

GEELONG BUSINESS TRENDS SURVEY 2015

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The Geelong Chamber of Commerce

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AT A GLANCE

GENERAL BUSINESS CONFIDENCE

- Business confidence in Geelong has increased from last year
- Expectations of greater sales has increased
- Little change in business expectations for future investment
- Little change in business expectations for employment

BUSINESS PERFORMANCE

- Business performance in past year was sound as evidenced in all indicators
- There was growth in year-on-year sales
- Increase in the number of businesses who reported increased profitability
- Businesses indicate that employee numbers increased or remained stable

BUSINESS SENTIMENT – INDUSTRY-SPECIFIC RESULTS

- Differences across industry sectors in the changes of levels of confidence and performance

SPECIFIC ISSUES

- Cost of recruiting is now the biggest barrier in taking on employees
- Lack of work is now the least most important barrier in taking on employees
- The three highest barriers inhibiting business growth are economic uncertainty, government policy, and increased competition
- Perceptions of Geelong by outsiders is that it is heading in the right direction
- Perceptions of Geelong from people within Geelong are increasingly positive

BUSINESS EXPECTATIONS FOR 2016

(Previous year in brackets)

	Increase %	No change %	Decrease %
Business sentiment – confidence	37 (31)	44 (44)	19 (25)
Business sentiment – profitability	77 (69)	14 (11)	9 (20)
Business sentiment – number of employees	35 (39)	53 (47)	12 (14)
Industry sector sentiment – confidence			
• Business professional and commercial services	41 (35)	46 (55)	13 (10)
• Government, education and community services	42 (19)	41 (57)	17 (24)
• Manufacturing, transport and storage	38 (63)	37 (18)	25 (19)

What the above key figures indicate is that there is overall a positive view of business sentiment in 2015 towards confidence, profitability, and sales trends for the next financial year, although there is a softening in employment growth. Of the three main industry sectors, both business professional and commercial services and especially government, education and community services, show positive growth. However, there has been a major reversal in confidence in the manufacturing, transport and storage sector, much as would be expected given the impact of recent and ongoing structural changes in manufacturing in Geelong.

SUMMARY OF RESULTS

- Business sentiment reflects a positive outlook for Geelong businesses with increased confidence and increased expectations of greater sales and profit. There was little change in business expectations for future investment and employment from Geelong businesses. There are differences across industry sectors in the levels of confidence, expectations of future sales, sales trends, profitability and expectations for future investment and employment.
- Geelong businesses expect the number of people they employ will remain the same in 2016. Employment expectations from 2014 were met by 30% of the businesses, who had indicated previously that their employee numbers would increase.
- Overall, business performance was sound across all indicators. Generally, Geelong businesses report positive business sales performance and increased profits for 2015. There was some growth in the proportion of businesses reporting a year-on-year increase in sales, increased profitability and increased employee numbers. Business confidence, sales expectations and profit expectations varied across industry sectors. The outlook for future investment and increased employment remains similar to last year.
- The proportions of sales generated by businesses in both the Geelong region and in Melbourne remains constant. There has been no substantive change over 2014 in the reasons why businesses buy goods or services from areas other than Geelong. Surprisingly, given the drop in the Australian dollar, the number of businesses exporting overseas has almost halved.
- There was a substantial difference in the barriers to taking on employees between 2014 and 2015. The cost of recruiting was seen as the biggest barrier in 2015, whereas lack of work, which was the biggest barrier in 2014, is now seen as the least most important aspect inhibiting the taking on of new employees.
- Increasing numbers of people within Geelong have positive or neutral perceptions of Geelong and a decreasing proportion have negative perceptions of Geelong.

