



Business Survey

May 2005

Featuring:

- Regional Activity Predictions
- Information Technology Usage
- Internet/Website Usage

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1.0 Executive Summary

By and large general business outlook has not significantly changed over the May 2004 to 2005 survey period. With influential factors such as the strength of the New Zealand dollar, interest rates and unemployment issues of concern to economists, it is heartening to observe local businesses standing firm despite these difficulties.

Seasonal influences, such as Christmas and the approach of winter, create fluctuations in business outlook which is evident over time. Considering the decrease in optimism evident compared to the November 2004 survey (from 36 percent to 19 percent), seasonal factors need to be considered when interpreting results.

Industry-specific predictions reflect New Zealand-wide views. A moderate lift in optimism is evident compared to last year, with 30 percent of businesses predicting conditions will improve. Overall, however, results indicate stability with no major industry changes anticipated in the immediate future.

Sales confidence remains solid with almost half of respondents predicting an increase in sales levels in the next six months. Slightly less (42 percent) anticipate levels will remain the same, whilst 10 percent believe decreased sales are likely. Overall the outlook is positive, with a moderate shift towards optimism compared to May 2004 survey results.

Statistics point to employee demand easing mildly over the coming months. Twenty percent of business respondents indicated they are likely to require additional employees over the coming six months, compared to 24 percent last November. 'Skilled Manual Technical' and 'Semi-Skilled' staff were in most demand whilst 'Graduate' and 'Clerical' staff were among the least required.

Lack of suitable staff was the primary issue of concern currently facing Taranaki businesses – “We are turning work away as we don't have enough suitably qualified staff.” The New Zealand Dollar (exchange rate) and interest rates were also highlighted as issues currently affecting business - “Rising interest rates affect the real estate market.”

Ninety-three percent of surveyed businesses reported that they utilised computers in their business operations. Businesses largely reported using computers for email (91 percent), workstation/terminal for employees (88 percent) and the internet (86 percent). A further 14 percent of Taranaki businesses stated they used computers for specialised uses.

One half of Taranaki based businesses reported using the latest internet connection available in the region - broadband/jetstream - whilst a further 32 percent had dial-up connections.

In 2001 only 36 percent of businesses had websites (Statistics New Zealand); four years on 56 percent of Taranaki businesses reported a presence on the internet. This increase is likely to be influenced by the ever-evolving use of technology in business operations.

The most frequently reported website use was to provide product/service information to clients. Advertising on the internet was also frequently reported by businesses, with 37 percent of all Taranaki businesses advertising their products/services on the internet.

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2.0 Introduction

Venture Taranaki is a world-class Economic Development and Regional Tourism Agency founded by the New Plymouth District Council. Established as a charitable trust with a private sector board, Venture Taranaki provides a strategic and focused approach to developing the Taranaki economy. Its purpose is to foster a dynamic and innovative economy which assists regional development, tourism and sustainable wealth creation in Taranaki.

The Taranaki Business Survey has been conducted twice a year since 1999. Its function is to monitor trends, identify key issues affecting the growth of Taranaki businesses and provide timely, accurate and valuable information to Taranaki businesses and stakeholders.

This research report has been analysed and prepared by Belinda Salmon, Research Analyst for Venture Taranaki.

Venture Taranaki would like to acknowledge the New Plymouth District Council for its support with this initiative.

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All rights reserved. This work may not be stored, reproduced, released or copied without the prior written permission of Venture Taranaki, and then upon the condition that sufficient acknowledgement of the source of work is given. This report has been analysed and prepared by Belinda Salmon, Research Analyst for Venture Taranaki Trust. Venture Taranaki would like to acknowledge the New Plymouth District Council for its support with this project.

3.0 Methodology

The Venture Taranaki Business Survey is undertaken every six months in May and November. Survey forms are mailed out to 1,000 Taranaki businesses throughout the region. Survey recipients were randomly selected from the New Zealand Business Directory Database (UBD), and considerable effort has been dedicated to ensuring the sample is representative of industry sector and geographic location.

The survey questionnaire comprises two sections; a standard economic/business section and a special topic section. The special topic for this survey focused on information technology and website/internet usage within local business.

As at February 2004 there were 8,111 businesses operating in the Taranaki region (Statistics New Zealand). The distribution of businesses across Taranaki districts is detailed below:

Table 1: Taranaki Business Population

District	Number of Business Operating	Percent of Taranaki Businesses
New Plymouth	5,398	66%
Stratford	730	9%
South Taranaki	2,003	25%

The survey sample is reflective of the sub-regional business distribution between the New Plymouth, South Taranaki and Stratford Districts. In total 349 completed survey forms were received by the close-off date. Sixty-four percent were from businesses based in New Plymouth District, 9 percent from Stratford and 21 percent from South Taranaki-based businesses. These statistics are in alignment with the above proportions and suitable for the purposes of this research.

