



Where will Western Australian business growth come from in 2018 - Part 2?

In Part 1 - Macroeconomics, we observed “Western Australian businesses are going to have to work extra hard to grow their businesses in 2018, there are no ‘tailwinds’. Conversely, we believe the ‘headwinds’ will lessen but not disappear. It’s not ‘gloom’ but it’s also not ‘boom’.”

In this article, we’ve pulled together the big trends forecast for 2018 that, in our view, need to be recognised and actioned by WA business. We’ve stayed out of trends that apply to across the board, we felt there’s been enough said in that space.

We’ve gone after trends that apply to Western Australia specifically and that we have observed first hand, either in operation or through lack of application.



Part 2 - What are the trends for Western Australian business in 2018?

We believe there are 7 distinct trends that will impact most heavily on the Western Australian business environment in 2018.

1. The State Government will spend less!

We know it's blindingly obvious, the State Government have been flagging this since the election in 2017. State Government spending (including local government) represents some 12% of economic activity in WA so it's significant, reining the debt load in, while challenging, will be a drag on our economy and for some time.

What troubles us (and why we've called it a trend) is reducing/slowing the rate of growth of Government spend is high profile and will impact consumer confidence (remember what we said in Part 1 about household spend!). Look at the battle over the proposed gold royalty increase, confidence in the smaller gold miners took a hit and households no doubt grew weary of the front page 'gloom' headlines.

Now, we are about to be hit by a tsunami of 'bad' stories about the education cuts, the school teacher's union will hit the ground running in this 1st week of school back in early February.

We suspect a negative political environment around the budget will continue all of 2018 and will impact consumer confidence - negatively!

What should also be clear is the tangible impact of reduced/declining government spend. Business who, directly or indirectly, rely on government spending have two options, either bunker down by reducing costs and waiting it out or find new sources of revenue outside the government sector.

2. Every business must have a cost reduction plan!

Actively reducing your costs must be a major part of your business plan. Using technology to achieve this is a business imperative.

The trend is very clear, cost reduction is an aspect of business that is increasingly important. Leveraging technology is frequently the way business is going to achieve it. From the profit & loss statements we've seen, there is a lot of opportunity to reduce costs.



We know that mastering new technologies (or even old ones) can be challenging for many people, but here's the rub, if you don't do it, someone else will and put you out of business. Cost competitiveness is only going to get more intense as the role of technology plays an increasing factor in our everyday life.

For some businesses, it's as simple as using your point-of-sales system (POS) to automate your BAS to reduce your bookkeeping fee's (we run into this one very often, most POS are capable but not set-up correctly).

Other businesses can use automatic or suggested order technology in the same POS to reduce stock levels and save labour and working capital costs.

Look at your energy costs, can you deploy solar to reduce your costs? Can you negotiate with your landlord to pay the capital cost?

One area that is developing fast, particularly in the retail sector, is rent reduction. We are aware of at least one shopping mall in WA that has proactively reduced rents for its retailers due to concern over retailer viability, we expect this to develop further.

Oroton went into administration in 2017, the investor who is backing Oroton's recovery is renegotiating the rent for the store fleet (AFR - Retailers in epic fight with landlords - January 13th 2018), major chain retailers are reducing store square metres in some areas to reduce their rental costs and, anecdotally, chain stores closed 1050 stores in 2017.

We believe that the pressure on rents will continue as online retail continues to grab market share, according to the latest NAB Online Retail Sales Index, online is now 7.7% of total retail in Australia (NAB - January 2018). With online sales projected to reach 20% of total retail between 2020/22, what will be impact on commercial property rents?

Without labouring the point, if you are not actively deploying 'new to your business' technology into your business to reduce costs. There's plenty of cost-effective models and solutions available in our market place, there's no excuse for not participating. As well, get with your accountant, identify costs to go after and work a plan.



3. Online is where your customers will find you!

Would it surprise you to know that some 50% of WA businesses do not have a web presence? How is a customer going to find you if you're not online? Yellow pages?

More than 50% of West Australians picking up their mobile phone to search for products and services...and the rest are using a tablet or desktop!

The trend is very clear, to be found, you need to be online.

No choice!

Being online often means having a website...but not always. There is a marketing adage of 'go where your customers are'. This is true now more than ever, find out where your customers are looking for your product or service online and go there. It could be social media, online forums or simply through a search engine. The challenge is finding this out.

4. Customers want to buy online and offline.

There is enough said about giving your customers the ability to buy online, the trend that is coming is the ability to do both from business.

There is good reason that major online retailers like Amazon and Alibaba are purchasing or opening offline outlets, it's because customers don't want one or other...they want both.

The premise behind this trend is being available when your customer wants, not when the business wants. If your product or service is 'consumable' (meaning the product/service requires replacement in some shape or form on a routine basis), make it easy for your customers to replace.

