



MYOB Business Monitor

The voice of New Zealand's business owners

> November 2010

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MYOB New Zealand Business Monitor August 2010 - Highlights

Business confidence in future of New Zealand economy recedes

Over a third (37%) of business owners surveyed expect the economy to start to improve from its present position within the next 12 months (compared with 49% of business owners in April 2010), and only 12% of business owners now expect this improvement to be within the next 6 months (compared with 18% who had this expectation in April 2010).

The majority (58%) of business owners predict that the economy will improve at some time after the next 12 months, compared with a minority (46%) of business owners in April 2010.

Medium business (20-199 employees) owners (48%) are now more confident in the economy over the next 12 months than others, replacing owners of small businesses (5-19 employees) whose level of confidence has now dropped from 59% in April 2010 to 39% now.

Business owners in Christchurch are the most confident (42%) about economic recovery over the next year, and the most confident (10%) about economic recovery in the next 3 months.

Over a third report revenue decreases

38% of business owners report revenue has decreased since this time last year, and 25% report revenue has increased. This is almost a complete reversal of the responses in August 2010, when 26% of business owners surveyed reported decreases, and 31% reported increases in their business revenue compared with a year ago.

Business owners with larger annual business revenues are more likely to have had increases than decreases in business revenue. Hardest hit by industry sector are business owners in Construction and Trades (22% +ve vs. 48% -ve), in Transport (17% +ve vs. 44% -ve), and in Agriculture, Forestry and Fishing (26% +ve vs. 41% -ve).

Less work or sales in the pipeline than usual

A quarter (26%) of business owners report more sales or work than usual in the pipeline for the next three months, but one third (32%) report less work. (Wellington is the only location in New Zealand where more business owners have more, rather than less, in the pipeline.)

This is similar to the 'pipeline' results in Australia, where 28% of business owners report more sales in the pipeline, 26% of them report less.

Consistent with their revenue increases (see above), businesses with larger annual revenues are reporting the most sales or work in the pipeline. By sector, business owners in Manufacturing and Wholesale, and in Finance and Insurance, are most likely to have more work than usual in their pipeline.

Businesses optimistic for revenue over next 12 months

Two fifths (42%) of business owners surveyed expect their business revenue to increase over the next 12 months, while only 12% expect their revenue to decrease in that time.

This finding is almost identical to August 2010 expectations, and also to November 2010 survey findings in Australia, where 43% of business owners expect business revenue to be up in a year's time, and only 14% expect it to be down.

Optimistic about future revenue, majority of New Zealand business owners adopt growth strategy

Just over half (53%) of the business owners surveyed report that their main objective for their business in the next year is: *To increase or grow the current levels of clients/customers and revenue in the business.*

The business owners who are more likely to have a growth strategy, in order of likelihood: have annual business revenue of \$5m+ (72%); own a small business (69%); and own a Manufacturing or Wholesale business (68%).

Less than one third (28%) of the business owners surveyed have a maintenance strategy in the year ahead and agree that the main objective for their business in the next year is: *To maintain the current levels of clients/customers and revenue in the business.*

Business owners who are more likely to have a maintenance strategy, in order of likelihood: own a maturing (5-10 years old) business (38%); own a Construction or Trades business (34%); and are female (32%).

Cash flow, fuel prices, interest rates and price margins and profitability are expected to put pressure on business in coming year

Cash Flow continues to be the leading expected pressure on business (by 29% of business owners surveyed), as it was in August 2010. The business owners who expect to feel the most pressure on their business from cash flow are those in medium businesses (45%), those who have seen a decrease in their business revenue compared with a year ago (42%), and those in the Construction and Trades sector (36%).

Interest and Exchange rates expected to put squeeze on Agriculture sector

While a quarter (26%) of business owners expect *interest rates* to put pressure on their business in the year ahead, half (50%) of businesses in the Agriculture, Forestry and Fishing sector expect this, and more than half (58%) of them expect *exchange rates* to put pressure on their business in that time.

Loyal customers, better customer relationships most help businesses run better

Almost two fifths (38%) of the business owners surveyed report that being in a good relationship with loyal customers enables them to run their businesses more effectively. (This result is replicated in Australia, where 37% say the same.)

Better marketing, advertising aids business success

One quarter (25%) of business owners (and one quarter of the business owners in Australia surveyed at the same time) nominate *better advertising and marketing* as key factors in the more effective running of their business. The business owners who nominate this factor are more likely to have a

business website (45% vs. only 16% of those who don't have one), own a small business (34%), and own a business in the Retail and Hospitality sector (31%).

Most business owners still being paid in the same time, but one third waiting longer

While 60% of business owners report that they are getting paid in about the same time as they were paid six months ago, one third (34%) say that it's taking a little or a lot more time to get paid. Only 3% say that they are getting paid a little or a lot faster than they were being paid six months ago.

The business owners waiting longer to get paid are in the Manufacturing or Wholesale sector (50%) or the Construction or Trades sector (43%).

Many businesses diversifying through increased activity in new markets, plus greater variety of products and services

More than twice as many (26%) business owners report increased activity in new markets as report the opposite (12%). Owners of businesses in the Manufacturing and Wholesale sector (44%) are most likely to report an increase in this activity, followed by owners of medium sized businesses (41%), and business owners who have enjoyed increased revenue compared with a year ago (39%).

While 23% of business owners surveyed report that they are offering a greater variety of products and services in the last six months, only 7% report offering less variety of products and services over that time.

Cutbacks in sales and promotions, marketing and advertising spending

Owners of smaller businesses have not sustained sales and promotions, or marketing and advertising spending, unlike owners of larger businesses. Business owners with increased business revenue vs. a year ago (30%), and small business (30%) and medium business (24%) owners, are more likely to report increases rather than decreases in their sales and promotions activity.

Businesses with more revenue increasing staff numbers, staff training

Two fifths (40%) of owners of businesses with an annual revenue of \$5m+ have increased *staff training* in the last six months, compared with only 22% of small business owners who have. Finance and Insurance is the industry sector with business owners most likely (27%) to have increased staff training in the last six months.

Many business owners still miss opportunity to systematically track business cash flow

Many business owners are still relying on *bank statements* (41%), rather than *computerised accounting systems* (25%), to measure and track their cash flow.

More than half (56%) of businesses in the Finance and Insurance sector rely on their *bank statements* to track their cash flow. Owners of establishing (2-5 year old) businesses (49%) are the next most likely to do so, followed by business owners located in Regional New Zealand (47%), business owners who don't have a business website (47%) and business owners (mostly sole traders) with low annual business revenue of \$40-75K (47%).

Very few business owners admit to poor or no cash flow management

Under a tenth (8%) of business owners surveyed admit that *“I don’t track cash flow as well as I should”*, compared with 12% of the business owners surveyed in April 2010 who admitted this.

Business owners who own up to this lack of cash flow tracking appear more likely to be 18-39 years of age (15%), owners of start-up (<2 years old) businesses (13%), and owners of a business in the Transport sector (15%) or a business in the Finance and Insurance sector (15%).

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About the study

The MYOB Business Monitor is designed to research key areas of business performance, including profitability, cash flow and pipeline work, as well as business confidence and satisfaction in the support of Government. This report presents the summary findings for key indicators from the MYOB Business Monitor comprising a national sample of **1,007** business proprietors and directors, conducted in **October 2010**. The businesses participating in the online survey are defined as both non-employing and employing businesses with zero employees ('sole traders'), 1-4 employees ('micro businesses'), 5-19 employees ('small businesses') and 20-199 employees ('medium businesses'). Industries have been grouped (see next page) for the purposes of providing meaningful results based upon sample segments of reasonable size, and with a lower margin of error. (The business weightings in this report are in line with *Statistics New Zealand: New Zealand Business Demography Statistics: At February 2010: ISSN 1174-1988*.)

This research report was prepared by *The Financial Research Company* and fieldwork was completed by *Colmar Brunton* (a Millward Brown Company) for Julian Smith, General Manager – New Zealand, MYOB NZ Limited julian.smith@myob.com | www.myob.co.nz

The findings in this study are reported here under the following main headings:

- Expectations for economic improvement in New Zealand
- Business revenue compared with 12 months ago
- Projected work or sales for next 3 months compared with usual
- Expectations of business revenue in 12 months' time
- Main objectives for business over next 12 months
- Main pressures on doing business in New Zealand in next 12 months
- Factors that make it easier to run business more effectively
- The time it is taking businesses to get paid by customers or clients
- Business staffing and activity changes in last 6 months
- How business owners track cash flow in their business

The findings of this research are also reported by industry type. (Industries have been grouped as follows for the purposes of providing meaningful results based upon sample segments of reasonable size, and with a lower margin of error. Occasionally in this report, industries have been de-grouped where there are very different results between those in an industry grouping.)

Industry	Sample
Agriculture, Manufacturing & Wholesale	139
Construction & Trades & Transport	204
Finance & Insurance	37
Professional & Business Services	262
Retail & Hospitality	142
Other Industries (included in total results)	223
Total	1,007

(*Other Industries, combined because their sample segment numbers on their own have too high a margin of error, include these sectors: Communication Services; Cultural & Recreational Services; Education; Electricity, Gas & Water Supply Services; Health & Community Services; Mining; and Personal & Other Services.)

The findings of this research are also reported by Auckland, Wellington, Christchurch and Rest of New Zealand for some questions, and the sample size in each of these segments is as follows:

Location	Sample
AUCKLAND	406
WELLINGTON	96
CHRISTCHURCH	134
REST OF NEW ZEALAND	371
Total	1,007

The findings of this research are also reported by City/Metro, Regional and Rural for some of the questions, and the sample size in each of these segments is as follows:

Location	Sample
CITY/METRO	448
REGIONAL NEW ZEALAND	439
RURAL NEW ZEALAND	120
Total	1,007

The findings of this research are also reported by the number of employees in each of the businesses surveyed and was capped for companies with less than 200 employees. The proportions of sole, micro, small and medium businesses are broadly in line with their proportions of all businesses in New Zealand, which explains the smaller sizes of the Small Business and Medium Business segments:

Number of Employees/Business Type	Sample
0 Employees/Sole Traders	524
1-4 Employees/Micro Business	293
5-19 Employees/Small Business	127
20-199 Employees/Medium Business	63
Total	1,007

Expectations for economic improvement in New Zealand

Fewer business owners now expect New Zealand economy to improve over next 12 months

Base: Business owners and directors (n = 1,007)

Q. When do you believe that New Zealand's economy will improve from its present position?

Only two fifths expect economic recovery in New Zealand in 12 months, and only one eighth expect it to be in next 6 months

Less than two fifths (37%) of business owners surveyed expect the economy to improve from the present position in 12 months (compared with 49% in April 2010), and only 12% of business owners now expect recovery within the next 6 months (compared with 18% in April 2010). (See Figure 1)

Many now see economic recovery more than year away

Over half (58%) of business owners predict that the economy will improve at some time after the next 12 months, compared with a minority (46%) who had this expectation in April 2010. (See Figure 1)

Owners of medium businesses most optimistic, small business owners less confident than before

Medium business (20-199 employees) owners are now more confident of an economic recovery, replacing owners of small businesses (5-19 employees) who were the most confident in April 2010 and November 2009, but whose level of confidence of economic improvement in the next 12 months has dropped by 20%. (See Figure 1.1)

Business owners in Christchurch most confident about medium term economic recovery

Two fifths (42%) of business owners in Christchurch expect the economy to improve from its present position in the next 12 months, while only 32% of business owners in the Rest of New Zealand (excluding the three Main Cities) expect it to do so. (See Figure 1.2) 10% of Christchurch business owners expect the economy to recover from its present position within the next 3 months, whereas only 3% of business owners in the Rest of New Zealand are that confident.

