

Affinity conference 2019



This year, the annual Grant Thornton Affinity Bendigo Conference celebrated its 20th anniversary.

Since the inaugural event back in 1999, Affinity members have witnessed – and driven – considerable change in their respective market. The conference itself has grown to be one of the largest and most respected gatherings of practitioners in Australia, attracting leaders from our esteemed network of accountants, lawyers and professional advisors.

On 14 -16 February, close to 300 delegates descended on regional Victoria, proving that after two decades, the appeal is still as strong as ever.

2019 has delivered a changed landscape for many of our members. Taxation, estate planning, pricing, superannuation and regulatory reform all remain topics at the forefront of discussion, while Royal Commissions into the financial services and aged care sectors have impacted our businesses, our clients and the broader economy.

So, where to from here? How can we continue to improve the way we work, remove barriers to growth and take advantage of new opportunities in a rapidly changing world?

We conducted live surveys over the three days to identify the trends and developments that matter to you most and are privileged to share the results with you. It's hoped these insights and takeaways from the conference will shine a light on your priorities and bring greater clarity to your vision for the remainder of 2019 and beyond.

Please get in contact if you would like to discuss any of the issues or opportunities raised, to access any of our thought leadership or training material, or to speak with one of our industry specialists.

We thank you for your continued support and look forward to working with you in the year ahead.



Nick Mellos

Partner and National
Head of Affinity
Grant Thornton Australia

What you said

You and your clients are the engine room of the Australian economy. We took a pulse of approximately 300 delegates to understand the opportunities, risks and challenges for the Victorian SME community.

Which industry has the best prospects for growth?



51%

Best prospects for growth:
Health & Aged Care

The options:

Health & aged care	51%
Professional services	13%
Property & construction	10%
Food & agri-business	10%
Hospitality & tourism	5%
Other	5%
Education	3%
Energy & resources (including renewables)	3%
Advanced manufacturing	0%
Retail & consumer	0%

“The Royal Commission is an opportunity to make long-term, sustainable changes that strengthen quality and safety in the Aged Care industry. This is particularly important as our population ages.”

Darrell Price, Health & Aged Care Industry Leader, Grant Thornton

The Royal Commission into Aged Care Quality and Safety has put aged care operators under a microscope, but despite overwhelming public criticism concerning the current standard of services provided to older Australians, more than half of our delegates identified Aged Care as the industry with the greatest prospects.

While the implications of the Royal Commission are yet to be fully assessed, widespread change is seemingly inevitable and with stakeholders eager to create greater transparency and positive reform, there is an underlying sentiment of optimism and faith in the industry. Many delegates indicated they believed the outcomes will impact the Aged Care sector positively. As Australia's population ages, the demographic shift will place greater demand for aged care services, which will unlock more growth opportunities for aged care service providers.

Which industry do you think faces the greatest challenge?



62%

Facing greatest challenge:
Retail & Consumer

The options:

Retail & consumer	62%
Professional services	13%
Property & construction	11%
Advanced manufacturing	6%
Health & aged care	2%
Education	2%
Energy & resources (including renewables)	2%
Food & agri-business	2%
Hospitality & tourism	0%
Other	0%

“The pace at which the retail sector is changing will continue to accelerate. Australian retailers have some natural disadvantages to contend with due to our high labour costs and geographically-dispersed population, making keeping up with the latest innovations even more vital.”

Luke Ritchie, Partner, Grant Thornton Consulting

When questioned about which industry faced the greatest challenge in 2019, an overwhelming 62 per cent of delegates pinpointed Retail & Consumer products.

The Australian industry has been disrupted in recent years as giant global retailers began to stake their claims in the local market, putting the squeeze on existing SME's that struggle to compete with the bulging technology and innovation budgets of their much larger counterparts.

The rapid advancement of ecommerce has altered consumer behaviours permanently, raising expectations around lower prices and delivery times to levels not previously experienced in this country. Add to this higher labour costs and sophisticated warehousing requirements and it's plain to see why retail and consumer businesses in Australia will remain under pressure for the foreseeable future.

Further innovation and deployment of automated technology in the supply and fulfilment chains will be essential for the sector to rise again and maintain its place as a critically important industry to the health of the Australian economy.



What do you see as currently the greatest barrier to growth for your clients?



45%

Greatest barrier to growth:
Financing

The options:

Financing **45%**

Economic uncertainty **15%**

Other **12%**

Risk & regulation **10%**

Technological change **10%**

Talent management **8%**

“Our clients need access to funding in order to grow. In the wake of a Royal Commission and increased regulation, the current credit tightening means accountants and advisors need to be proactively engaging with clients about the opportunities, expectations and risks they are facing.”

Matt Byrnes, Partner, Financial Advisory, Grant Thornton

Not surprisingly, 45 per cent of delegates selected financing as the greatest barrier to growth. The recent Royal Commission into Misconduct in the Banking, Superannuation and Financial Services industry uncovered a culture of greed among Australia’s highest profile financial institutions and numerous admissions that conduct had fallen well below community standards and expectations.

