

Gathering of clouds



Worrying economic patterns: Small business confidence has slumped resulting in the shedding of staff

AUSTRALIAN businesses are bracing themselves for tough times ahead with demand for goods and services at its lowest level since 2001.

According to the August Sensis Business Index, released on Thursday, businesses are responding to weak consumer demand by shedding staff and slashing costs.

The survey, which provides the latest snapshot of small to medium businesses (those employing less than 200 people) is based on interviews with 1800 businesses nationwide from July 31 to August 22, 2008.

Report author Christena Singh says weak demand is having a significant impact on business confidence, profitability and the willingness to invest in capital and staff.

According to the report, demand for goods and services has weakened further since June, and small businesses are expecting a further decline in demand in the short and medium terms.

"In fact, these are the weakest expectations for the year ahead we have seen in the 15 years we have been producing the report," Singh says.

Most small businesses are making changes in response to these slowing economic conditions. More than one in five have responded by reducing business costs and just over 10 per cent have responded by decreasing employment.

"Many businesses are taking a more aggressive stance, including advertising more, diversifying the business, seeking new business opportunities and developing new products in an attempt to attract customers," Singh says.

Overall, 11 per cent of small businesses are advertising more, eight per cent are diversifying business, seven per cent are looking for new business and customers, and six per cent are adding new products or services. Twelve per cent are taking no action in response to the economic climate.

The report also shows 14 per cent of small businesses overall have reduced their workforce since May.

"Our workforce data further highlights the impact the current economic environment is having on employment decisions of small businesses," Singh says.

Overall, about four in 10 businesses said they reduced full-

time employment because of economic conditions, while nearly three in 10 said it was because of a downturn in business or they were shutting down part of the business. About 23 per cent said the employment reduction was because of resourcing issues, including staff resignations and long-term leave, including maternity leave.

According to Singh, lack of work or money was the main impediment to taking on new employees in the future among many small businesses.

"The cost of hiring staff, the

current economic environment and finding suitable staff are other key barriers to employment by small businesses".

Lack of work is the most pressing concern for one in five small businesses.

"We have not seen this level of concern since November 2001," Singh says. "By comparison, during late 2004 small businesses registered approximately half the level of concern about lack of work than they are at present."

The finance and insurance sector have been the hardest hit, recording the weakest sales per-

formance in the past quarter, closely followed by the retail trade sector. Concerns about the general economic climate follow lack of work as the second most common concern among the survey respondents.

Finding quality staff, which was the main concern over most of the last two years, now comes in at number four.

The Sensis Business Index shows more than six in 10 small businesses have been impacted by the current economic environment, rising to three in four in NSW, the worst affected state.

Bank on word of mouth, not driving prices south

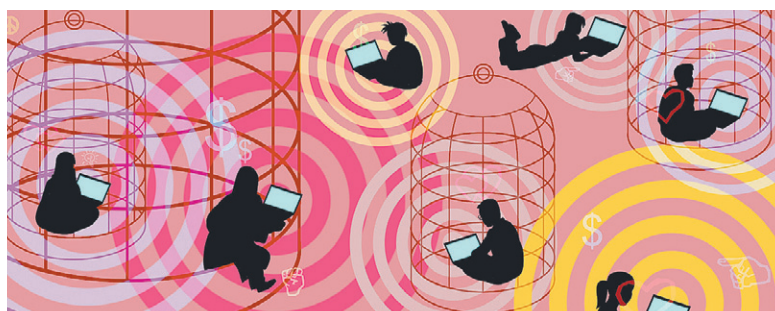
DIFFERENTIATING yourself on price alone is a sure path to ending up out of business, according to small business marketing expert Carolyn Stafford.

To ensure long-term success, it's a smarter proposition to value-add with extra services, rather than cut prices and cut corners.

"Give people a 'wow' experience," Stafford advises.

"It's about having some compelling offerings, something out of the box, so people will talk about you more."

"Marketing is about generating quality leads, but the way you get that and get people talking about you is through building different



things into your offerings so people will want to talk about you."

Winning the patronage of today's mortgage-strapped consumers does require reasonable pricing, but this refers not only to

the dollar sum but also the value a product or service represents.

Rather than taking \$100 off the price, for example, Ms Stafford says it's a better proposition to give customers exceptional value

by providing follow-up service, a money-back guarantee or a special offer.

Providing service that stands out is particularly important in today's market where word of mouth is king.

"In the '60s brands were built on television, if you saw it on TV you had to have it, it was all aspirational," Stafford says.

"Today's consumers are much more savvy. They will ask for recommendations, they will go on the internet and search for it. They're more sceptical of advertising."

Having an online presence is therefore essential for operations of all sizes: "Businesses that are

not abreast of technology and the internet are going to be non-existent," Stafford says.

"If a company doesn't have a website, that's telling me they're not a serious business."

"Yellow Pages has its role, but if I go to the Yellow Pages and find a local plumber and want to go and find out more about what he does, I'm more likely to go to the one that has his own website."

"Forget about your pretty sales brochures, and put all your money into websites — this opens you up globally."

Stafford also advises businesses to investigate free sites such as Facebook and YouTube, and consider ways they can be used for marketing.



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