Only Manufacturing and Wholesale business owners more confident than before, confidence of Agriculture, Forestry and Fishing business owners has declined

Nearly three fifths (59%) of business owners in the Manufacturing and Wholesale industry are confident that the economy will recover from its present position, compared with 55% of business owners in this sector who felt this way in April 2010. While two fifths (39%) of Agriculture, Forestry and Fishing business owners had this view in April 2010, only one fifth (20%) of these business owners are now that confident. (See Figure 1.3)

Figure 1: Time expectations for future economic improvement in New Zealand (% of n = 1,007)

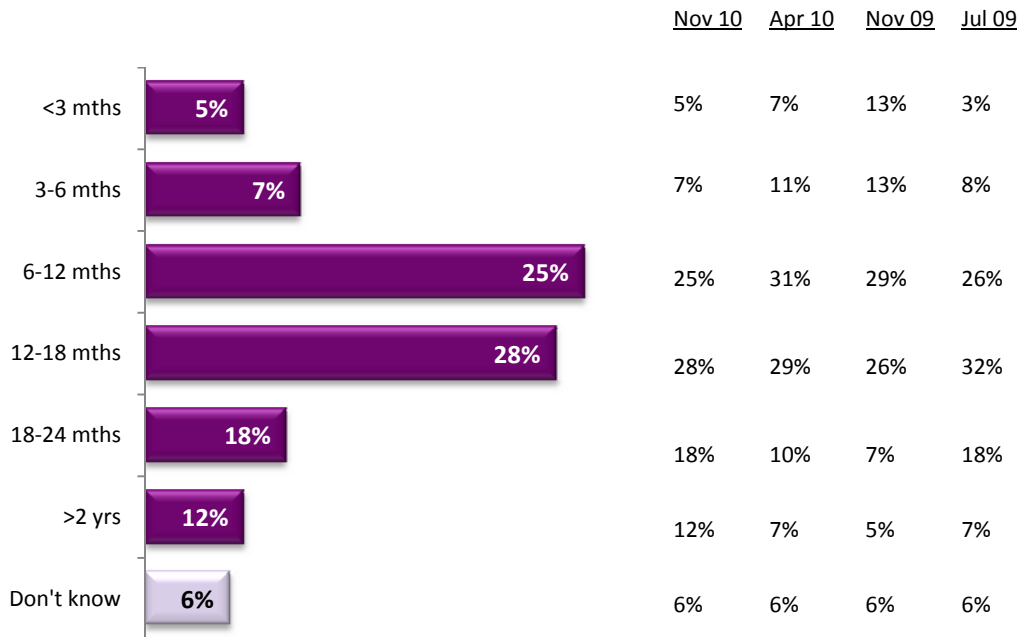


Figure 1.1 Expectation of economic improvement in the next 12 months: by Number of Employees (% of n=1,007)

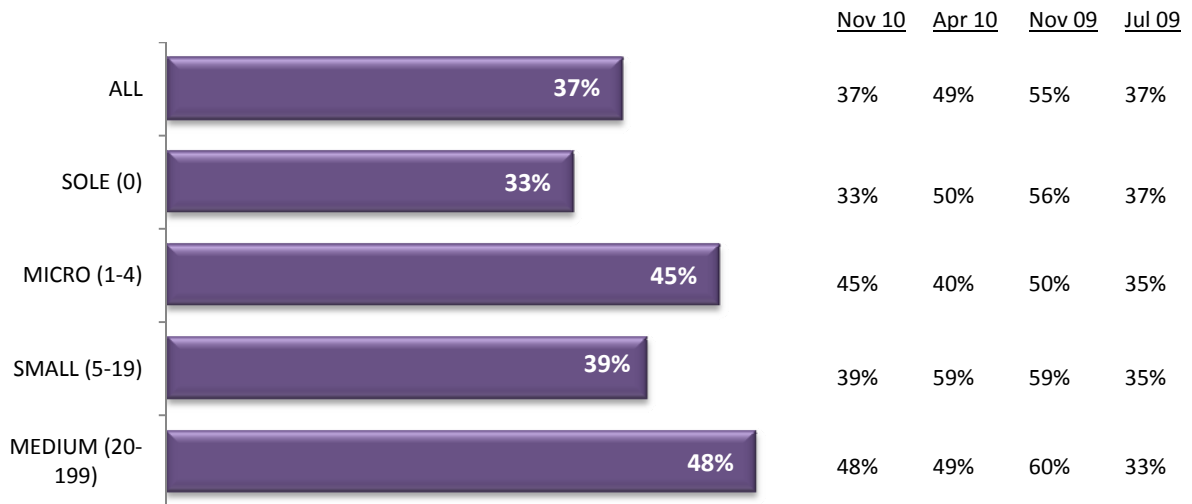


Figure 1.2 Expectation of economic improvement in the next 12 months: by Location (% of n = 1,007)

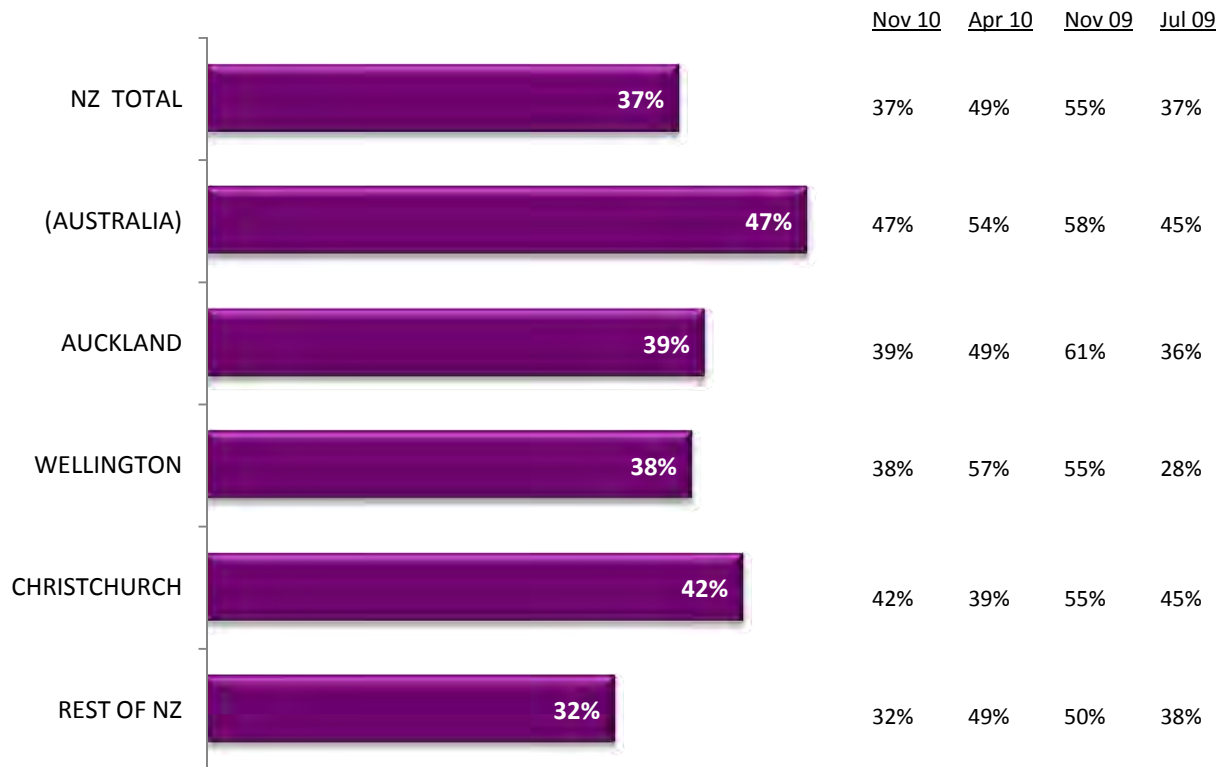
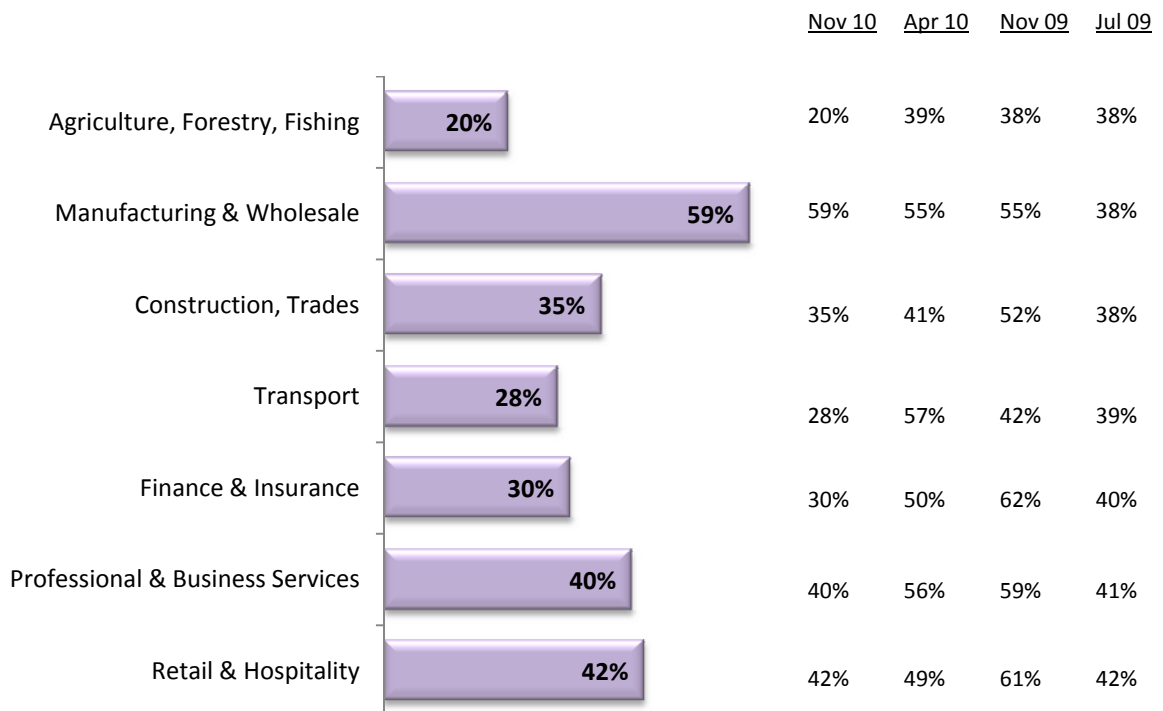


Figure 1.3 Expectation of economic improvement in the next 12 months: by Industry (% of n = 1,007)



Business revenue in New Zealand compared with a year ago

More business owners report revenue decrease than increase

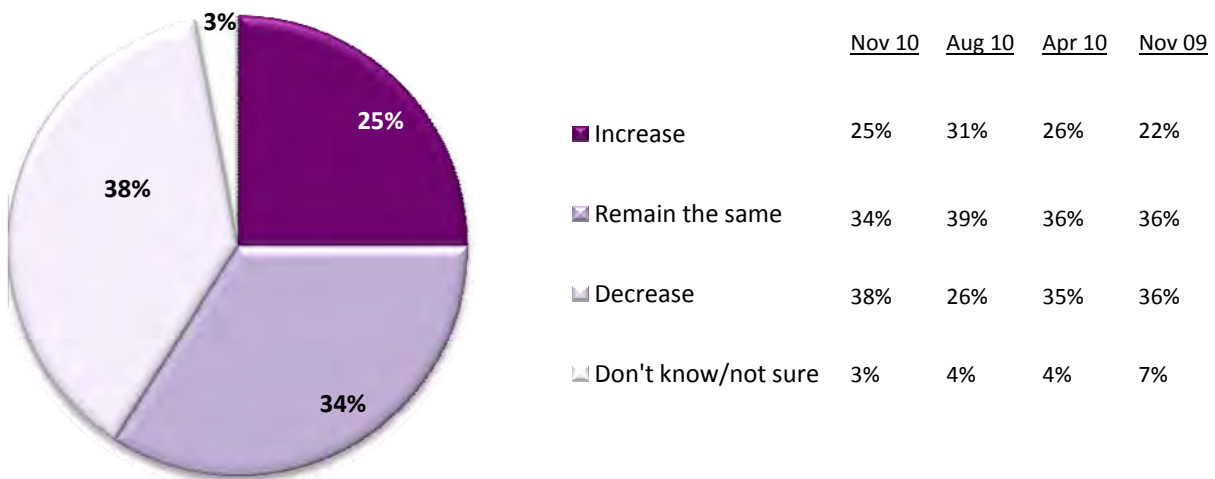
Base: Business owners and directors (n = 1,007)

Q. At the present time, is your business revenue (i.e. your gross from sales) up or down on a year ago, or about the same? Please indicate how much your business revenue (i.e. your gross from sales) is up or down on a year ago? (Please type in the percentage in the box below)

