

March 2010

Results of Franklin District Business Confidence Surveys

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Introduction

Previous Business Confidence Surveys have been conducted via an email notification sent out to the Enterprise Franklin database but over successive surveys response rates were declining. Enterprise Franklin decided that the personal approach was necessary to encourage participation, so visits were conducted to deliver the survey with self addressed envelopes provided to ensure businesses could still participate anonymously. Two surveys were conducted with one focused upon retail businesses and the second including all other industry categories. The response rates were as follows:

	Retail Survey	General Survey
Pukekohe	30%	35%
Waiuku	20%	24%
Tuakau	40%	33%

Total Retail Survey 29% response rate
Total General Business Survey 33% response rate

National business survey results and outlook

NZIER's *Quarterly Survey of Business Opinion* (QSBO) revealed soaring business optimism in the March 2010 quarter, despite a shallower than expected recovery. A net 36% of firms expect conditions to improve over the next six months, compared to 23% in the December quarter (on a seasonally adjusted basis). NZIER report that "Firms are optimistic and their performance has been improving. But there is a growing sense of realism around expectations of the recovery. To date the recovery has been more gradual than firms expected. New hiring has been slow to pick up, despite positive intentions. A shallow recovery is in place, but the outlook is still fragile," said Shamubeel Eaqub, Principal Economist at NZIER.¹

The National Bank reported in March 2010 "an optimistic tone continues to permeate through The National Bank Business Outlook Survey. A net 43 percent of respondents expect better times over the year ahead. This is down on February's reading of plus 50 but still represents a healthy level of optimism across the economy. All, bar retailing, slipped in the month, reversing last month's trend where retailing dipped, and confidence across the remaining sectors increased."

The National Bank goes on to note that they "continue to pay close attention to firms' own activity expectations — the key lead barometer that tracks economic growth. This too was down slightly in the month. A net 39 percent of respondents expect better times for their own business over the year ahead. This continues to represent a high level of confidence in terms of what matters for this economy, namely what's actually happening at the business level as opposed to the general climate, with the latter easily influenced by various anomalies from month to month".²

Summary

Franklin businesses both retail and general businesses appear confident that the national economy will improve and that the local economy will also improve. The percentages recorded were in line with other surveys conducted recently. A key feature of the Enterprise Franklin survey is gauging how local businesses are trading at present. 78.8% of general businesses and 76.9% of retail businesses report average or better trading. The recession is clearly not over yet for some local businesses possibly feeling the lag effect of the economic down turn.

¹ The New Zealand Institute of Economic Research. April 6, 2010. Media Release. <http://www.nzier.org.nz/>

² The National Bank. Business Outlook – March 2010. <http://www.nationalbank.co.nz/economics/outlook/100330/default.aspx>

Retail Business Confidence Survey

Expectations of the national economy

Respondents were asked what they expected of the national economy in 6 months time. The majority (**55.8%**) **believed that conditions would remain the same**, 23.1% thought conditions would deteriorate and 21.2% believing that conditions would improve. Most Franklin retail businesses are positive about the national economy.

Expectations of the local Franklin District economy

When asked their views on how business conditions will be in 6 months time with regards to the local economy **58.5% of Franklin businesses felt that the local economy would remain the same**, 20.8% felt that economy could improve and 20.8% believed the economy would deteriorate.

Expectations of the local economic indicators

Respondents were asked their expectations of two local economic indicators, which were unemployment and economic growth. 22.6% of the respondents think that **unemployment** will decrease, **45.3% believes that it will remain the same** and 32.1% believes it will increase.

30.8% of the respondents believe that **economic growth will improve**, 50% think it will remain the same and 19.2% think it will deteriorate.

Interestingly more retailers in this survey felt that local economic conditions would deteriorate with lower levels of confidence around local economic growth than seen in previous surveys.

Expectations with regards to the own business of the respondents

Respondents were asked with regards to *their own business*, how they expect employment, price of goods & services to be in 6 months time.

- 30.2% of the respondents believe that their employment will improve, **47.2% believe that it will remain the same** and 22.6% believe it will deteriorate.

This survey indicates a much higher level of confidence around future employment in comparison to the survey conducted 6 months earlier. However, there was also a higher rate of those businesses that thought that employment conditions would deteriorate. This is likely to reflect how their particular business is currently trading.