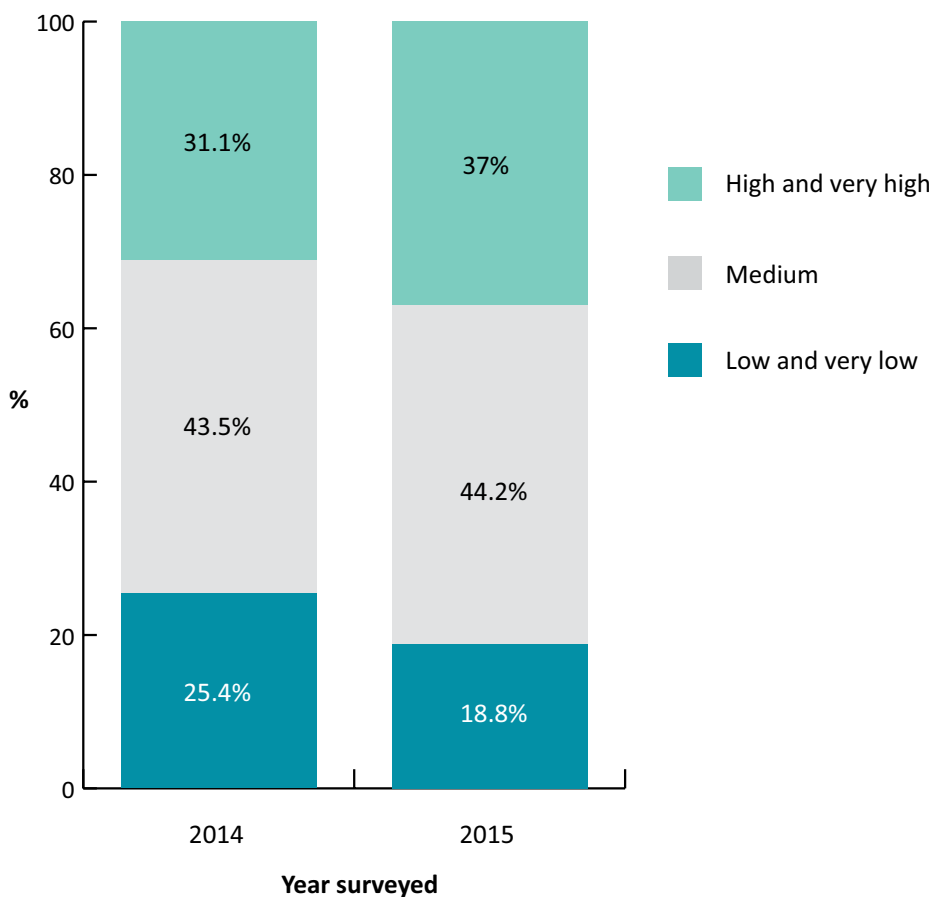
Note that in the interest of keeping this report concise, there is considerable additional sectoral data that can be provided for interested parties through contacting the CEO of the Geelong Chamber of Commerce, Bernadette Uzelac, on email: bernadette.uzelac@geelongchamber.com.au.

BUSINESS SENTIMENT

Two of the four indicators of business sentiment reflect a positive outlook for Geelong businesses. Although business confidence in Geelong has increased from last year and expectations of greater sales and profit for Geelong businesses have also increased, there was little change in business expectations for future investment and employment. See Exhibit 1.

Exhibit 1

What is your level of confidence in the Geelong region's business environment?