Reversals of fortune reported in both New Zealand and Australia

Nearly two fifths (38%) of business owners surveyed report revenue *decreases* compared with 12 months ago, and only 25% report revenue *increases* compared with a year ago. This is an almost complete reversal of the responses in August 2010, when 26% of business owners surveyed reported *decreases*, and 31% reported *increases*. (See Figure 2) This reversal of fortune has also been reported by business owners in Australia, where 34% report comparative *decreases* (compared with 22% reporting *decreases* in August 2010), and 26% report comparative *increases* (compared with 35% reporting *increases* in August 2010). (See Figure 2.4)

Figure 2: Revenue increases vs. decreases last 12 months, as reported by total sample (% of n=1,001)



Revenue increases of between 10-29% and decreases of between 10-29% reported by majority

Of the 25% of business owners reporting a revenue *increase* over the last 12 months, over half (60%) report an increase of between 10-29%. (The average of all revenue increases reported is 24%.) Of the 38% of business owners reporting a revenue *decrease* in the last 12 months, just over half (52%) report a decrease of 10-29%. (The average of all revenue decreases reported is 30%). (See Figure 2.1 and Figure 2.2)

Figure 2.1: Revenue **increase** percentages in last 12 months, as reported by 25% of the total sample (% of n = 252)

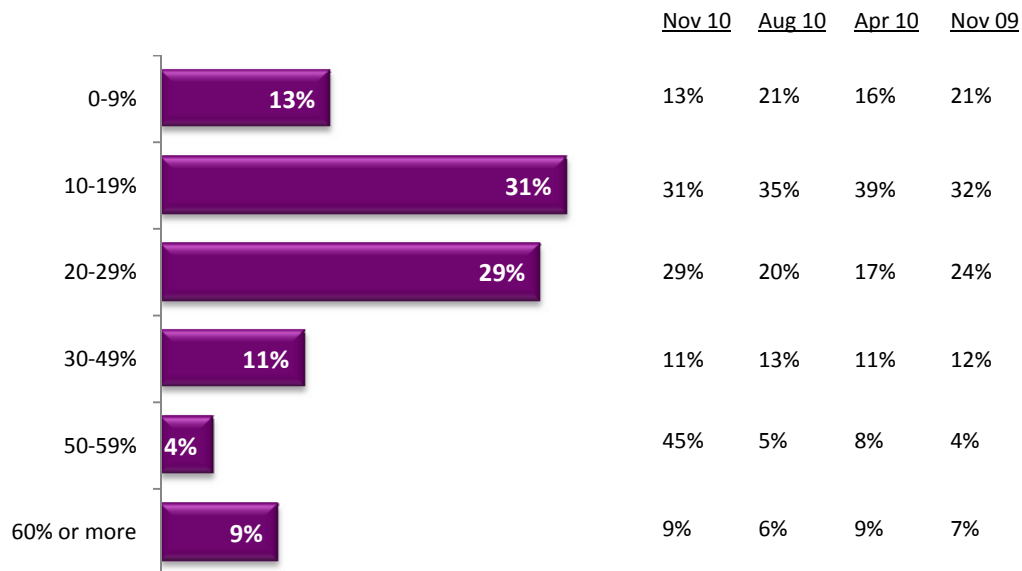
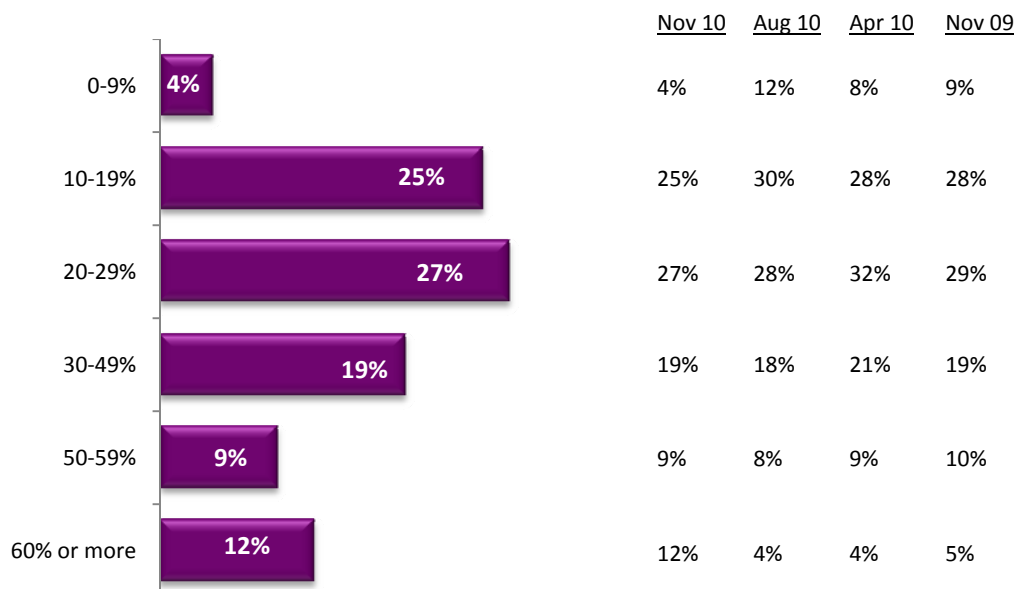


Figure 2.2: Revenue **decrease** percentages in last 12 months, as reported by 38% of the total sample (% of n = 382)



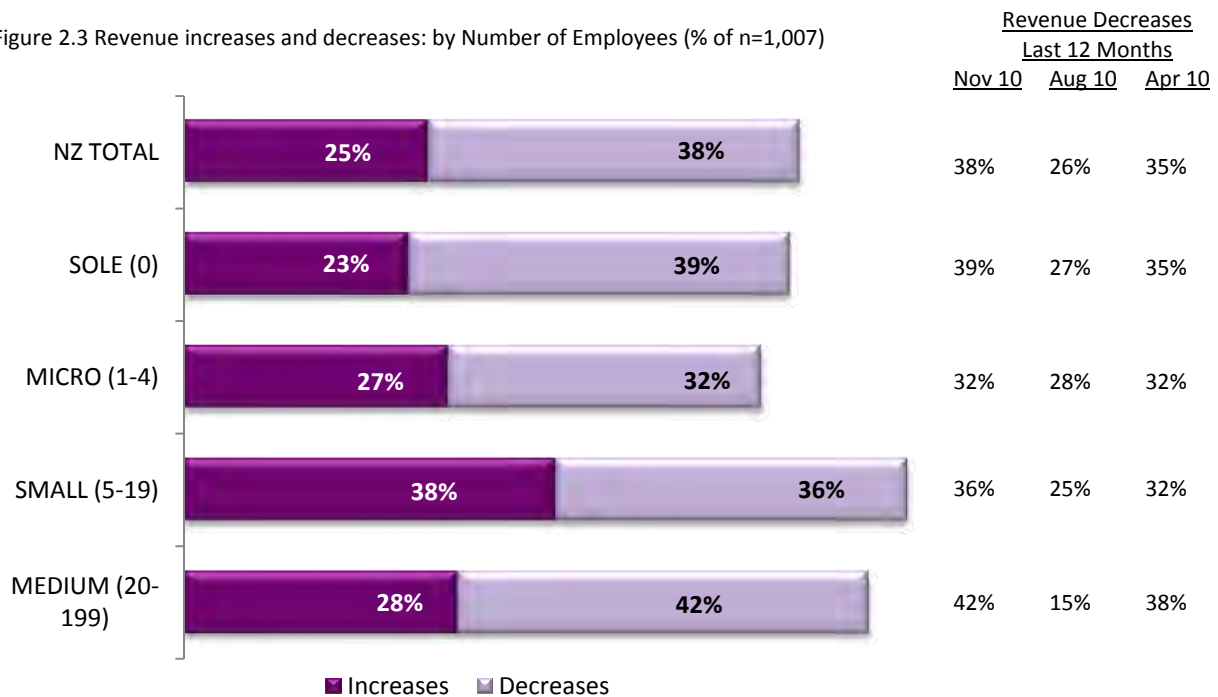
Small business owners only ones reporting more revenue increases than decreases

Slightly more small business owners (38%) report revenue is up when compared with a year ago than report revenue is down when compared with a year ago (36%). Business owners in other businesses by size/employment categories report the opposite. The gap between reported decreases and reported increases is shorter amongst owners of micro businesses (32% and 27% respectively), and is wider amongst owners of medium businesses (42% and 28% respectively) and widest amongst sole traders (39% and 23% respectively). (See Figure 2.3)

Business owners with larger annual business revenues have more positive reports

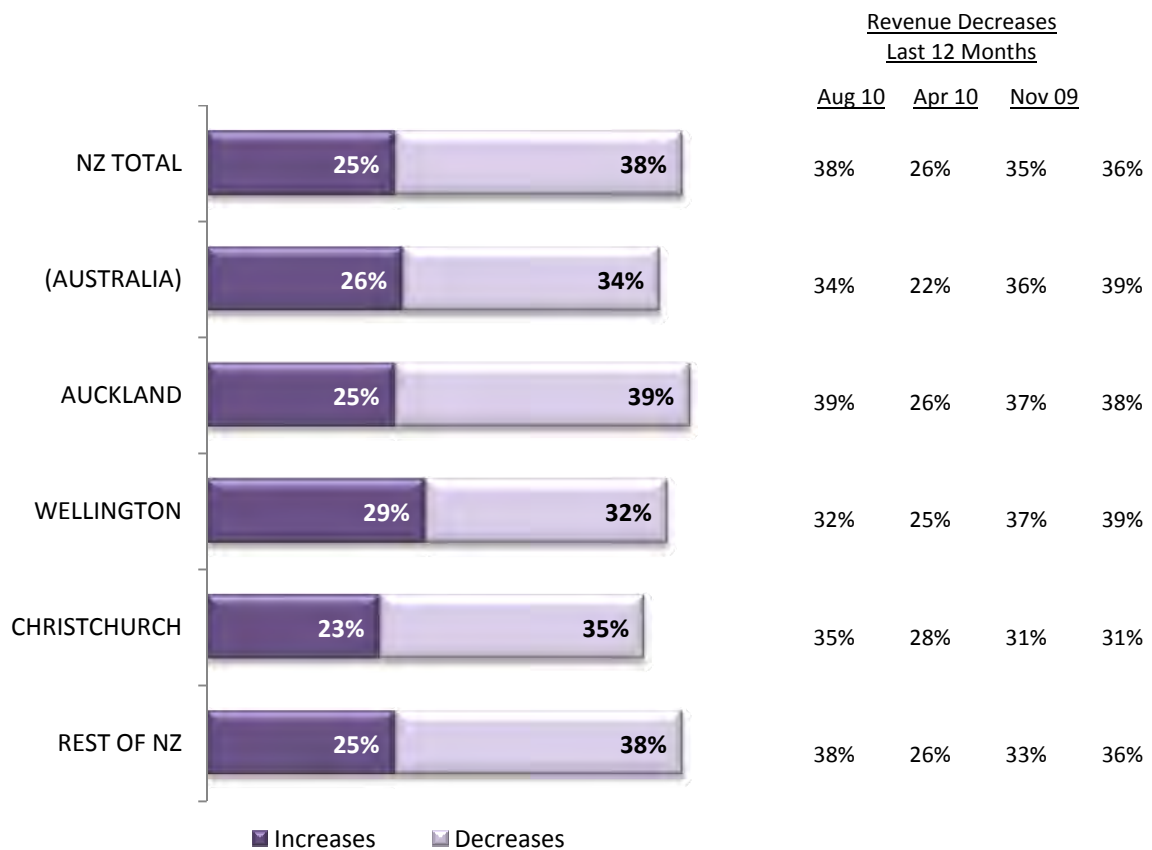
Just over two fifths (43%) of business owners whose annual business revenue is \$1-5m report their revenue is up when compared with a year ago, whereas just over one fifth (22%) of business owners report revenue is down when compared with a year ago. And more owners of businesses with an annual revenue of \$5m+ have good news than have bad news, with 39% reporting revenue increases and 29% reporting revenue decreases in the last 12 months ago. While 41% of business owners with low annual turnover of \$40-75K report decreased comparative revenue, and 23% report increased comparative revenue.

