



# Westpac Grow NZ

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2018





## Foreword

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Some days it feels like there has never been a more tumultuous time to be in business than the present.

Trends come and go overnight. Technology enables and disrupts. Competition is both local and global.

In this report we attempt to make sense of the constant maelstrom.

We talked to more than 1200 businesses from around New Zealand to understand what their owners and managers are thinking, and how they're feeling.

This is the third time Westpac has conducted the survey and the first time under the present Government.

Some questions focus on the present while others explore businesses' plans and ambitions and ask respondents to identify the obstacles standing in their way.

It's a stocktake of sorts. Not of the plant and capital and labour driving New Zealand industry, but of the minds and brains at the helm.

The results paint a picture of complicated marketplaces, which are subject to forces large and small.

Yes, much of the report focuses on the challenges we face.

But pleasingly, what also shines through is an understanding and appreciation of the opportunities out there. Growth – including barriers and enablers – is a key theme of the report.

It's revealing that some of our most optimistic business leaders are young, female and/or Māori.

I was also intrigued by the responses of leaders when asked about automation and its place in the future of industry.

At Westpac we're on a mission to help our customers financially to grow a better New Zealand.

I hope this report goes some way to achieving that.

**David McLean**

Westpac NZ Chief Executive



# Executive Summary

Grow NZ 2018 is a comprehensive survey measuring the mood and intent of business leaders across New Zealand.

It asks respondents about their motivation for being in business, their culture and operating style, and their level of business confidence.

The research also examines the challenges facing the commercial sector and future plans for growth, and focusses on a range of timely issues, including automation, innovation and regional development.

## Key findings

### Growth for women and those under 60

**28%** of those aged over 60 reported positive growth, compared to 38% of under 60s. 40% of women report positive business growth in recent years, compared to 32% of men.

### Young business people and non-Europeans more optimistic

**55%** of those aged under 35 expect business conditions to improve in the next 12 months, compared to 41% of 35-59 year-olds and 34% of over 60s. 38% of NZ Europeans expect business conditions to improve, compared to 58% of Māori, 53% of Indian and 52% of Asian respondents.

### Investment in people increases

**48%** of companies told us they are planning to upskill staff in the next three years, compared to 42% in 2015 and 39% in 2011. In contrast, business interest in other areas of investment has fallen over time, including developing new products, increasing marketing and purchasing/leasing new vehicles.

### Big business more bullish

**69%** of large businesses (\$5m+ turnover) plan to expand in the next few years, compared to 30% of Small and Medium Enterprises (SMEs).

### Barriers to growth depend on business size

**22%** of SMEs said work-life balance was their biggest obstacle to expansion, while a lack of qualified staff was the most significant factor for large businesses.

### Here come the machines

**63%** of large businesses believe automation will have a positive effect on their industry, compared to just 35% of SMEs. 55% of big businesses think it is likely they will automate some part of their business in the next five years, compared to 24% of SMEs.

The nationally representative online survey of 1269 business owners and senior managers was run in February 2018 for Westpac NZ by Nexus Research. Previous surveys were conducted in 2011 and 2015.

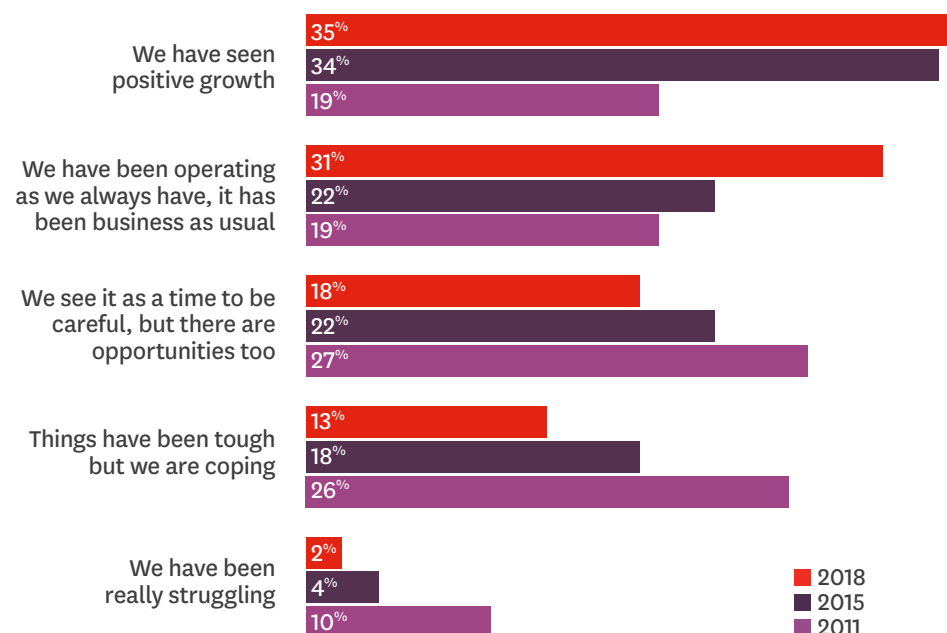
In 2018, we included large businesses (\$5m+ turnover) and farms for the first time. Therefore, analysis in this report that compares 2018 to former surveys does not include large businesses and farms.