- 18.9% of the respondents believe that the price of their goods and services will improve, **66% believe it will remain the same** and 15.1% believe it will deteriorate. Whilst results are similar to previous surveys a slightly higher number indicated deterioration is likely, possibly foreseeing some form of price increases which given the governments discussions around GST increases would seem logical to expect.

Employment

The respondents were asked the following question: “How many employees do you have?”

- **76.5%** **1 - 5 employees**
- 21.6% 6 - 10 employees
- 0% 11 - 20 employees
- 0% 21 – 50 employees
- 2% 50 – 100 employees

Finding staff

Respondents were asked if it is easier today to find skilled or unskilled staff compared with six months ago.

- 38.5% said that it is easier to find **skilled staff**, **46.2% said it is the same** and 15.4% said that it is harder.
- 70% said that it is easier to find **unskilled staff**, **23.3% said that it is the same** and 6.7% said that it is harder.

The only change in these survey results is that it appears easier to find unskilled staff.

Trading hours

Respondents were asked if they had changed their trading hours.

- The majority of businesses (73.5%) had the same trading hours
- 16.3% had increased their trading hours
- 10.2% had decreased trading hours

Enquiries

Respondents were asked if the level of enquiries has changed over the last 6 months time.

20.8% of the respondents said that levels of the enquiries had increased, **58.3% said that it has remained the same** and 20.8% said that it has decreased. These are similar results to the last survey conducted.

The respondents were also asked if the conversion of these enquiries has changed over the last 6 months time. 25% of the respondents said that conversion of the enquiries increased, **60.4% of the respondents said that the conversion of the enquiries has remained the same** and 14.6% said that has decreased. These results are an improvement on the last survey with a higher percentage indicating that conversion of enquiries had increased.

Purchasing patterns

A question was asked “Are customers changing their purchasing patterns with regarding to counter sales, phone orders and online sales?”

Counter sales

- 22.2% increased
- 53.3% same
- 24.4% decreased

Phone orders

- 12.9% increased
- 71.0% same
- 16.1% decreased

Online

- 30.4% increased
- 56.5% same
- 13% decreased

Business trading at present

The respondents were asked how their business was trading at present.

- 13.5% very poorly
- 9.6% answered poorly
- **48.1% average trading (business as usual)**
- 26.9% good business trading
- 1.9% very good trading occurring.

There was an increase in respondents indicating that their business was trading poorly at present, but a similar percentage having average trading.

Business Inhibitors

Written feedback was requested from business owners regarding inhibitors with responses recorded in the appendix. Most comments from retailers were around how the recession was being felt now within the towns, including comments such as the lack of foot traffic, consumers spending and costs that were impacting on businesses particularly high rentals in comparison to other areas.

Conclusion

In this survey most retail businesses indicated they believed conditions would remain the same with regards to the national and local economy. Most had concerns around rising costs that are having an impact on their business whilst trading at present was generally difficult. A key issue being the rising cost of rent and the concern that property valuers' had not taken into account economic conditions. Concerns were also expressed with regards to employment costs and that in general buyers were cautious and the lack of foot traffic in the towns. Ideas were suggested as feedback in this survey.

General Business Confidence Survey

Expectations - National economy

Respondents were asked their expectations of the national economy in 6 months time and 24.5% believed that conditions would deteriorate, **54.7% thought conditions would remain the same** and 20.8% believing that conditions would improve.

Confidence had improved in the last survey conducted at the end of 2009, but this has fallen away with less respondents believing that condition would improve to more believing that condition is growing with most Franklin businesses feeling more positive about the national economy.

Local Franklin District Economy

A question was asked “How do you think the general business conditions will be in 6 months time?” **60.4% of Franklin firms felt that local business conditions will remain the same**, 18.9% felt things will improve and 20.8% believed that conditions would deteriorate.

Again businesses appear more positive about the local economy compared with the survey conducted in April 2009, when 30.3% believed that the local economy would remain the same, 39.4% felt that the economy would deteriorate and 30.4% believed that economy would improve.

Expectations of the local economic indicators

Respondents were asked their expectations of two local economic indicators, which were unemployment and economic growth. 18% of the respondents believe that **unemployment rates** will improve, **50% believes that it will remain the same** and 32% believes it will deteriorate.

25% of the respondents believe that economic growth will improve, 59.6% believe it will remain the same and 15.4% believe it will deteriorate.