Figure 2.3 Revenue increases and decreases: by Number of Employees (% of n=1,007)



Reports of business revenue comparative decreases fairly similar by locations across New Zealand
 Slightly more (39%) business owners in Auckland report business revenue decreases, when compared with business owners in Wellington (32%), Christchurch (35%) and the Rest of New Zealand (38%). (See Figure 2.4)

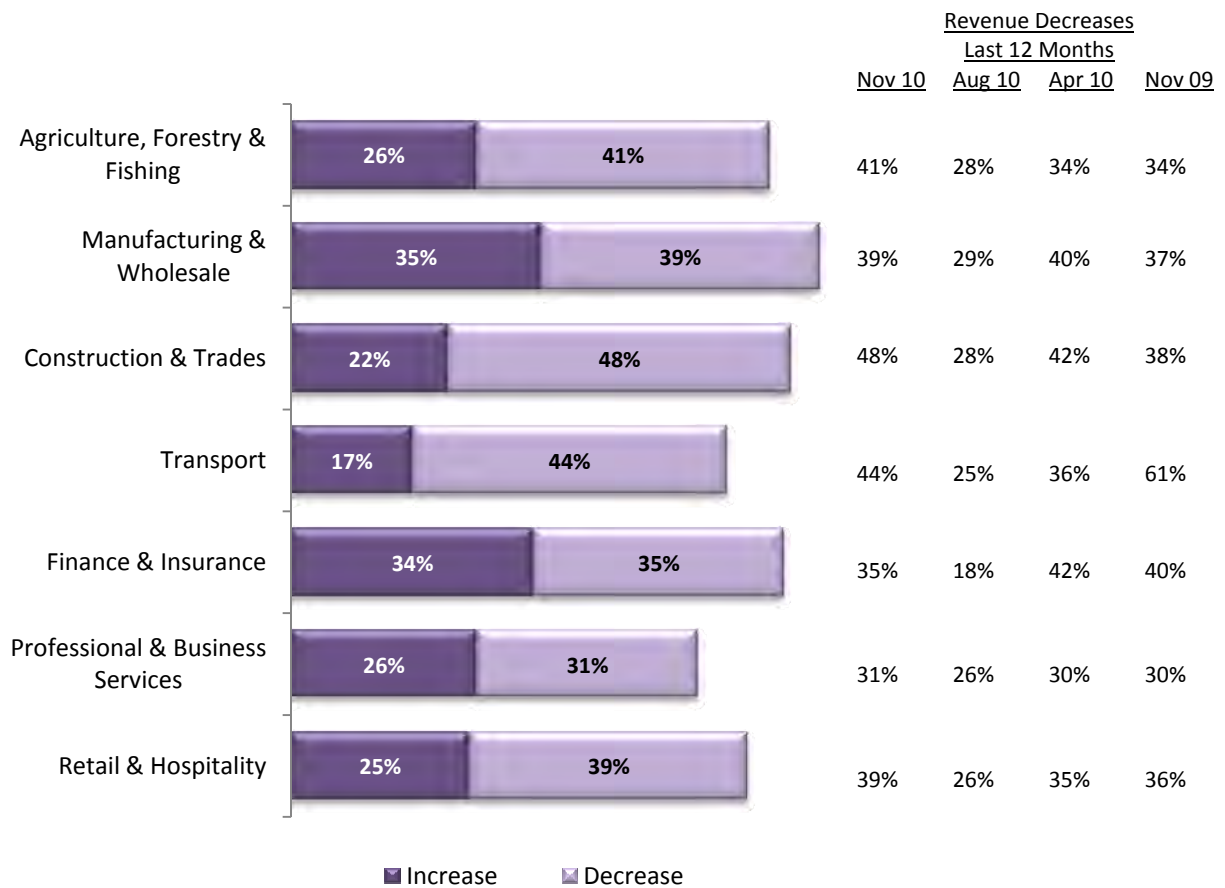
Figure 2.4 Revenue increase and decrease percentages reported over last 12 months: by Location (% of n = 1,007)



Construction and Trades and Transport business owners far more likely to report revenue declines

Nearly half (48%) of business owners in Construction and Trades report their revenue is down when compared with a year ago, and only 22% report revenue is up on a year ago. Business owners in the Transport sector have a similar story, with 44% reporting decreased comparative revenue and only 17% reporting increased revenue compared with a year ago, as do business owners in the Agriculture, Forestry and Fishing sector, where 41% report decreased revenue and 26% reported increased revenue compared with 12 months ago. (See Figure 2.5)

Figure 2.5 Revenue **increase** and **decrease** percentages reported over last 12 months: by Industry (% of n = 1,007)



Work or sales in the pipeline for next three months

Less work in the pipeline than usual

Base: Business owners and directors (n = 1,007)

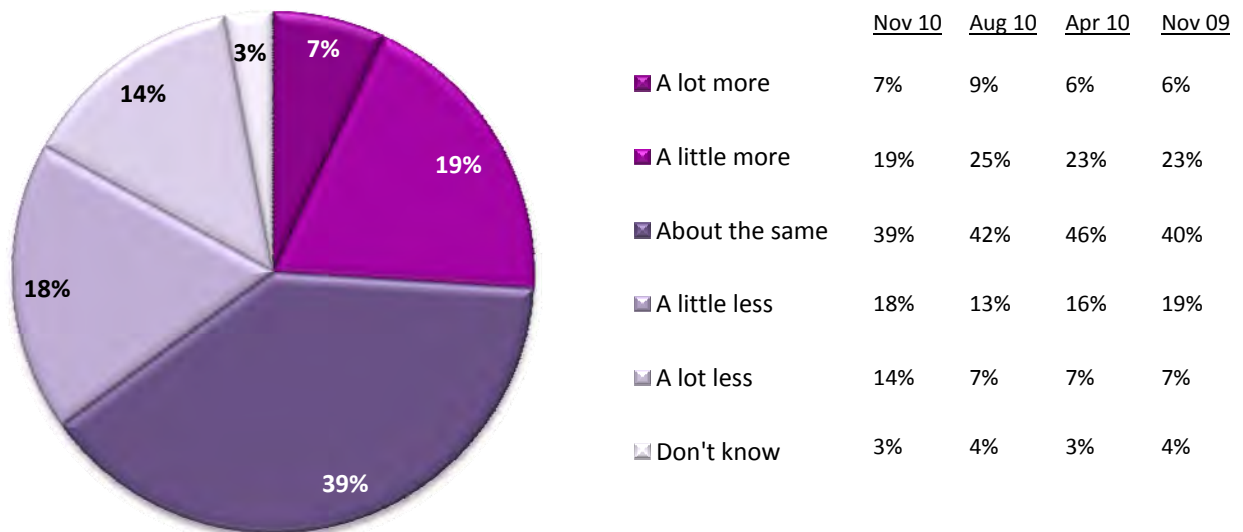
Q. Please indicate how much work you have got on in the next 3 months, compared to what you would usually expect or normally have.

One quarter business owners report more sales, work than usual in pipeline, one third report less

One quarter (26%) of business owners surveyed report more than normal sales or work in the pipeline for the next 3 months, while more (32%) business owners report that they have less sales/work in the pipeline than usual. This is similar to the 'pipeline' results in Australia, which shows that while 28% of business owners in Australia report more sales or work than usual in the pipeline, 26% report less.

(See Figure 3 and Figure 3.1)

Figure 3: Work or sales in pipeline compared with usual: by Total Sample (% of n = 1,007)



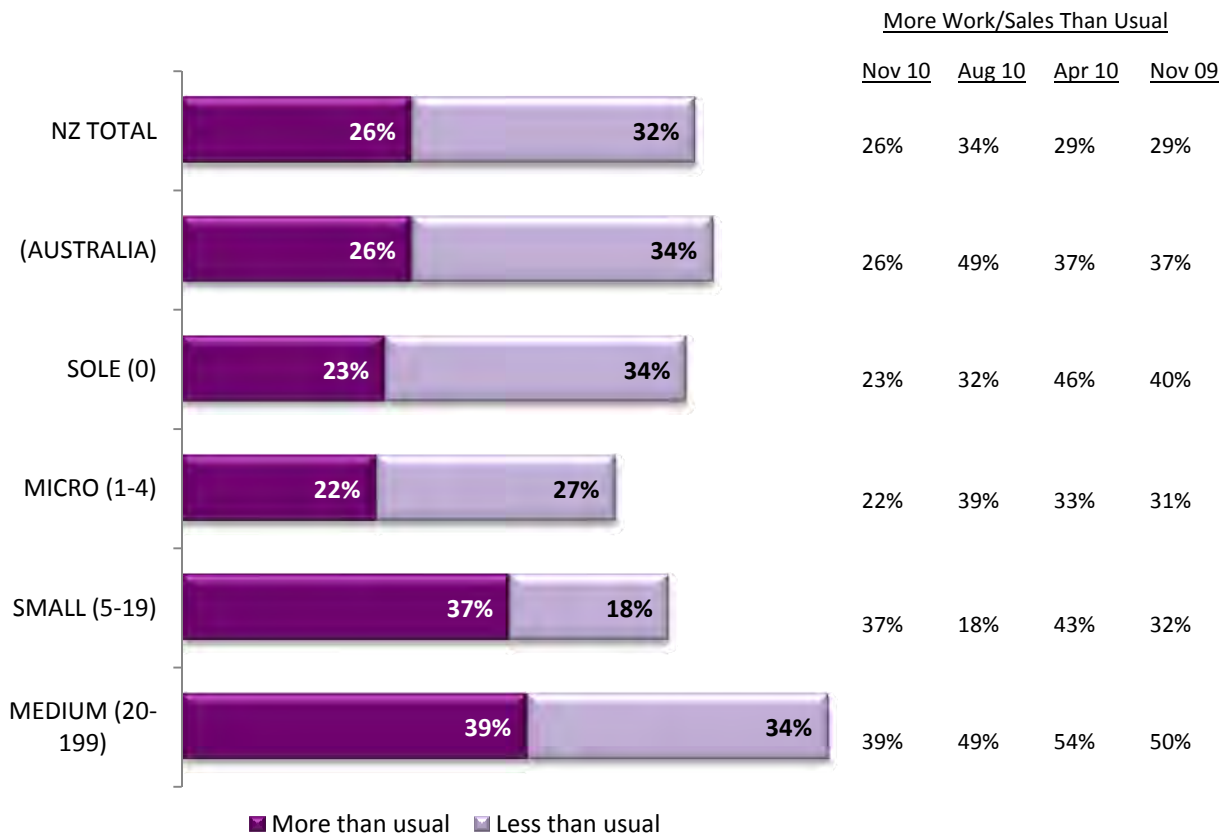
Medium and small business owners seeing more work or sales in the pipeline than others

Two fifths (39%) of medium sized business owners, and 37% of small business owners report that they have more than usual work or sales in the pipeline, which contrasts with just over one fifth (23%) of sole traders who report the same. (See Figure 3.1)

Owners of larger revenue businesses have a better pipeline

Half (49%) of the business owners with an annual revenue of \$5m+ are reporting more than usual pipeline sales or work, compared with only 19% reporting less than usual pipeline sales or work. Owners of businesses with annual revenue of \$1-5m have a similar story – 41% report more than usual and only 16% report less than usual work or sales in the pipeline.