Responses may also be broken down by geographic region and industry sector – this information is available on request.

# The Present

## Fewer businesses finding things tough

How has your business been operating in recent years?

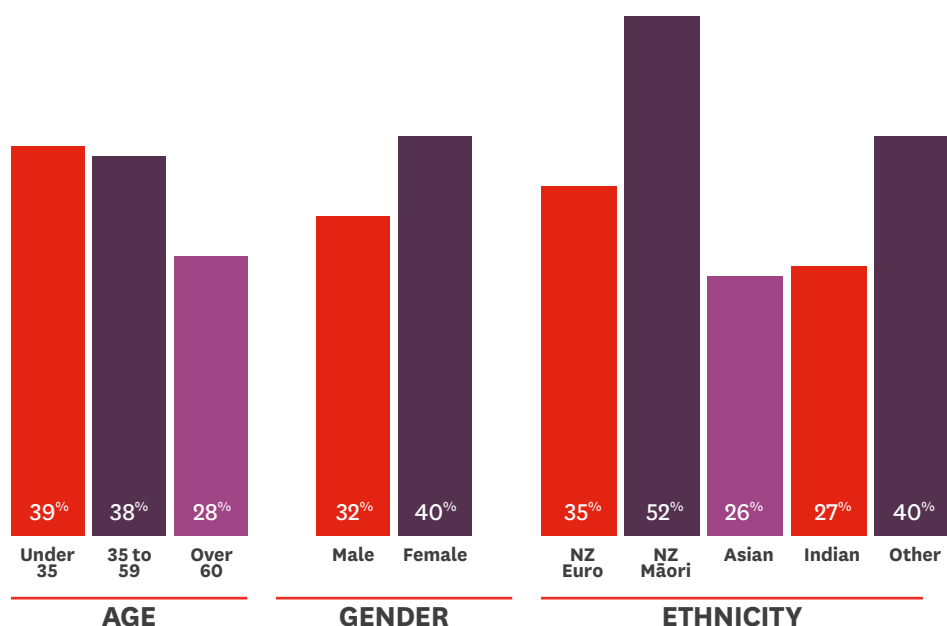


15% of SME businesses say they are finding things tough or are struggling, compared to 36% in 2011. 66% now say they have seen positive growth or are operating as they have always done.

Base: NZ SME businesses (\$30k to \$5m) excluding farms.

## Young, female and Māori among most positive

How has your business been operating in recent years? (% seeing positive growth)



Those under 60 and women are more likely to have experienced growth. Māori businesses also tend to have experienced more growth.

Base: NZ businesses (\$30k turnover).

## Business in focus – Wakatū

For the families of Wakatū Incorporation, the land and sea are fundamental parts of who they are.

The Nelson-based company is owned by the 4000 descendants of the original Māori land owners of the Nelson, Tasman and Golden Bay areas.

From an original asset base of \$11 million in 1977, today the business has a current value of over \$300 million.

With sustainability key to its long-term success, Wakatū has a positive outlook for the future, particularly in the hospitality sector for which Nelson and Tasman are so famous.

Its diverse portfolio includes vineyards, orchards, residential and commercial properties, marine farms and waterspace.

Wakatū chief executive Kerensa Johnston says the company has experienced significant growth in its property, horticulture and aquaculture businesses over the past 25 years.

“Kono, our food and beverage business, has been key and we expect to see continued expansion over the next 20 years,” she says.

Among their brands are the multi-award winning Tohu Wines, Tutu Cider and Kiwa Oysters.

Among Wakatū’s guiding objectives is a focus on innovation and adaptability.

Its stated aim is to ensure “the retention, preservation and knowledge of culturally significant land” but at the same time be “the best indigenous food and beverage business in the world”.

Kerensa says she agrees with the higher-than-average business confidence reported in Māori organisations.

“What’s driving that among Māori businesses is there’s much more collaboration happening between us.”