Employment

Survey respondents employee numbers:

48.1%	1 - 5 employees
30.8%	6 - 10 employees
13.5%	11 - 20 employees
3.8%	21 - 50 employees
0%	50 -100 employees
3.8%	100+ employees

Finding staff

Respondents were asked if it is easier today to find skilled or unskilled staff compared with six months ago.

- 44.2% said that it is easier to find skilled staff, **37.2% said it is the same** and 18.6% said that it is harder.
- 50% said that it is easier to find unskilled staff, **46.9% said that it is the same** and 3.1% said that it is harder.

Note: Previous results regarding employment reflect similar figures.

Business trading at present

A question was asked “How is your business trading at present?”

- 1.9% very poor
- 19.2% poorly
- 50% average trading (business as usual)

- 25% good business trading
- 3.8% very good trading occurring

Orders and sales are currently the key business inhibitors for non-retail businesses, along with finance. Less respondents indicated that labour was a problem or capacity. This survey has similar trading results noted with slightly higher indicating very poor trading at present.

With regards to their expected business performance during the next 6 months the survey indicates the following results:

- 17.3% expect real business activity to deteriorate with a further 38.5% believing that it would remain the same. Encouragingly, 44.2% expected business activity levels to improve.
- 17.3% of businesses anticipate that their profit levels will deteriorate in real terms over the coming year. 50% expect it to remain the same and 32.7% expect it to improve. Thus a mixed bag with regards to overall profitability is expected with the majority believing that it will either remain the same or improve.
- No firms expected that their employment levels will improve, whilst 81.6% believe that they will remain the same and 18.4% felt expect a further deterioration in employment. This is very concerning data that has worsened since the last survey.
- 69.8% of firms anticipate that the price of goods and service in 6 months time will remain the same, with 15.1% believing prices will deteriorate and 15.1% indicating and improvement.
- 76% of businesses anticipate that their Investment in buildings will remain the same in the next 6 months. 18% expect investment in buildings to deteriorate and only 6% expect it to improve.
- In terms of investment on plant and equipment 10% expect an improvement with 68% anticipating the same level of investment and 22% expect deterioration.

52.9% of those involved with construction related businesses anticipate that volumes would remain the same, with equal numbers (23.5% respectively) expecting either an improvement or deterioration.

Business Inhibitors

A question was asked "What is the single most important factor limiting ability to increase production/ activity, with regards to marketing, order/sales, materials/ component, finance, labour, capacity and other.

- 41.2% orders/ sales
- 31.4% finance (significant increase up from 16.7% in the previous survey)
- 13.7% marketing
- 13% capacity
- 2% labour (down from 6.7% in the previous survey)
- 0% materials/ components (down from 3.3% in the previous survey)

Conclusion

In this survey most businesses indicated they believed conditions would remain the same with regards to the national and local economy. There was a significant rising in the number of businesses reporting that finance was a factor limiting their ability to increase production/activity. A very concerning aspect of the survey was that the majority of businesses (81.6%) believe that employment will remain the same and no businesses felt that employment would improve within the next six months with a further 18% expecting a further deterioration.

Appendix

Retail Business Confidence Survey

Single most important factor limiting your ability to increase sales:

Pukekohe

1. Stores traffic flow
2. Markets in town square & my location
3. Awareness
4. Need bigger premises but Pukekohe Commercial premises owned by a few landlords who keep increasing prices and make you sign up for a long time, can't cover increased leases. Having to work longer to try and make money for the landlord.
5. Too much choice for shoppers – sales everywhere – markets – school fairs and no wage increases
6. Unemployment
7. People are not buying
8. People are still reluctant to purchase
9. Number of people shopping
10. People are still unsure of where the economy is heading
11. Press
12. Recession
13. Cashflow – sales same, expenses, cost of goods increasing & no capital
14. Economy
15. Clients just do not have access to the money that they had
16. Economy
17. Customer numbers, parking, disposable income
18. Less people around to sell to
19. lack of population, confidence & unemployment in the area
20. Money
21. Nobody is spending, people are edgy
22. Foot traffic – people in Pukekohe are not buying as they were even in 2009. Number 1 issue is rent too high – it will kill our business.
23. Feet in the door. Lack of mass marketing Pukekohe as a shopping destination.
24. Cost of product
25. Cost of rent
26. Lack of people in the town
27. Competition with larger shopping centres
28. Qualified and capable staff
29. Need more promotion
30. People are not buying
31. No money around
32. People not prepared to spend their money as easily
33. Rent