In addition to business location, surveys were distributed in proportion to industry type.

Overall the survey achieved a response rate of 37 percent. This reflects a confidence level of 95 percent plus or minus five percent that survey results are representative of the entire Taranaki business population. As analysis throughout this report is, in parts, broken down by industry sector and district, it should be highlighted that the 95 percent plus or minus five percent confidence interval is relevant to overall results and not at industry and district level (see appendix for confidence intervals at variable levels). Due to the larger interval at variable level, care should be taken when interpreting some results.

4.0 Respondent Profile

Of those businesses who responded, 64 percent were located in the New Plymouth District, 21 percent in South Taranaki and 9 percent from Stratford. A total of 6 percent of businesses operated from branches located throughout Taranaki. These proportions are in alignment with the required representative samples.

Twenty-three percent of respondents considered their primary business operation as 'retail and wholesale trade', while 15 percent reported they operated in the 'property, business, finance, insurance services' sector. A further 15 percent identified themselves as 'manufacturing' businesses. All other industry sectors each comprised of less than 10 percent of respondents.

The majority of businesses (38 percent) reported having between one and four staff, 28 percent had between five and nine staff, and 17 percent had between 10 and 19. The remaining 16 percent of businesses have 20 or more people working in the business.

5.0 Economic Findings

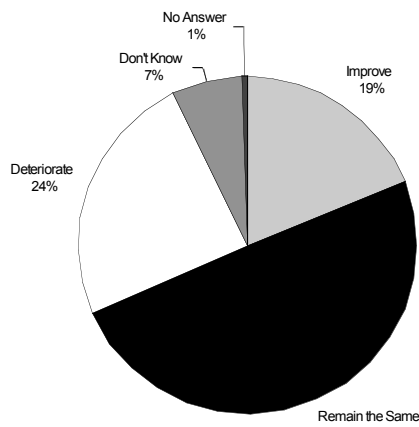
5.1 New Zealand Wide Business Conditions

Respondents were asked to predict the general business outlook for New Zealand over the next 12 months. Demonstrating stability, the majority of responding businesses (50 percent) predicted that general business conditions in New Zealand would remain the same.

Consistent with survey results from the same time last year, approximately one in four business owners/managers predicted conditions will improve over the coming year. Just fewer than one quarter of respondents predicted conditions will deteriorate over the year ahead, while the majority (50 percent) predict conditions will remain the same.

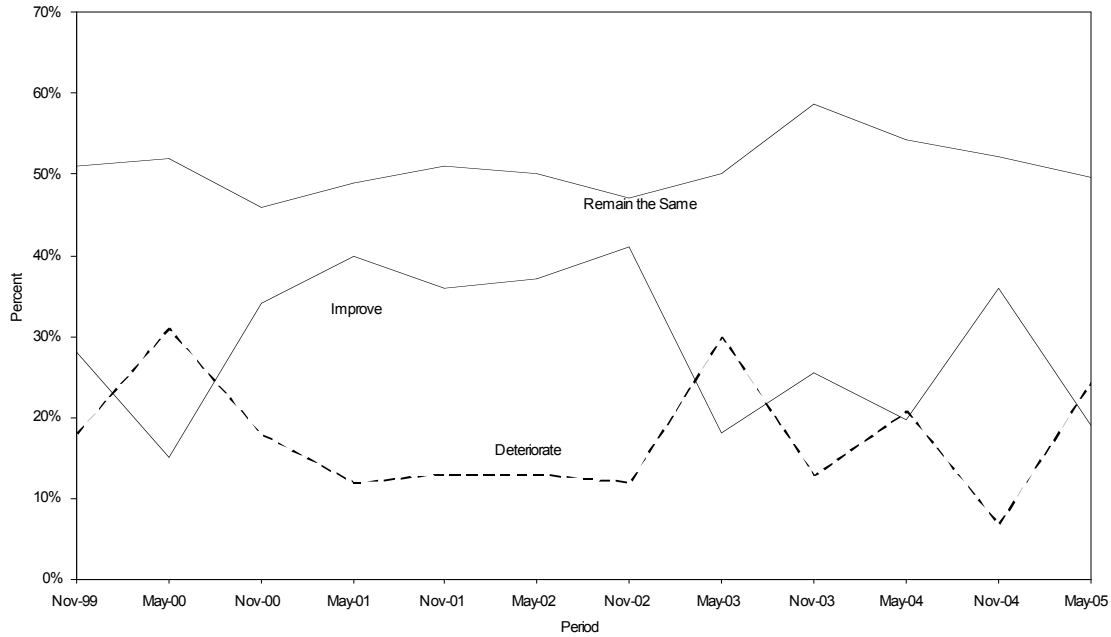
By and large, general business outlook has not significantly changed over the May 2004 to 2005 survey period. With influential factors such as the strength of the New Zealand dollar, interest rates and unemployment issues of concern to economists, it is heartening to observe local businesses standing firm despite these difficulties.