Kerensa says Wakatū is seeing growth globally in its premium wines and sea food offerings but at the same time it remains focussed on sustainability and “living up to our brand promise”.

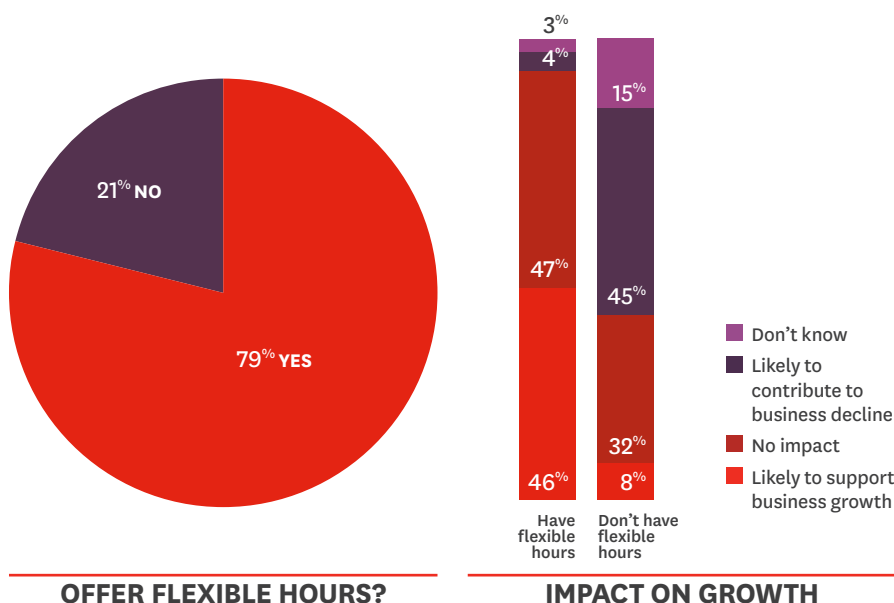


Wakatū Chief Executive Kerensa Johnston

## Working flexibly

### 8 in 10 businesses offer flexible hours

Does your business offer flexible hours to staff? What impact does this (or would this) have on business growth?



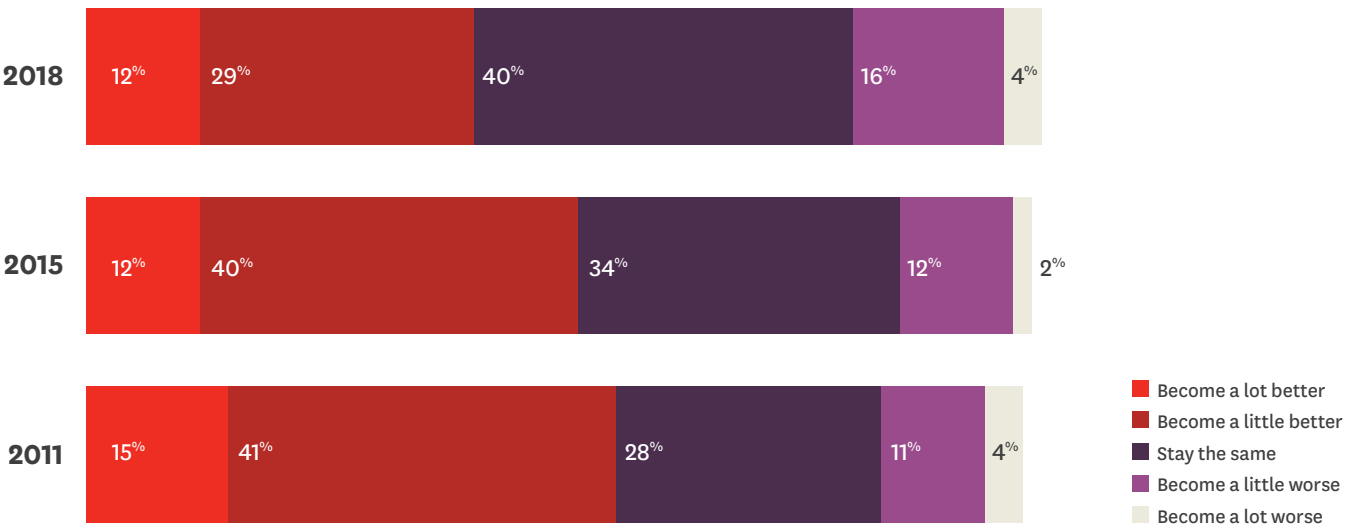
**79% of businesses offer flexible hours to staff. 46% of those businesses believe doing so is likely to support business growth.**

Base: Have employees other than myself.