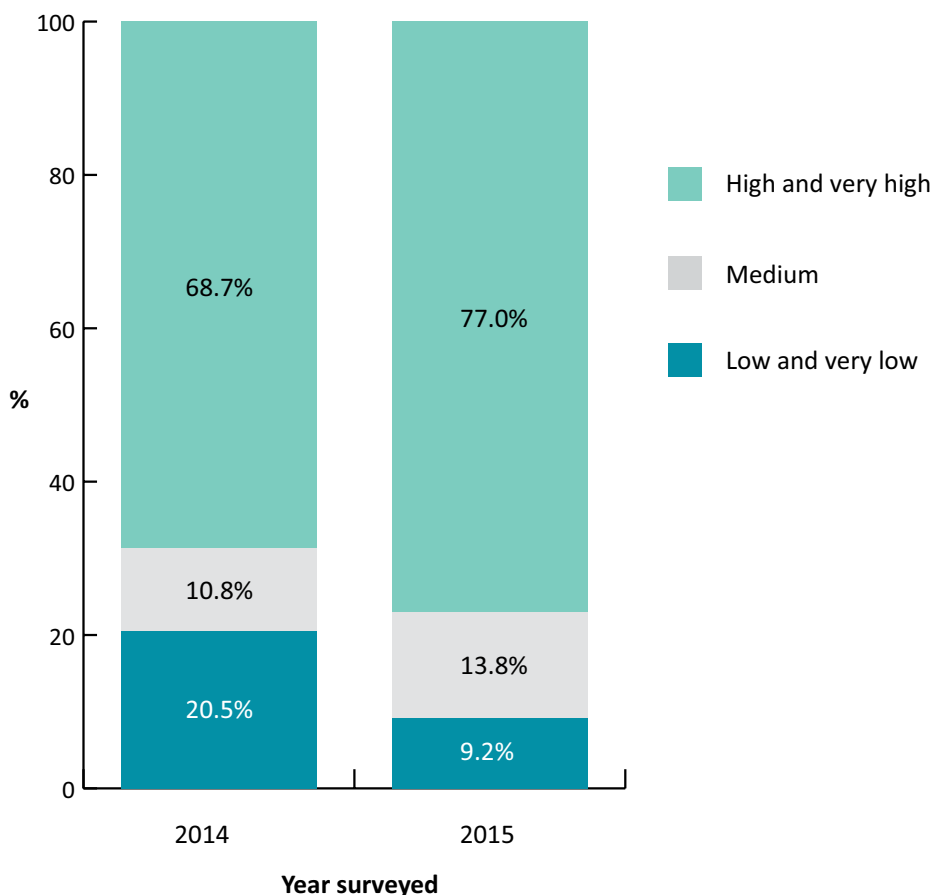
The overall level of confidence of Geelong businesses grew between 2014 and 2015. The proportion of respondents who have high or very high confidence increased from 31% in 2014 to 37% in 2015. There was also a decline in the proportion of respondents who had low or very low confidence from 25% in 2014 to 19% in 2015. The proportion of respondents, approximately 44%, who have medium levels of confidence in 2015 remained similar to last year. Geelong businesses see a better future regarding sales expectations for 2016. Eighty-four per cent of Geelong businesses expect their sales will increase in

2016, up from 71% in 2014. The proportion of businesses expecting sales to decline in 2016 fell from 15% in 2014 to 5% in 2015.

Geelong businesses expect an anticipated increase in sales will be also be accompanied by an increase in their profits, with 77% anticipating an increase in profits in 2016. This year only 9% of businesses indicated they expected profits to decrease. Last year, 20% of businesses indicated they expected profits would fall in the upcoming financial year. See Exhibit 2.

Exhibit 2

Compared to last financial year, how do you think profitability will trend this year?



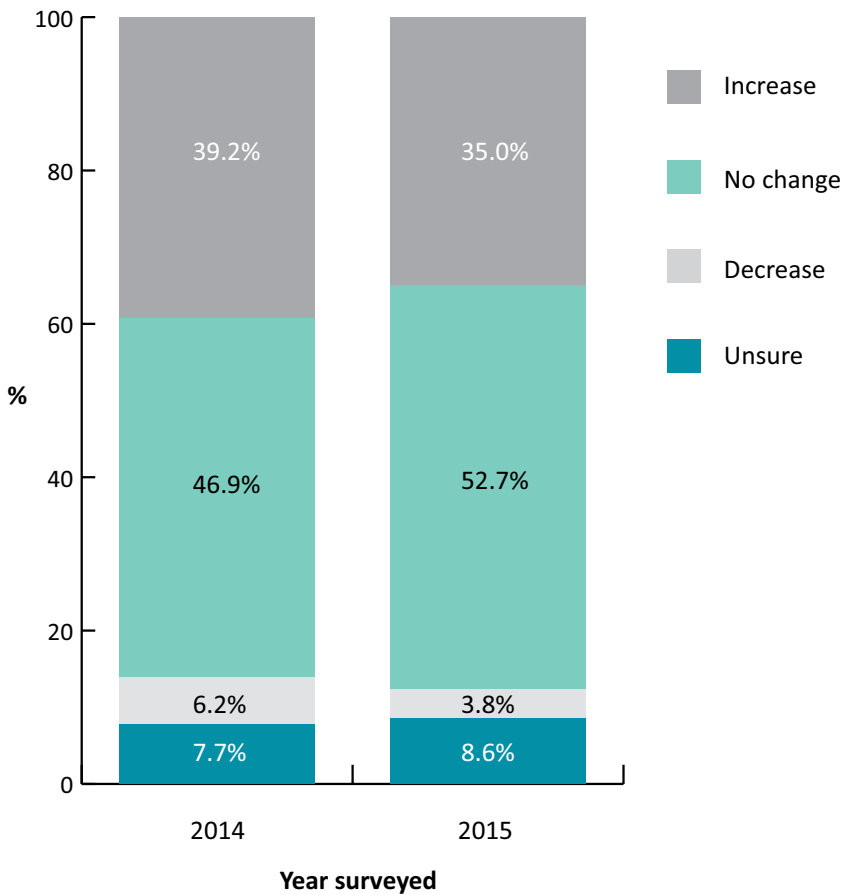
Geelong businesses' expectations for future investment has flat-lined. Overall, little change is evident in the proportion of businesses indicating high expectations for future investment next financial year, although it remains relatively high at 38% of businesses. There has been a slight reduction in the proportion of businesses indicating low levels of expected future investment in their business, falling from 39% last year to 32% this year.