Graph 1: New Zealand-Wide Conditions: Predictions for the Next 12 Months



Seasonal influences, such as Christmas and the approach of winter, create fluctuations in business outlook which are evident over time in Graph Two below. A decrease in optimism compared to the November 2004 survey needs to be taken into account when interpreting results. Since the survey began in 1999, a trend of approximately 50 percent of Taranaki business owners/managers taking part in the survey predicting that nationwide business conditions are set to remain the same over the coming 12 month period has been noted.

Graph 2: New Zealand Wide Conditions: Comparison of Results



Across the various industry sectors the retail/wholesale sector is most optimistic in outlook, with 28 percent of businesses operating within the industry predicting conditions will improve. Conversely, the manufacturing and recreation/personal services' sectors are most pessimistic in outlook.

When analysing results by district, it is evident that all are anticipating stable conditions with approximately fifty percent of respondents in each district reporting conditions will 'Remain the Same'. New Plymouth proved the most optimistic district, with 20 percent predicting New Zealand wide conditions will improve over the next 12 months, compared with 13 percent for Stratford and 16 percent for South Taranaki district.

Table 2: New Zealand-Wide Conditions: Predictions for the Next 12 Months by District

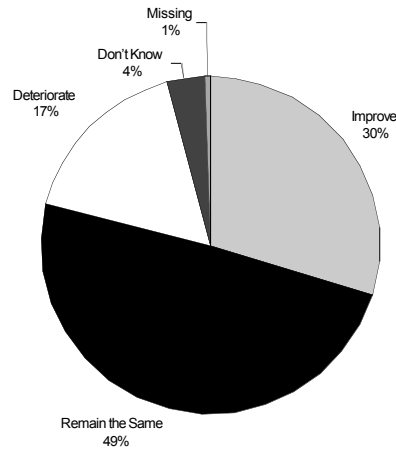
Prediction	NPD	SD	STD
Improve	20%	13%	16%
Remain the Same	51%	60%	47%
Deteriorate	22%	20%	32%
Don't Know	7%	7%	7%

5.2 Industry Conditions

Respondents were asked to predict industry conditions for the coming 12 months with respect to their own industry sector. Once again, the majority of respondents (49 percent) anticipate stable industry conditions in the months ahead.

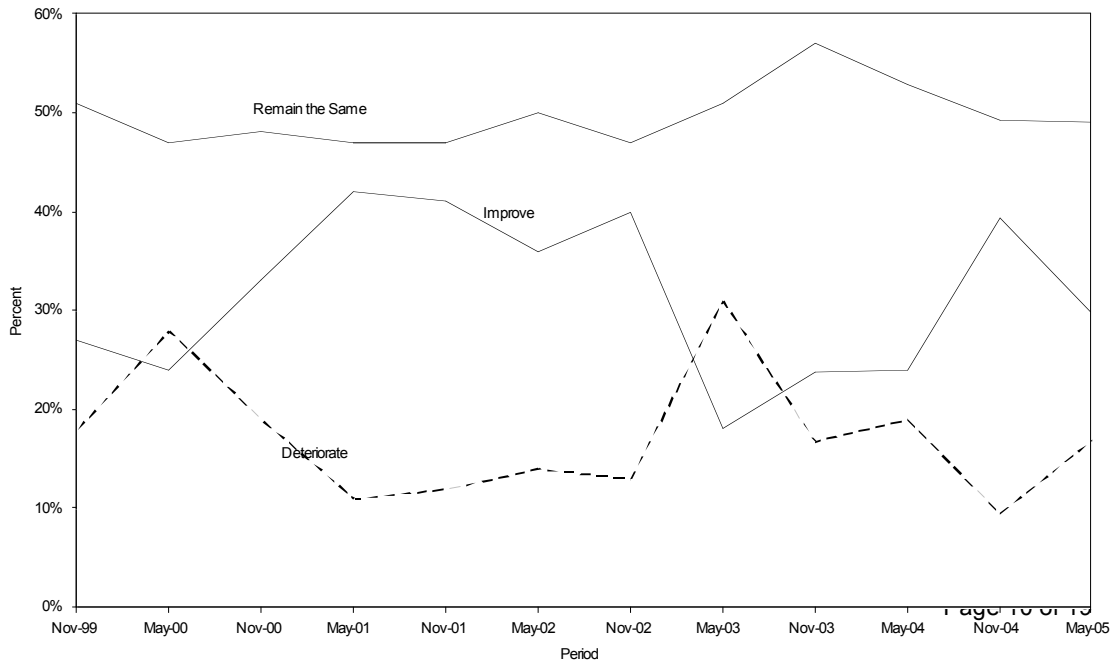
Almost one third of respondents indicated conditions in their industry sector were likely to improve, while 17 percent believed they would deteriorate. Five percent of respondents didn't know what the next year would bring or didn't answer the question.

