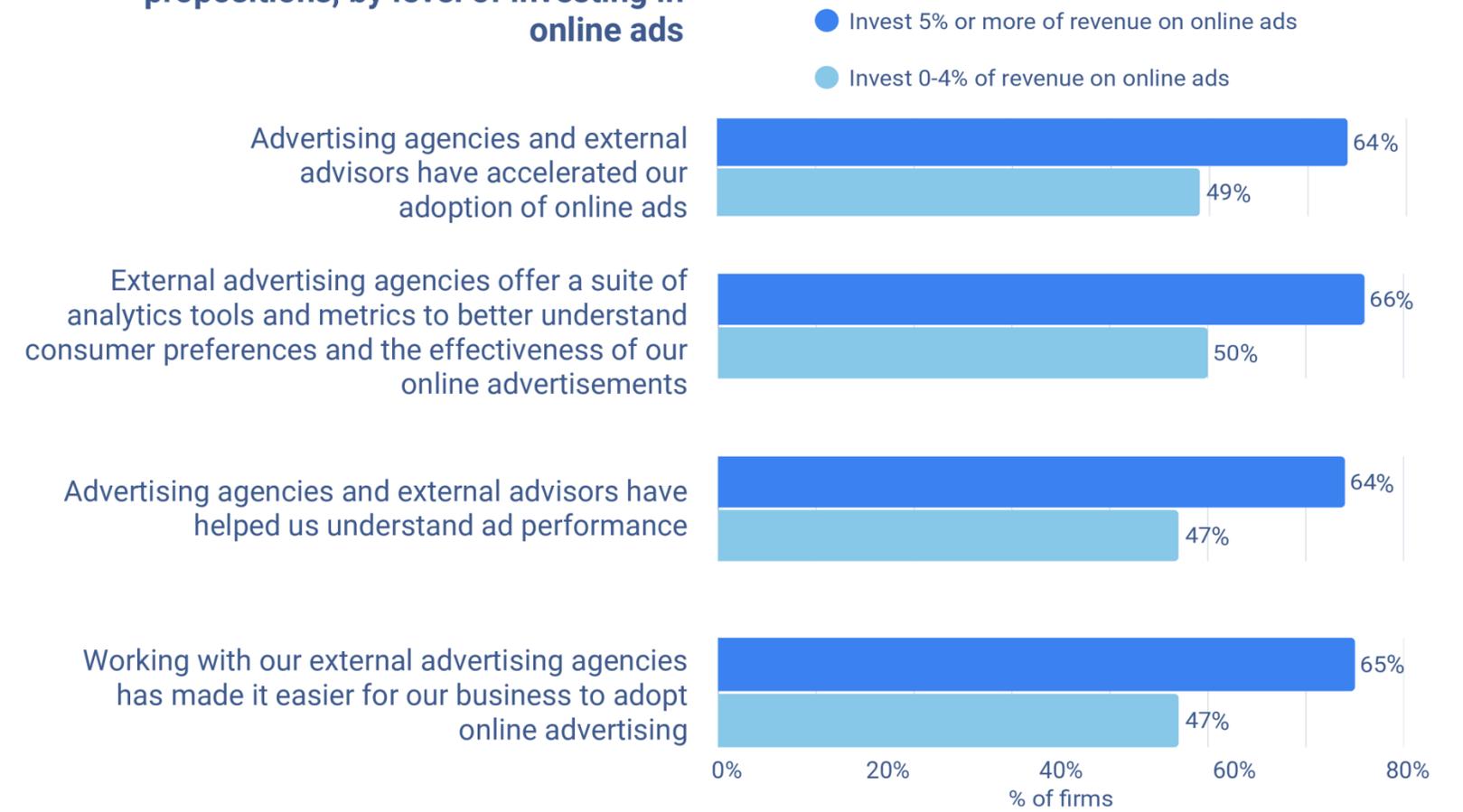


Figure 18 - Share of SMEs describing external ad agencies' value propositions, by level of investing in online ads



"My biggest message to small business owners is not to be afraid of digital tools or online advertising. Even small, well-targeted campaigns can make a real difference. It really comes down to understanding your audience and showing up where they already are. For most small businesses, digital tools are simply a way to reach the customers who are already looking for them."

Jemma Mrdak - Founder Dak&Co – Digital Marketing Specialists



SMEs' gains from online ads

What are the gains for SMEs from this intensifying use of online ads? And how do SMEs measure these gains? The survey offers various findings, as follows.

Over 90 percent of SMEs use various tools to measure the impact of online ads

SMEs are keen on tracking the performance of their online ads. Over a half of the surveyed micro and small firms and over three-quarters of medium firms use "intensively" or "quite often" various tools to measure the impact of online ads (figure 19). Especially SMEs that invest heavily in online ads see measurement as "extremely" or "very" important (figure 20)

Figure 19 - Share of SMEs reporting intensity of tools to measure online ads, by size

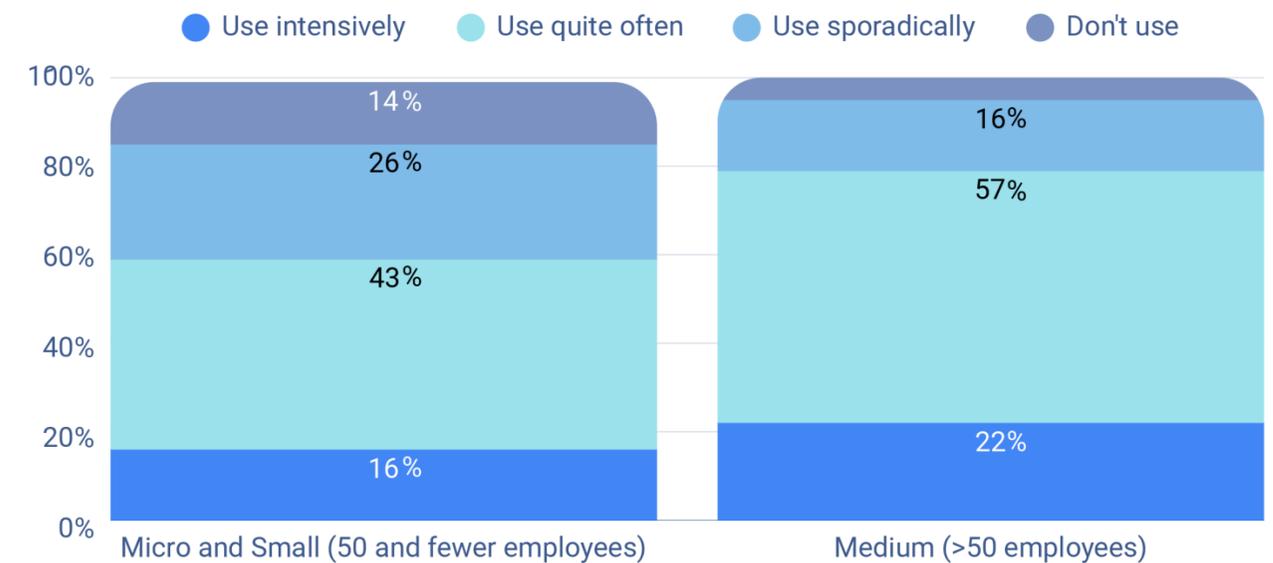
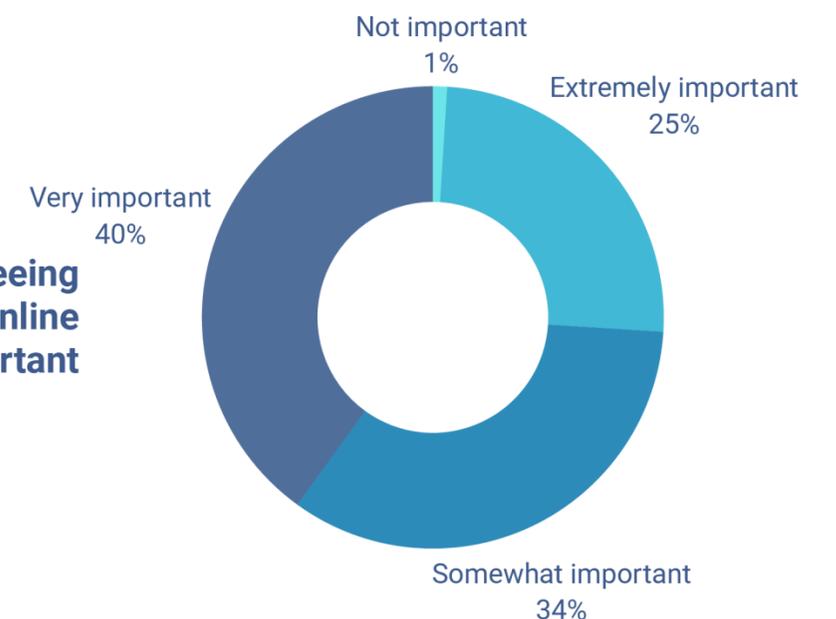


Figure 20 - Share of SMEs agreeing that measuring the impact of online ads is important