Geelong businesses expect the number of people they employ in 2016 will remain the same, with 53% of

businesses indicating that the number of people they employ will remain very similar in the coming financial year, compared to last year only 35% of businesses indicated that they expect to increase their employee numbers. Last year 39% of businesses indicated that they expected their employee numbers would increase in the coming year, yet this year only 30% of businesses indicated that their employee numbers actually did increase. See Exhibit 3.

Exhibit 3

Do you expect the number of employees in your business to increase or decrease over the next 12 months? CAT



BUSINESS PERFORMANCE

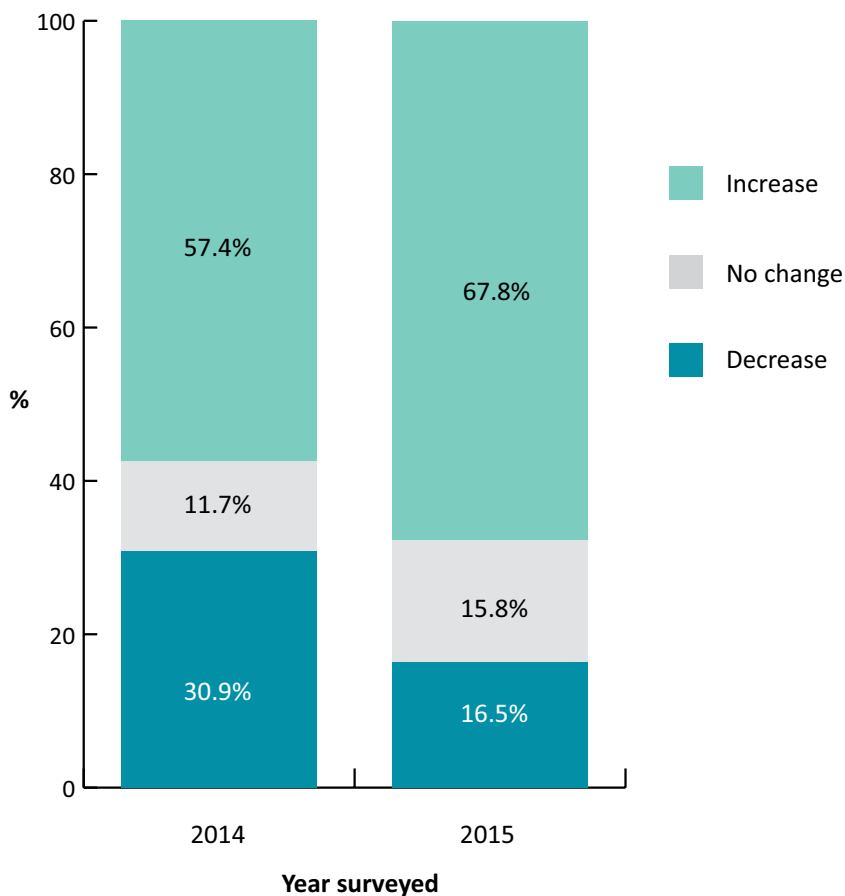
Business performance for 2015 was sound as evidenced in all indicators. There was growth in the proportion of businesses reporting a year-on-year increase in sales, an increase in the proportion of businesses that reported increased profitability and growth in the proportion of businesses indicating that employee numbers increased.

