



2020

Hills Shire Business Performance Sentiment Index

Delivering the pulse of local business in The Hills Shire



THE HILLS
Sydney's Garden Shire



Sydney Hills
**BUSINESS
CHAMBER** | **25+**
YEARS

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The strength of the local community in an unprecedented time of crisis

2020 started like any year – strong, full of promise and potential.

Three months into the year, COVID-19, an unprecedented global pandemic puts the world on pause, immediately impacting health, economies and livelihoods. As we march forward into a new normal, there is a shared sentiment that lives will never be the same.

The 2020 Hills Business Performance Sentiment Index tracks business conditions, performance and sentiment. This year's PSI marks the wake of COVID-19, and the ongoing impact it has on businesses in The Hills Shire. The result highlights the challenges, the innovation and the resilience businesses in the Hills have in adjusting to social distancing measures implemented to ease the spread of the Coronavirus.

McCrimble is proud to partner with The Hills Shire Council and the Sydney Hills Business Chamber for their vision in commissioning this instrument and its use to support the future recovery of businesses. With more than 22,000 businesses in The Hills Shire and growing, fantastic infrastructure, and a family-driven population growth fuels the potential for businesses to come out stronger on the other side.

I am excited to see what the future holds for a community of resilient and entrepreneurial business owners.

Mark McCrimble

Director, McCrimble



The Hills Shire community remains optimistic through this challenging period

Our collective response to COVID-19 through social distancing, stand downs, lock downs, restrictions to movements and working from home heralded in a new decade and started the year like no other.

Three months down the track as lock down restrictions begin to ease across Australia, life is starting to reflect some kind of "new normal". Not only had the Australian Government introduced a range of stimulus packages including JobKeeper and JobSeeker, but has fast tracked billions of dollars of major infrastructure projects to stimulate growth and retain employment to drive our national and local economies through these very challenging times.

The Hills Business Performance Sentiment Index (PSI), now in its sixth year, tracks business conditions, performance, and sentiment. Needless to say, due to the impacts of COVID-19, this year's PSI results are interesting and quite different to previous years. However, there are positive signs for businesses in The Hills to focus and capitalise on.

The Sydney Hills Business Chamber is the voice of the Business Community and we thank you for participating in this year's PSI. Thank you to our ongoing partnership with McCrindle for conducting the survey and The Hills Shire Council for the fantastic relationship and support you provide to the SHBC and business community.

Sonja Palic

Chairperson, The Sydney Hills Business Chamber



Council and businesses working together for a strong future

The 2020 Hills Shire Business Performance Sentiment Index (PSI) results are in, and I'm so pleased to see so many local business owners and managers taking part in this annual survey.

The PSI, now in its sixth year, is a real opportunity for Council to understand the challenges and opportunities business owners, managers and their employees face and how we can support them on their business journey, especially during this unprecedented and challenging time.

While it's been tough for many in our local community, results from this survey show that businesses remain optimistic about the future and see The Hills becoming an emerging business hub.

Other highlights include positive feedback on the new Sydney Metro Northwest and they are also happy with improved infrastructure across the region.

It's wonderful to see many seeking Council's help and business advice. In fact, those who have requested support from our Economic Development Team are seeing positive results, including increased sales.

If you haven't booked an appointment to see one of Economic Development Officers, I highly recommend that you do. They can help you with your business questions, and also provide demographic information, market intelligence and population forecasts to help your business grow.

Thank you to everyone who took the time to complete this survey. Your input will help provide valuable insight into how we can work together to kick-start our local economy.

I would like to thank The Sydney Hills Business Chamber and McCrindle Research for being involved in putting together this wonderful document.

I look forward to working with our business community and helping them to achieve their dreams and so much more.

Thank you.

Dr Michelle Byrne

Mayor of The Hills Shire



SNAPSHOT OF BUSINESSES IN THE HILLS SHIRE



THERE ARE **22,063**
BUSINESSES OPERATING
IN THE HILLS SHIRE



96,952 RESIDENTS
EMPLOYED IN THE YEAR
ENDING DECEMBER 2019



THE HILLS SHIRE BOASTS A
GROSS REGIONAL PRODUCT
(GRP) OF **\$11.8BN**



177,9694 PEOPLE LIVE IN
THE HILLS IN 2019, WHICH
IS SET TO ALMOST DOUBLE
TO 321,308 BY 2041

TOP 5 INDUSTRIES (JUNE 2019)