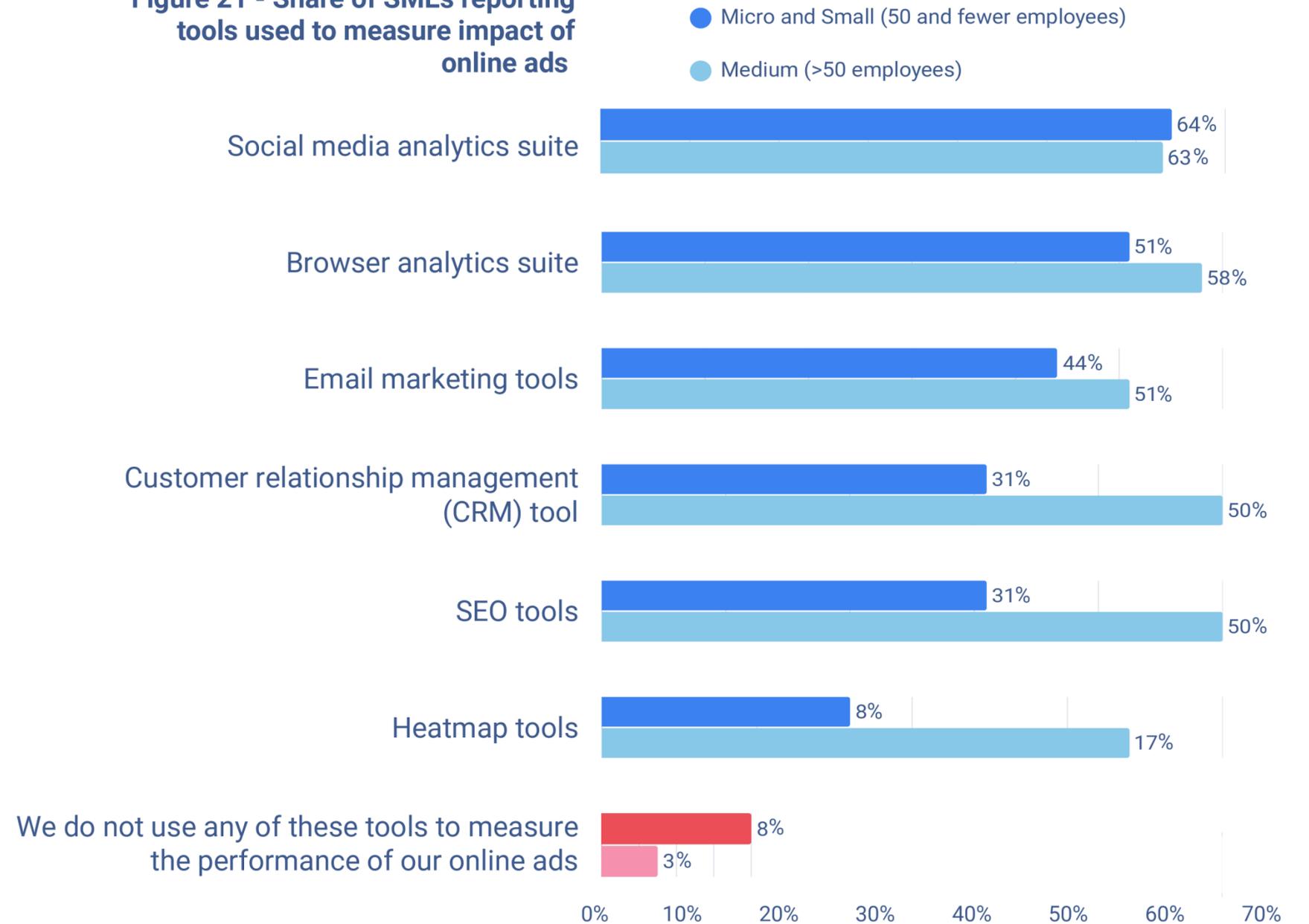




Smaller firms rely heavily on social media analytics to measure ad performance: 64 percent of micro and small firms report using social media analytics suites, followed by browser analytics and email marketing tools (figure 21). Medium firms also rely on social media analytics but have stronger usage of customer relationship management and email marketing tools. SMEs are especially interested in metrics such as conversion rate (45 percent), click-through rates (43 percent), and costs per click (41 percent) (figure 22).



Figure 21 - Share of SMEs reporting tools used to measure impact of online ads



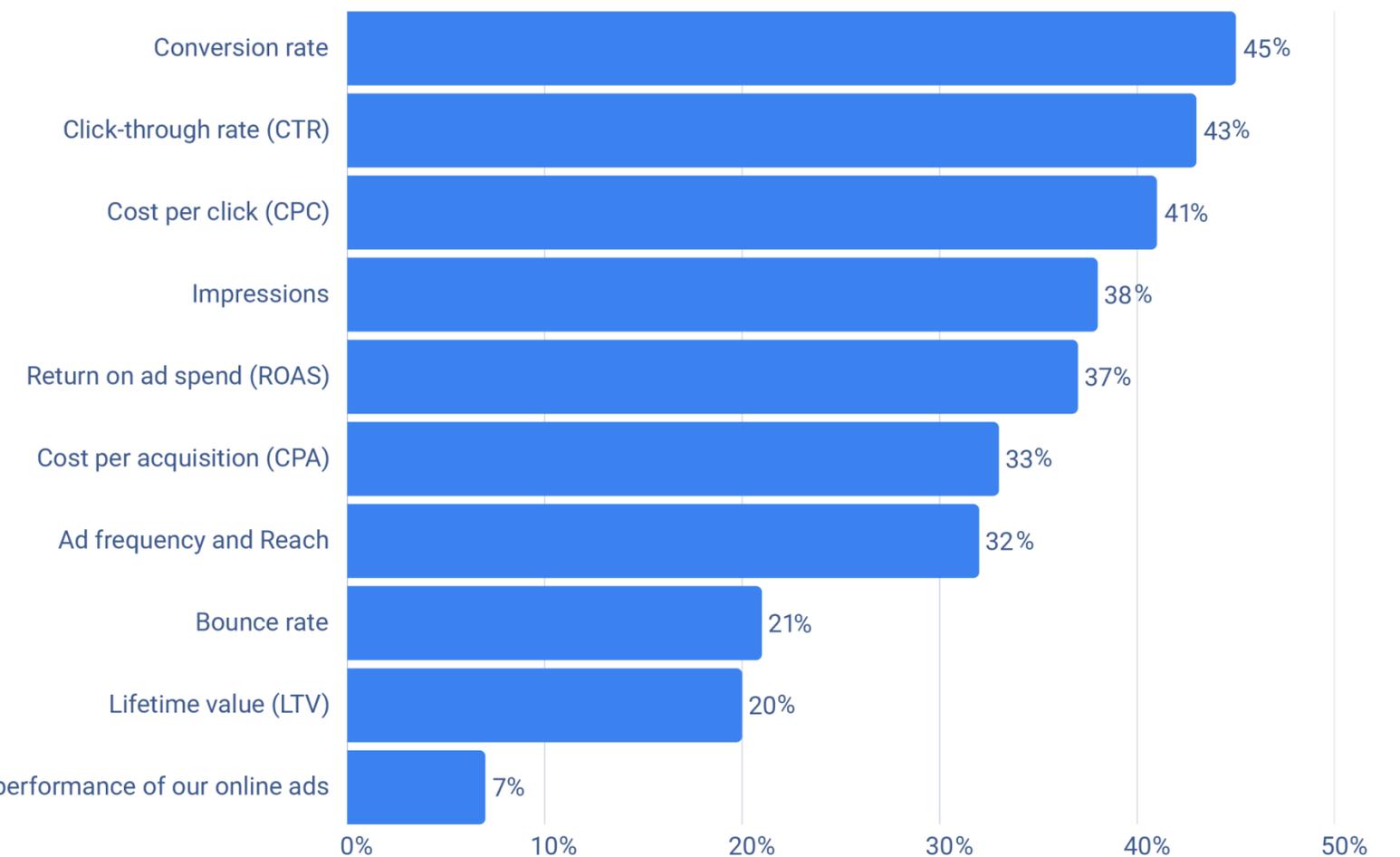


A strong majority of SMEs, and especially ones that invest in online ads, report revenue, profitability, and export gains from online ads, compared to traditional advertising

SMEs find that online ads outperform physical ads across dimensions, such as tracking of the impact of ads, gaining and retaining customers, and overall securing a better return on their ad dollars. For example, 64 percent of SMEs see online ads as superior to traditional in tracking the impact of ads, 62 percent see them as better in driving customers to their sites, and 61 percent see online ads as speeding customer acquisition (figure 23).

As many as 60 percent see online ads as outperforming other ads in driving business outcomes such as revenue, profitability, and scalability. In addition, 55 percent see online ads as better in generating their first export sale. SMEs are also on a journey to amplify their use of online ads: 77 percent report having in place digital capabilities to move from traditional to online ads

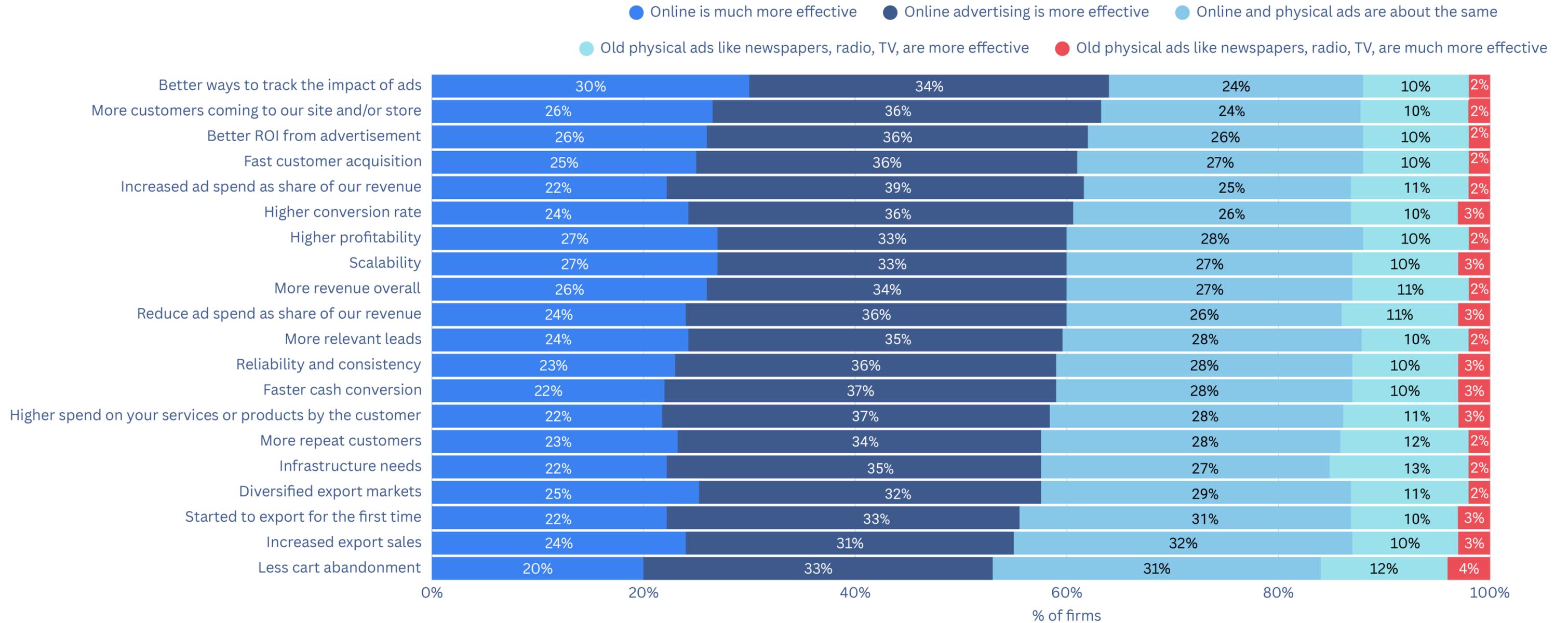
Figure 22 - Share of SMEs using metrics to measure performance of online ads