Amazon's Alexa is about to launch in Australia, the video content supporting the launch has some remarkable customer insights on display. The couple making their dinner at home, consuming the last bottle of their favourite wine and asking Alexa to re-order for home delivery.

If you're their wine retailer, you want that re-order!

But there will be times when this same couple are looking for new wine inspirations, that's when they're coming to your store. Provision of both online and offline options for customers so they stay in your business is valuable...for both you and the customer.



If you supply pool chemical, offering online options keeps customers buying from you, yet there will be times they're in your outlet looking for advice on pool hygiene.

5. Convenience is what your customers value!

The convenience trend has been building and it's our belief it will make itself felt strongly in Western Australia in 2018.

People always want the easiest way to buy, do or achieve something. Whether it's extended shopping hours or being able to purchase online, people love convenience, it's one of the major drivers of online shopping - people love to be able to sit at home, glass of red in one hand, mouse in other and shop.

We believe that business in Western Australia need to look at how their customers view how easy (or not) it is to do business with them. You might be surprised at the results.

Convenience means different things in different businesses, 'convenience' for a supermarket means a wide product range, the reason that small stores are increasingly doing well is that customers value the 'convenience' of easy access, 'convenience' when looking for a quote on home insurance is being able to do it "out of normal business hours".

One sub-trend that is worth mentioning is in specialist products or services. Customers are increasingly valuing businesses coming to them in-home be it Hi-Fi equipment through to remodelling their homes, customers are valuing these services. Look at the rise of home delivery of restaurant food via [UBEReats](#) or [Deliveroo](#). And most interesting is [Enjoy](#)

The trend is very clear, business needs to be convenient for their customers. Understanding what convenience means in your business is key. This requires understanding what customers value as convenience which is not always immediately obvious.



6. Great experiences keep customers loyal!

Customer experience is the new competitive battleground in WA. Have a look around at your local shopping mall, strip shopping or business precinct, one of two things are happening.

Businesses within these areas are investing to provide new experiences through reinvigorated shop fronts, customer areas or provision of activities that add to the experience. These areas are holding their foot traffic numbers or growing.

Or

Businesses within these areas are not investing, these areas are losing foot traffic.

Think about the Claremont shopping precinct versus the Subiaco shopping precincts. Once they were direct competitors, competing fiercely to entice customers with many and varied retail and business offerings. Customers had two great shopping precincts to choose from.

Today, Claremont has won the war. Just on traffic, the difference between these areas is truly startling, never an issue getting a carpark in Subiaco, in Claremont we feel like we've won an Olympic gold medal if we find a carpark!

We believe the closure of the Subiaco markets was the pivotal moment in this battle, Subiaco lost a unique attribute of its character when that happened and what followed has been a slow drift into dullness and further losses of unique businesses.

This month, Subiaco have launched a new marketing programme designed to entice people back. Whether people will go back will test Subiaco's ability to deliver a unique experience. We think they'll struggle.

Customer experiences matter to customers and businesses that provide quality customer experiences are thriving.

Westfield Whitford's has kicked this trend into high gear with their refurbishment focused on experience, other malls will have to follow or lose traffic.



7. Quality of your marketing will determine your results in 2018!

When the ‘boom’ was at full steam, marketing was an ‘after-thought’ for many. As times got tough, marketing was one of the first things to cut to keep the ‘profit & loss’ in some shape. Now though, business must look to generate demand for themselves, the only way to do this is through quality marketing.

Many West Australian businesses are guilty of using short term marketing tactics and giving up on them when they don’t work. We often observe this in the use of social media by business, many ‘post’ for 4 to 6 weeks and then give up. This channel has taken a long time (2 years +) for nearly every business we know that is successful.

To have quality marketing, you need a marketing strategy. To build a marketing strategy, you need marketing skills and capabilities. Don’t kid yourself, if you don’t have marketing capability, outsource! You would never try to be an accountant due to skill and capability (and experience) reasons, it’s not different for marketing. Reach out into your network, marketing professionals are readily available in Western Australia.

Final Word

American Express commissioned a fascinating piece of research in 2017 around understanding small businesses. One of the pieces that came out was termed the ‘boomerang dollar’. The ‘boomerang’ refers to the recycling of dollars within the an economy.

What was most fascinating was the impact of B2B transactions, i.e. locally owned business buying from other locally owned businesses. For every \$100 a consumer spends with a local WA business, \$48 goes back into the WA economy and \$12 is spent B2B. This means B2B purchases recycle in our economy if a WA owned business is receiving your B2B dollars. Afterall, these businesses employ West Australians who spend in Western Australia. These dollars will make their way back to your business.

Making sure your business purchases are with WA owned and operated businesses ‘recycles’ dollars within our economy and to your benefit.

Bottom line, supporting other WA businesses by buying as much as possible from them will ‘boomerang’ back to your business!



References

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