Graph 3: Industry Conditions: Predictions for the Next 12 Months



Similar to the general predictions, over time industry specific predictions have fluctuated at around 50 percent. A moderate lift in optimism compared to last year, 30 percent predict conditions will improve. In alignment with this finding, those predicting deterioration has dropped two percentage points, from 19 to 17 over the May 2004 – 2005 year. Overall results indicate stability with no major industry changes anticipated in the immediate future.

Graph 4: Industry Conditions: Comparison of Results



Reflected in the industry specific predictions, seasonal influences affect people’s views. Among the most optimistic industries are the retail/wholesale and accommodation/transport/communications and government industries. Conversely, the recreation/personal services’ sector reported higher than average levels of pessimism. Overall however, the bulk of businesses operating within each industry predict conditions are set to remain the same.

Consistent with previous findings, the majority of businesses based in New Plymouth, Stratford and South Taranaki districts predict industry conditions will remain the same over the coming year. However, analysis highlights businesses operating in the New Plymouth District are moderately more optimistic than businesses operating in Stratford or South Taranaki districts, with higher levels of optimism and lower levels of pessimism evident.

While the majority of Stratford and South Taranaki businesses anticipate conditions would remain the same during the coming year, South Taranaki-based businesses tend to be mildly more pessimistic than other Taranaki businesses with one quarter predicting industry conditions will deteriorate during the year.

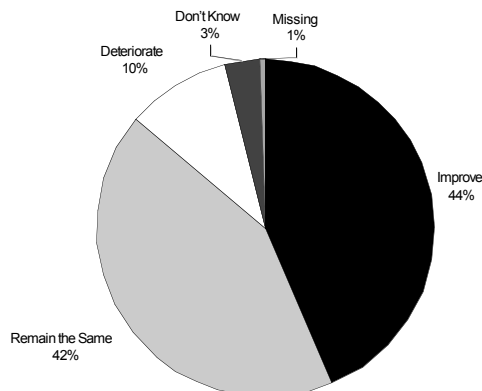
Table 3: Industry Conditions: Predictions for the Next 12 Months by District

Prediction	NPD	SD	STD
Improve	34%	17%	23%
Remain the Same	50%	53%	47%
Deteriorate	14%	20%	25%
Don't Know	3%	10%	6%

5.3 Sales/ Customer Levels

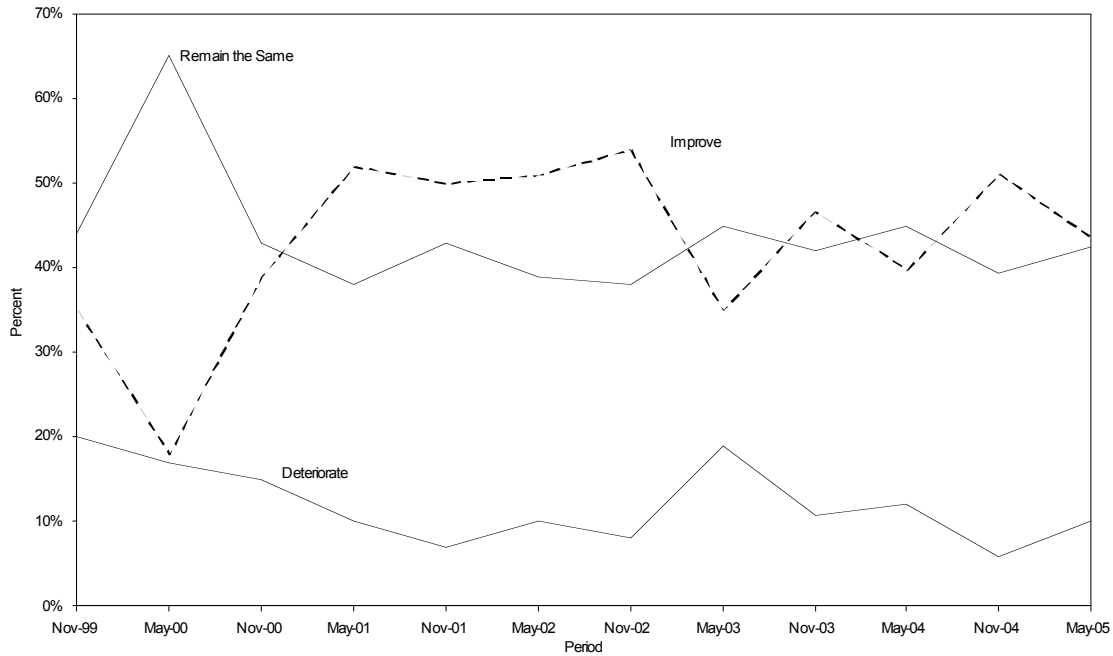
Sales confidence remains solid as almost half (44 percent) of respondents indicated sales levels will increase over the next six months. Slightly less (42 percent) anticipate levels will remain the same, while 10 percent believe decreased sales are likely. Overall the outlook is positive, with a moderate shift towards optimism on the same time last year.