We do not use any of these metrics to measure the performance of our online ads



Figure 23 - Value propositions of online vs. physical ads



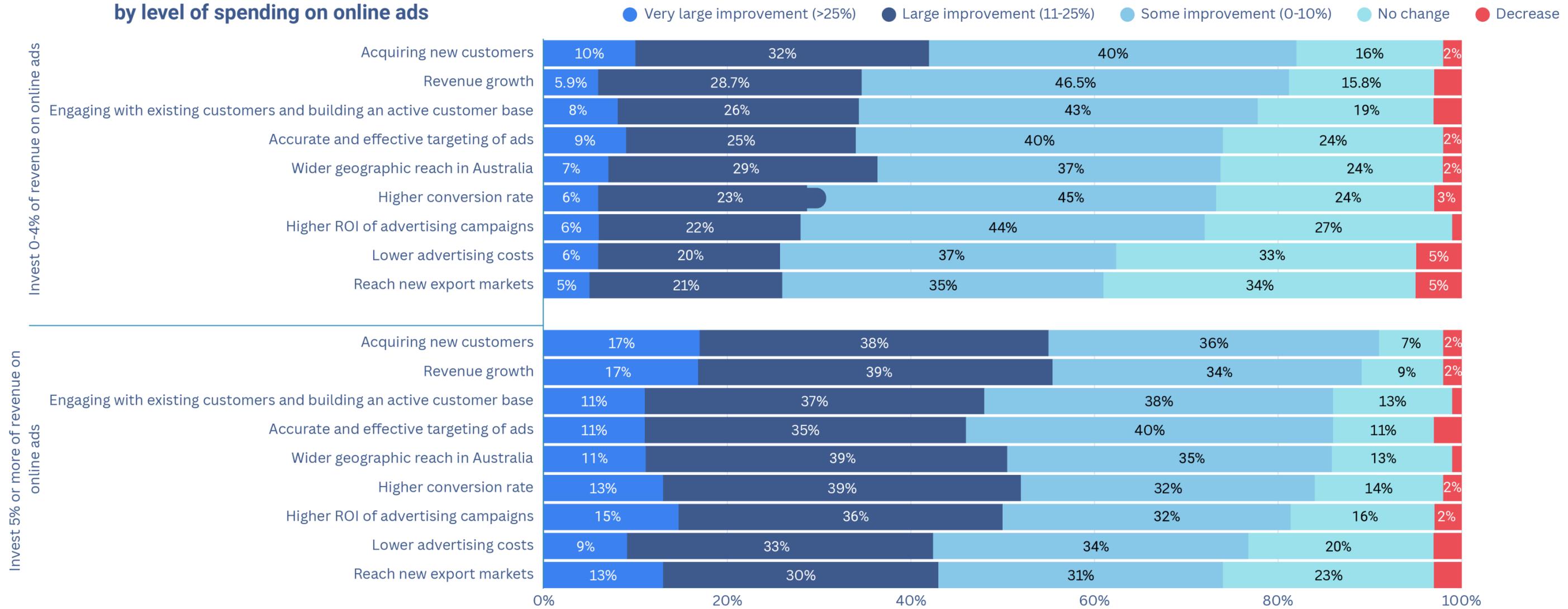


SMEs that invest most heavily in online ads reap greatest revenue and conversion gains

Asked about the gains from online ads in general, SMEs find that online ads deliver large improvements in their businesses, and SMEs that invest robustly in online ads report greatest gains. For example, 56 percent of SMEs that invest at least five percent of their revenue on online ads see online ads as delivering “very large improvements” or “large improvements” in revenue growth (compared to 35 percent of lower spenders), 55 percent see gains in new customer acquisition (42 percent), and 46 percent see these gains in higher conversion rates (29 percent) (figure 24). Over 80 percent of SMEs believe that personalised ads are particularly effective in driving these kinds of business outcomes.



Figure 24 - Impacts of online ads on SMEs, by level of spending on online ads



'For a business built on community and expertise, Google Ads has become a critical bridge between online discovery and in-store experience. Rich Piper's advice to other small businesses is direct: "I think if you're not online, you're not in business." He believes that success today requires active participation in the online world, as that is where customers begin their purchasing journey.'

'By embracing digital tools such as Google Ads, businesses can expand their reach, remain competitive, and adapt to evolving consumer behaviour.'

Piper's Music Wollongong demonstrates how a long-standing family business can preserve its legacy while embracing digital innovation.'

"Through strategic use of Google Ads, the store has enhanced its visibility, attracted new customers, and strengthened its position as a leading music retailer in the Illawarra region.'

Rich Piper, Pipers Music Wollongong



Remote SMEs use online ads to overcome distance to markets, reaching new customers in new geographies

Even if SMEs in rural areas and small towns are overall spending less on online ads than SMEs in cities, those that do invest in ads are realising strong gains in reaching new customers beyond the geographies. In particular, 75 percent of these firms report “large” or “very large” gains from online ads to accessing new customers and widening geographic reach in Australia, compared to just over 50 percent of SMEs in larger cities and metropolitan areas that report such gains (figure 25).



Beyond business KPIs, online ads help SMEs with their broader marketing strategies and decision-making

Some 86 percent of SMEs that invest heavily in online ads agree that online ads enable clear insights into ad effectiveness to inform business decisions and help communicate the company's brand value (figure 26).

Figure 25 - Share of SMEs that agree online ads deliver "very large" or "large" improvements, by SMEs' location (only SMEs that spend five percent or more of their revenue on online ads)

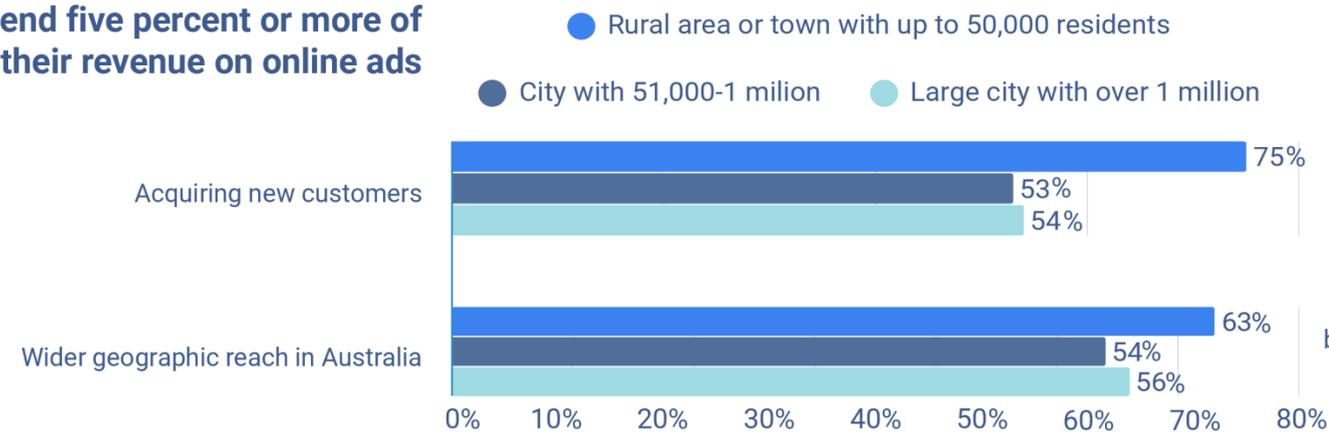
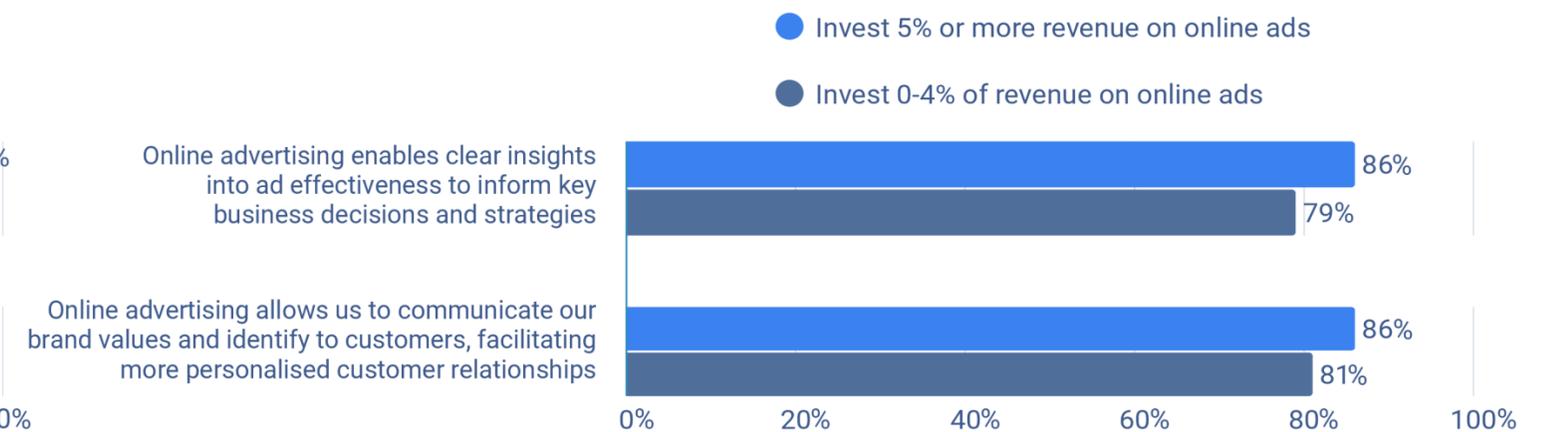


Figure 26 - Share of SMEs that "agree" or "strongly agree", by spending on online ads





From correlation to causation: SMEs that invest in online ads and use AI in ads are significantly more likely to outperform their peers

The survey results indicate a clear correlation between investments in online ads and gains from them. SMEs that invest at least five percent of their revenue in online ads outperform their lower-spending peers across metrics, such as revenue gains, customer acquisition, and exports. To what extent, then, do online ads cause these outcomes? And to what extent can SMEs then improve their business performance by investing more in online ads?