Waiuku

1. Illegal Hawkers
2. General lack of retail in Waiuku
3. Foot traffic average day headcount of 20-25 people
4. Lack of people shopping in Waiuku
5. Money

6. State of the economy
7. Pricing
8. Supermarket

Tuakau

1. Flow of people, not much foot traffic
2. Pre-planning
3. Foot traffic decline due to bad publicity
4. The government
5. Local population disposable money as we are a luxury to most
6. Enquires / Walk-ins / Stock

Other constraints affecting business at present

Pukekohe

1. Larger companies having constant sales is tiring and does affect business. They can hugely undercut smaller businesses who simply cannot compete. Market days also mean a bad day in sales, they should be away from the town square.
2. Lack/delay in further businesses developing
3. Just the rent. The fact that we are held to ransom by a few greedy landlords. We pay a lot and had to sign a 6 year lease with our house as assurance, have to paint the building every 6 years, pay the rates & insurance. When vandals broke a \$500 window landlord said we had to pay (what was the point of insurance). Vandalism is also a problem – fences kicked down, windows smashed – I caught a man kicking in our front door and got fined less than what it cost to replace the door. We have 5 kids and as a family of 7 are living on a \$100 a week for food. After 45 years of business I am seriously considering closing down when lease renewed. I was not impressed by letters to the Editor when the landlord said “outsiders” were quite happy to come and pay the rents here as they were cheap. This is untrue! My Aunt has same business as me on North Shore with a much larger client base – her lease is half ours for a far superior building.
4. We all have less money to spend and more cautions on where we spend it. Food, petrol, ACC, power etc have all gone up so less left over. As a shop keeper it’s hard trading. Not a lot of foot traffic in the main street. A new shopping area will open in 2011 “The Terrace” – how more can we divide the town? No wonder we need heaps of car parks if nothing is in walking distance of each other.
5. Loss of employment in local firms – e.g. Opinion Holdings, Franklin Marine, Victor Industries (to name a few). Encourage better names businesses in central main street – e.g. Farmers, Borders (teen clothing), movie theatres etc
6. Less purchases spending means more competition
7. Banks reluctance to lead to anyone. Rents are high even though property values are down.
8. The rent is too high. Not enough people shopping locally, not enough foot traffic in town.
9. Nothing really affecting us, had a really good Christmas despite a lot of new shops opening – just the recession slowing us down. In saying that though we could definitely not sustain a rent increase especially coming into winter.
10. Competition which results in prices etc
11. Local firms going into liquidation a concern. Rents too high, more competition, other expenses increasing. Banks inflexible regarding working capital. Believe things will improve but very gradually and a long winter to get through again.
12. 3rd party funders tightening up again, e.g. ACC, War Pensions etc
13. Internet

14. Customers seem very price driven and researching prices with competitors. We have introduced a loyalty programme to try and keep our customers. Advertising locally still remains difficult with little or no result in customer feedback from local paper.
15. Our lease is more expensive than colleagues in Newmarket, Epsom, Queen Street CBD – why is Pukekohe so expensive? Maybe the valuers need to be taken to task for this, our population base does not justify the rent levels. I am sick of working my butt off to pay the landlord.
16. Rent is far too high and has been for 3 years. As a % of turnover it has increased significantly to the point where the business is marginal. Government costs and impositions such as minimum wage and holidays has applied more pressure on small business during these recessionary times.
17. Roading – its hard to gain access off a busy road, we are on the corner of Stadium Drive & East Street.
18. Rent – King St needs to keep ideas flowing on how we can attract people into the area. Longer hours businesses open on weekends as well. Attract more boutique type businesses to this area rather than restaurants.
19. Rent – increase of 11% (now 25% of sales). Lack of atmosphere – marketing Pukekohe as a destination. Shopping hours should be 7 days – retail hours are busier at the end of the week, where do people go when shops are shut in Pukekohe – Manukau / Sylvia Park
20. Rent. Lack of support from residents despite great signage & intense advertising. Staff that leave to find job that pays more. Hair salon staff dropped dramatically from 7 staff to 2 on the floor. Increased sales after changing our supplier and letting them know what our customers are demanding. People don't want discounts but extra value for their dollar – free product.
21. Lack of activity to attract customers into town e.g. retailers participating in co-coordinated activities to attract people to the Pukekohe CBD area.
22. Rates too expensive. Business Association ineffective – no Christmas shopping hours, no minimum weekend hours recommended. Parking is a problem – existing carparks need to be better utilized – not for markets. Need more town cameras monitored to stop graffiti and monitor any illegal activity.
23. Constraints are Pharmac Drug Policy – restrict access to meds. Red tape of M.O.H. compliance costs, maintaining hardware.
24. Would like Enterprise Franklin to promote Pukekohe as a shopping destination.
25. rents have not dropped – fault of valuers. Negative news & press how about positive stories.
26. Worried about rent
27. Rent, competition, parking – other businesses using main street parking (real estate agents etc)
28. rents – kill businesses