# The Future

## SME confidence down on previous years...

Thinking about the year ahead, how do you expect business conditions in your industry to change?

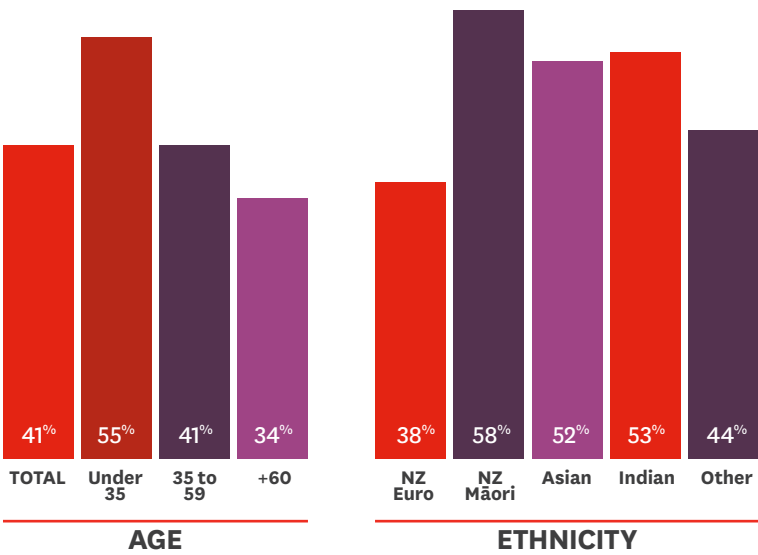


Coming off a period of strong growth in the economy, fewer SME respondents feel confident about future business conditions than in 2011 and 2015. 41% believe conditions will be a bit better or a lot better in the coming 12 months, compared to 56% back in 2011.

Base: NZ SME businesses (\$30k to \$5m) excluding farms.

## ...but more optimism among the young and non-Europeans

Thinking about the year ahead, do you expect business conditions in your industry to get a lot or little bit better?



55% of respondents aged under 35 expect business conditions to get better, compared to 34% of those over 60. European respondents were less likely to expect conditions to improve than non-European.

Base: NZ businesses (\$30k+ turnover).



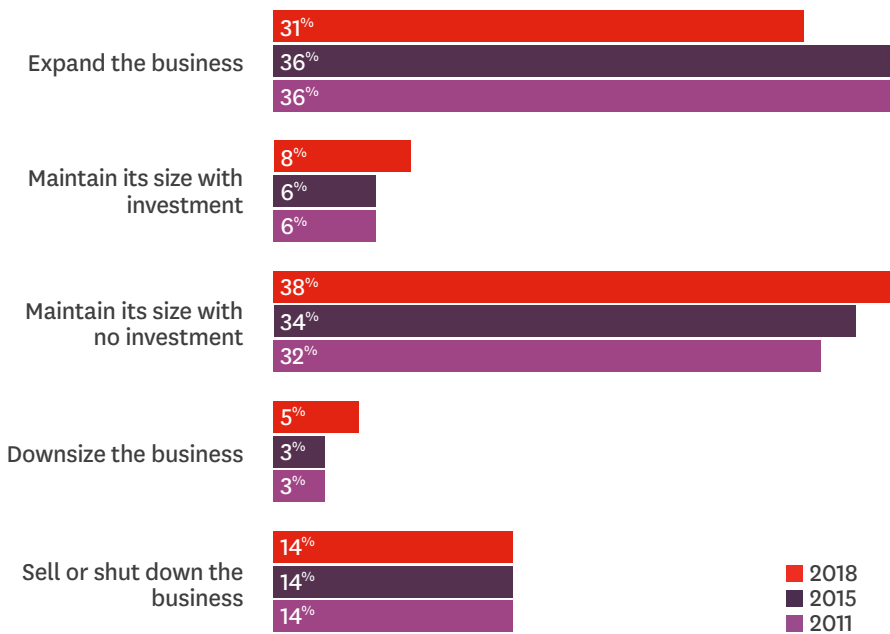




# Planning Ahead

## Investment plans drop off slightly for SMEs

What are your plans are for the business in the next few years?