By using a regression model that controls for variables that may impact SMEs' performance such as size, sector, age, digital readiness, use of online marketplaces, it is possible to isolate the impact of online ad spending on SMEs' business outcomes, such as revenue growth, exporting and export intensity, and revenue from ecommerce.

This approach reveals that SMEs that invest a higher share of revenue in online advertising outperform lower-spending peers across every key performance indicator. SMEs that spend robustly on online ads are also more likely to achieve revenue growth: 36 percent report revenue growth above 10 percent, compared with just 21 percent among lower-spending firms (figure 27). They also have stronger export participation rates (66 percent versus 55 percent) and greater export diversification, with 48 percent selling to at least three foreign markets compared with 42 percent among lower spenders.

Export intensity - share of exports of revenue - also rises sharply with online advertising investment. Firms allocating five percent or more of revenue to ads are more likely to derive more than 25 percent of their revenue from exports (23 percent versus 12 percent). Similarly, ecommerce intensity - the share of revenue coming from online sales - is greater among high spenders: 65 percent report that more than a quarter of their total revenue comes from online channels, compared with 46 percent among those spending less than five percent.

In short, SMEs that invest more heavily in online advertising are significantly more likely to grow rapidly, export and diversify their export markets, and grow their ecommerce sales channels.



Figure 27 - Probability of SME business outcomes, with less than five percent investment in online ads (as share of revenue) vs. five percent or higher investment in online ads

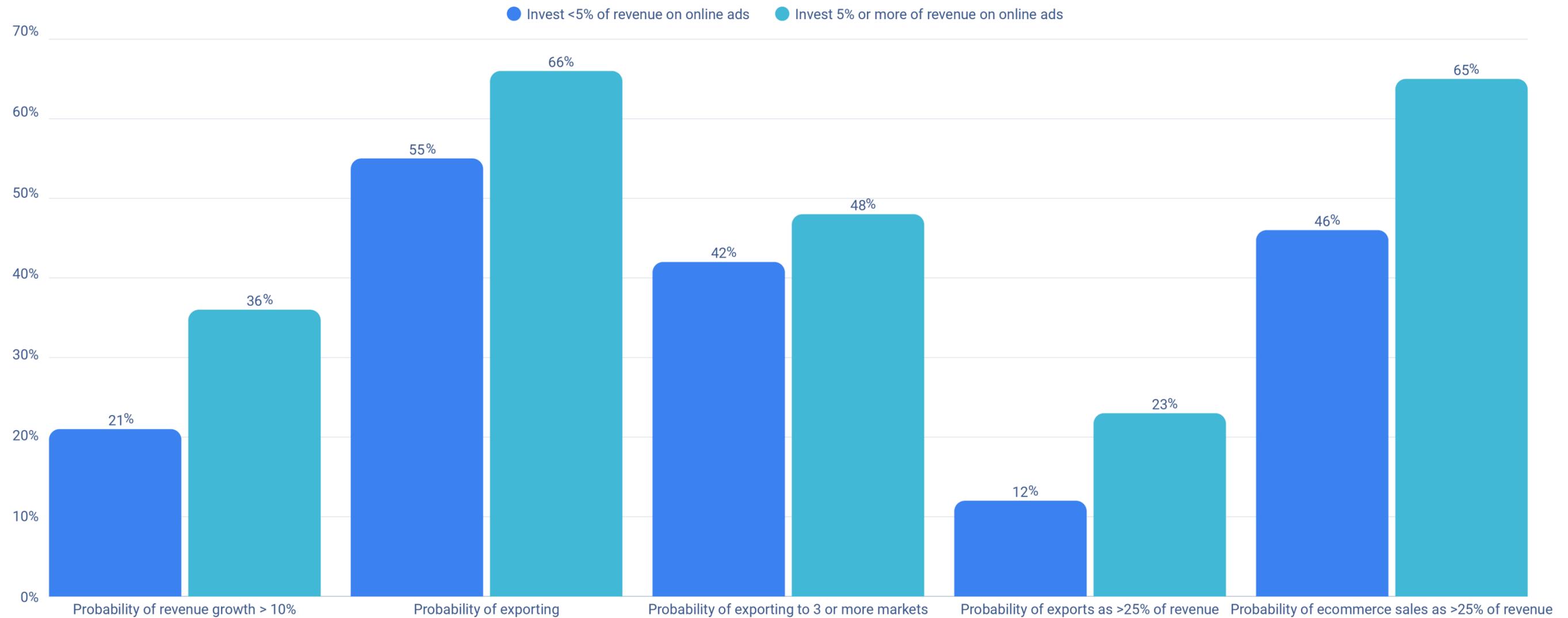
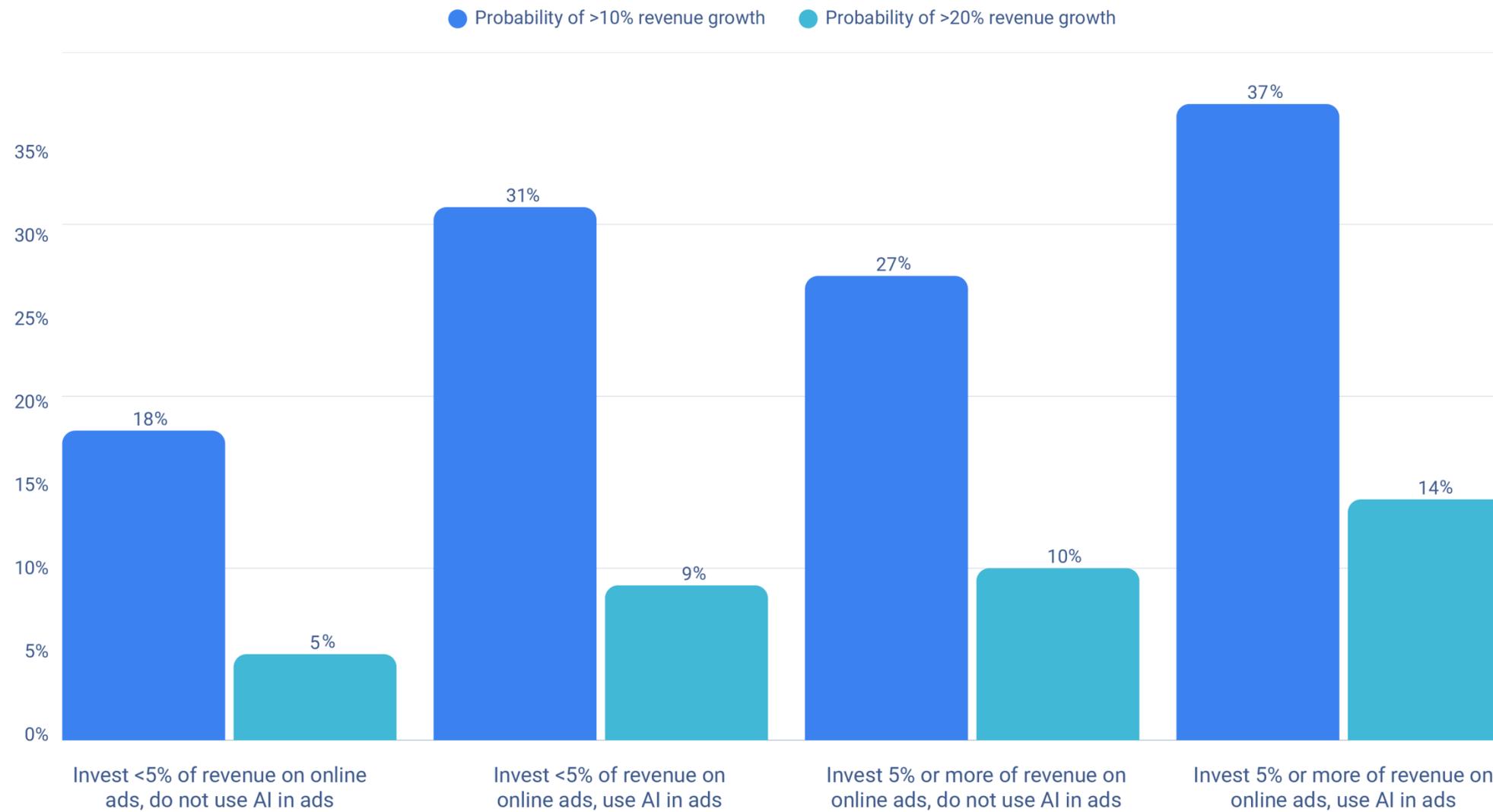




Figure 28 - Probability of over 10 percent and 20 percent SME revenue growth, with less than five percent investment in online ads (as share of revenue) vs. five percent or higher investment in online ads