CONSTRUCTION



PROFESSIONAL, SCIENTIFIC
AND TECHNICAL SERVICES



RENTAL, HIRING AND
REAL ESTATE SERVICES



FINANCIAL AND
INSURANCE SERVICES



HEALTH CARE AND
SOCIAL ASSISTANCE

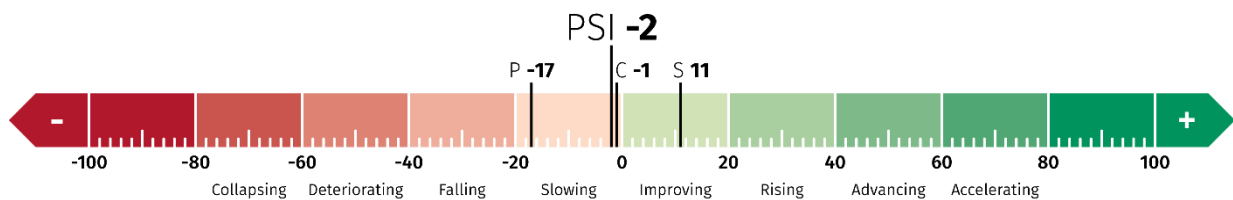
The Business Performance Sentiment Index (PSI)

Design

The Business Performance Sentiment Index (Business PSI), developed by McCrindle, is an ongoing measure of business performance, conditions, and sentiment.

The Business PSI provides a snapshot of business health. This latest edition of the Business PSI features the 2020 results for The Hills Shire, with five years of comparative data from 2015 to 2020.

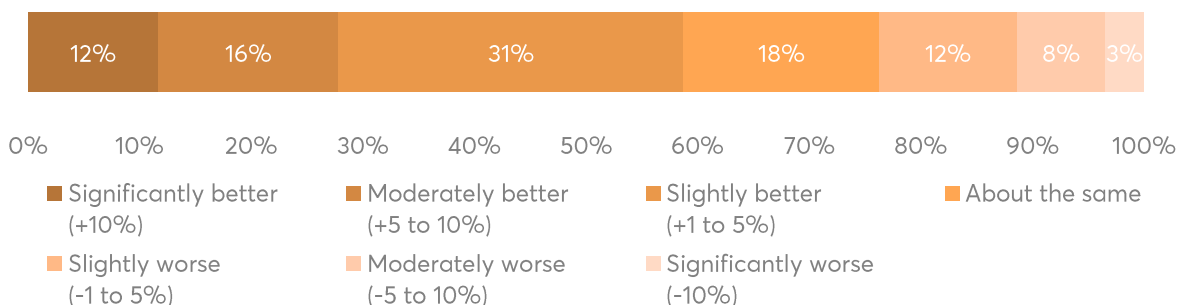
The Business PSI covers three key business measures which are performance, sentiment and conditions. The PSI uniquely charts these measures on a scale ranging from accelerating on the extreme positive to collapsing on the extreme negative. Each key measure (conditions, performance, and sentiment) is comprised of sub-measures made up of several indicator questions.



The PSI is calculated using 21 targeted questions. Each question involves a 7-point Likert scale. The question results indicate whether business conditions, performance, and sentiment are positive (improving, rising, advancing, accelerating) or negative (slowing, falling, deteriorating, collapsing).

The average of the three key measures (conditions, performance and sentiment) gives an overall Business PSI score. An example of an indicator question is provided below:

Based on current sales leads, enquiries, and sales activity, how do you think your overall revenue will compare in 6 months' time to today?



Purpose and use

The Business PSI is a robust measure of current performance, derived from actual earnings, expenses, staffing numbers etc. (performance and direction) as well as expectations of the future (sentiment and outlook).

The Business PSI is designed to be deployed in local and regional geographies. Doing so provides insight into economic conditions, regulatory settings and the impact of infrastructure in a local context. Highly contextual data allows for a nuanced understanding of business performance and conditions. The Business PSI's geographic specificity allows for the comparison of business performance by region, across a city, within a state, and across states.

Importantly, the Business PSI is also a longitudinal instrument allowing the comparison of regional business performance over time. Time specific data allows for analysis of local policies, investments and infrastructure developments. It also allows for analysis of the ways state and national issues, such as economic conditions, affect local geographies.

Deployment

The Business PSI is a tested and easy-to-deploy 21 question survey. It allows business chambers and local governments to survey business stakeholders at any point in time and compare the results to other areas or previous deployments.

It also allows industry groups and peak bodies to calculate PSI scores for specific industries (i.e. hairdressers, real estate agents etc.) or broader business categories (i.e. retailers, B2B service providers etc.).

The resulting PSI includes quantitative measures of business performance while incorporating attitudes, sentiment, and forecasts. This unique result delivers a comprehensive measure of actual and attitudinal performance; incorporating recent performance and current forecasts.

Indicator overview

The following tables outline the individual measures that form the conditions, performance and sentiment components of the Business PSI.