Graph 5: Sales/ Customer Levels: Predictions for the Next 6 Months



Over time the proportion of respondents predicting sales levels will 'improve' and 'stay the same' has fluctuated. Latest predictions show the majority of respondents anticipate improved levels - this has not been evident in a mid-year survey since 2002.

Graph 6: Sales/ Customer Levels: Comparison of Results



New Plymouth-based respondents proved most optimistic with regard to sales levels, as 50 percent anticipate levels will improve over the coming six months. Stratford and South Taranaki-based respondents also reported high levels of optimism, with 39 and 26 percent (respectively) predicting improvements.

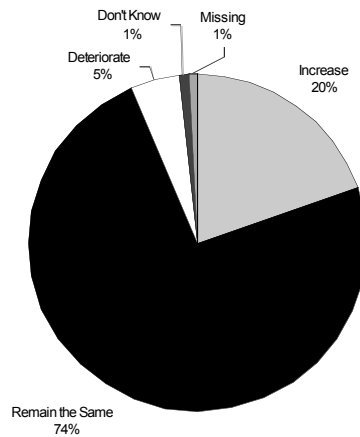
Table 4: Sales/ Customer Levels: Predictions for the next 6 Months by District

Prediction	NPD	SD	STD
Improve	50%	39%	26%
Remain the Same	40%	48%	48%
Deteriorate	7%	10%	21%
Don't Know	3%	3%	6%

5.4 Employment Levels

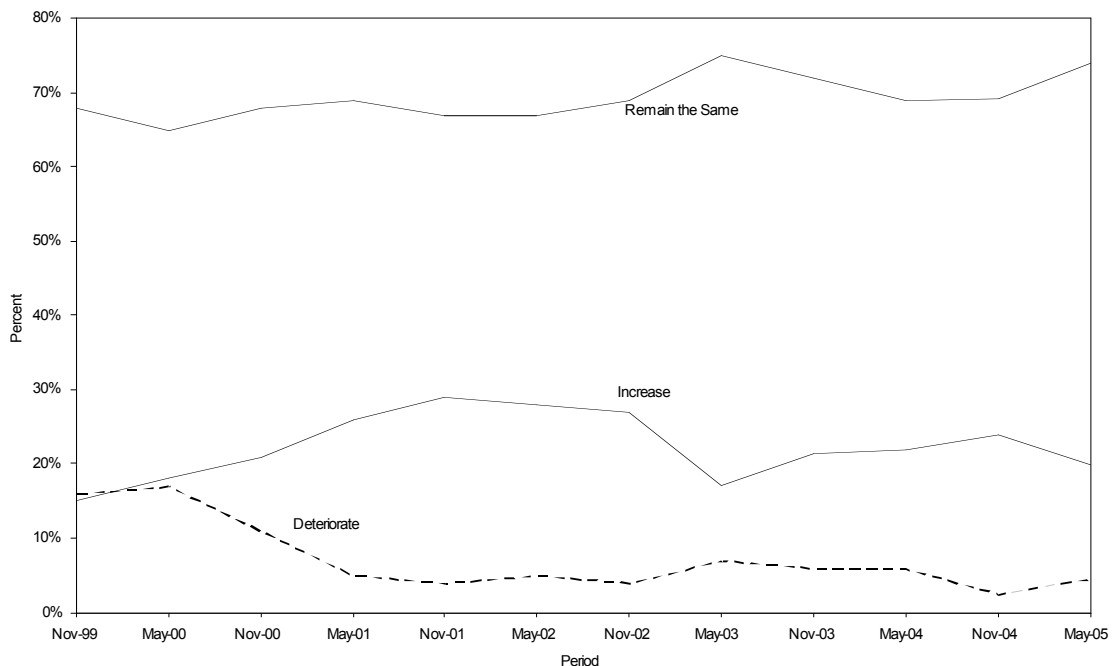
Respondents were asked to indicate whether they expected employment levels to change over the next six months. Statistics point to employee demand easing mildly over the coming months. Twenty percent of business respondents indicated they are likely to require additional employees over the coming six months, compared to 24 percent last November.