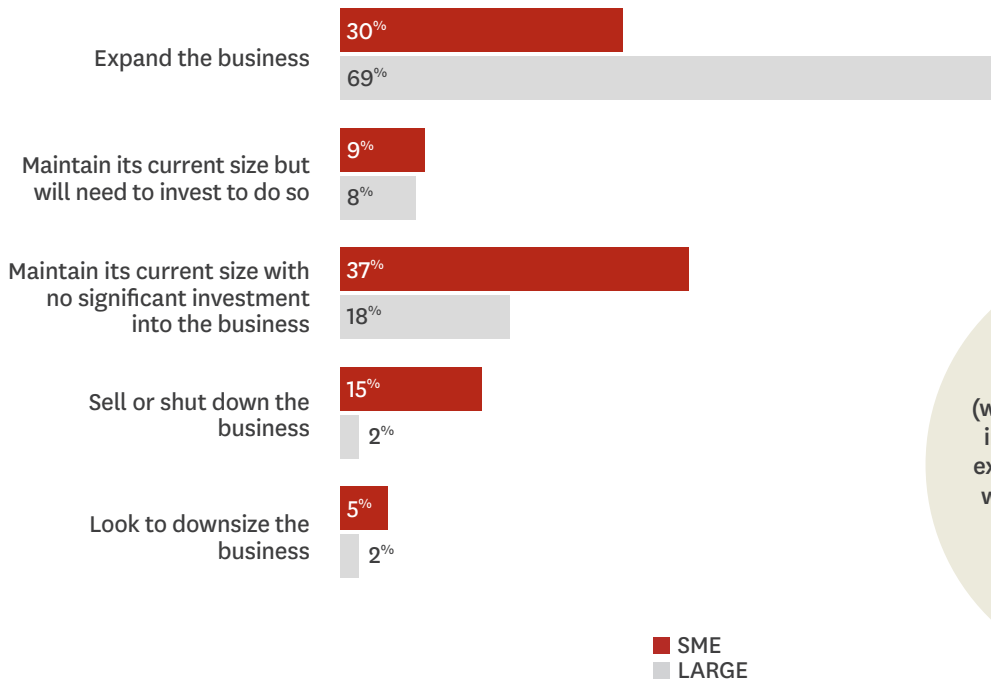


The proportion of SMEs planning to expand fell from 36% in each of the previous two surveys to 31%. An increased number of respondents said they plan to maintain their size with no investment.

Base: NZ SME businesses (\$30k to \$5m) excluding farms.

## Large businesses more bullish about expansion

What are your plans are for the business in the next few years?



More than two out of three large businesses (with more than \$5m turnover) indicated they would look to expand. 15% of SMEs said they would look to get out of their business or shut it down.

Base: NZ businesses (\$30k+ turnover).



## Business in focus – Ecoware

James Calver and Alex Magaraggia, both 31 years old, have some pretty ambitious growth targets.

Their Auckland-based company, Ecoware, design, develop and distribute a full range of sustainable, plant-based single use food packaging. The company has been in “hyper growth mode” for the past five years.

In 2016, the young entrepreneurs’ company was ranked the 20th fastest growing company on the Deloitte Fast 50 NZ index, and 30th the following year. Over the past four years they have grown over 400%, and show no signs of slowing.

So when the Grow NZ survey showed that 55% of under-35s expect business conditions to become better in the next

year compared to 41% of 35-59 year-olds and 34% of over 60s, we asked if this reflected their views.

“Ecoware has some pretty ambitious growth targets over the next five years, both nationally and internationally,” says James.

“As pioneers of the sustainable packaging industry, over the past seven years we are confident that we have established ourselves as ‘the trusted brand’, gaining strong market share ahead of the intense and aggressive increase in consumer awareness and their desire for more sustainable solutions.