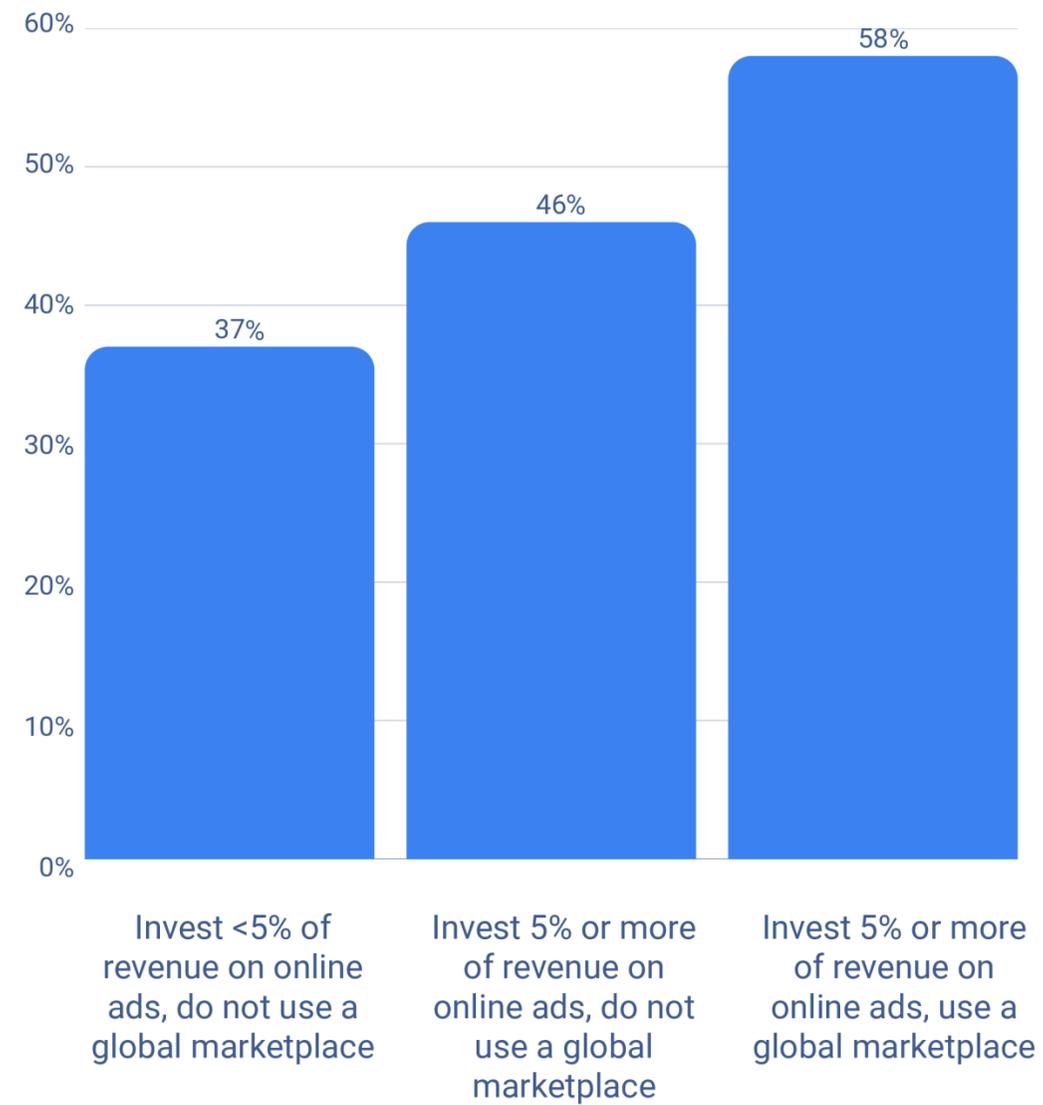
AI use in ad campaigns amplifies these gains. For example, SMEs that spend robustly on online ads and use AI-driven ads initiatives (the final set of bars in figure 28) are 10 percent more likely to grow by over 10 percent per year than SMEs that spend robustly on online ads but do not use AI.

They are also 19 percent more likely to attain over 10 percent annual revenue growth than their peers that neither invest robustly in online ads nor use AI in ads (first set of bars in figure 28). SMEs that spend robustly on online ads are also more likely to be very fast growing than their peers and attain above 20 percent annual revenue growth.

Similarly, online ads spending also amplified gains from using global marketplaces on SMEs exports. Use of such platforms as Amazon or Alibaba have been widely found to promote SMEs' exports. However, SMEs that spend robustly on online ads and use marketplaces are 19 percent more likely to export to three or more markets than firms that do not invest in online ads or use marketplaces (figure 29).



Figure 29 - Probability of exporting to 3 or more markets, depending on level of investment in online ads and use of global marketplaces



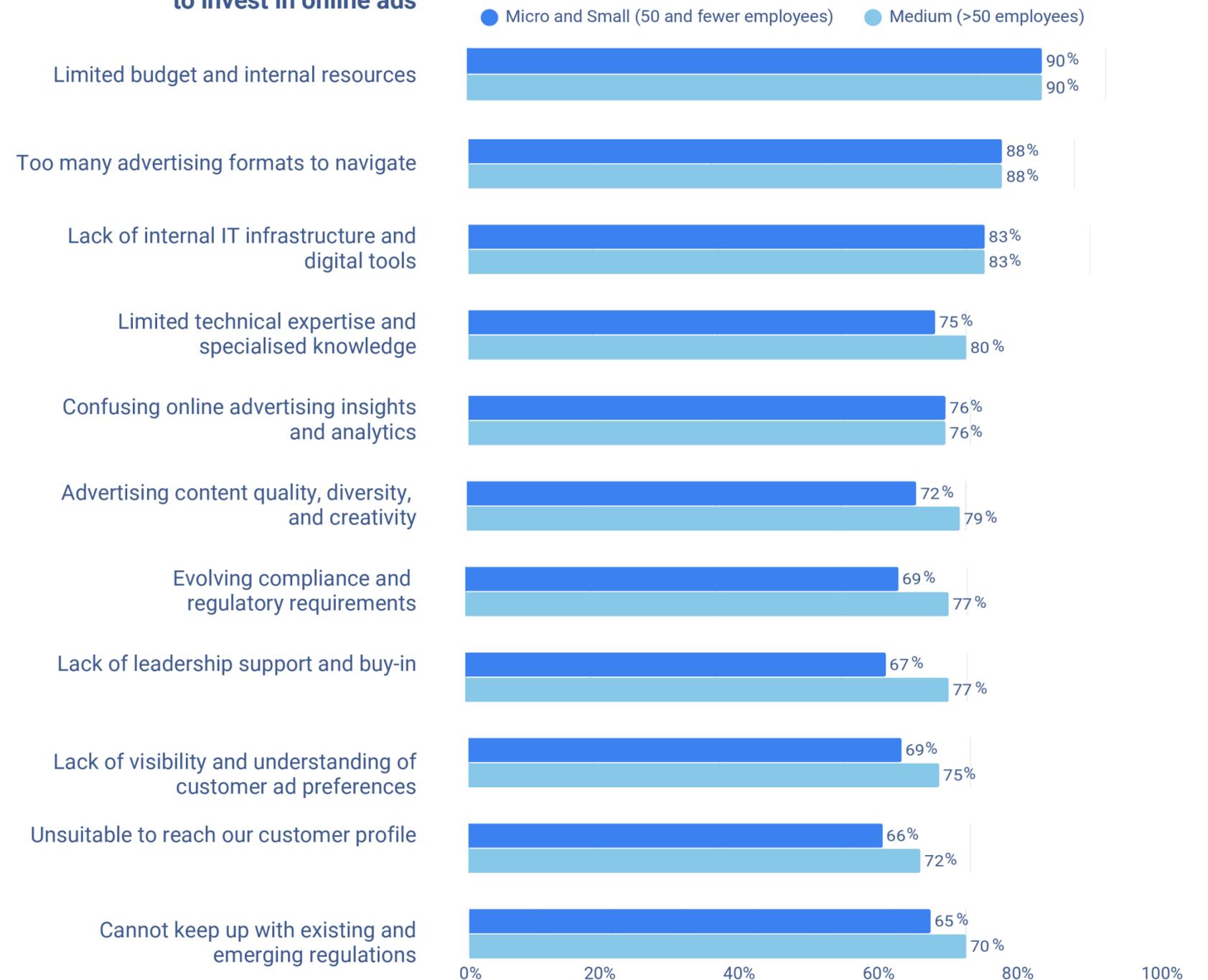


Challenges to using online ads and interest in government support

SMEs cite limited budgets and internal digital capabilities as obstacles to investing in online ads

SMEs' top hurdles for using online ads are limited budgets (90 percent) and lack of internal digital tools (83 percent). In addition, three-quarters cite limited technical expertise and two-thirds worry about fraudulent or misleading ads impersonating their business and scams in online advertising (figure 30).