Graph 7: Employment Levels: Predictions for the Next 6 Months



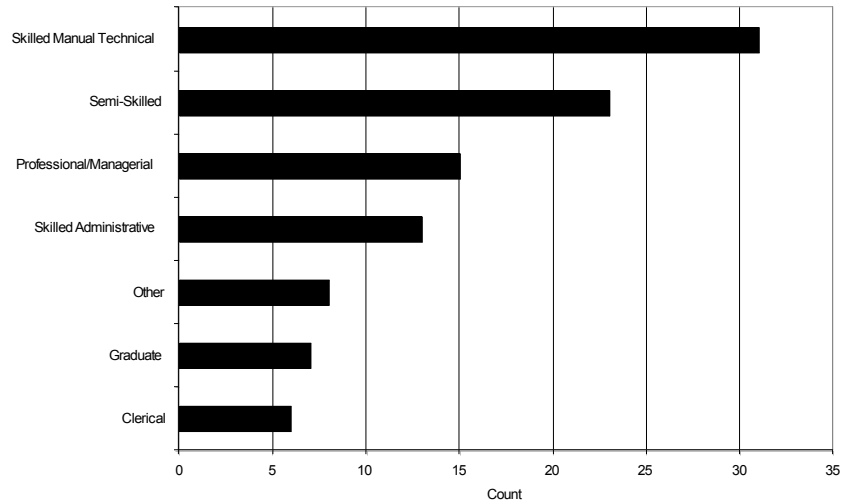
Over time the majority of respondents have consistently indicated their staffing requirements for the coming period are likely to remain the same.

Graph 8: Employment Levels: Comparison of Results



Of those who indicated employees were required, most anticipate requiring 'Skilled Manual Technical' and 'Semi-Skilled' staff. 'Graduate' and 'Clerical' staff were among the least required.

Graph 9: Employment Levels: Required Employee Types for the Next 6 Months



When reviewing employment demand across industry sectors, businesses operating in the retail/wholesale industry indicated stronger demand for employees over the next six months.

When analysing predicted employee requirements for the coming six months at a sub-regional level, the majority of businesses predicted employment requirements are set to remain the same. However, employment demand is higher in New Plymouth than Stratford or South Taranaki districts.

Table 5: Employment Levels: Predictions for the Next 6 Months by District

Prediction	NPD	SD	STD
Improve	23%	10%	14%
Remain the Same	72%	84%	81%
Deteriorate	5%	3%	6%
Don't Know	1%	3%	0%

6.0 Comments on Taranaki Business Conditions

The survey provided respondents with a section to express any pressing issues or concerns relating to Taranaki business conditions.

“Difficult to recruit tertiary qualified professionals”

22 percent of comments were in relation to **lack of qualified staff**. Over past surveys this has consistently been raised by respondents as an issue of concern. With the unemployment rate in the region at 3.6 percent, businesses are feeling the impact, “We are turning work away as we don’t have enough suitably qualified staff”.

“Staff shortages in the construction industry”

Another common issue raised by respondents throughout the past few surveys is the **New Zealand dollar (exchange rate) and interest rates**. Collectively 14 percent of comments were in relation to issues around export incomes being affected by currency conversion and the impact of rising interest rates on the real estate market.

“I am in real estate, and rising interest rates affect the market”

“The high New Zealand dollar has significantly reduced income from exports”

A further 13 percent of comments were in relation to **government regulation and compliance costs**. Some specific topics raised included employment law changes (sick/bereavement leave), OSH compliance costs, health policies and ACC.

“Compliance with OSH and compliance with new laws regarding employees”

The remaining 51 percent of comments were on the **construction/housing market, competition, cost increases, tourism, the oil industry and seasonal factors**. Primary concerns typically included large chain store competition, importers’ cost advantage (exchange rate), the amount of new apartments/houses being built, the increase in tourist numbers compared to last year, and the slow-down evident in the agricultural industry.