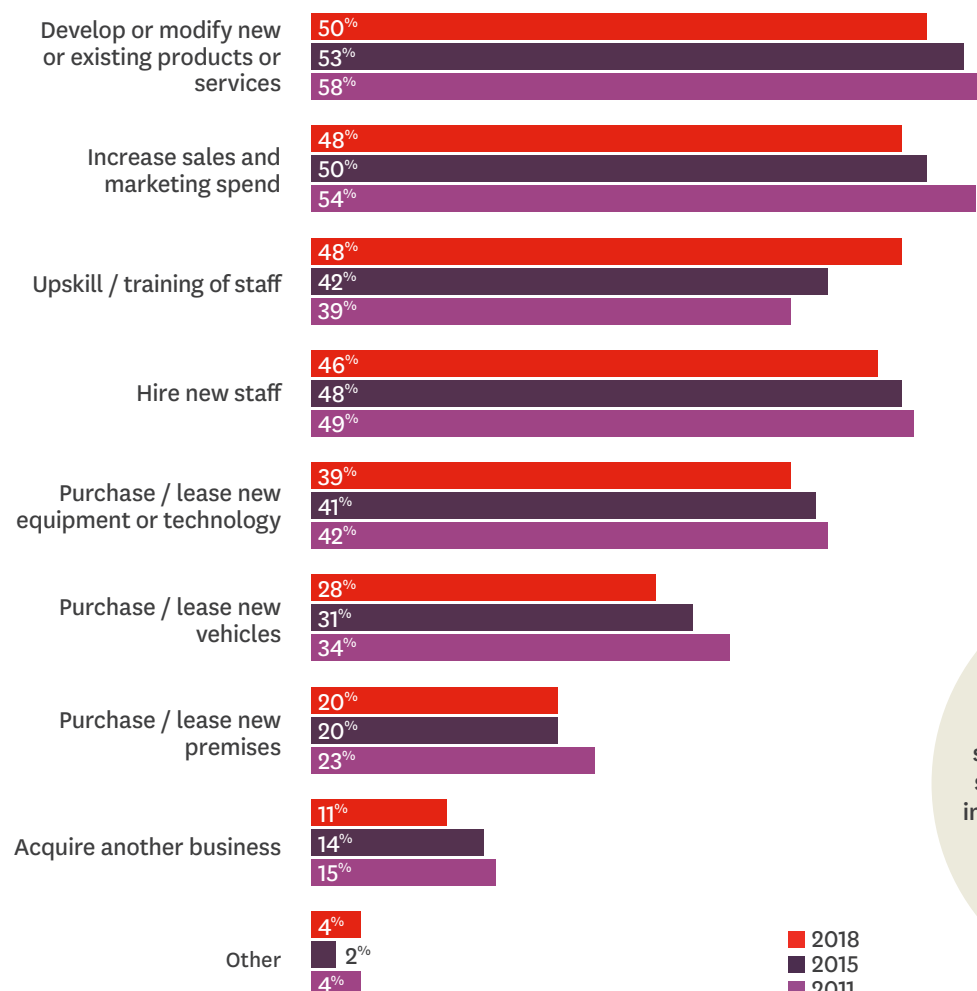
“This year we have seen the most momentum the industry has ever felt, and we predict this is just the beginning.”



Ecoware founders Alex Magaraggia (left) and James Calver

## SMEs with expansion plans look to invest in current staff

Which of these actions does your business intend to undertake in the next three years?



An increasing number of SMEs keen to expand are looking to upskill or train staff. Other forms of expansion, such as developing products or increasing spending on marketing and new equipment have continued to drop since 2011.

Base: Plan to expand or invest in businesses.

# Obstacles to Growth

## Barriers to expansion vary depending on business size

Which of these would you consider to be the single biggest obstacle to expanding your business?

### LARGE BUSINESSES TOP 5 RESPONSES

Lack of qualified staff	21%
Increased competition	19%
Current state of the market	12%
IRD/Taxes	7%
Need for new technology	7%

### SMEs TOP 5 RESPONSES

Maintain work-life balance	22%
Lack of funds	10%
Lack of qualified staff	9%
Increased costs	9%
Retire/leave the business	9%



### SMEs TOP 5 RESPONSES

2011		2015	
Current state of the market	20%	Work-life balance	21%
Lack of funds	15%	Lack of funds	11%
Maintain work-life balance	15%	Want to retire/leave	10%
Increased business costs	6%	Lack of qualified staff	9%
IRD/Taxes	6%	Current state of the market	9%

SMEs and large businesses identified very different barriers to expansion. Just 5% of large businesses considered work-life balance to be their biggest obstacle to expansion, compared to 22% of SMEs. Only 8% of SMEs considered increased competition to be their biggest problem, compared to 19% of larger respondents.

Base: NZ businesses (\$30k+ turnover).

## Obstacles vary for different ages and ethnicities

Which of these would you consider to be the single biggest obstacle to expanding your business?

<b>Under 35s</b>	<ul style="list-style-type: none"> <li>– Work-life balance 19%</li> <li>– Lack of funds 19%</li> <li>– Lack of qualified staff 13%</li> </ul>
<b>35 to 59</b>	<ul style="list-style-type: none"> <li>– Work-life balance 22%</li> <li>– Increased costs 11%</li> <li>– Lack of qualified staff 11%</li> </ul>
<b>Over 60s</b>	<ul style="list-style-type: none"> <li>– Retire/leave business 23%</li> <li>– Work-life balance 22%</li> <li>– Political/regulatory 10%</li> </ul>
<b>NZ European</b>	<ul style="list-style-type: none"> <li>– Work-life balance 24%</li> <li>– Retire/leave business 10%</li> <li>– Lack of qualified staff 10%</li> </ul>
<b>Māori</b>	<ul style="list-style-type: none"> <li>– Work-life balance 22%</li> <li>– Lack of funds 17%</li> <li>– Lack of qualified staff 13%</li> </ul>
<b>Indian</b>	<ul style="list-style-type: none"> <li>– Increased competition 29%</li> <li>– Lack of funds 15%</li> <li>– Political/regulatory 15%</li> </ul>
<b>Asian</b>	<ul style="list-style-type: none"> <li>– Increased competition 16%</li> <li>– Increased costs 13%</li> <li>– Work-life balance 11%</li> </ul>

