



Media Release

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ANZ Privately-Owned Business Barometer 2010 reveals businesses planning growth, adapting to 'new normal'

87 per cent of businesses plan to grow

The ANZ Privately-owned Business Barometer released today shows medium-sized New Zealand businesses are adapting to a 'new normal' business environment by focusing on tight control of business basics and adapting to new growth areas, including international expansion.

ANZ Managing Director Commercial Graham Turley says the ANZ Privately-Owned Business Barometer is New Zealand's most in-depth study of privately-owned businesses, and as such provides critical insights into a key sector of the New Zealand economy.

Key points of the ANZ Privately-Owned Business Barometer 2010

- There is cautious optimism around growth: 87 per cent are planning growth in the next year (up from 57 per cent last year) and 13 per cent anticipate negative growth in the next year (compared to 43 per cent in 2009).
- For sustainable growth, close management of working capital will be vital, as well as broad thinking around how to fund growth from sources other than debt or cash flow.
- Higher exporting goals are evident. 49 per cent exported now, and 53 per cent expected to in three years. 19 per cent have sales to Asia and 25 per cent expected to in three years.
- Businesses are planning for and adapting to the new environment (72 per cent)
- They are focussing on business basics: actively reducing costs (54 per cent, up from 49 per cent last year), more actively engaging with clients (40 per cent, up from 35 per cent last year) and more actively managing debtors (32 per cent, up from 30 per cent)
- External advice is now seen by business owners as far more beneficial (92 per cent compared to 75 per cent in 2009)

"The Barometer this year shows owners are cautiously optimistic about growth. Forward-thinking business owners have moved on from focusing largely on short-term cost-management activities to get them through the recession," Graham Turley says.

"However the cautious optimism they are showing is tempered by the need for continuing improvement in sales and margins before more owners will commit to new activity. For sustainable growth, close management of working capital will be vital, as well as broad thinking around how to fund growth from sources other than debt or cash flow.

The 'new normal'

"Owners tell us they don't ever expect conditions to return to the way they were, so the real challenge now is for them to adapt to the 'new normal' and changed consumer attitudes, or risk not having a place to grow.

"Consumers are spending less and saving more, and steering away from non-essentials and away from spending fuelled by credit," Graham Turley says.

"The 'new normal' also sees a move away from traditional export markets of Europe and United States that were hit hard by the Global Financial Crisis, towards the growing markets of Asia. Greater use of new technology including social media is cited as another feature of the new environment."

Tips and tools for the 'new normal'

- Stick to business basics and be ready to act

"Businesses who survived the recession and who will thrive in the new environment are those that returned to, or stuck to business basics by focussing on costs, and tighter management of debtors, inventory and supply chains, and closer management of customer relationships. They were also decisive and ready to act when a problem or opportunity came up," Graham Turley says.

- Seek external advice

"External advice to provide fresh thinking around how to seize emerging opportunities in the new environment is also vital. A stand-out finding from this year's Barometer was how highly business owners rated the benefits of external advice and mentoring – up from between 50 and 75 per cent in 2009 to more than 90 per cent of respondents in 2010. This is good to see, and hopefully will continue."

- Think broadly about how to fund growth

76 per cent indicated they would use existing cash flow to fund growth. Graham Turley says that coming out of a recession, businesses need plenty of liquidity and headroom in their available funds, as well as robust planning. International trade finance, supply chain finance, asset finance, or asset leasing are viable growth funding options as well as more traditional debt facilities.

- Exporting? Lay the groundwork first

Advice from successful exporters say market research is critical when going into new markets, as is having local representation, a thorough understanding of the culture and making plenty of contacts with other businesses operating in the market.

A summary of the key findings of the ANZ Barometer is attached and the full ANZ Privately-Owned Business Barometer report is available on www.anzbarometer.co.nz

Background to the ANZ Privately-Owned Business Barometer

The ANZ Privately-Owned Business Barometer targeted 2,275 owners of businesses with an annual turnover between \$2m and \$150m during February and March 2010. The response rate was high at 35 per cent or 804 businesses (31 per cent response rate in 2009). Respondents represented all regions and sectors. For the most part the Barometer respondents were key decision-makers within their business and 35 per cent were the founders of their companies. 84 per cent of businesses had been in operation for more than 10 years. Focus groups were also conducted with business owners and professionals to assist with interpretation of the survey results.

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ANZ Privately-Owned Business Barometer 2010: Key statistics

Business planning adapting to a new environment

- 72 per cent of respondents undertake long-term strategic planning.
- 52 per cent review that plan at least every six months.
- The key actions taken in response to the current climate are: actively reducing costs (54 per cent, up on 49 per cent last year), more actively engaging with clients (40 per cent, up on 35 per cent last year) and more actively managing debtors (32 per cent, up on 30 per cent).
- Encouragingly, 34 per cent are seeing increased opportunities (29 per cent last year).

Where growth will come from

- 87 per cent of businesses are planning growth (57 per cent in 2009).
- 75 per cent of businesses expect less than 10 per cent growth over the next 12 months (88 per cent in 2009), and 13 per cent expect negative growth (41 per cent).
- 72 per cent expect general sales growth will contribute to business performance (65 per cent).
- 44 per cent say new products or services will contribute to performance.
- 39 per cent say cost reduction will contribute to performance (60 per cent).
- 76 per cent of business plan to fund growth through cash flow and 39 per cent would borrow more from the bank.

International growth

- 49 per cent have some level of international sales now and 53 per cent expect to in three years time.
- 36 per cent have sales to Australia and 42 per cent expect to in three years time.
- 19 per cent have sales to Asia and 25 per cent expect to in three years time.
- Offshore policy and regulation is the most cited barrier to international operations.

Constraints to growth

- The impact of economic conditions is seen as the biggest constraint to growth.
- Lack of capital and aversion to debt are the second and third highest cited constraints to growth.
- 42 per cent identify domestic competition/market pressure as of concern to their business (46 per cent in 2009).
- 34 per cent indicate availability of people and skills being of concern (32 per cent in 2009).
- 17 per cent believe capital is less available to fund growth (14 per cent in 2009).
- 33 per cent of owners are averse to debt (21 per cent in 2008).

Planning for change of ownership

- 61 per cent of owners are over 50 years old.
- 23 per cent of owners are over 60 years old.
- 41 per cent aspire to retire in the next 5 years (44 per cent in 2009).
- 26 per cent say the current environment has delayed their time frame for ownership change (virtually the same as 2009).
- 13 per cent have a formal succession plan in place (11 per cent in 2009).
- 15 per cent have no succession plan of any kind (down from 25 per cent in 2009).

The role of independent expertise

- 62 per cent used external advisors.
- 92 per cent found advisors beneficial (up from 75 per cent in 2009).
- The biggest barrier to seeking independent advice is lack of confidence that the advice would add value to the business.
- 57 per cent of businesses have a formal board.
- 55 per cent of these have an independent director.