



News

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Business battlers: when the going gets tough, get going

- More than half of Australian businesses are diversifying into new markets
- Almost two-fifths (38%) are developing new services/products
- Almost a quarter (23%) are opening new strategic locations

Australian businesses are doing their best to dodge the downturn, according to research released today.

The Grant Thornton International Business Report is an annual international survey of 7,200 privately held businesses which tracks constraints on business growth.

With a third of Australian respondents saying that a fall in customer demand was a major impediment to their ability to expand their business, the research also tracked what firms were doing in response to the changing economic climate.

While defensive strategies like cost review and cost reduction seem to be priorities for Australian businesses, almost as many local entrepreneurs are exploring new ways to keep their business afloat.

Across Australia, the most common measures businesses had taken to prepare for the downturn were:

- Cost review of the business (56%)
- Cost reduction strategies (53%)
- Diversification into new markets (52%)
- Training the current workforce (51%)
- Development of new services (37%)

Western Australia and Queensland seem to be particularly proactive, with two-thirds (66%) of WA businesses and over half of Queensland (56%) businesses targeting new markets to stay on the front foot.

Nationally, a quarter of Australian businesses reported increasing their advertising spend and a fifth have undertaken a recruitment drive - capitalising on the freed-up labour market.

Tony Markwell, National Head of Privately Held Business at Grant Thornton Australia, commented:

“In the current climate business owners will have to find new ways to overcome a lack of demand for their core services.”

“Each operation is different and the strategies they implement need to be specific to their situation. However, a valuable first step is to review your costs and really investigate where you can reduce them, because as cash flow slows down you are going to need as much padding as possible to stay above water.

“However, you can’t just afford to retreat into a bunker in this current market. Although a shortage in customer orders might derail the growth plans of some Australian businesses, many are already busy developing alternative ways to expand, and scoping out new markets. If there are new services you can develop, or existing services which can be adapted, then you can not only keep your business going, but keep it growing.”

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Australian Regional Breakdown

Approximately 250 medium to large Australian businesses participated in the survey in October 2008. Medium to large companies are defined as having between 20-299 employees.

This table ranks the top five strategies implemented by Australian businesses in 2008 to overcome the downturn.

	SA	WA	NSW	QLD	VIC
1st	Cost Reduction (48%)	Diversifying into new markets (66%)	Cost review (63%)	Cost review (62%)	Training current workforce (54%)
2nd	Diversifying into new markets (44%)	Cost review and cost reduction (64%)	Cost Reduction (54%)	Training current workforce (58%)	Diversifying into new markets (50%)
3rd	Training current workforce (38%)	Training current workforce (60%)	Diversifying into new markets and training current workforce (46%)	Diversifying into new markets (56%)	Development of new services and cost review (48%)
4th	Development of new services (34%)	Deferring expenditure (48%)	Development of new products (40%)	Cost Reduction (54%)	Cost Reduction (44%)
5th	Deferring expenditure (28%)	Looking for strategic suppliers (40%)	Development of new services (38%)	Deferring expenditure (40%)	Development of new products (33%)

Grant Thornton International started a major annual survey of the attitudes and expectations of small and medium-sized businesses in 1992 called the European Business Survey (EBS). In 2003 the research project was widened to an international perspective covering medium-sized businesses and renamed the International Business Owners Survey (IBOS).

In 2007, the survey's name was changed from IBOS to the International Business Report (IBR). The IBR survey draws upon 17 years of trend data for original EBS participants and 7 years for original IBOS countries. The 17 year trend data is available for: France, Germany, Greece, Ireland, Italy, Netherlands, Spain, Sweden and the United Kingdom, while the 7 year trend data is available for Australia, Canada, Hong Kong, India, Japan, Mexico, Russia, Singapore, South Africa and the United States.

Grant Thornton International will donate US\$5 to UNICEF for every completed IBR questionnaire. In 2009, this will result in a donation of almost US\$36,000.

The research was conducted by Experian Business Strategies Limited. To find out more about IBR and to obtain details of IBR reports and results please visit www.internationalbusinessreport.com.

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