Maintaining work-life balance was an issue for older, European and Māori respondents. Lack of funds was a problem for young, Māori and Indian business leaders. Increased competition was the biggest issue for nearly 30% of Indians.

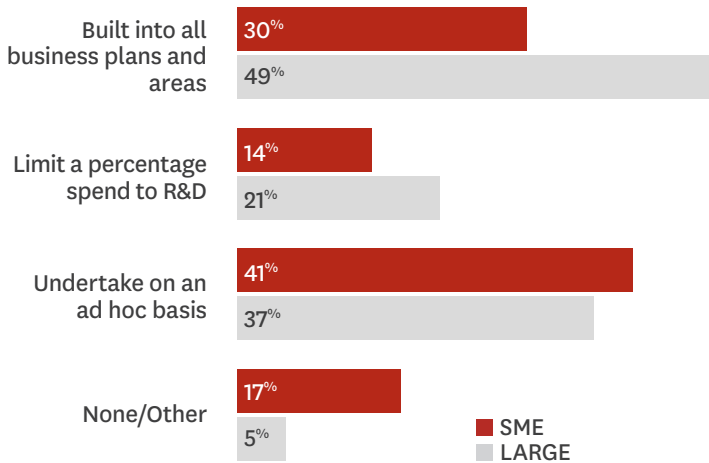
Base: NZ businesses (\$30k+ turnover).



# Thinking Differently

## SMEs more likely to innovate on the fly

How much emphasis does your business place on innovation?



Large businesses are more likely to build innovation into the entire enterprise, whereas SMEs take advantage of their small and nimble structures by innovating on an ad hoc basis.

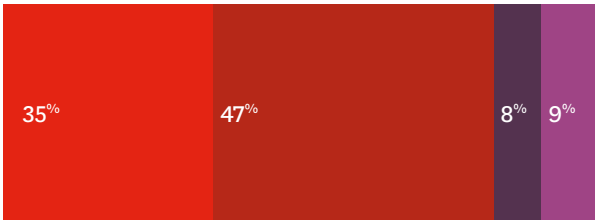
Base: Have employees other than myself



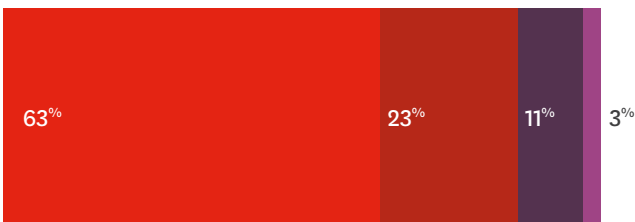
# Technology

## Big businesses more positive about automation...

How do you think automation within your industry will affect your business over the next five years?



SME



Large Businesses

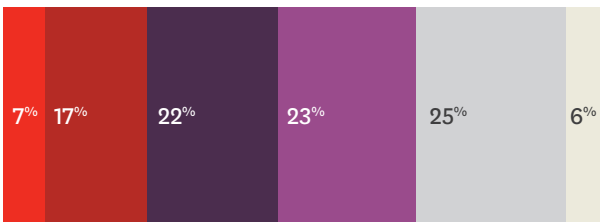
- Don't know
- Negative/very negative impact
- No impact
- Positive/very positive impact

Large businesses were more likely to consider automation to be a positive force than SMEs but were also more likely to view it negatively. Nearly half of SMEs think automation will have no impact on their business.

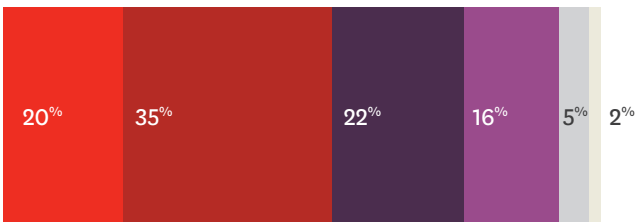
Base: NZ businesses (\$30k+ turnover).

## ...and are making plans to bring in the machines

Do you plan to automate parts of your business in the next five years?



