

Festival of thriving ideas

VICTORIA'S small businesses are being urged to tap into more than 500 free and low-cost events in this year's Small Business Festival to help take their businesses to the next level.

The festival, which runs for five weeks from August 1, is designed to help the state's more than 550,000 small businesses — responsible for delivering half the private sector jobs — to thrive.

Small Business Minister Philip Dalidakis said the state's

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vibrant and innovative small businesses played a crucial role in the economy and accounted for a third of the state's output in goods and services.

"A real focus of this year's festival will be how emerging technologies are affecting

small businesses and how we can harness them to improve productivity and open up new opportunities," Mr Dalidakis said. "One of the great strengths of Victoria is that we are an open, globally connected and diverse society.

"This year's festival will celebrate the rich diversity of Victoria's multicultural business community and there will be sessions on how we can tap into international networks to track business trends and access new markets.

"One of the great privileges of my job is that I get to meet so many small businesses and see first-hand how hard they work and how important they are to their local communities."

Mr Dalidakis said Small Business Festival Victoria was a celebration of the sector and an opportunity to share new ideas and skills.

Businesswoman, philanthropist and football leader Susan Alberti will be a guest speaker at the Commerce

Ballarat breakfast on August 1. Olympic Gold medalist and successful businesswoman Lydia Lassila is a keynote speaker at a festival roadshow event in Bendigo on August 2.

The aerial skier sustained a career-threatening knee injury while jumping in the 2006 Games.

Sick of dealing with ice packs that slipped, leaked and were not cold enough, Ms Lassila designed and developed BodyICE, a suite of products designed to treat

injuries and inflammation by combining ice and compression.

A marquee event is the Small Business BIG Ideas event at the Melbourne Convention and Exhibition Centre on September 4.

In its 10th year, the event's focus is on tapping into innovation and technology to enhance marketing, allowing small businesses on limited budgets to punch above their weights.

festival.business.vic.gov.au

WHEN ONLINE SHOPPING FEELS NO SUBSTITUTE

SISTER interior design team Jo Harris and Lucy Glade-Wright went from running a purely online business to opening a shop to satisfy demand from people who still want to look at and touch products before buying.

Established seven years ago, Hunting for George, is an eclectic mix of homewares produced by the sisters and other companies.

Ms Harris said the Richmond-based warehouse opened for clearance sales but at other times they were getting knocks on the door from customers wanting to buy. At the end of last year they decided to open the shop on a Friday and Saturday to satisfy the demand.

Hunting for George is a finalist in this year's Victorian Telstra Business Awards in the small business category.

Ms Harris said online sales still accounted for 95 per cent of the business but often people visited the showroom and purchased online at a later date.

"People still really want to touch and feel the products," she said. "People were constantly knocking on our doors thinking we were a shop, so we transformed our office into a shop and it has been an incredibly positive experience."

CLAIRE HEANEY

Now employing seven people, Ms Harris said the business was still a lot of fun and was continuing to grow.

"We are making homes that are awesome. People love to take pride in their homes," she said.

Futurist Jordan Nguyen is the keynote speaker for the Telstra awards tomorrow night.

Dr Nguyen said technology continued to evolve and affect the way people lived and worked.

"We need to democratise a lot of the understanding and knowledge of what is happening with different types of technology," he said.

Dr Nguyen said regulation could not keep up with the speed of change but it was important to open conversations, help the wider community to understand what was coming and be proactive rather than reactive.

"Every new technology brings a whole lot of challenges and technical issues and opportunities to solve problems we haven't been able to solve before," he said.

The awards will be at the National Gallery of Victoria. Winners will progress to the national titles next month.



Hunting for George founders Jo Harris and Lucy Glade-Wright.

Leg-up for social traders

FIVE social enterprises keen to test if their models can become successful businesses have been shortlisted for a highly regarded accelerator program.

The Social Traders Crunch program will run for four months and mentors linked with the Melbourne Business School will guide the businesses.

The businesses include: **OPEN Canvas**, which empowers artists who have been homeless or faced other adversity to exhibit and sell their art, craft and merchandise;

HONEST, which is developing upcycled, sustainable and reusable coffee cups;

SISTERWORKS, which supports migrant, asylum seeker and refugee women to develop a microbusiness in craft and food;

YOUTH For Causes, which empowers young people through programs, workshops, immersions and networks; and **LIFEHOUSE**, a community cafe and hub for residents on the Carlton housing estate.

Social Traders' spokeswoman Lisa Boothby said all of the shortlisted businesses had a good chance of becoming financially sustainable.

Company results may be fine but listen closely to forecasts

ON the cusp of reporting season it makes sense to explore the companies and sectors of the stockmarket that might find themselves under pressure.

So far, a speculative bubble in residential property fuelled by rising household debt levels, and combined with a falling savings ratios, has provided households with the flexibility to maintain their consumption levels.

For that reason, don't expect too many negative surprises in the results of companies this reporting season, not even from those directly in the firing line such as discretionary retailers.

It's the future, and the outlook statements company chiefs make, that you might



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want to pay attention to.

Debt must eventually reach a ceiling and when the pendulum swings towards parsimony, discretionary spending-facing companies — such as Myer, Kmart, Harvey Norman, JB Hi-Fi, Big W, The Reject Shop, Specialty Fashion Group, Super Cheap Auto, Noni B and even Domino's — could all be in the firing line.

Adding to the pressure on households, from record levels of debt, is very low wage growth and significant increases in household utility

prices. Financial stress could rise even in the absence of interest rate rises. These forces don't bode well for retailers generally and so we are understandably cautious about the future — even if results for 2017 prove strong.

For banks, the most recent mortgage cycle saw a significant increase in the proportion of new mortgages written on an interest-only basis. In fact, data produced by the Australian Prudential Regulation Authority reveals new interest-only mortgages have increased from a low

21 per cent of total new mortgages written in 2011 to 42 per cent more recently.

Many, if not most, of those interest-only mortgages revert to principle and interest after five years and the introduction of a 30 per cent cap on the proportion of new interest-only mortgages that can be written by banks, will force some bank borrowers onto principal and interest loans.

This could represent an increase in repayments of up to 40 per cent. And according to the latest Census, 34.5 per cent of households have a mortgage while 11 per cent have one or more investment property mortgages.

Record debt combined with rising interest rate

charges and higher repayments could have a material impact on bank credit growth and discretionary spending by households.

As an aside, leisure and gaming companies such as Tatts Group and Tabcorp — who are already experiencing intense competition online — could also be impacted.

At the very least a moderation in bank balance sheet growth — which is just a fancy way of saying lower lending growth and ultimately earnings — is likely. Having said that, the banks generally are not on demanding market multiples and factoring in a moderating outlook still suggests they look reasonably priced.

The final headwind likely to materialise later in the 2017-18 financial year is a downturn in residential construction.

Near-term results for building material suppliers and builders should be positive because completions have yet to peak, but the recent decline in commencements indicates a future with lower levels of activity. Growth in this sector has supported overall economic growth but in six to nine months, residential construction is likely to begin to slow and turn negative toward the end of 2017.

ROGER MONTGOMERY IS CHIEF INVESTMENT OFFICER AT MONTGOMERY INVESTMENT