The resulting fall out and collective industry commitment to operating with greater transparency and regulation has seen a tightening of lending criteria across a range of credit products. This credit crunch caused by regulatory pressure has made it increasingly difficult for clients to access cheap money to finance their business growth aspirations or resolve short-term cash flow problems. This breach has been filled somewhat by smaller non-bank lenders, but the more guarded approach by the big four banks has resulted in some marginal SME applicants considering alternative finance options or being left out in the cold.



Where do you see the most opportunity for advisors to add value to your customers?



52%

Most opportunity for advisors to add value:
Performance improvement & operations

The options:

Performance improvement & operations **52%**

Growth strategy **26%**

Financial reporting & forecasting **11%**

Management **9%**

People & talent **2%**

“Businesses need to be more agile and change-driven in order to remain competitive and to grow, applying a continual improvement lens to processes, systems and operations. Often this requires a fresh set of eyes and ideas, to constructively challenge the status quo, which is where a specialist advisor can really add value.”

Nick Mellos, Partner and National Head of Affinity, Grant Thornton

When asked where an advisor could add most value for customers, performance improvement and operations was a clear winner with 52 per cent of the vote. This outstripped the next most popular choice of growth strategy by 26 per cent.

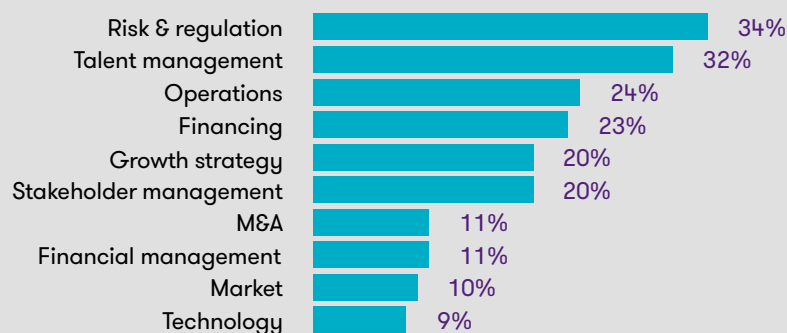
Support to improve performance and operations in an organisation, also means responding swiftly to market changes, identify growth opportunities, minimise costs and help business leaders analyse their businesses to find opportunities for performance improvements that will lead to growth and an improved profit position.

Delegates firmly believed the impact of receiving sound professional advice could have on the day-to-day operations of a business could be profound and have long-term positive effects on performance. Revenue potential could hinge on a few simple cost efficiencies implemented at an operational level.

Collective client insight a focus on growth

Utilising our global 6-Box client conversation framework, over the past year we have conducted almost 800 client conversations with C-suite, Directors and company owners of Australian mid-sized businesses across various industries, aimed at understanding their greatest opportunities and challenges to growth. We analysed these results by geography and by industry, in order to share our learnings with attendees.

Top 10 areas of focus (% of clients)



A high proportion of clients we spoke with during 2018 singled out **risk and regulation** as the number one issue facing their business. In the same way banks are exploring ways to manage this, clients are dealing with a significant increase in reporting and compliance obligations including through increased ATO activity, which is in turn bringing about a renewed focus on governance, an area where many of the bank's clients are not strong.

Not far behind in importance was **talent management**. Attracting the right people in the right roles and locations is increasingly challenging for our clients, as is retaining and developing talent in a competitive job market. Generational issues, flexible working options, and a changing workplace increasingly reliant on digital solutions, were all highlighted as factors. While our clients recognise this as an issue, many are also too busy with the day-to-day operations of their business and struggle to invest sufficient time in identifying, sourcing, and upskilling the best people.



Access our program materials

For full access to program materials and insights, you can download our material [here](#).

Please also take a minute to let us know your feedback and topics of further interest [here](#).

Please contact the Affinity team or our Industry leaders for further insight into our industry findings.



Consumer products & retail

Distribution channels, supply chain management and operating systems remain key issues for clients. Contact [Simon Trivett](#) for more info.



Financial services

Recruiting and retaining the right talent – particularly in senior leadership roles – is an ongoing challenge. Contact [Madeleine Mattera](#) for more information.



Food & beverage

Compliance obligations, for instance around free trade agreements and transfer pricing were standout concerns for clients. Contact [Tony Pititto](#) for more information.



Health & aged care

A shortage of skilled workers is impacting the ability to service people in care as well as overall growth strategies. Contact [Darrell Price](#) for more information.



Manufacturing

Clients are looking to accelerate growth through new products, M&A, and domestic and international expansion. Contact [Michael Climpson](#) for more information.



Professional services

The sector is looking at employee retention strategies to ensure they keep their most valuable asset – their people. Contact [Ben Matthews](#) for more information.



Real estate & construction

A number of clients are considering equity partnerships and incentive schemes with employees to help fund growth. Contact [Sian Sinclair](#) for more information.



Technology & media

Clients are seeking to raise funds to grow through IPO, equity funding, debt financing and crowdsourcing. Contact [Simon Coulton](#) for more information.

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