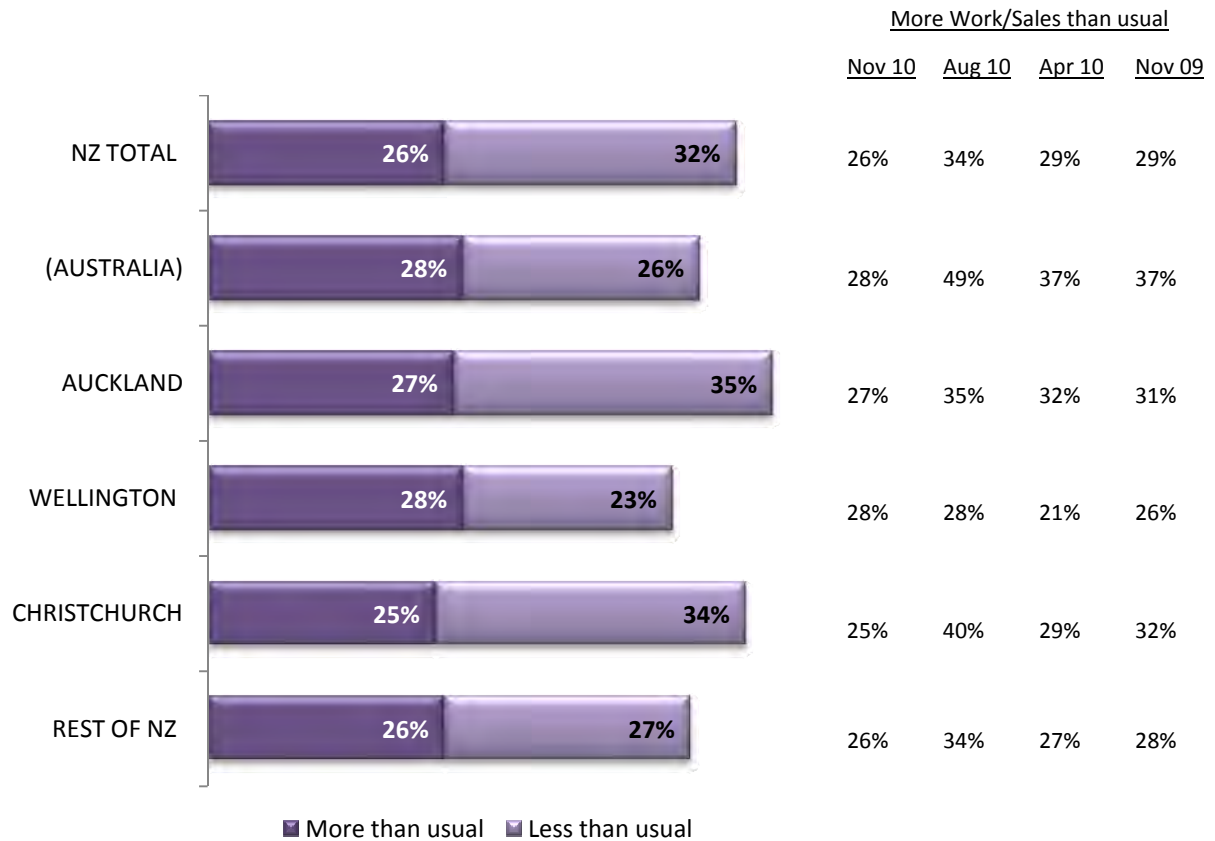
Figure 3.1: Work or sales in pipeline compared with usual: by Number of Employees (% of n = 1,007)



Only Wellington business owners more likely to report pipeline increases rather than decreases

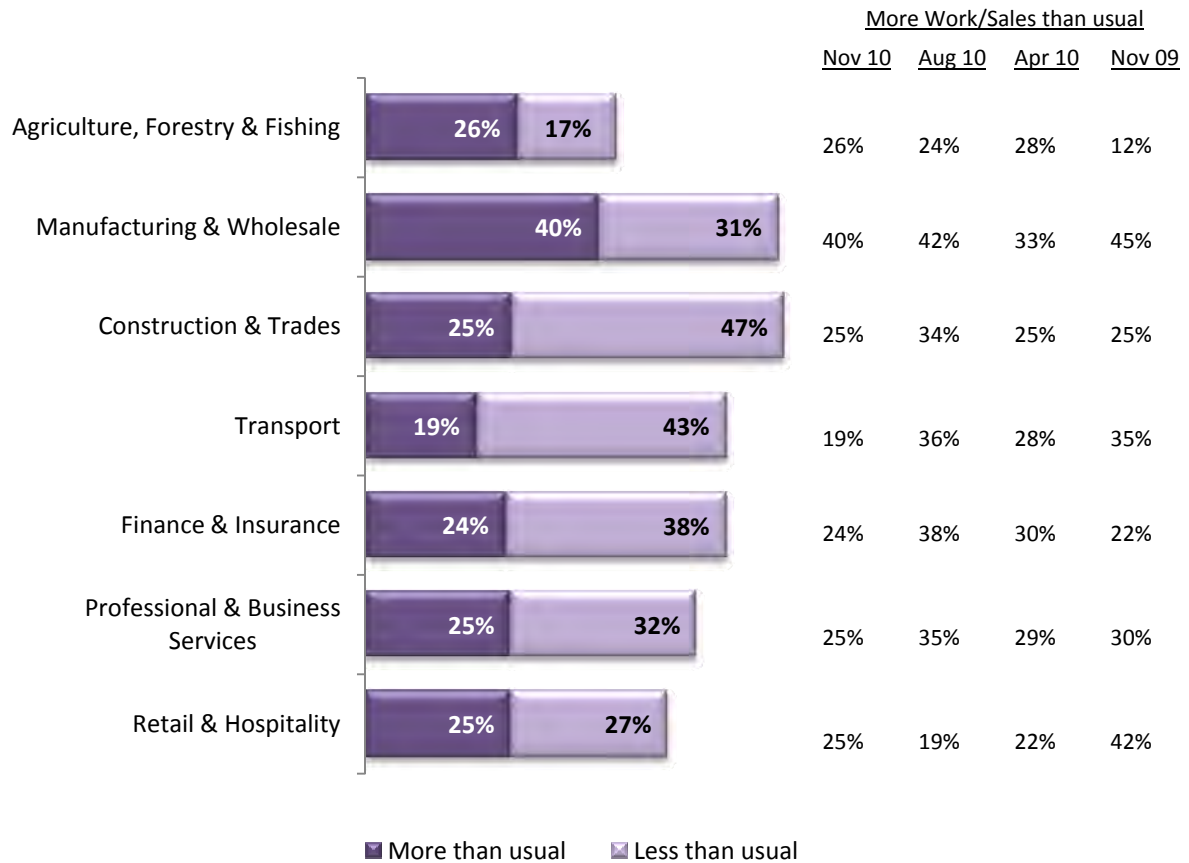
Close to a third (28%) of business owners in Wellington report more pipeline sales or work than usual, compared with just over two fifths (23%) who report less in the pipeline than normal. (See Figure 3.2)

Figure 3.2: Work or sales in pipeline compared with usual: by Location (% of n = 1,007)



Business owners in Manufacturing & Wholesale, Finance & Insurance report more work in pipeline
 Pipeline work has fallen back in the Construction and Trades sector (47% report less, 25% report more) and the Transport sector (43% report less, 19% report more). The most positive reports are from business owners in Manufacturing and Wholesale (40% report more, 31% report less) and Agriculture, Forestry and Fishing (26% report more, 17% report less). (See Figure 3.3)

Figure 3.3 Work or sales in pipeline compared with usual: by Industry (% of n = 1,007)



Expectations of business revenue in 12 months' time

Future business revenue optimism contrary to recent experience of revenue decreases

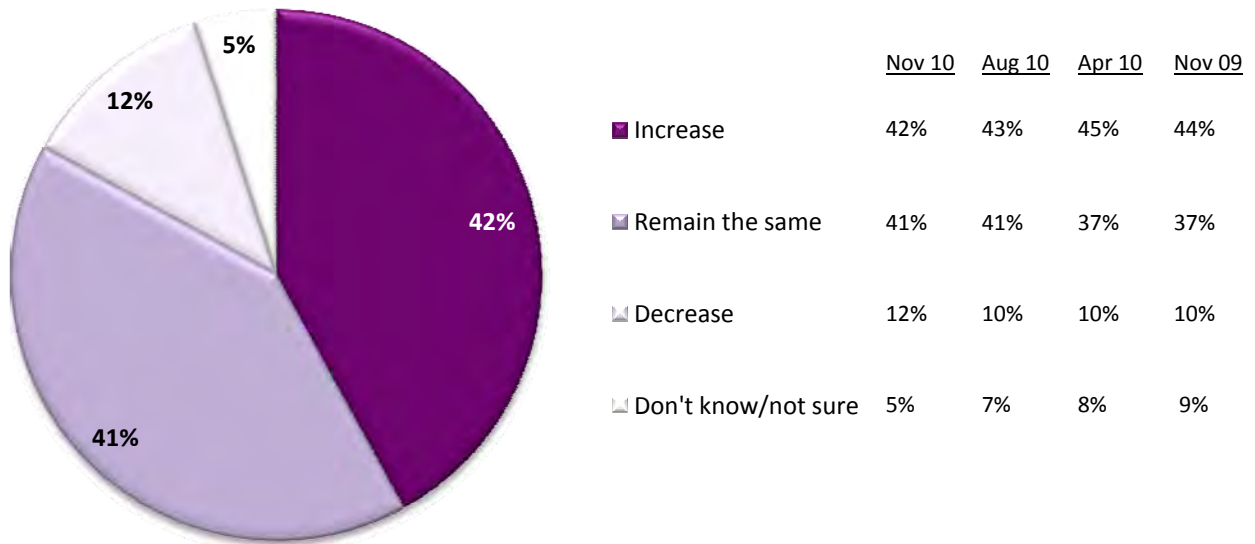
Base: Business owners and directors (n = 1,007)

Q. And how do you expect your business revenue (your gross turnover or sales) in 12 months' time to compare with your business revenue at the present time?

Business owners are optimistic about future revenue

Over two fifths (42%) of the business owners surveyed expect their business revenue to have increased in a year's time, while only 12% expect their revenue to have decreased in 12 months' time. This finding is almost identical to the results from August 2010, and also the current results from Australia, where 43% of business owners expect business revenue to be up in a year's time, and only 14% expect it to be down. (See Figure 4 and Figure 4.2)

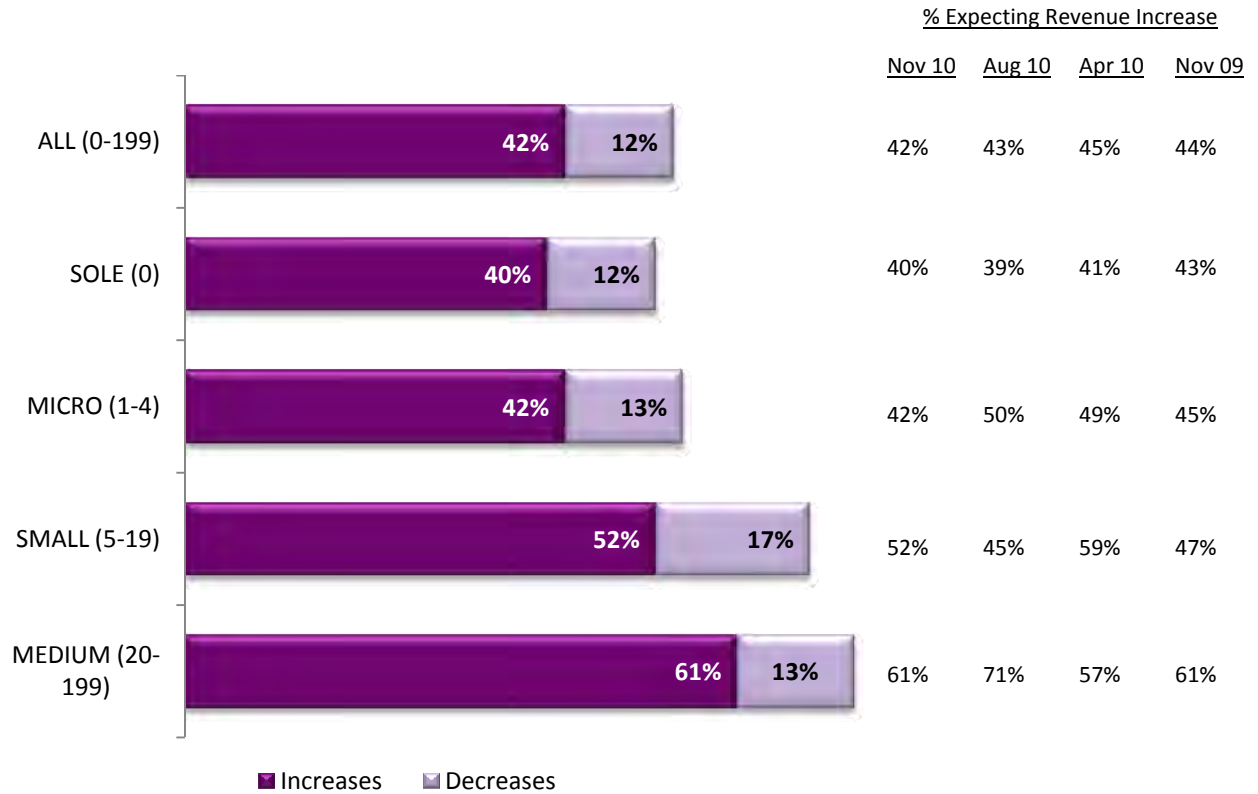
Figure 4: Expectations of business revenue increases and decreases in 12 months' time (% of n = 1,007)