7.0 Special Topic: Information Technology

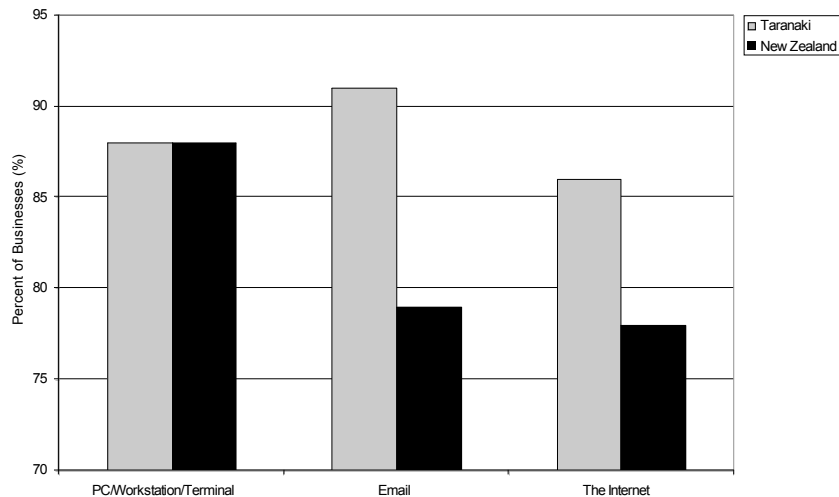
Respondents were asked additional questions on the use of computers and websites in their business operations.

7.1 Computer Use

Ninety-three percent of surveyed businesses reported that they utilised computers in their business operations. A national survey titled 'Business Practices Survey' conducted by Statistics New Zealand in 2001 reported 91 percent of businesses utilised computers in the operation of their business. Between 2001 and 2005 it was anticipated that the adoption of computer usage in business would have increased; however it is encouraging to see that Taranaki-based business are in alignment with national figures, and thus adopting technology and better business practice.

Businesses largely reported using computers for email (91 percent), workstation/terminal for employees (88 percent) and the internet (86 percent). A further 14 percent of Taranaki businesses stated they used computers for specialised uses, some of which include: Lotto, databases, artwork/design, intranet, till operation, diagnostics and Warrant Of Fitness services. These figures are slightly ahead of national figures: 79 percent of New Zealand businesses in 2001 utilised email, 88 percent used computers as a workstation/terminal and 78 percent draw on internet facilities. Again regional figures indicate Taranaki businesses are in alignment with national adoption figures.

Graph 10: Information Technology: Taranaki and New Zealand Business Computer Use



The majority (42 percent) of Taranaki businesses utilised their computer in a stand-alone capacity, not connected to a local or wide area network. The national survey, conducted in 2001, revealed 46 percent of New Zealand businesses utilised computers in this capacity.

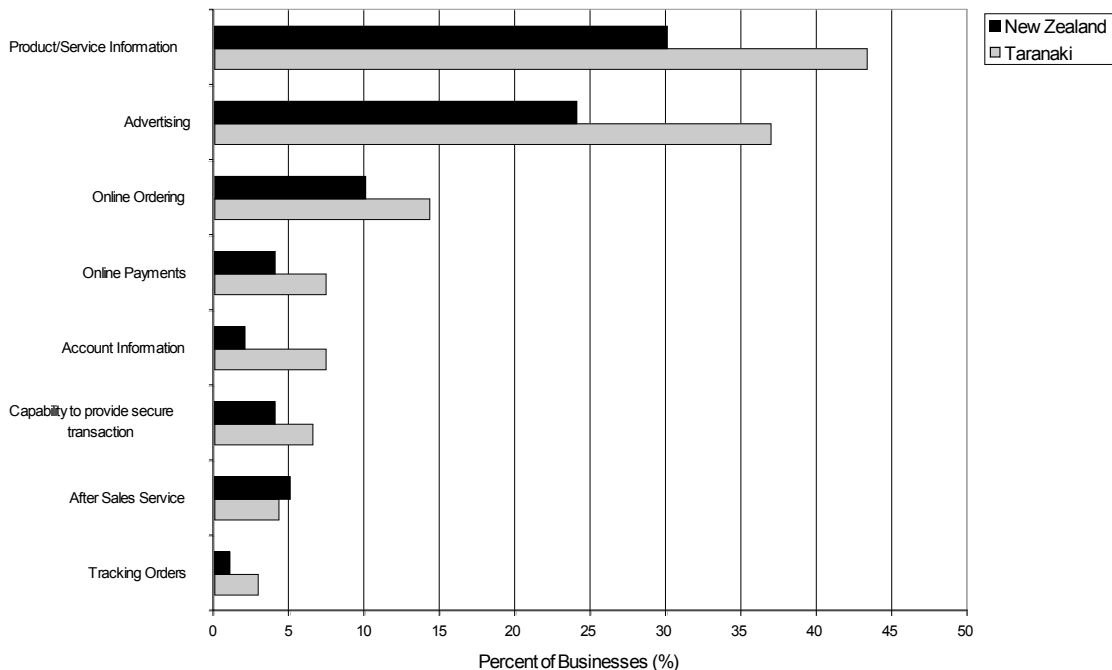
A further 33 percent of regionally-based businesses had computers which were connected to a local area network, while a further 25 percent were connected to a wide area network. Comparatively 44 percent of nationwide businesses had computers connected to a local area network and 20 percent were connected to a wide area network.