Figure 30 - Share of SMEs reporting top hurdles to invest in online ads

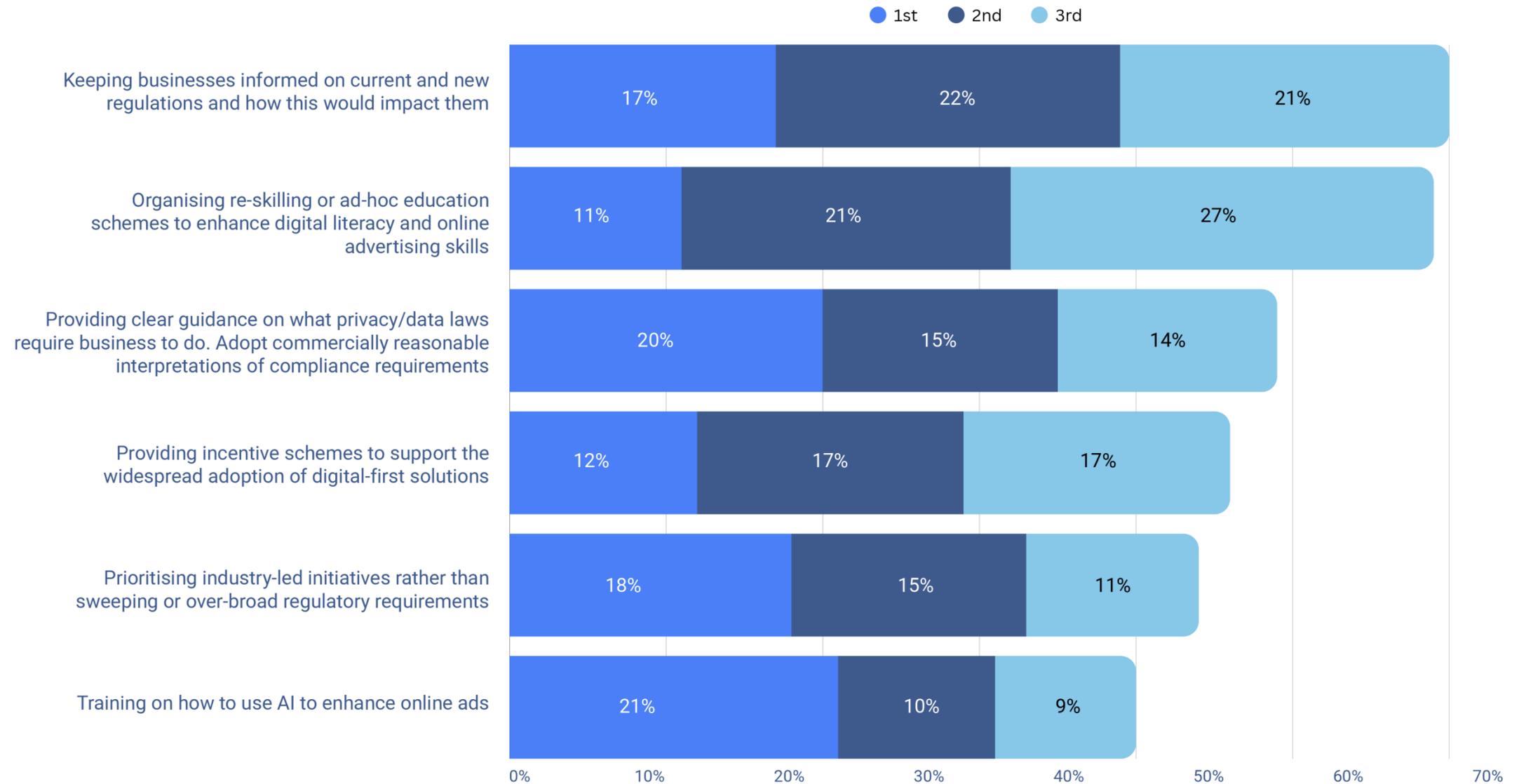




SMEs' top request to government is to support training on how to use AI in ad campaigns, followed by regulatory advice

Asked to rank areas for government support, firms prioritise training in the use of AI to enhance online ads, guidance on compliance with privacy and data laws, and information on regulations related to online ads (figure 31). Over one-half of SMEs see the government as offering useful guidance and resources for online advertising, but they also feel that SMEs have a harder time than large businesses in accessing government support.

Figure 31 - Share of SMEs stating as 1st, 2nd and 3rd best ways government could support them to use online ads





In their own words

How Australian SMEs believe they could get more value from our online ads

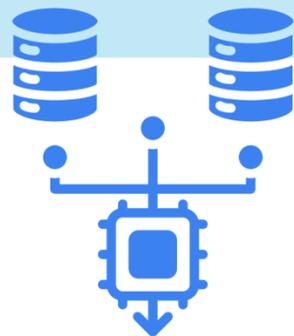
Smarter Targeting and Personalisation

- "Targeting the right audience using data-driven insights and retargeting strategies."
- "Understanding how to target the right customer segments with the right types of advertising and personalisation."
- "Focusing on targeted advertising, more-focused campaigns for specific audiences."
- "Releasing more personalised ads and improving our click-through rate."



Better Use of Data, Analytics, and AI

- "Using analytics, automation and AI tools to track performance, optimise campaigns, and maximise return on investment."
- "Digging into deep data sets to understand what works."



Stronger Creative and Messaging

- "Keeping impressions high so we can benefit from word-of-mouth referrals."
- "Advertising specific services available in our business to raise customer awareness."



Capability-Building and Execution

- "Having a trained team that can manage external advertising companies so our ads can be more effective."



Expanding Reach

- "Expanding ads beyond Australia."
- "Putting our message out on a more eye-catching scale."





Economic impact of online ads on SMEs in Australia

The survey suggests that SMEs that invest in online ads are poised to score revenue export and ecommerce gains. To what extent then, does the prevalent use of online ads among Australian SMEs promote SMEs' overall turnover and contribute to Australia's economy?

There are some prior analyses on the economic effects of online ads, especially in the United States. For example, the U.S. Small Business & Entrepreneurship Council (SBE) found that the median increase in new sales attributable to online advertising is 12.2 percent. In another survey, SME advertisers estimate their business has grown by 39 percent because of digital advertising. Conversely, SMEs that score revenue increases are far more likely to increase advertising spending. Personalised ads are impactful - three in ten US SMEs said their overall revenue would decrease as a result of no longer being able to use personalised online ads.

There are also numerous academic studies on the effects of online ads. For example, Bayer et al. (2020) find that both online display advertising and paid search have significantly positive effects on firm sales and corporate valuation, with paid search showing especially strong sales effects relative to offline advertising.

Yang et al. (2020) show that the dynamic relationship between search advertising spend and sales evolves over time, with advertisement spend driving both immediate and lagged sales. Hoban and Bucklin (2015) find that online display advertising's impact on consumer behaviour depends on funnel position and ad context: expected visits increase almost 10 percent when display ad impressions are partially reallocated from nonvisitors and visitors to authenticated users.



About 10 percent of SMEs' revenue is attributable to the use of online ads

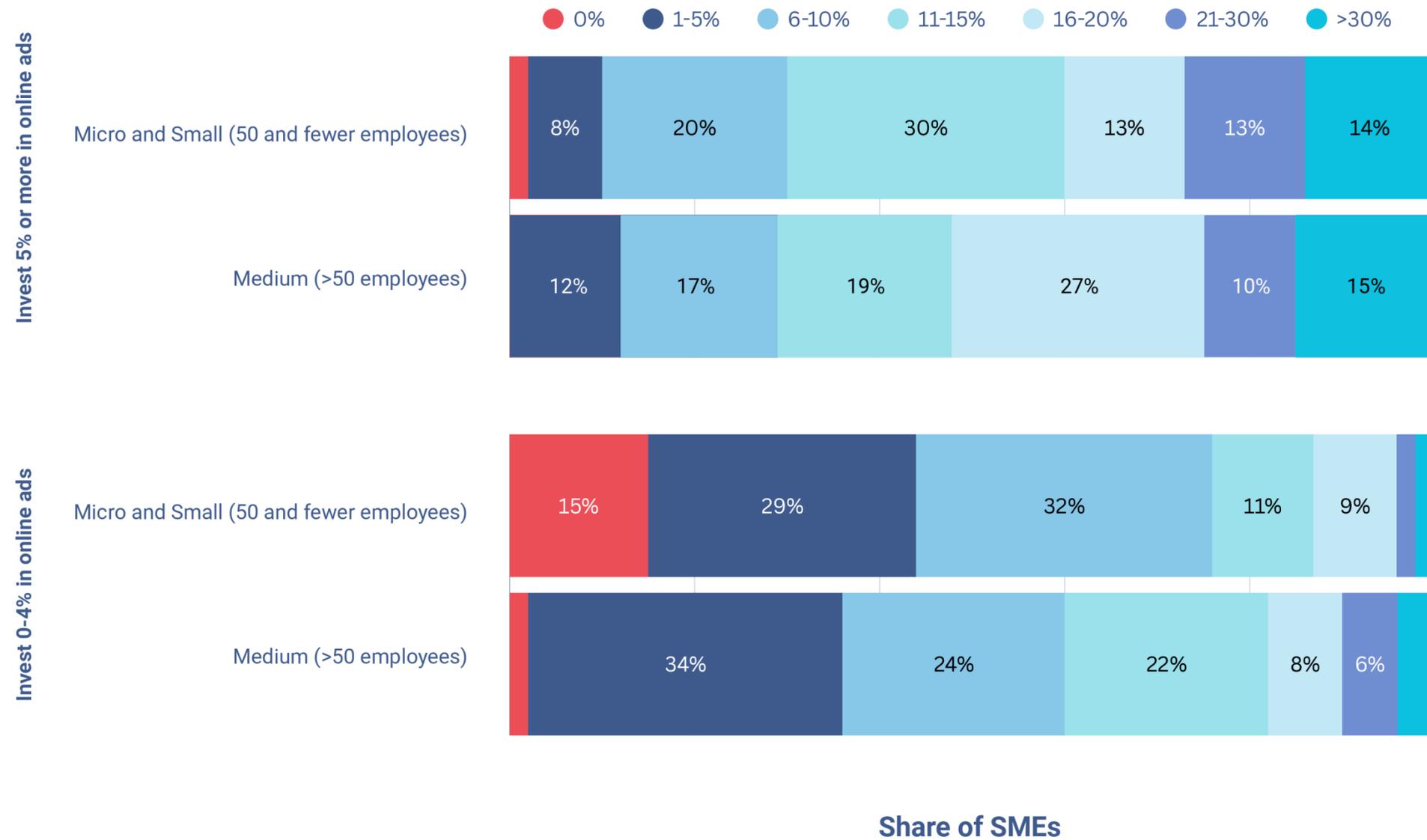
What then is Australian firms' view on the impact of online ads on their revenue? Across all SMEs, the average perceived contribution of online ads to revenue is about 10 percent, but this varies by firm size and investment in online ads. Among micro and small firms that spend less than five percent of their revenue on online ads, nearly half (44 percent) assess the contribution of online ads at five percent or less of revenue, while 15 percent report contributions above 15 percent (figure 32).