Medium business owners remain the most optimistic about thier future revenue

Three fifths (61%) of medium sized business owners expect business revenue to increas in the next 12 months, while only 13% of them anticipate a business revenue decline. Next most positive are small business owners, half (52%) of whom expect their revenue in a year’s time to be (even) better than it is now. (See Figure 4.1)

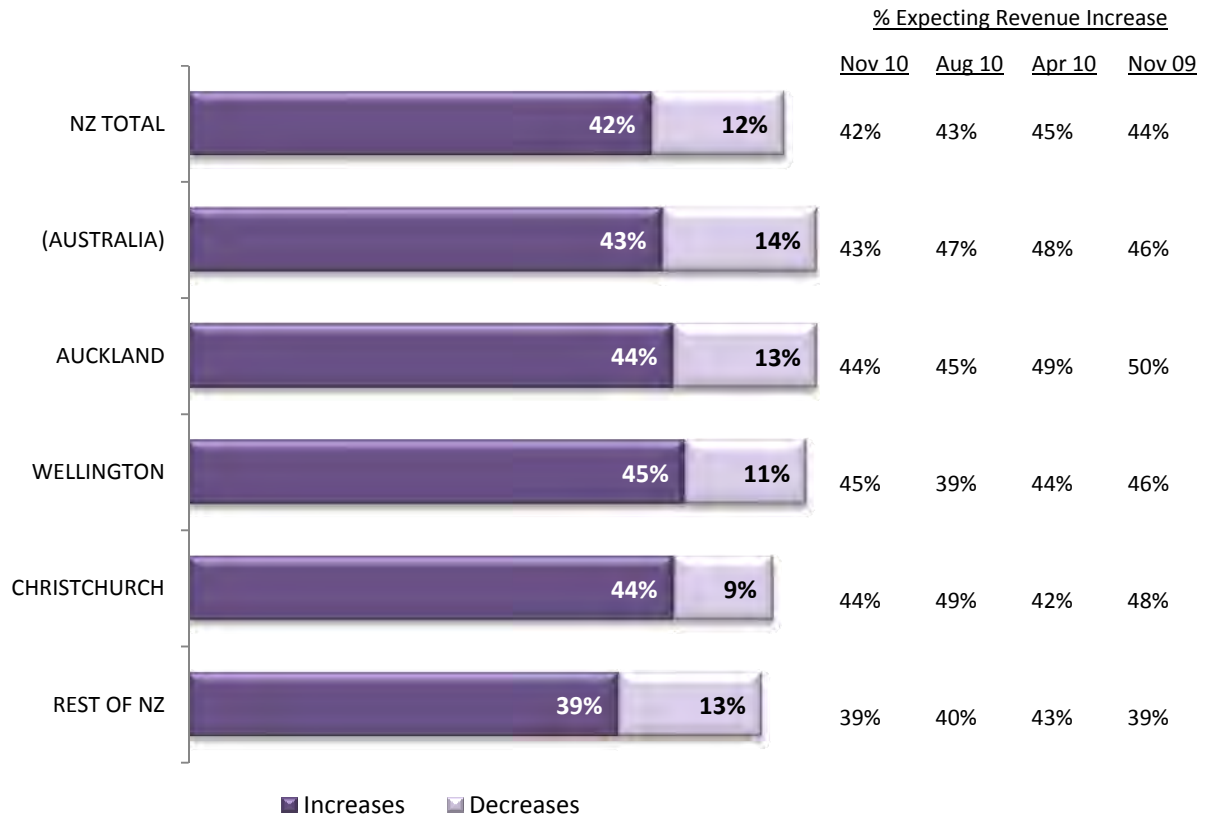
Figure 4.1: Expectations of revenue increases and decreases in 12 months’ time: by Number of Employees (% of n = 1,007)



Business owners equally optimistic in Main Cities, slightly less so in Rest of New Zealand

Future revenue expectations in Auckland, Wellington and Christchurch are close to the New Zealand average (42%), and business owners in the Rest of New Zealand (39%) are not far behind the optimism of business owners in the three Main Cities. (See Figure 4.2)

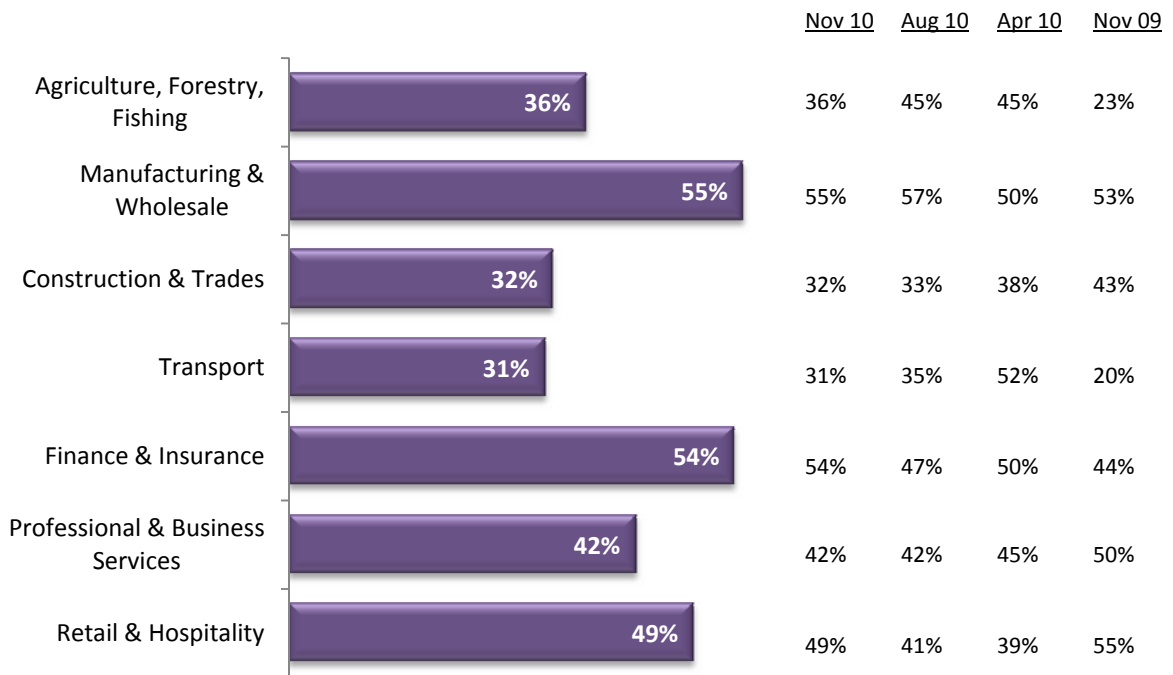
Figure 4.2 Expectations of business revenue increases and decreases in 12 months' time: by Location (% of n = 1,007)



Business owners in Manufacturing & Wholesale industries remain most confident

Over half (55%) of the business owners in the Manufacturing & Wholesale sector expect their revenue to be greater in a year's time than it is now. Their level of confidence is shared by business owners in the Finance and Insurance sector (52%), and, to a slightly lesser degree, by business owners in the Retail and Hospitality sector (49%). As in August 2010, the least optimistic of business revenue increases in 12 months' time remain business owners in Construction & Trades (32%) and business owners in Transport (31%). (See Figure 4.3)

Figure 4.3 Expectations of business revenue **increases** in 12 months time: by Industry (% of n = 1,007)



The main objectives for their business over the next 12 months

Optimistic about future revenue, majority of New Zealand business owners adopt growth strategy

Base: Business owners and directors (n = 1,007)

Q. In relation to the next 12 months, which of the following most closely reflects your main objectives for the business?

Just over half (53%) of the business owners surveyed agree that their main objective for their business in the next year is : (See Figure 5)

- **To increase or grow the current levels of clients/customers and revenue in the business**

Less than one third (28%) of the business owners surveyed have a maintenance strategy in the year ahead and agree that the main objective for their business in the next year is: (See Figure 5)

- **To maintain the current levels of clients/customers and revenue in the business**

Only one tenth (9%) of business owners claim to be on a protective or loss-minimisation strategy for the business over the next 12 months, with their main objective being: (See Figure 5)

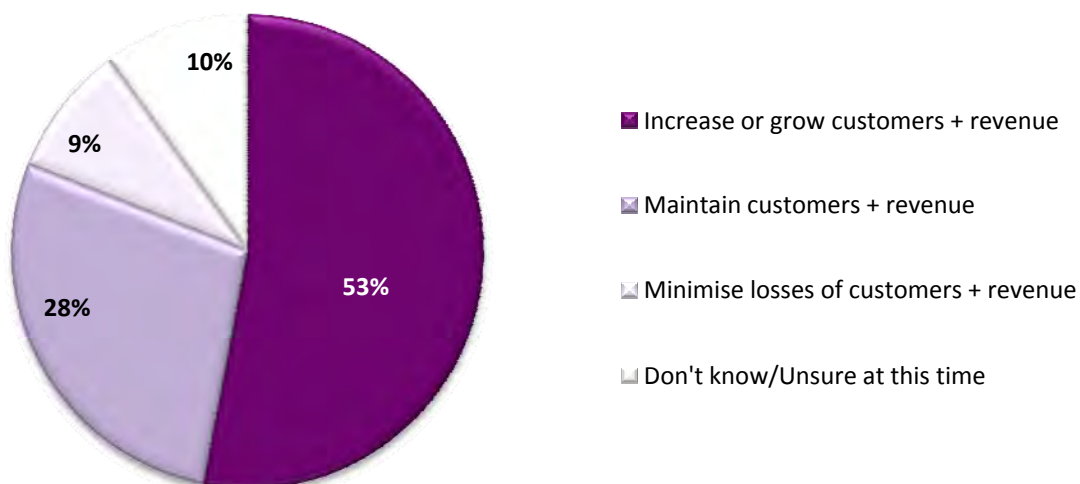
- **To minimise any losses of clients/customers and revenue in the business**

And another tenth (10%) of the business owners surveyed in relation to their main business objective for the next 12 months said that they: (See Figure 5)

- **Don't know/Are unsure at this time**

Australian business owners appear less ambitious than New Zealand business owners for 2011, with under half (46%) pursuing a growth strategy and more than a third (34%) looking to maintain current levels of activity. More Australian business owners (14%) expect to be operating under a loss minimisation strategy.

Figure 5: Main objective for their business over next 12 months: by Total Sample (% of n = 1,007)



The business owners who are more likely to have a *growth strategy* (53% of total), in order of likelihood:

- Have a business website (72%)
- Have annual business revenue of \$5m+ (72%)
- Own a small business (69%)
- Own a Manufacturing or Wholesale business (68%)
- Have annual business revenue of \$1-5m (67%)
- Have increased business revenue vs. a year ago (65%)
- Book travel online (62%)
- Own a medium (20-199 employees) business (58%)

The business owners who are more likely to have a *maintenance strategy* (28% of total), in order of likelihood:

- Own a maturing (5-10 years old) business (38%)
- Own a Construction or Trades business (34%)
- Are female (32%)
- Don't have a business website (32%)
- And are *least likely* to own a Retail or Hospitality business (15%)

The business owners who are more likely to have a *loss minimisation strategy* (9% of total), in order of likelihood:

- Own a business in the Transport sector (28%)
- Are younger (18-39 years old) business owners (16%)
- Own a maturing (5-10 year old) business (14%)
- Own a business with lower annual revenue of \$40-75K (13%)
- Own a Retail or Hospitality business (12%)

The main pressures on doing business in New Zealand in next 12 months

Cash flow, fuel prices, interest rates, price margins and profitability now expected to put significant pressure on business in coming year

Base: Business owners and directors (n = 1,007)

Q. Please rate each of the following on how much pressure they will put on your business in the next 12 months?

Cash Flow remains strongest pressure on business in the 12 months, just ahead of Fuel Prices, Price Margins/Profitability, Competitive Activity and Business Finance/Funding/Overdraft : (See Figure 6 and Table Below)

<u>Rank Nov 10</u>	<u>Rank Aug 10</u>	<u>Rank Apr 10</u>
1. Cash Flow: 29% will feel significant pressure	1	2
2. Fuel Prices: 27% will feel significant pressure	3	1
3. Interest Rates: 26% will feel significant pressure	7	2
4. Price Margins/Profitability: 26% will feel significant pressure	2	6
5. Competitive Activity: 23% will feel significant pressure	5	7
6. Business Finance, Funding, Overdraft: 23% will feel pressure	7	5

Cash Flow still expected to put most pressure on business

Just under one third (29%) of the business owners surveyed confirm once again that cash flow will put quite a lot of pressure (21%) or extreme pressure (8%) on their business in the next 12 months. By contrast, in April 2010, fuel prices (34%) were expected to put pressure on more businesses than any other factors were; and in November 2009, price margins and profitability (28%) were expected to have the most pressure on businesses. (See Figure 6) The business owners who expect to feel the most pressure on their business from cash flow are those in medium businesses (45%), have seen a decrease in their business revenue compared with a year ago (42%), have an annual business revenue of \$200-999K (38%), and own a business in the Construction and Trades sector (36%).

