July 2012 Business Monitor: Fewer SMEs seeing revenue rise

Survey reveals biggest pressures, focus points, pricing plans, funding and more

New research released today by MYOB, Australias largest business management solutions provider, shows the economic confidence of small to medium business operators has not improved over the past few months nor has their revenue situation.The July 2012 MYOB Business Monitor found fewer than one fifth (19%) of the 1,004 business owners and managers surveyed nationally expected the domestic economy to improve within 12 months. This is unchanged from the March 2012 report, which revealed the lowest percentage recorded since the March 2009 report (16%). In the latest study, almost one quarter (24%) believed any improvement was more than two years away.Revenue resultsOnly 18% reported an increase in revenue in the past 12 months, which was a slight decline on the 20% who said so in the prior report. More than twice that number (41%) said revenue fell, compared to 38% in the prior report. 37% experienced steady revenue and 4% didnt know. Business operators in the Traditionals generation were least likely to experience an increase, at 13% (49% saw a fall), while Generation Y were the most likely, at 28% (34% saw a fall). Those in the construction and trade industries were hit hardest - 52% experienced a revenue loss in the past 12 months. They were closely followed by transport, postal and warehousing operators at 49%. The business, professional and property services industry was the most likely to see a rise (21%), closely followed by manufacturing and wholesale (20%).MYOB CEO Tim Reed says, Fewer than one in five small to medium business operators have enjoyed revenue growth in the past year, while more than two in five have seen their revenue fall. It is little wonder the vast majority cant see our economy improving any time soon - two in three believe any improvement is at least one year away.The new financial year is an ideal time for business owners to boost their potential for success by seeking smarter, more cost-effective ways of running their business. The $6,500 instant tax write-off for new assets, for example, can assist in the investment of new equipment that improves business productivity and cash flow. Another good way to improve cash flow is by attracting more prospective customers through a website that is included in major search engines. With the carbon tax introduction, there are tangible advantages for those who also take a proactive approach to reducing energy and material consumption, and lowering production costs."Revenue expectations, pipeline and growth activitiesOn a positive note, almost one third (29%) of business operators anticipated their revenue to rise in the next 12 months - more than the 22% who expected it to fall. 43% saw it being stable and 7% were unsure. 29% had more activity in their pipeline in the next three months than they would usually expect, but for 43% it was the same and for 27% it was less.With activity across various business elements, the areas most likely to see an increase over this year were: 1. Customer retention strategies 37%2. Customer acquisition strategies 35%3. The number or variety of products or services offered by the business 27%4. Prices and margins on the products/services sold 27%5. The amount paid to employees 26%Mr Reed says, One big surprise was that more than half the business operators we surveyed - 55% - will keep their prices and margins the same this year. In fact, 13% will drop them. With the carbon tax set to impact the cost of goods and services for most if not all, one in two wont pass that on to customers.This indicates that many will simply cop carbon tax related cost increases on the chin. I encourage business owners to consider whether this is the best course of action when theyre planning how to attract and keep customers frequently, good service rates above price in a customers mind. Service can allow a business to put their prices up and customers understand the need for these moves.Marketing and IT spendingFor 61%, the value of their spending on marketing and advertising activities will remain the same, 19% will beef it up and 12% will reduce their investment. A similar trend appeared with the investment in IT systems and processes (66%, 16% and 8%, respectively). Reed encourages business operators to consider taking a calculated risk to boost their profile and productivity, and possibly gain a competitive advantage.With a relatively small proportion of business owners and managers planning to increase their marketing and advertising spend this year, those who do could very well see a spike in customers that flows through to sales. In tough times it can be tempting to cut back on brand building activities but take a step back and consider whether that really is the right move. Chances are, your competitors wont be, he says. The same goes for your technology spend. Are there investments you can make this year that will result in time saved, improved team engagement and more productive processes? Right now many cloud based solutions avoid the need to spend money upfront but bring immediate benefit. Over 30,000 of our clients have embraced MYOB Live cloud solutions in the past 12 months, allowing their business to take advantage of great tools that provide them with the freedom to work anywhere, anytime.Top pressure pointsFuel prices are expected to cause the most pain in the next year, ranking first and well ahead of all the pressure points surveyed for the third consecutive MYOB Business Monitor. Cash flow remained in position at second, while price margin and profitability overtook interest rates to reach third place. Interest rates dropped to fourth, equal with attracting new customers, which rose one place from the prior report. Pressure point on businessJuly 2012rankMarch 2012 rankOctober 2011 rankMarch2011 rankOctober 2010 rankFuel Prices11114Cash Flow22432Price Margins, Profitability34243Interest Rates43321Attracting New Customers455n/m*n/m* not measuredMore than one quarter of business operators have borrowed money in the last 12 monthsTodays Reserve Bank of Australia cash rate decision will be of great interest to the 26% of business operators who borrowed money in the last 12 months to spend on or in their business. The types of businesses most likely to have done so were small sized (6-19 employees) and those in agriculture,