Rising to the challenge

Resilient small businesses meeting demands

BUSINESS OWNER
CLAIRE HEANEY

SMALL and medium businesses say the coming year will bring pressure to sign up more customers, manage cashflow and deal with late payments.

But businesses are more confident about their ability to adapt to the demands.

The MYOB biannual Business Monitor asked 1000 businesses for their views on the pressures and positives of running a business.

MYOB chief executive Tim Reed said the report, released today, also compared the current challenges with those faced by the smaller operators over the seven years the monitor has been compiled.

Mr Reed said the businesses were resilient, changing and better at dealing with pressures.

"In August 2013, nearly half of small and medium enterprises told us that fuel prices were causing either quite a lot to an extreme amount of business pressure, " he said.

"Yet today, less than a quarter feel this way."

Mr Reed said often small and medium business owners bore the brunt of economic change. "It shows that the sector is extremely resilient to this, which is really uplifting to see, from the group that is accountable for employing roughly 45 per cent of the private sector," Mr Reed said.

In this quarter the number of businesses concerned about acquiring new customers was up from 24 per cent to 27 per cent.

Just over a quarter were worried about managing cashflow.

But one of the biggest bugbears was late payment, with 26 per cent of businesses saying cashflow was a struggle, a big jump from 19 per cent.

"The Reserve Bank of Australia tells us that on average, an invoice will take 45 days to be paid," Mr Reed said.

"For a small business owner who is managing professional and personal bills while also trying to invest in their business, this is too long — and part of the reason why we are pushing for prompt payment.

"The cashflow crunch can also hinder business owners who want to invest in growth activities, such as buying stock or upgrading equipment."

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CRASH COURSE IN WEB'S PAYING OFF

CLAIRE HEANEY

WHEN Martin Stone launched his panel beating business more than 46 years ago its biggest drivers were word of mouth, telephone directories and referral from insurance companies.

It became a household name, growing from one panel beating shop in Bayswater to its current franchise structure of 25 sites.

More than two years ago, the Sheen Group realised the importance of staying ahead of the pack by upgrading its website, building brand awareness, generating leads and converting those leads into customers.

Mr Stone said they consulted marketing guru Digital 360 for advice. Its digital strategy was to make the Sheen website easy to use across all devices.

The strategy included the new website, data analysis and creating compelling content. "We could recognise the importance of the digital space and the direction that our organisation wanted to head in," Mr Stone said.

"We pride ourselves on being leaders within our industry and could see that making small changes to our online presence would have a significant impact on our business. Since the launch of the website in mid-2015 we have doubled our leads."

Digital 360 managing director Adam Laurie said it was important for businesses to invest in digital.

"Customers are adopting new technology very quickly and they want fast, digital experiences," Mr Laurie said.

He said businesses needed to keep up with the changing expectations of customers.

"If you can provide a superior experience for users with a great website and helpful content, then you'll be rewarded."

Other initiatives include Upload Your Smash, which allows people to upload snaps of their car's damage and receive an estimate within an hour on weekdays.

Mr Stone said the business was getting great rankings on Google and new content, ranging from involvement in causes such as the Variety Bash, through to job vacancies.

"We are now also advertising in the digital space through remarketing and YouTube, which has seen an increase in our leads of targeted customers," he said.

Panel beater Martin Stone has given his business a digital edge. Picture: RICHARD SERONG

Staff hunt ratchets up stress

ALMOST seven out of 10 businesses say the difficulty of recruiting the right staff is their biggest bugbear.

A survey of 241 alumni of the Telstra Business Awards, to mark the awards program's 25th anniversary, also reveals 48 per cent of businesses find it challenging to manage their cash flow.

More than 80 per cent of the businesses polled said technology had been either critical or very important to their business success.

The survey results have been released ahead of the March 16 closing date for entries to this year's Telstra Business Awards.

There are award categories for new businesses, micro businesses, small businesses and medium-sized business, along with the charity award.

Among other findings from the poll, 30 per cent of businesses described themselves as innovators and 38 per cent as early adopters of technology.

Nearly 80 per cent said technology enabled them to provide improved service to customers and 70 per cent said it allowed them to share information better.

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Wave of job losses not only route to house price crunch

THE SHORT CUT
with ROGER MONTGOMERY

IN the 10 months since April 2016, that is, since the Reserve Bank cut rates in May, Australian capital city house prices have risen by an average 10.4 per cent.

In the year to February, Sydney house prices grew by 18.4 per cent and Melbourne by 13.1 per cent.

Auction clearance rates remain high — even amid a large volume of vendors selling, mortgage borrowing has accelerated again, banks aren't reporting any significant increase in defaults and newspapers regularly report properties selling well in excess of reserves.

And given persistent weakness in labour costs and a related lack of inflationary pressure, it is unlikely the Reserve Bank will raise interest rates any time soon.

As a result, the outlook appears rather rosy for property investors and the prices of their properties. But there are also problems. One of those problems is debt.

Recently, in the financial press, TD Securities chief macro strategist Annette Beacher was quoted as saying: "I certainly do not want to see a house price crash — and only a slump in employment will spark that."

Yes, a house price collapse could be a genuine problem for owners, particulary those who have leveraged to purchase multiple properties.

But let's remember there is an equally large number of people who cannot afford to buy. Those people would welcome falling prices. And they may soon get their wish — the market has a handy way of ensuring that not everyone becomes rich.

It is perhaps more useful, however, to question Beacher's logic. House price falls are not entirely dependent on individual property owners losing their jobs. I can think of at least three scenarios that would trigger price falls.

First, if an oversupply of properties causes vacancies to rise, owners may encounter financial stress. Rental yields in Australia are already at record lows and, after interest and maintenance expenses, residential property investors are losing money.

Yes, they get a tax deduction for the loss but that's the same as losing a dollar to make 50c . Financial stress is a trigger for vendors to sell. A job loss is just one of the causes of financial stress.

Financial counselling support lines are reporting significant increases in the number of calls for help. Many of the callers are investors who have leveraged into multiple properties.

Their financial stress is not entirely caused by job losses; for many it's rising interest rates on mortgages and/or a reduction in rental income as tenants migrate to cheaper apartments closer to the city.

Second, apartment developers are already under their own self-inflicted stress.

Having oversupplied the market and finding overseas buyers unable to settle, developers are resorting to the types of discounting incentives we saw in the early '90s — 10-year rental guarantees, holidays to Asia, frequent flyer points and even free cars are all recent examples of capital city developers throwing everything at potential buyers to lure them in.

As the oversupply accelerates, expect developers to start lowering prices.

And finally, if interest rates rise in the bond market, banks will find their funding costs rising and mortgage rates will have to go up, independent of the RBA raising rates.

Household debt to income is at a record high of 189.6 per cent and credit card debt is also at a record. When debt gets too high, spending slows.

Slowing price growth may be all that it takes for some investors to reappraise their strategy and sell.

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