Overall, Geelong businesses reported positive business sales performance for the 2015 period. Sixty-six per cent of businesses indicated their sales increased from 2014. There was also a decrease from 29% to 14% in the proportion of businesses reporting a year-on-year decline in sales.

Geelong businesses also reported an increase in profitability. Approximately 68% of businesses indicate their profits increased from the previous year. This was an 11 percentage-point increase from 57% to 68% of businesses. Only 16% of Geelong businesses indicated profits fell. The proportion of businesses reporting no change in profitability remained fairly constant, increasing by approximately four percent from 12% to 16% percent. See Exhibit 4.

Exhibit 4

Compared to the previous year, how do you think your profitability trended last year?

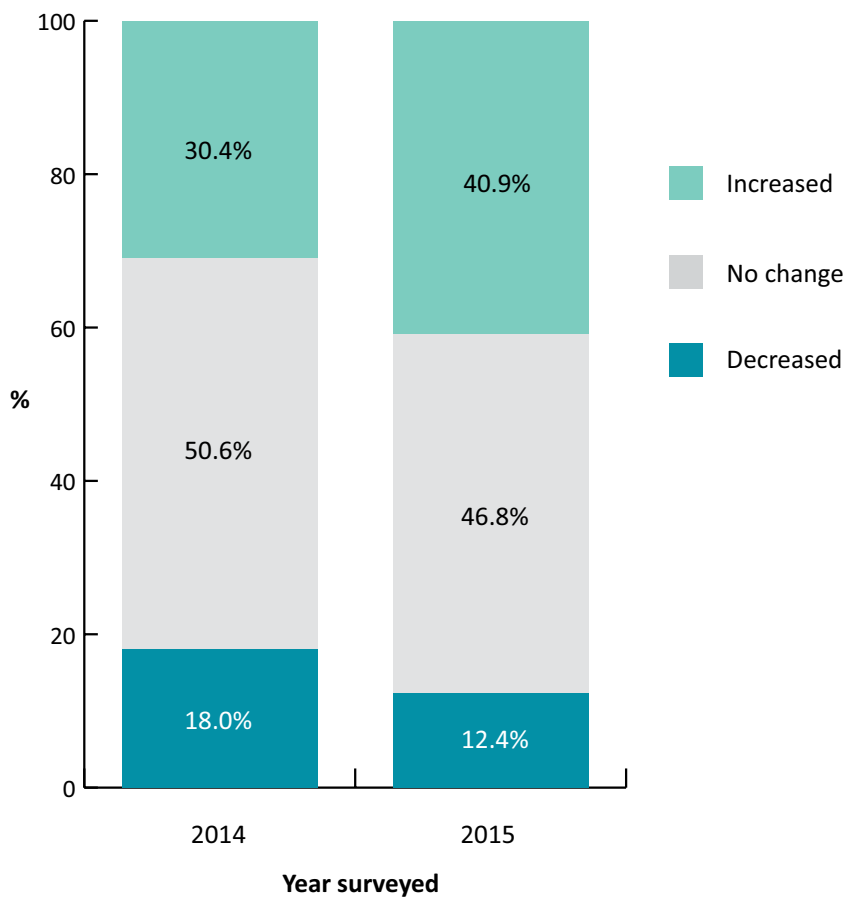


Overall, the proportion of Geelong businesses reporting an increase or no change in the number of employees grew from 81% of businesses to 88%. In this period, 11% more businesses report an increase in the number of their employees. This is an increase from 30% in 2014 to 41% of businesses in 2015 reporting that their employee numbers

have grown. The proportion of businesses reporting no change in the number of their employees remained fairly constant, declining slightly from 51% of businesses to 47%. The proportion of businesses reporting a decrease in the number of employees fell from 18% in 2014 to 12% in 2015. See Exhibit 5

Exhibit 5

Has the number of employees increased or decreased over the last 12 months?



INDUSTRY SECTOR RESULTS

The business sentiment results provided in this section include only businesses in the following three categories: (1) **Business Professional and Commercial Services**, (2) **Government Education and Community Services**; and (3) **Manufacturing Transport and Storage**. Collectively these industry categories represent approximately 75% of the responses from all businesses surveyed.