Waiuku

1. New paving put in by Council last year gets filthy outside my shop. The Council is doing nothing about the illegal flower hawker in Waiuku. The Council has indicated that they can do nothing and I can do nothing about this as it's a Council Bylaw not a police matter. Yet another year of "town upgrade" affecting parking badly.
2. Rent too high for foot traffic
3. Rent = \$346.15 sq metre this has been accessed by local Real Estate Agent. Rates (Opex) advised \$90 month came in at \$169.00 month (rather drastic under calculation from land agent and landlord). Community support fantastic other retailers down right evil we should all be working together as a team. Instead we have 100% negativity, 100% aggression, 100% vindictive – it this is what they portray to other retailers what are they

sending out to the community and customers. Local body support associations fail to make contact which again reflects lack of team spirit.

4. The mess being made by contractors, lack of parking does not make people want to shop in Waiuku. They should finish one area before digging up another.
5. Lack of room & money
6. The Mitre 10 fence is absolutely childish – feel sorry for the Mitre 10 customers. Average trading due to road works.
7. Rent, internet competition and lack of capital
8. Basic wage we have to pay to unskilled staff over the age of 18 years. Rates, power, telephone, postage. The rates we have to pay is too much and to see our rates money being wasted on dumb ideas.
9. Council cutting our hours – decreased trading hours.

Tuakau

1. Rent. Too many of the same shops. No community support.
2. Repair and maintenance is costly for old infrastructure. Unleveled competitors. Insurances, Council rates or levies all more than they should be.
3. Lack of banks. Need new businesses but varied not more of the same. Tuakau needs a face lift like Tirau.
4. Recently opened competition. Increased rent. The cost of staff – holidays / sick pay / kiwisaver.
5. If lease increases will definitely not be able to continue trading. Location of business has very limited foot traffic due to slow leasing of other shops in the development. The growth in the area has slowed and recent bad publicity is turning buyers away.
6. Competition, stock and cashflow.

General Business Survey

A question was asked “what are the LOCAL factors that are most influencing the performance of your business at present” the following responses were obtained:

1. Local shopping locally
2. More use by locals
3. The media /landlords with short term visions
4. General infrastructure improvements
5. Parking – large companies taking business from small businesses, for example too many eating places. Businesses operating out of residential properties. Exit from Railway Station unattractive and dangerous!
6. High overheads / rent costs/ too many similar operators in Pukekohe
7. Lack of confidence to spend money
8. Too much traffic & roadworks around the central business area. Ring road should be further out as the CBD has expanded.
9. New businesses to the Franklin area, positively recruited by the Franklin Community.
10. Limited finances
11. General maintenance is not being carried out. Proactive security measures are not being done due to down turn in local business.
12. Pukekohe as an area has a far better name now.
13. The true land market (determining whether the real market value and whether it has hit the bottom)
14. Competition – businesses need to get the message out.
15. Road works

16. Many of my clients have less disposable income which has a knock on effect on my business
17. Number of unemployed. Farmers are not spending.
18. Competition. Private spending.
19. Local businesses supporting local suppliers – doesn't always happen
20. Employment. Rent keeps going up. Wages keep going up and the Council adds things like waste water charges. You have to pay to listen to your radio in your shop. Road works do damage to people visiting your business and the government wants to increase GST. There is no encouragement to take on new staff.
21. Road works.
22. Road works & no parking. Problems with shop owners/workers parking in the main street.
23. Local roading improvements – positive.
24. Road works – negative
25. Road work mess and manner in which it is being done. One area not finished and then the dig up another.
26. price sensitivity and general trading
27. Road works
28. Economy down. NZ Dollar down. Building Industry down. Fuel prices down. Infrastructure spending increased!
29. Shoplifting on the increase – have got Police and Maori wardens patrolling on the increase which has helped reduce this.
30. The cost to comply.