



Media Release

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Privately-owned business sector planning growth But ANZ Privately-Owned Business Barometer shows resilience of firms still challenged

Ninety percent of privately owned businesses are expecting positive growth in the next year, according to the 2011 ANZ Privately-Owned Business Barometer, released today.

ANZ Managing Director, Commercial & Agri, Graham Turley said the results were encouraging, and New Zealand business owners were demonstrating their resilience through the recession and the Christchurch earthquakes.

"As the ANZ Barometer shows, stiff competition for households' disposable dollar remains a concern for businesses all along the supply chain. As a result, managing costs, actively engaging customers and actively managing debtors and cash flow will continue to dominate the business environment. We expect the Canterbury rebuild and influx of international visitors for Rugby World Cup 2011 will also give businesses a boost," Mr Turley said.

"For the most part, business owners are optimistic - 90% of business owners are expecting positive growth in the next year, while 85% expect growth of 5% or more in the next three years. However, the recovery is not impacting evenly across the sector. While most are driving for growth, around one in ten are anticipating negative growth in the next 12 months.

Key points of the ANZ Privately-Owned Business Barometer 2011

- Growth forecasts are increasing: 90% of business owners are expecting positive growth in the next year, and 85% expect growth of at least 5 % in the next three years.
- Skills shortages are emerging: This is the second biggest issue facing business owners after competition with 37% indicating availability of people and skills as being a main concern (34% in 2010).
- The strain is showing: About half of all business owners want to spend less time in their business and 22% of business owners say balancing family and business is an issue (up from 10% in 2010).
- International expansion is planned: 34% are operating internationally and another 12% aspire to expand offshore. About 29% have sales to China and 60% of them expect this to increase in the next three years

"For businesses that are keen to grow, it's important they consider all the funding options, including cash, overdrafts, and trade or asset finance. About half of business owners are looking to reduce costs, suggesting cash flow is still tight.

"The availability of people and skills is the second biggest issue facing business owners after competition. So becoming an employer of choice, understanding the real cost of replacing staff, and knowing your team - their interests and goals - can help," Mr Turley said.

"The shifting powerbase to Asia brings with it growth opportunities that surpass traditional English speaking export markets. It's promising to see that New Zealand businesses are turning their attention to these markets - about 29% have sales to China and 60% of them expect this to increase in the next three years.

"Based on ANZ's experience in helping our New Zealand customers to tap into growth opportunities offshore and Asia in particular, it's important when considering international expansion to talk to business owners who have been there before; consider collaborating with some of your competitors, and ensure you are well-capitalised," Mr Turley said.

A summary of the key results is attached. The full ANZ-Privately Owned Business Barometer Key Insights is available on anzbarometer.co.nz.

The ANZ Privately-Owned Business Barometer is New Zealand's most in-depth study of privately-owned businesses with an annual turnover of between \$2 million and \$150 million, and as such provides critical insights into a key sector of the New Zealand economy. It was carried out in February and March this year, targeting around 3000 business owners, and had a response rate of 30%.

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ANZ Privately-Owned Business Barometer 2011: Key statistics

Where growth will come from

- 90% of businesses are planning growth (87% in 2010)
- 68% of businesses expect growth between one and 10% over the next 12 months (62% in 2010), and 10% expect negative growth (13% in 2010)
- 74% expect general sales growth will contribute to business performance (72% in 2010)
- 40% say new products or services will contribute to performance (44% in 2010)
- 38% say cost reduction will contribute to performance (39%)
- 73% of businesses plan to fund growth through cash flow (70% in 2010) and 61% plan to fund through existing bank debt (29% in 2010)

Constraints to growth

- Impact of economic conditions is identified as the biggest constraint to growth, followed by lack of capital and aversion to debt or borrowing, consistent with 2010 results
- 49% are responding to the economic environment by actively reducing costs (54%) and 39% are seeing increased opportunity (34%)
- 40% identify domestic competition/market pressure as an issue of most concern to their business (42% in 2010)

- 37% indicate availability of people and skills as being a main concern (34% in 2010)

International growth

- 34% have some level of international sales now and 12% have aspirations to do so
- Of those operating internationally, 76% have sales to Australia and 75% of them expect this to increase in the next three years
- 29% have sales to China and 60% of them expect this to increase in the next three years
- 32% of businesses operating internationally say that concern about getting paid is a barrier or constraint

The role of independent expertise

- 57% used an external adviser in the past twelve months
- 39% used an industry adviser, followed by mentor (35%) and informal adviser (33%)
- 49% of owners with a formal board found the board to be very beneficial, compared to 48% of those who used mentors and 39% of those who used an industry adviser
- 51% of respondents indicated there were no barriers to obtaining advice (75% in 2010).
- 44% of respondents thought the role of the board/ advisory group was to formulate or agree corporate strategy (62% in 2010), followed by providing different thinking and ideas (42% compared for 45% in 2010) and directing, monitoring and advising the CEO (39% compared to 35%)
- Independence/different thinking is the most sought after attribute for an independent adviser (57%, up from 43% in 2010)

Business planning adapting to a new environment

- 67% of respondents have an annual business plan and of those, 85% document the plan
- 44% of respondents undertake longer term planning and 72% document the longer term plan
- 31% review their strategic plan quarterly and 25% review their strategic plan monthly

Planning for change of ownership

- 55% of respondents say that gradual change would be more attractive
- 28% of respondents say they will carry on running their business for as long as they are healthy
- 40% of respondents say that finding a suitable acquirer is the key barrier to succession with 32% concerned about finding a suitable successor
- 36% expect change of ownership to occur in six or more years