SME



Large Businesses

- Don't know
- Definitely won't
- Probably won't
- Might or might not
- Probably will
- Definitely will

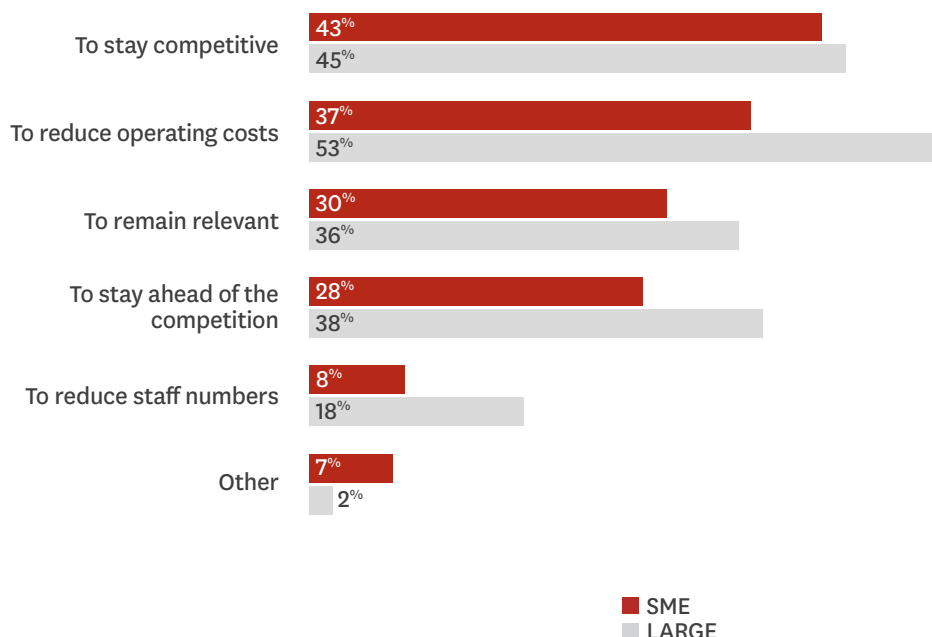
55% of large businesses say it's likely they will automate some part of their business in the next five years, compared to just 24% of SMEs.

Base: NZ businesses (\$30k+ turnover).



## Automating seen as a way to stay competitive and cut costs

For what reasons will you, or might you, automate parts of your business?



The top reason SMEs are considering automating is to stay competitive, while large businesses are looking to reduce costs.

Base: NZ businesses (\$30k+ turnover).

## Business in focus – Prestige Law

For a law firm specialising in migrant investors, business conditions present both challenges and opportunities.

Auckland lawyer Royal Reed established Prestige Law in 2006 to help investors and migrants manage their legal compliance and dispute resolution under the New Zealand legal system.

With headquarters in Auckland, Prestige Law has expanded its footprints to London, Melbourne, Beijing and Shanghai with more than 20 staff across the world. It is one of many female-led businesses that appear to be thriving in the survey.

Royal says her business has consistently seen about 30% annual growth in recent years on the back of friendly immigration and investment policies and worldwide concerns for environmental and political stability.

Royal discovered that the biggest barrier for her business was seeking and retaining talent with the professional capabilities required to facilitate the services needed by clients.

At Prestige Law, the management team has offered flexible working hours. Staff can work their own hours and from where they choose. Due to this, when staff move away from New Zealand, they can still work remotely for the law firm across the world.

Royal said they had already started an automated business process to enable more immediate access for their clients.

“The automation process will speed up the access for our customers to enjoy the experiences of receiving the same services, and it will also allow us to reduce the challenges of finding more talent when automation can reduce the reliance on human capital.”



Prestige Law founder Royal Reed

# Infrastructure Priorities

## Stand-out infrastructure responses by region

What type of investment is most needed in your region?

Northland - Transport 37%

Auckland - Transport 41%

Waikato - Primary Industries 12%

Taranaki/Hawke's Bay/Gisborne  
- Other, i.e. drinking water 13%

Manawatu - Manufacturing 12%

Nelson/Marlborough/Tasman/West Coast  
- Housing 22%

Bay of Plenty  
- Transport 49%

Wellington  
- Housing 20%

Canterbury - Tourism 16%

Otago/Southland - Tourism 28%

### INFRASTRUCTURE INVESTMENT PRIORITIES

NATIONAL AVERAGES			
Transport	30%	Manufacturing	5%
Skills & Education	16%	Other infrastructure, i.e. drinking water	5%
Housing	16%	Irrigation	2%
Tourism	9%	Other/None/Don't know	11%
Primary Industries	6%		