Half of Taranaki respondents reported the latest internet connection available, broadband/jetstream. A further 32 percent had dial-up connections, while 4 percent reported they did not know what sort of connection they had.

7.2 Website Use

According to Statistics New Zealand, 36 percent of New Zealand-wide businesses had websites - four years on, 56 percent of Taranaki businesses reported a presence on the internet. This increase is likely to be influenced through the ever-evolving use of technology in business operations.

Graph 11: Information Technology: Taranaki and New Zealand Business Website Use



The most frequently reported website purpose was to provide product/service information to clients. Four years ago 30 percent of New Zealand businesses had a website for this purpose, while 43 percent of Taranaki-based businesses reported this today.

Advertising on the internet was also frequently reported by businesses, with 24 percent of New Zealand (as at 2001) and 37 percent of Taranaki (as at 2005) businesses advertising their products/services on the internet. Again these increases in adoption are likely to be influenced by the move towards online businesses.

8.0 Conclusions

- By and large general business outlook has not significantly changed over the May 2004 to 2005 survey period. With influential factors such as the strength of the New Zealand dollar, interest rates and unemployment issues of concern to economists, it is heartening to observe local businesses standing firm despite these difficulties.
- A moderate lift in 'industry specific' optimism is evident compared to last year with 30 percent of businesses predicting conditions will improve. Overall results indicate stability, with no major industry changes anticipated in the immediate future.
- Sales confidence remains firm as most respondents predict sales activity will increase over the next six months. Slightly less (42 percent) anticipate levels will remain the same, while 10 percent believe decreased sales are likely. Overall the outlook is positive, with a moderate shift towards optimism on the same time last year.
- Statistics point to employee demand easing mildly over the coming months. Twenty percent of business respondents indicated they are likely to require additional employees over the coming six months, compared to 24 percent last November.
- Lack of suitable staff was the primary issue of concern currently facing Taranaki businesses – “We are turning work away as we don't have enough suitably qualified staff.” The New Zealand Dollar (exchange rate) and interest rates were also highlighted as issues currently affecting business - “Rising interest rates affect the real estate market.”
- Ninety-three percent of surveyed businesses reported that they utilised computers in their business operations. Businesses largely reported using computers for email (91 percent), workstation/terminal for employees (88 percent) and the internet (86 percent). A further 14 percent of Taranaki businesses stated they used computers for specialised uses.
- One half of Taranaki-based businesses reported the latest internet connection available in the region, broadband/jetstream while a further 32 percent had dial-up connections.
- In 2001 only 36 percent of New Zealand-wide businesses had websites (Statistics New Zealand); four years on, 56 percent of Taranaki businesses reported a presence on the internet. This increase is likely to be influenced through the ever-evolving use of technology in business operations.
- The most frequently reported website purpose was to detail product/service information. Four years ago, 30 percent of New Zealand businesses had a website for this purpose while 43 percent of Taranaki-based businesses reported this today.

APPENDIX

Confidence Interval at District Level:

District	Taranaki Population	Sample Size	Confidence Interval (At 95%)
New Plymouth	5,398	223	6.43%
South Taranaki	2,003	74	11.20%
Stratford	730	31	17.15%
Throughout Taranaki	-	21	-
Taranaki Total	8,111	349	5.13%

Confidence Interval at Industry Level:

Industry Group	Taranaki Population	Sample Size	Confidence Interval (At 95% Confidence)
Manufacturing	547	51	13.10
Retail/Wholesale	1,444	79	10.75
Property/Business Services	2,792	52	13.50
Recreational/Personal and Other Services	633	156	6.83
Agriculture/Mining/Electricity/Construction	1,329	75	11.00
Accommodation/Transport/Communications/Government	1,366	69	11.50
All Industries	8,111	349	5.13%

NOTE: Industry sectors have been grouped where individual responses from sectors are not statistically significant. Analysis by industry and district should be interpreted as an indicator of trends only.