There were differences across industry sectors in the changes in **levels of confidence**. The proportion of firms in the **Business Professional and Commercial Services** and the **Government Education and Community Services** reporting high or very high levels of confidence grew to 41% and 42%, respectively. This compares to the **Manufacturing Transport and Storage** sector where the proportion of businesses reporting a high or very high level of confidence fell from 63% to 38%.

There were also differences in the expectations of **future sales** across the three sectors. The proportion of firms in the **Government Education and Community Services** reporting no change in sales trends grew from 9% to 26%, while the proportion anticipating an increase in sales grew from 50% to 65%. Notably, the proportion reporting a decrease in sales expectations in this sector declined from 41% to 9% of firms.

The proportion of firms in the **Business Professional and Commercial Services** reporting no change in sales trends grew from 8% to 18%, while the proportion anticipating an increase in sales declined from 77% to 64%. This compares to the **Manufacturing Transport and Storage** sector where the proportion of businesses reporting an increase in sales expectations remained fairly constant at approximately 68%.

Generally, most responding businesses (73%) believe that **profitability** will increase next financial year, with only 15% of businesses indicating that they are concerned it will fall. With the exception of **Manufacturing, Transport and Storage** (falling from 67% last year to 63% this year), there has been an increase in the proportion of all other industry sectors and their belief that profitability will increase in 2016.

There were differences in the prospects for **future investment** across the three sectors. The proportion of organisations in the **Government Education and Community Services** sector reporting low or very low prospects declined from 26% to 8% of organisations. The proportion in this sector with neutral expectations increased to 38%, and those with high or very high investment prospects increased to 54%.

The proportion of organisations in the **Business Professional and Commercial Services** sector reporting low or very low investment prospects declined to 16%, while those reporting neutral prospects increased to 38%. The proportion expecting high or very high investment prospects declined to 46% of businesses in this sector.

The proportion of businesses reporting low or very low investment prospects in the **Manufacturing Transport and Storage** sector more than doubled to 31% of businesses in this sector. Although the proportion anticipating neutral investment prospects remained constant at 31%, the proportion of businesses reporting high or very high investment prospects declined from 56% to 38% of all businesses in the sector.

BUSINESS BARRIERS

There was a substantial difference in the barriers to taking on employees between 2014 and 2015. The cost of recruiting was seen as the biggest barrier in 2015, whereas lack of work, which was the biggest barrier in 2014, is now seen as the least most important aspect inhibiting taking on new employees.

The three highest barriers inhibiting business growth are economic uncertainty, government policy, and increased competition. See Exhibit 6.

Exhibit 6



Chart: A word Cloud for the thematically recoded text based responses to highest barriers inhibiting business growth.

Businesses ranked government support, improved IT Infrastructure and improved networking as the services and support they thought would best assist the growth and development of businesses in the Geelong region. See Exhibit 7.

Exhibit 7



Chart: A word Cloud for the thematically recoded text based responses of the top-seven accelerators of growth and development in the Geelong region.

PERCEPTIONS OF GEELONG

The proportion of businesses that think the people with whom they do business from outside the Geelong region have a negative perception of Geelong declined from 45% to 34 % of businesses. Although there was an increase in the proportion of businesses who report outsiders have a neutral perception of Geelong (from 30% in 2014 to 38% in 2015), the proportion of Geelong businesses reporting outsiders have a positive perception remains fairly consistent at approximately 26%.

This compares to the perception of Geelong by people within Geelong. The proportion of businesses reporting positive perceptions from people with who they deal within Geelong increased from 46% to 58% in 2015. In the same period, the proportion of businesses reporting that people **within** Geelong had negative perceptions declined from 30% to 18%.

ABOUT THE SURVEY

The reader is referred to the 2014 report for the survey methodology. There were some changes in the methodology for the 2015 survey. Data were obtained by email from the membership of the Geelong Chamber of Commerce. Questions deemed not relevant to the current Geelong situation were removed from the 2015 questionnaire. The wording of some questions was adjusted to reflect the time period and to clarify the meaning of activity, sales and profit. The survey was sent on 22 September 2015 with reminder emails until the survey closed in November 2015.

The 2015 report is based on 186 responses from the sample frame of 849 and represents an approximate response rate of 22%. Most businesses that responded to the survey (56%) have been operating for 10 or more years. Most respondents (84%) own the business they reported on for the survey. As previously, these results cannot be generalised beyond the sample.