Pressure of interest rates on business once again major concern, especially in Agriculture, Forestry and Fishing sector

While 26% of all business owners surveyed expect interest rates to put quite a lot or extreme pressure on their business in the year ahead (See Figure 6), half (50%) of the business owners in Agriculture, Forestry and Fishing expect this, while more than half (58%) of the business owners in that same sector expect exchange rates to put quite a lot (30%) or extreme (28%) pressure on their business in that time. The other business owners who most expect interest rates to put pressure on their business own a medium business (39%), report that their revenue has decreased compared with a year ago (38%) and are located in Rural New Zealand (38%).

Price margins, profitability still expected to exert a good deal of pressure on business

A quarter (26%) of business owners surveyed expect price margins and profitability to put significant pressure on their business in the coming year (just as 29% of business owners did in August 2010). (See Figure 6) Those expecting this factor to place more pressure on their business than others do are most likely to own a medium business (52%), a business in the Agriculture, Forestry and Fishing sector (42%) and a business with annual revenue of \$5m+ (40%).

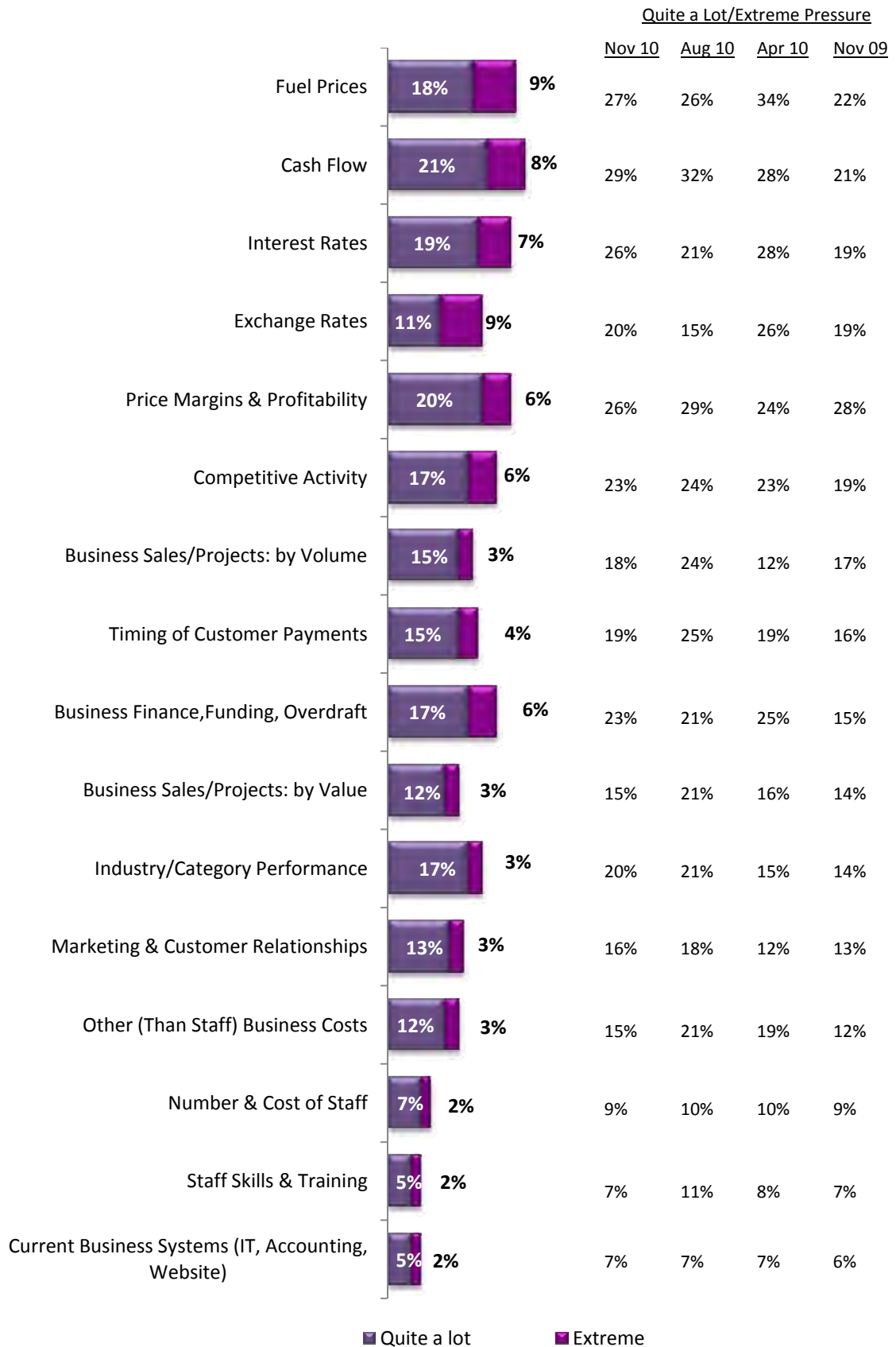
Competitive activity remains major anticipated pressure

Almost one quarter (23%) of the business owners surveyed expect that competitive activity will place quite a lot of pressure (17%) or extreme pressure (6%) on their business in the next 12 months, just as the same percentage expected in August 2010. (See Figure 6) Those who expect to feel this pressure the most own a medium business (48%), and a business with an annual revenue of \$5m+ (42%).

Business finance/funding/overdraft remains one of top six expected business pressure points

Concern about the pressure of funding or financing their business in the year ahead remains one of the major expected pressures on their business for 23% of business owners surveyed . (See Figure 6) Most concerned about this potential pressure on their business are owners of medium businesses (41%), owners of a business in the Agriculture, Forestry and Fishing sector (39%), and business owners located in Rural New Zealand.

Figure 6: The specific pressures on business in the next 12 months: By total sample (% of n=1,007)



Factors that make it easier to run business more effectively

Loyal customers, better customer relationships help businesses run better

Base: Business owners and directors (n = 1,007)

Q. Based on the way you do business today, which of the following would make it easier for you to run your business more effectively over the next 12 months?

Loyal customers with whom they relate well identified as a key to running business more effectively

Almost two fifths (38%) of business owners surveyed say that being in a good relationship with loyal customers enables them to run their businesses more effectively. (See Figure 7) The most likely business owners to feel this way have an annual business revenue of \$5m+ (55%), are in the Manufacturing and Wholesale sector (50%), have a decreased revenue compared with a year ago (49%), own a small business (48%), have a website (47%), and are 18-39 years old (45%).

Better marketing and advertising is acknowledged as the next most helpful aid to business success

One quarter (25%) business owners nominate better advertising and marketing as key factors in the effective running of their business. (See Figure 7) The business owners who nominate this factor are more likely to own a business in the Manufacturing and Wholesale sector (55%), have a website (45%), own a small business (34%), or own a business in the Retail and Hospitality sector (31%).

Easier website, online marketing systems help bigger businesses run better

Just under a fifth (18%) of business owners surveyed nominate easier website and online marketing systems, like ecommerce, as a factor to help them run their business more effectively. (See Figure 7) This is more likely to be selected by business owners with an annual business revenue of \$5m+ (29%), owners of start-up businesses (27%), business owners who have a website (27%), and business owners who buy business goods and services online (27%).

The bigger the business, the more likely that higher quality staff are needed to help it run better

One sixth (16%) of business owners say that they need higher quality staff, in terms of skills and performance, to help them run their businesses more effectively. (See Figure 7) Those most in need of higher quality staff (45%) own a larger business with an annual revenue of \$5m+. And the more employees there are in the business, the more they need higher quality staff, with 37% of medium business owners and 38% of small business owners confirming this.

Better suppliers or supplier relationships acknowledged by many as important

15% of business owners surveyed report that a factor that helps them run their business more effectively is having better suppliers and/or supplier relationships. (See Figure 7) This is relatively more important to business owners with higher annual business revenue (36% of those with an annual revenue of \$5m+), and who own a business in the Manufacturing and Wholesale sector (34%).

Simpler banking, business finance facilities equally important to 15% of business owners

15% of the business owners surveyed nominate simpler banking and business finance facilities as helpful in running their business more effectively. (See Figure 7) The only business owners who are slightly more likely to choose this factor have annual business revenue of \$200-999K (20%), or are in the Professional and Business Services sector (18%).

Bigger marketing and promotional budgets help many run a better business

15% of business owners nominate bigger marketing and promotional budgets as helpful to running their business more effectively. (See Figure 7) Most likely selectors to identify this are owners of businesses with a website (30%), those with an annual revenue of \$5m+ (29%), and owners of a business in the Manufacturing and Wholesale sector (26%). The business owners who *least* want a bigger marketing or promotional budget to help them run their business more effectively are in the Finance and Insurance sector (7%) and in the Agriculture, Forestry and Fishing sector (7%).

Younger business owners most want better bookkeeping and accounting systems to help them run their business more effectively

13% of business owners surveyed nominate their bookkeeping and accounting system as important to the effective running of their business. (See Figure 7) While these systems are appreciated somewhat evenly across the different business segments, they are much more likely to help younger (18-39 years old) business owners (20%).

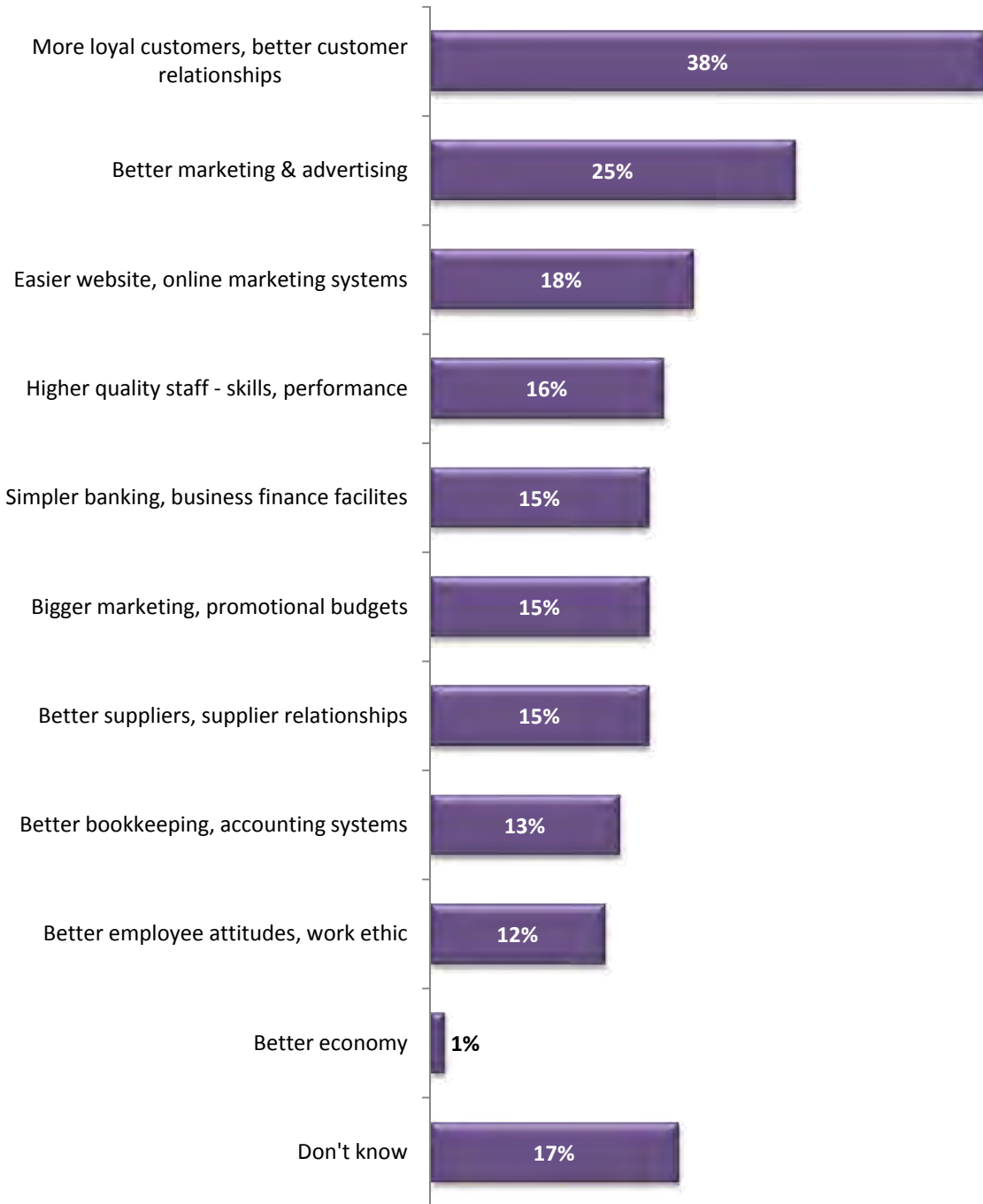
Better employee attitudes and work ethic helps business run better

12% of business owners surveyed nominate better employee attitudes and work ethic as important to the effective running of their business. (See Figure 7) This is much more important to owners of businesses with more staff (32% of small business owners and 27% of medium business owners).

