



Media Release.

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Small Business Optimistic Despite Challenging Economic Outlook

Inaugural Westpac-Melbourne Institute Small Business Index highlights resilience of critical sector of the economy



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- Small business performance holding up as index shows rating of 119.4
- Four out of five small business owners expect sales to increase or at least stay the same while net employment is predicted to increase or remain the same
- Challenges remain with the national economic outlook, tougher competition and over-regulation cited as major hurdles

Australia's small businesses are feeling positive about their current and future performance, with the first *Westpac-Melbourne Institute Small Business Index* sitting at 119.4.

The Index indicates that Australia's small businesses are performing better than they were three months ago (116.7 past performance versus 132.9 current performance). Ratings of above 100 shows businesses are more positive than negative about their outlook for the next three months. Four in five (83%) small businesses expect their activity and sales to either increase or stay the same over the next three months. Only 16% believe their activity and sales will decrease.

"It's encouraging to see positivity amongst small businesses, especially in the context of a challenging economic environment. Small business is the backbone of the Australian economy and their sentiment can often be a barometer for the national economy," said Julie Rynski, Westpac's General Manager of Small Business.

"The Index revealed some promising indicators for the Australian economy more broadly over the next three months, including a net 5%¹ intention to increase staff levels and net of more than a quarter (27%)² of small businesses expecting activity to increase."

While almost one in ten small businesses indicated they were intending to seek credit in the next three months, 'finance' (cash flow and access to credit) was cited as the fourth most negative factor impacting small businesses.

"There is a perception in the small business community that accessing credit is almost impossible. At Westpac we want to send a clear message that we are open for small business; we are here to back you. Westpac is looking to inject a minimum of \$1.5 billion in new lending to SME businesses during 2014," said Ms Rynski.

Small business optimism remains despite the sector identifying Australia's current economic position (35%) as the number one negative impact on their businesses, followed by 'customer relationships and sales' (27.1%) and 'regulation' (22.8%) respectively. One of the top contributors to costs for

¹ Net intention to hire 15.7% for those who expect to increase employment levels minus the 10.8% for those who expect them to decrease.

² Net expectation of activity / sales to increase equals 42.9% of those who expect activity to increase minus the 16% who expect it to decrease.



businesses was 'administration', indicating that complying with excessive regulation could be hurting small businesses.

"The Government is busy putting in place the policy foundations to see a renaissance in enterprise after years of deterioration in the sector.

"It is our belief that our best days as a nation are still ahead of us and that is particularly the case for small business. Information from an Index like this stimulates much needed discussion about an often overlooked sector of our economy," said the Hon. Bruce Billson Minister for Small Business.

Westpac has 640,000 small business customers that are serviced by 680 dedicated small business bankers across Australia.

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Hints and Tips for Small Business

Managing customer relationships

1. **Have a clear and identifiable brand position, and deliver against that consistently.**
Relationships are largely built on trust and consistency of experience. Customers should know who you are and what you stand for in your business. Their experience with you should reflect your brand position, and should remain consistent over time. For example, if you state that you "place the customer first and deliver high quality service", then every time you transact with your customers you should do this. If you breach this promise at some point, you risk disillusioning your customer and losing them.
2. **Understand who your customers are.**
You should develop a profile of who your customers are, and why they transact with you. By doing this, you can develop products and services that match your customer expectations, which increases your chances of maintaining strong customer relationships.
3. **Communicate with your customers effectively.**
Identify the appropriate medium to communicate with your customers, and then communicate things that are relevant to them. Consider everything from your marketing, post-sales conversations / on boarding, customer service, and ongoing communication mediums. Make sure that what you communicate is relevant to your customer base, and that it contains information or offers relative to what they want, or what they care about. This will help them keep informed, and be more likely to purchase from you in the future.
4. **Resolve issues promptly and efficiently.**
At some point, one of your customers will have a concern or complaint. This is an ideal time to strengthen customer relationships as it allows you to show you understand why it is an issue for the customer, and you can then resolve that issue appropriately for them. Note: this doesn't mean giving in to every demand, especially the unreasonable ones.

General small business management

1. **Manage your cash flow.**
A strong cash flow is the core of every business. It is important to understand how cash flows through your business, and how it can work for you. This includes cash flow forecasting, to get a sense of future needs.
2. **Build a business plan.**
Develop a sound business plan, as this will give you a clear direction on how to move forward.
3. **Build your knowledge bank.**
The more you know, the better equipped you are to handle anything that your business or industry throws at you.



KEY FINDINGS – WESTPAC-MELBOURNE INSTITUTE SMALL BUSINESS INDEX

Performance and Outlook

- Individual performance of small businesses rated at 119.4.
- 4 in 5 (83.2%) small businesses expect their business activity / sales to increase or stay the same in the next 3 months. Only 16% believe activity will decrease in the next 3 months.
- There is a net 5% intention to increase staff levels based on those who intend to hire (15.7%) versus those who expect them to decrease (10.8%).
- There is a net 27% of small businesses expecting activity to increase based on those who expect it to increase (42%) and those who expect it to decrease (16%).

Factors Impacting on Small Business

- The number one negative factor for small businesses was the 'Economy' (35.1%), followed by 'Customer Relationships and Sales' (27.1%) and regulation (22.8%).
- Almost one in ten small businesses indicated they were intending to seek credit in the next three months (9.2%).
- 'Finance' (cash flow and access to credit) was cited as the fourth most negative factor impacting small businesses (20.3%).

The Regulatory Environment

- Small businesses listed 'regulation' as the third most negative factor (22.8%).
- Similarly, 'administration' is listed as one of the top three contributors to small business costs (30.5%).

NOTES TO EDITORS

Source: The February Westpac-Melbourne Institute Small Business Index was commissioned by Westpac Banking Corporation (WBC) (ABN 33 007 457 141) and conducted by the Melbourne Institute.

The research aims to provide information about the economic health of Australian small businesses. The report is a quarterly publication based on a representative survey conducted between 8th January and 14th January 2014 of 300 businesses from all over the country. Data from this survey provides measures of performance and the factors that have had the greatest positive/negative effects.

For further information regarding the methodology used in the report please contact WBC Media Relations Unit on 02 8253 9484.