

PETROL | Price increase starting to hurt small operators

Costs will be passed on

CLAIRE HEANEY

MORE than seven out of 10 small businesses say costs have increased because of rising petrol prices.

As many as 5 per cent have warned that they risk defaulting on their loans in the coming year.

Others warn that, if they haven't already, they will pass on the rising costs to customers and clients.

The findings of the MYOB Small Business Survey found that nearly one in five small businesses had been forced to put up prices.

A further 17 per cent said they

would have to increase prices soon to make up for the increased costs.

While 70 per cent of the more than 1200 businesses responding to the survey said they were performing "quite or very well", the future was not so bright.

Only 50 per cent believed their business will perform better over the next 12 months.

While the figure is not so gloomy, it represents a 15 per cent drop on the same time last year.

It also represented the lowest result in future performance out-

look in the past four quarters. MYOB chief executive officer Tim Reed said the fieldwork for the survey took place before the current economic instability.

However, he observed that it already showed that small-business operators were increasingly becoming pessimistic about the future.

The Federal Government also copped flak for what was perceived as a lack of support for small business. More than half said the Federal Government had a poor or very poor performance.

The 56 per cent figure was a considerable increase on the 37 per cent figure of November last year.

"Small-business owners are facing tough times," Mr Reed said.

"With so many macroeconomic issues in flux at the moment - inflation, consumer confidence, exchange rates, changes to industrial relations laws and uncertainty in business costs, whether fair or unfair - it is understandable small-business owners are feeling dissatisfied with the Federal Government."

Mr Reed noted that the level of debt of small businesses was down. In September, 2006, 45 per cent of businesses were funded via borrowings. At the time of the latest survey that had dropped to 30 per cent.

Mr Reed said given the figure of 5 per cent of businesses who said "yes or maybe" to the possibility of defaulting on their loans, it was important to get in early and seek good financial advice.

The results came from a national sample of 1462 small-business proprietors and general managers.

IT has many owners in the dark

FRANCES STEWART

ALMOST two-thirds of South Australia's small business owners don't understand how to use their company's computer systems, a survey has found.

Hosted computer service providers I.T.onTap conducted a national survey of 535 small business owners.

It found nationally, 40 per cent of business owners who have run a company for five years or more find IT products, such as a website, customer management software and e-marketing programs, to be the most confusing part of running a company.

South Australian business owners were even less likely to understand technology than their national counterparts.

IT was the least understood area of business for 62.5 per cent, despite 50 per cent saying they had hi technology use in business.

I.T.onTap managing director Ken Wood said business owners needed to be more savvy about technology.

"High technology use with little understanding means small businesses are not getting the most out of their investment," he said.

"Other business functions such as banking and accounting are not foreign to most people and typically don't change a whole lot.

"But business technology is ever-changing. It's no surprise that owners are confused."

Mr Wood said start-ups that did not understand IT were at risk of making costly mistakes.

"New owners need to resist the temptation of rushing IT investments," he said.



INNOVATIVE: David Elson has modernised the way his distributors do business.

Picture: MATT TURNER

The changing face of deliveries

FRANCES STEWART

MODERNISING the way newsagents do business will help revitalise the industry, says South Australia's largest distribution newsagency owner.

City Circle Newsagency owner David Elson worked as a newsagent for 13 years before taking a break to focus on another business opportunity.

Three years ago he returned to the newsagency business and has since acquired nine distribution companies.

"It was something I knew and I wanted to get back into the industry," Mr Elson said. "It's a solid industry and a reliable income."

To take the business to a point where he didn't need to be involved in the day-to-day operations, Mr Elson said it was essential to think big.

"I'm looking a retiring in the next couple of years, so I want to get the business to a stage where it can run without me," he said.

"To be in that situation you've got have multiple rounds - not two or three, but eight or nine for it to be viable." Mr Elson's business now delivers more than 10,000 newspapers and magazines daily.

"No one else has done what we've done," he said. "It's a new way of looking at newsagencies as a business."

Mr Elson has focused his attention on making the business less "hands-on" by using technology, such as interactive websites and voice recognition software.

Retail outfits are the most at risk

FRANCES STEWART

SMALL retail businesses are most at risk of failing as the economic downturn forces cash-strapped consumers to limit their spending.

Retail figures for the September quarter show only a slight improvement in sales, increasing just 0.2 per cent.

Growth is much lower than the same time 12 months ago, when turnover rose 0.7 per cent, and many retailers are bracing themselves for reduced business over the Christmas period.

Business coach Nic Clark said this trend could cause many smaller retailers to go out of business if they didn't seek professional advice from their accountant or financial planner. "Even in tough times, there are so many strategies small business operators can implement to improve the bottom line," he said.

"The pity is that most simply don't know what to do next, because they get easily caught up in all the down-turn frenzy that it becomes a self-fulfilling prophecy."

Mr Clark said retailers must ask their accountants what steps are needed to improve the profit and cash flow of their business.

"There are two basic ways to achieve more profit - increase income or reduce expenses.

"Because there are many factors that can be played with to achieve this, advice from the accountant is really what is needed."

Mr Clark said maintaining a close relationship with the company's accountant would help most small retail owners regain control of their business and not be at the mercy of wavering consumer sentiment.

Debt now the biggest concern for many

DEBT and liquidity worries top the list of concerns for business owners, a survey by Veda Advantage shows.

But 61 per cent of those surveyed say the economic climate has not stopped investment in new projects.

Those that are cutting costs plan to reduce staff wages, cut back on hospitality and enter-

tainment costs and stop investment in IT.

Almost 40 per cent said they are exposed to a large amount of debt that is unlikely to be repaid, with only 42 per cent saying steps had been put in place to reduce the potential impact of that bad debt.

But only 17 per cent had found it difficult to secure

credit from a financial institution in the past 12 months.

Applications for all types of credit, from business-linked mortgages to credit cards, fell by 2.6 per cent in July, 6.3 per cent in August and 9.5 per cent in September.

Within these declines are much steeper falls in individual types of credit.

Business-related mortgages secured on the business owner's home were down by 41 per cent in September compared to a year ago.

Of those affected by liquidity issues, 58 per cent were unable to expand, 47 per cent unable to pay bills on time, 36 per cent needed to apply for short-term credit and 12 per cent could not pay staff.