Business owners in Agriculture, Forestry and Fishing, and those without a website least likely to know what could help them run their business more effectively

Nearly one third (27%) of business owners in the Agriculture, Forestry and Fishing sector were unable to select any of these factors for their ability to help them run their business more effectively. And one fifth (21%) of business owners who don't have a website were unable to select any of these factors as helpful to the more effective running of their business (compared with only 6% of those who have a business website answering 'don't know' to the question).

Figure 7: Factors that make it easier for them to run their business over the next 12 months: by Total Sample (% of n = 1,007).



Time it is taking to get paid by customers or clients

Most business owners still being paid in the same time, but one third waiting longer

Base: Business owners and directors (n = 1,007)

Q. Compared with 6 months ago is it taking more time to get paid by your customers or clients, less time to get paid, or is it taking about the same amount of time?

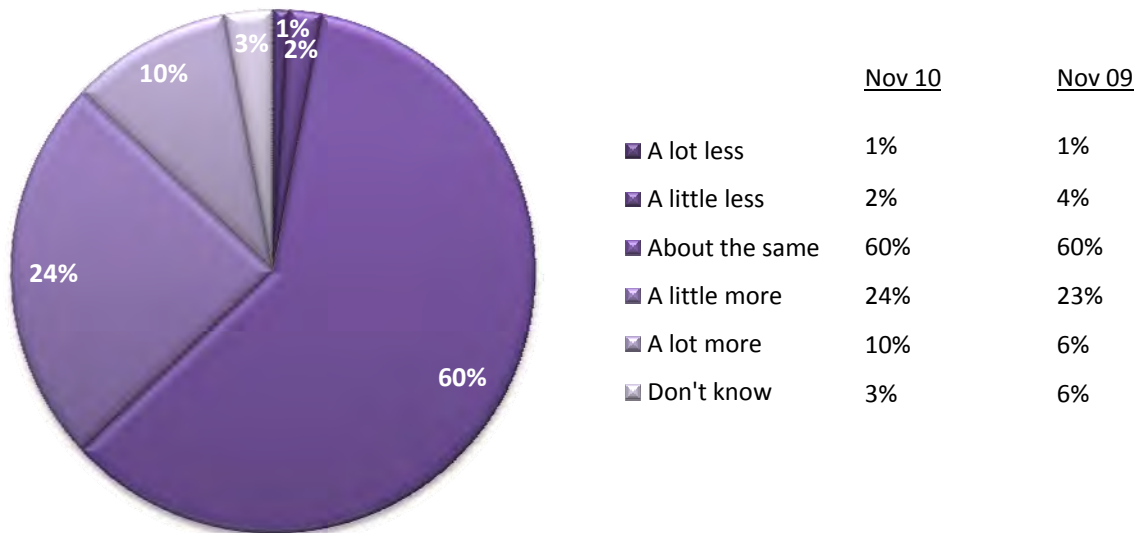
One third of business owners are waiting longer to get paid than they were six months ago

While 60% of business owners report that they are getting paid in about the same time as they were paid six months ago, one third (34%) of business owners now say that it's taking a little or a lot more time to get paid. Only 3% now say that they are getting paid a little or a lot faster than they were being paid six months ago.

Owners of medium sized businesses, or with decreased revenue, or in Manufacturing & Wholesale or Construction or Trades sectors waiting longer to get paid

The business owners waiting longer to get paid are more likely to own a business with decreased revenue compared with a year ago (50%), own a business in the Manufacturing or Wholesale sector (50%) or the Construction or Trades sector (43%), or own a medium sized businesses (45%).

Figure 10: Time taken to get paid compared with 6 months ago: Total Sample (% of n= 1,007)



Business development activity changes in past 6 months

Many businesses diversifying with increased activity in new markets, plus greater variety of products and services

Base business owners & directors (n=1007)

Question: With regards to your company business, how would you say that each of the following has changed in the last 6 months?

More than twice as many report increased activity in new markets as report the opposite

Just over a quarter (26%) of business owners report increased activity in new markets in the past 6 months, compared with 12% who report a decrease in this particular activity. This is a slight increase on April 2010 levels. (See Figure 11) Owners of businesses in the Manufacturing and Wholesale sector (44%) are most likely to report an increase in this activity, followed by owners of medium sized businesses (41%), businesses that have a website (42%) and business owners who have enjoyed increased revenue compared with a year ago (39%).

Manufacturers, Wholesalers, owners of bigger business show most increase in variety of products and services offered

While 23% of all business owners surveyed report that they are offering a wider variety of products and services in the last six months, only 7% report offering a narrower variety or fewer products and services in that time. (See Figure 11) Business owners with an annual business revenue of \$5m+ (50%) and owners of a business in the Manufacturing and Wholesale sector (49%) are the most likely to report increasing the variety of their products and services in the past 6 months. Business owners who have a business website (37%) are much more likely to be offering more variety than are business owners who don't have a business website (17%).

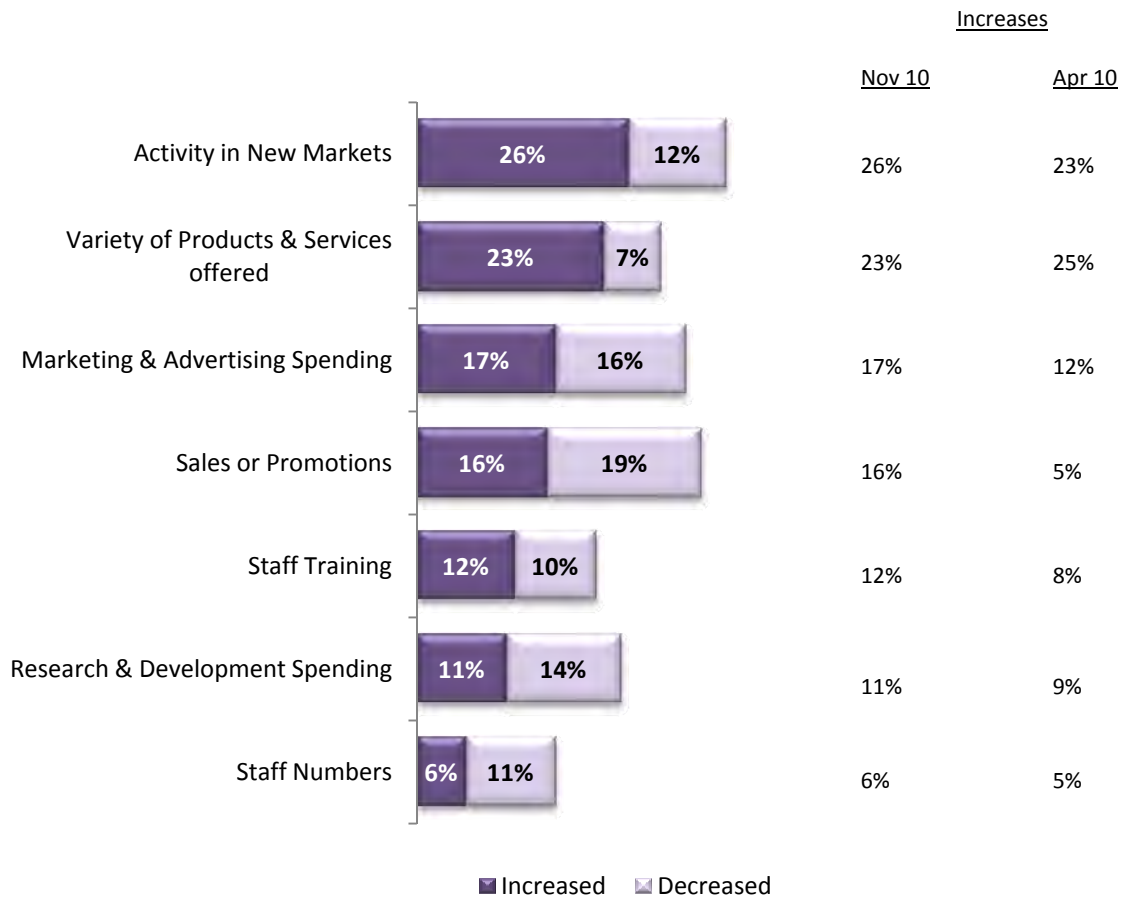
Most significant decreases in business development activity in sales and promotions, marketing and advertising spending

Owners of very small businesses have not sustained sales and promotions and marketing and advertising spending, unlike owners of larger businesses. Business owners with increased business revenue vs. a year ago (30%) and small business (30%) and medium business (24%) owners are more likely to report increases rather than decreases in their sales and promotions activity. And those business owners with a business website (34%) are twice as likely as the national average to have increased their marketing and advertising spending in the last 6 months.

Owners of businesses with a larger revenue more likely to be increasing staff training, staff numbers

Two fifths (40%) of owners of businesses with an annual revenue of \$5m+ have increased staff training in the last 6 months, compared with only 22% of small business owners who have. Finance and Insurance is the industry sector where business owners are most likely (27%) to have increased staff training in the last six months. And the business owners most likely (30%) to have increased staff numbers in the last six months (compared with the total of only 6% who have done so) also have an annual business revenue of \$5m+.

Figure 11: Business development activity changes in past 6 months by type of business activity (% of n=1,007)



How business owners track cash flow in their business

Many business owners still missing opportunity to systematically track business cash flow

Base: Business owners & directors (n = 1,007)

Q. How do you track cash flow in your business? (Please select your MAIN METHOD from the list below)

Many business owners still relying on bank statements, not computerised accounting systems, to measure cash flow

Although one quarter (25%) of all business owners surveyed use computerised accounting systems to measure and predict their cash flow, two fifths (41%) of business owners are still relying on their bank statements to indicate the status of their cash flow. (See Figure 12)

Finance and Insurance business owners most likely to rely on bank statements

More than half (56%) of the business owners in the Finance and Insurance industry rely on their bank statements to track their cash flow. Owners of establishing (2-5 year old) businesses (49%) are the next most likely to do so, followed by business owners located in Regional New Zealand (47%), business owners who don't have a business website (47%) and business owners with low annual business revenue of \$40-75K (47%).

Computerised accounting systems used by those with more money to count

Most likely (48%) to use a computerised accounting system to track their business cash flow are business owners with an annual business revenue of \$5m+ (the highest revenue category or band measured in this survey). Two fifths (43%) of both medium and small business owners also use a computerised accounting system to track cash flow.

Business owners with higher turnover most likely to use Accountant to track cash flow

Close to one third (30%) of business owners with an annual business revenue of \$5m+ engage their Accountant to monitor their business cash flow, compared with two fifths (41%) of business owners surveyed in April 2010 who reported the same.

Very few business owners admit to poor or no cash flow management

Only 8% of business owners surveyed admit that *"I don't track cash flow as well as I should"*, compared with 12% in April 2010 who admitted this. The business owners who own up to this lack of cash flow tracking are more likely to be 18-39 years of age (15%), owners of start-up (<2 years old) businesses (13%), and owners of a business in the Transport sector (15%) or a business in the Finance and Insurance sector (15%).

Figure 12: Business owners' main method of tracking their cash flow. By Total Sample (% of n = 1,007)