By contrast, of micro and small firms investing five percent or more of revenue in online ads, 70 percent estimate that online ads contribute more than 10 percent of revenue, and 40 percent place the contribution above 15 percent. Medium firms investing five percent or more of revenue in online ads also report much larger impacts: 52 percent estimate that online ads contribute more than 15 percent of revenue.

Overall, SMEs' self-assessments suggest that online advertising shifts from a supplementary revenue driver at low investment levels to a core revenue-generating channel as spending intensity increases.



Figure 32 - SMEs' assessment of the contribution of online ads to their revenue, by size and spending on online ads



Using these data, what would be the approximate impact of online advertisement to the overall revenue of Australian SMEs and economy?

Per the Australian Bureau of Statistics, Australia had as of June 2025 altogether 2.72 million SMEs: 1,735,470 firms with no employees (only owner operating), 688,870 firms with 1-4 employees, 232,129 with 5-19 employees, and 67,857 with 20-199 employees. There are also 5,322 large firms.

Per [Scale Suite analysis](#), Australia's total business sector revenue is estimated at A\$4.4-4.6 trillion, of which SMEs make up 50-60 percent. Thus, Australian SMEs generate A\$2.25-2.95 trillion in annual revenue. Because 22 percent of SMEs do not use online advertising, we here assume that only 78 percent of SME revenue is influenced by online ads.

After adjusting the ads revenue base accordingly and applying conservative and median ad-attribution rates, online advertising contributes conservatively A\$152 billion to Australian SMEs' revenue annually, or 7 percent of all SME revenue, equivalent to 8 percent of GDP (table 1).



Table 1 - Estimates of online ads' impact on Australian SMEs' total revenue and GDP, lower and upper bounds

SME size per Australian Bureau of Statistics	Ad's revenue attribution rate	SME revenue base (A\$B)	Ads-eligible revenue (78%) (A\$B)	Revenue due to online ads (A\$B)	As % of segment revenue	As % of GDP
Non-employing (0 employees)	7.8%-11%	450-700	351-546	27-60	6-9%	1-2%
Micro (1-4 employees)	8.6%-12.8%	600-735	468-573	40-73	7-10%	1.4-2.6%
Small (5-19 employees)	9.2%-13.5%	300-365	234-285	22-38	7-11%	0.8-1.3%
Medium (20-199 employees)	9.2% - 16.1%	880-1,150	686-897	63-144	7-13%	2.2-5%
Total SMEs	-	2,230-2,950	1,739-2,301	152-316	7%-11%	5.3-11%



Amplifying SMEs' use of and investment in online ads could yield billions in gains

About 22 percent of Australian SMEs do not use online ads. Among those that do, only about 49 percent invest five percent or more of their revenue. Most non-users or very low spenders are concentrated among very small firms with no employees or 1-4 employees.

What then would be the additional impact if all SMEs used online ads (Scenario A) and a meaningful share such as 10 and 20 percent of the low-spending SMEs increased their spending to five percent or more of revenue (Scenario B)?

Bringing more SMEs to use online ads could generate A\$34-58 billion in additional SME revenue, and getting just 10 percent of the low-spenders to spend more on ads could drive another A\$22-31 billion in gains (Table 2). This total of A\$56-89 billion represents a combined uplift equivalent to 1.9-4 percent of SME revenue.

Table 2 - Impacts if all Australian SMEs used online ads and 10% (B10) and 20% (B20) of low spenders upgrade to spending five percent or more of their revenue on online ads

SME size	Scenario A: Additional revenue if 100% of SMEs used online ads (A\$B)	Scenario B 10: Additional revenue if 10% low ad spenders SMEs spent >5% of revenue on online ads (A\$B)	Scenario B 20: Additional revenue if 20% more of the low ad spenders SMEs spent >5% of revenue on online ads (A\$B)	Combined A+B10 (A\$B)	Combined A+B20 (A\$B)	Combined A+B10 SME segment revenue impact (%)	Combined A+B20 SME segment revenue impact (%)
Non-employing (0 employees)	5.8-12.2	6.8-10.7	13.6-21.4	12.6-22.9	19.4-33.6	1.8-3.2%	4.3-4.8%
Micro (1-4 employees)	7.8-12.7	4.4-5.7	8.8-11.5	12.2-18.4	16.6-24.4	1.7-3%	2.7-3.3%
Small (5-19 employees)	2.9-5.1	2.8-3.7	5.6-7.4	5.7-8.8	8.5-12.5	1-3%	2.8-3.4%
Medium (20-199 employees)	17.5-27.8	8.3-10.9	16.6-21.8	25.8-38.7	34.1-49.6	2.7-3.4%	3.7-4.3%
Total SMEs	34-58	22.3-31.0	44.6-62.0	56.3-89.0	78.6-120.0	2.5-3%	3.5-4%



Conclusion

Online advertising is emerging as a significant driver of customer acquisition, ecommerce, and competitiveness for Australian SMEs, particularly for regional firms that face scale and distance constraints.

This report has shown that online ads are widely used, generate substantial revenue and export gains, and already contribute more than A\$150 billion annually to SMEs' revenue. AI-enabled advertising further strengthens these gains by improving targeting, automating campaign design, and reducing fixed marketing costs.

As such, online ads' potential aligns tightly with Australia's current policy priorities: lifting national productivity, closing SME productivity gaps, enabling SME exports, and supporting regional business growth through digital transformation. Policymakers can further support SMEs' online ads usage and AI transformation by scaling AI-focused ads training, offering clear regulatory guidance, improving access to affordable digital tools, and developing trust-building frameworks that safeguard SMEs while enabling them to fully benefit from digital and AI-enabled advertising.



Appendix 1 - Survey fielding and sample

The survey was fielded on 11-18 November 2025 with 1,100 Australian small and medium enterprises. The survey was conducted via the Pollfish platform, enabling respondents to complete the questionnaire on desktop or mobile. Pollfish's infrastructure provides high scalability, cost efficiency, and rapid fielding capabilities across diverse geographies.

Of the respondents, 310 had 50 or fewer employees, 236 had 51-100 employees, and the rest or 544 had more than 100 employees (figure 1-1). Most SMEs had 3-10 years in business and range from services providers to retailers and manufacturers (figures 1-2 and 1-3). Some 55 percent were based in large cities with over a million inhabitants, 36 percent in cities with 51,000-1 million residents, and nine percent were in small towns and rural areas. The respondents hailed from across Australia, primarily New South Wales and Queensland (figure 1-5).

Figure 1-1 - Surveyed SMEs by number of employees

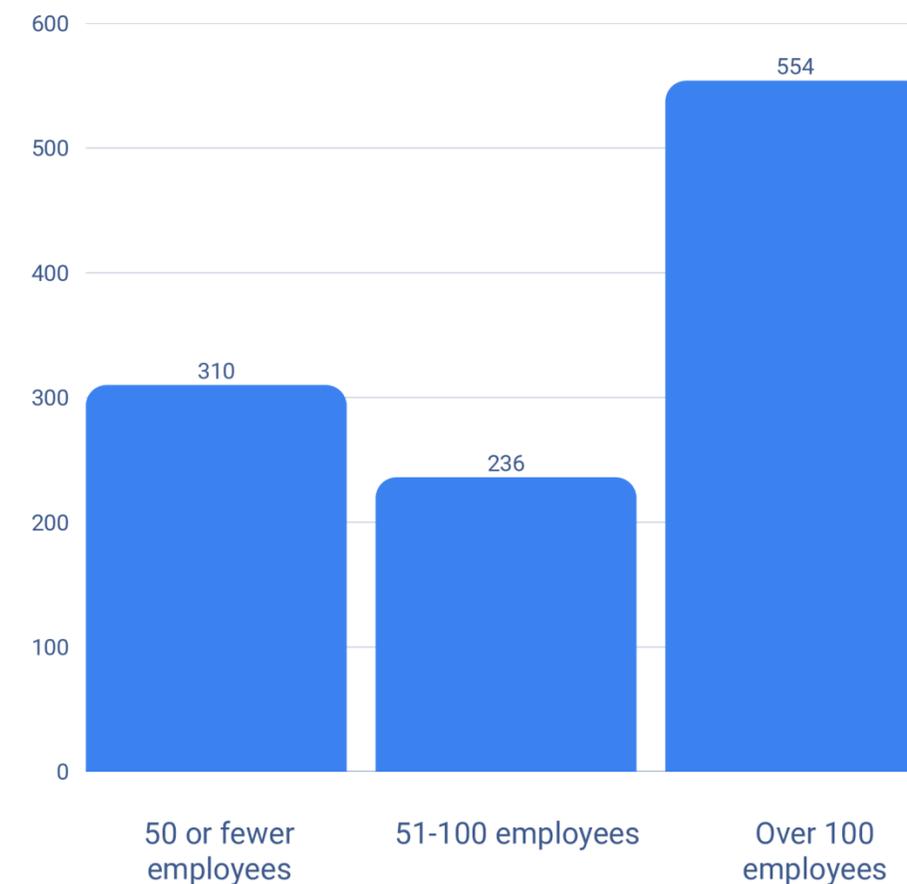




Figure 1-2 - Surveyed SMEs by number of employees and age

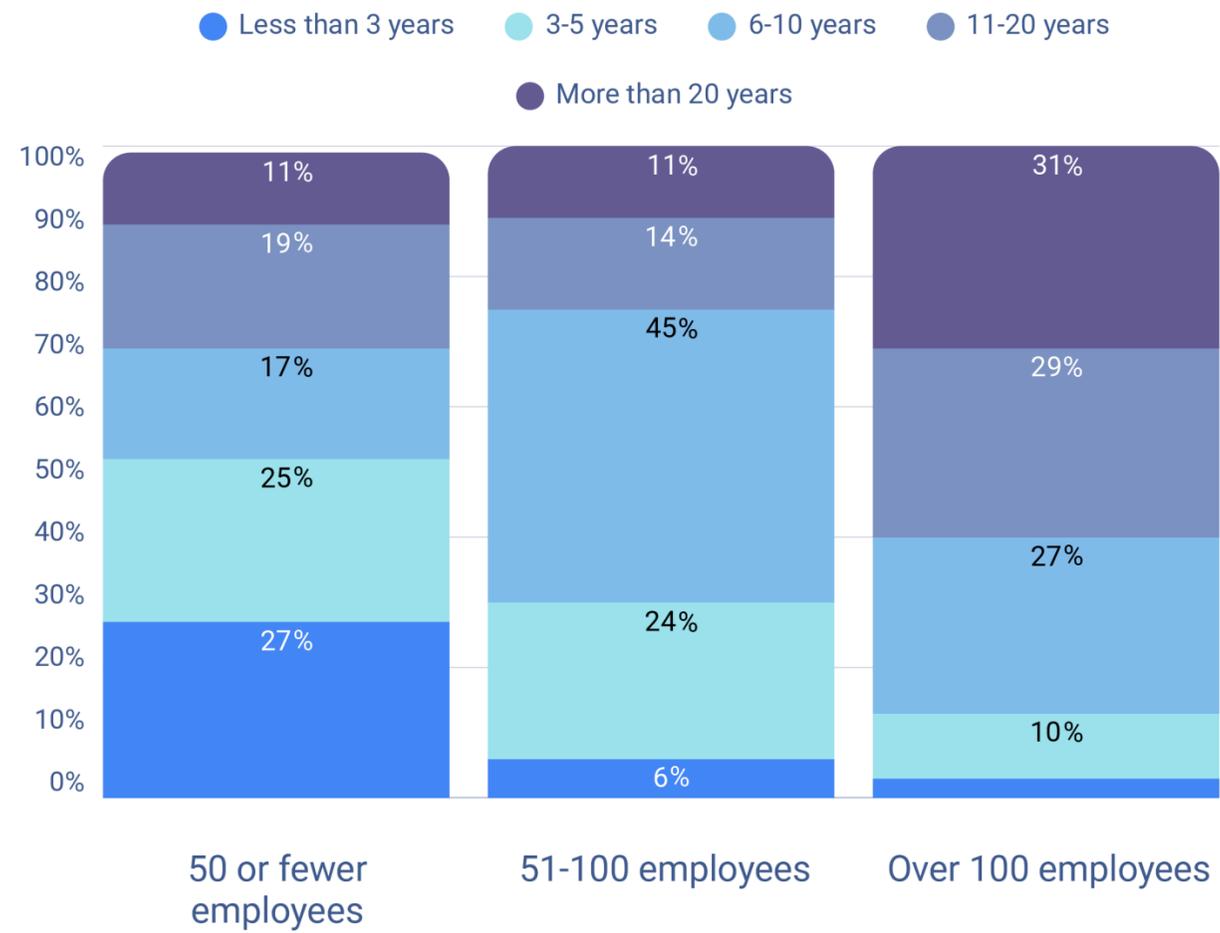


Figure 1-3 - Surveyed SMEs by sector

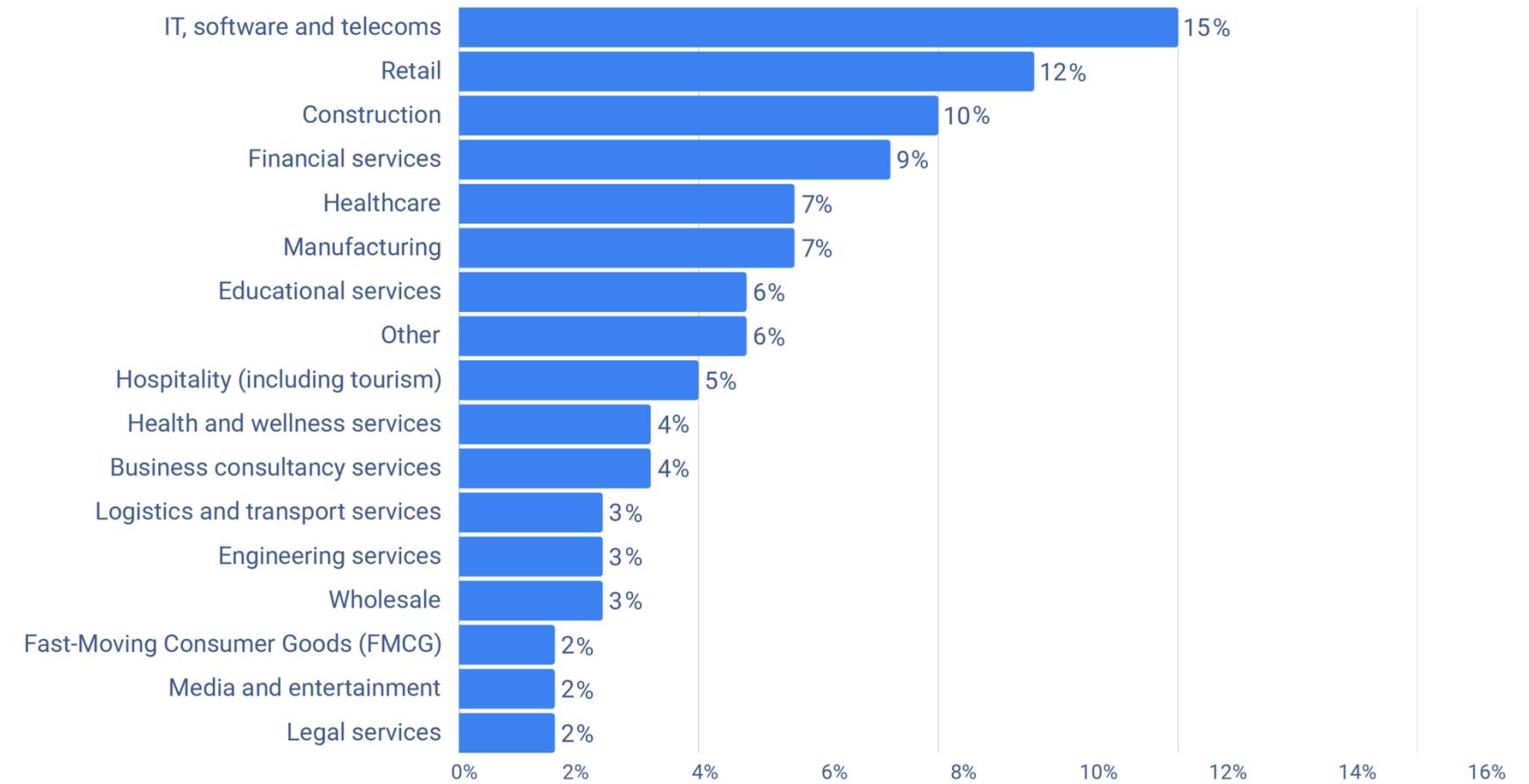




Figure 1-4 - Surveyed SMEs by size of location

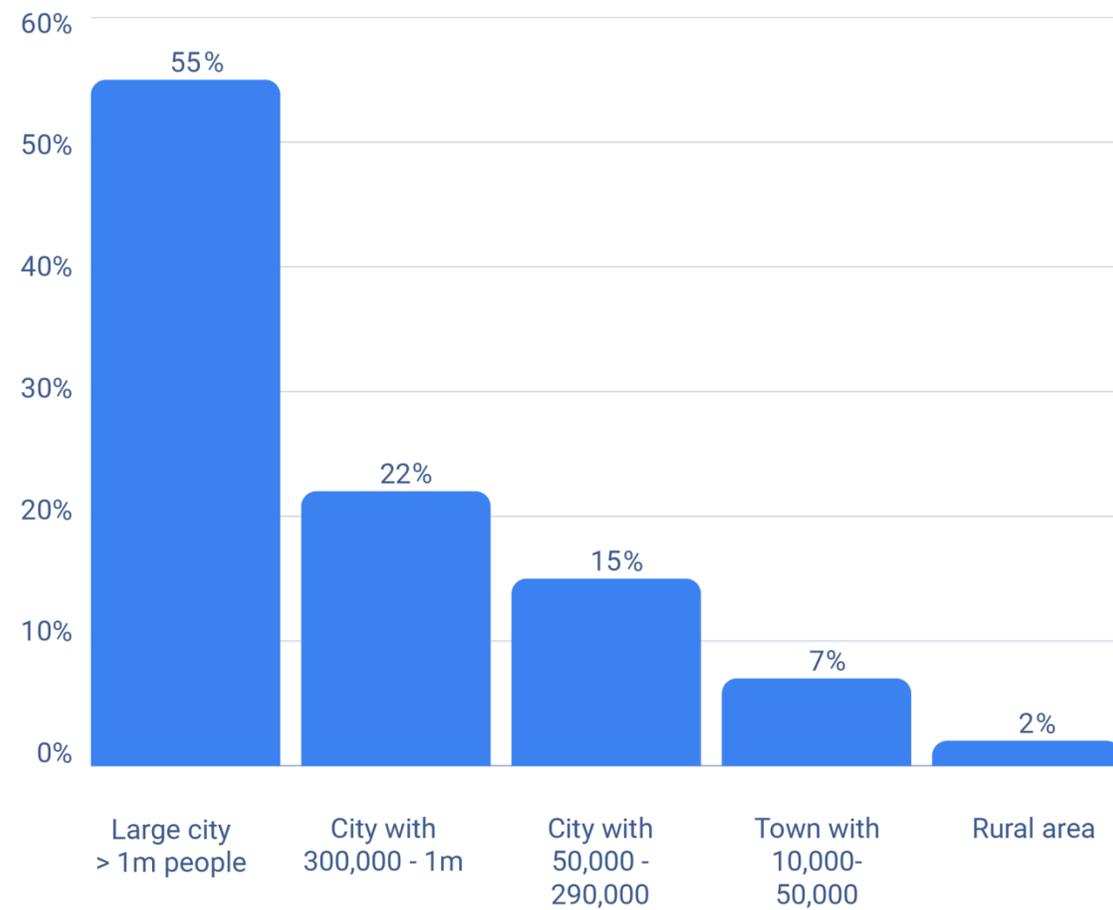


Figure 1-5 - Surveyed SMEs, by state