Conditions

Measures	Indicators	Question example
Economic conditions	Local economic performance	How would you say the local economy is performing now compared to 6 months ago?
	Australia's economic performance	How would you say the Australian economy is performing now compared to 6 months ago?
Regulatory settings	Red tape and regulation requirements	How do the time and cost requirements related to compliance, legislation and regulations in your sector compare to 6 months ago?^
	Supportive government policy settings	How do government policy settings that support small businesses and assist your sector compare to 6 months ago?
Infrastructure and locale	Local infrastructure provision	How does the provision and performance of public transport, traffic and roads, parking availability and telecommunications compare to 6 months ago?
	Business expansion or reduction	Has there been any change (either expansion or reduction) in your office use, fit-out, number of locations, and/or commercial space in the last 6 months?
	Infrastructure and locale outlook	How will the provision and performance of public transport, traffic and roads, parking availability and telecommunications compare in 6 months' time?

Performance

Measures	Indicators	Question example
Earnings	Sales and revenue	How does your overall sales revenue compare to 6 months ago?
	Pre-tax profit	How does your operating and pre-tax profit compare to 6 months ago?
	Business cash flow	How does your business cash flow compare to 6 months ago?
Expenses	Business costs	How do your business costs compare to 6 months ago?
	Capital investments and expenses	How do your capital investments compare to 6 months ago?
Employment	Staffing levels	How do your staffing levels (both numbers and hours) compare to 6 months ago?
	Staff wages and on-costs	How do your staff wages and on-costs compare to 6 months ago?^

Sentiment

Measures	Indicators	Question example
Economic outlook	National economic outlook	How do you think the Australian economy will be performing in 6 months' time compared to today?
	Internal revenue outlook	How do you think your overall revenue will compare in 6 months' time to today?
Cost forecast	Expense forecast	How do you think your business expenses (input, staffing, materials, sales) will compare in 6 months' time to today?^
	Staffing level forecast	How do you think your staffing levels (both numbers and hours) will compare in 6 months' time to today?
Growth forecast	Profit forecast	How do you think your operating pre-tax profit will be in 6 months' time compared to today?
	Cash flow forecast	How do you think your business cash flow will be in 6 months' time compared to today?
	Expansion forecast	Do you foresee any change (either expansion or reduction) in your office use, fit-out, number of locations, and/or commercial space in the next 6 months?

^The results of these questions are inverted within the PSI. For example, an increase in the time and cost requirements related to compliance, legislation and regulations would impede business growth rather than advance performance.

2020 Hills Shire Business PSI

Participants

The 2020 Hills Shire Business PSI is based on the experiences, attitudes and expectations of business owners and managers in The Hills Shire. The results include 240 started surveys and 139 completed surveys. Responses were collected from 2 March to 9 April 2020 and are representative of various business sizes, locations and industries.

Between 13 March to 24 March, Prime Minister Scott Morrison announced a series of measures to prevent the spread of COVID-19. This includes broader social distancing measures (including businesses to work from home) and temporary closure of non-essential businesses. By 25 March, many businesses were forced to close as they were deemed non-essential or faced a sharp reduction in foot traffic from social distancing. This survey represents a unique snapshot of the Hills Shire amid this unprecedented time.

Business owners and managers

More than four in five (86%) respondents to The Hills Shire Business PSI are business owners and managers. This compares to just one in ten (10%) who are managers but not owners and 4% who are purely owners and not managers.

Business owners in The Hills Shire have a high level of experience. More than half (52%) of business owners have owned their business for ten years or more.

Business locations

Just over half of the businesses represented in The Hills Shire Business PSI operate from commercial premises (55%). The other 45% are home-based businesses. Those operating from commercial premises are most likely to be based in the

Norwest Business Park (52%), followed by the Victoria Avenue Industrial Area (13%).

Business services

More than three quarters of businesses in the PSI (77%) provide services to consumers or other businesses. The remaining 23% sell products to either other businesses or consumers.

Business Size

Nearly nine in ten businesses in The Hills Shire (88%) employ less than 20 people, with the largest proportion of businesses being micro-sized businesses employing between one and four full-time equivalent employees (39%). Sole traders are the second-largest proportion and represent a quarter of businesses (25%). This is followed by small businesses which employ five to 19 people (24%). Medium to large businesses (20+ employees) make up of 12% of businesses in the PSI.

Respondent Demographics

More than three in five business owners and managers are male (64%) compared to 36% that are female. Looking generationally, more than half (57%) of business owners and managers belong to Generation X, placing them between 41 and 55 years of age this year. The second largest generational cohort are the Baby Boomers (56 – 74 years), making up three in ten owners and managers (30%).

Please refer to the appendix for a comprehensive overview of participants and their business demographics.

Results

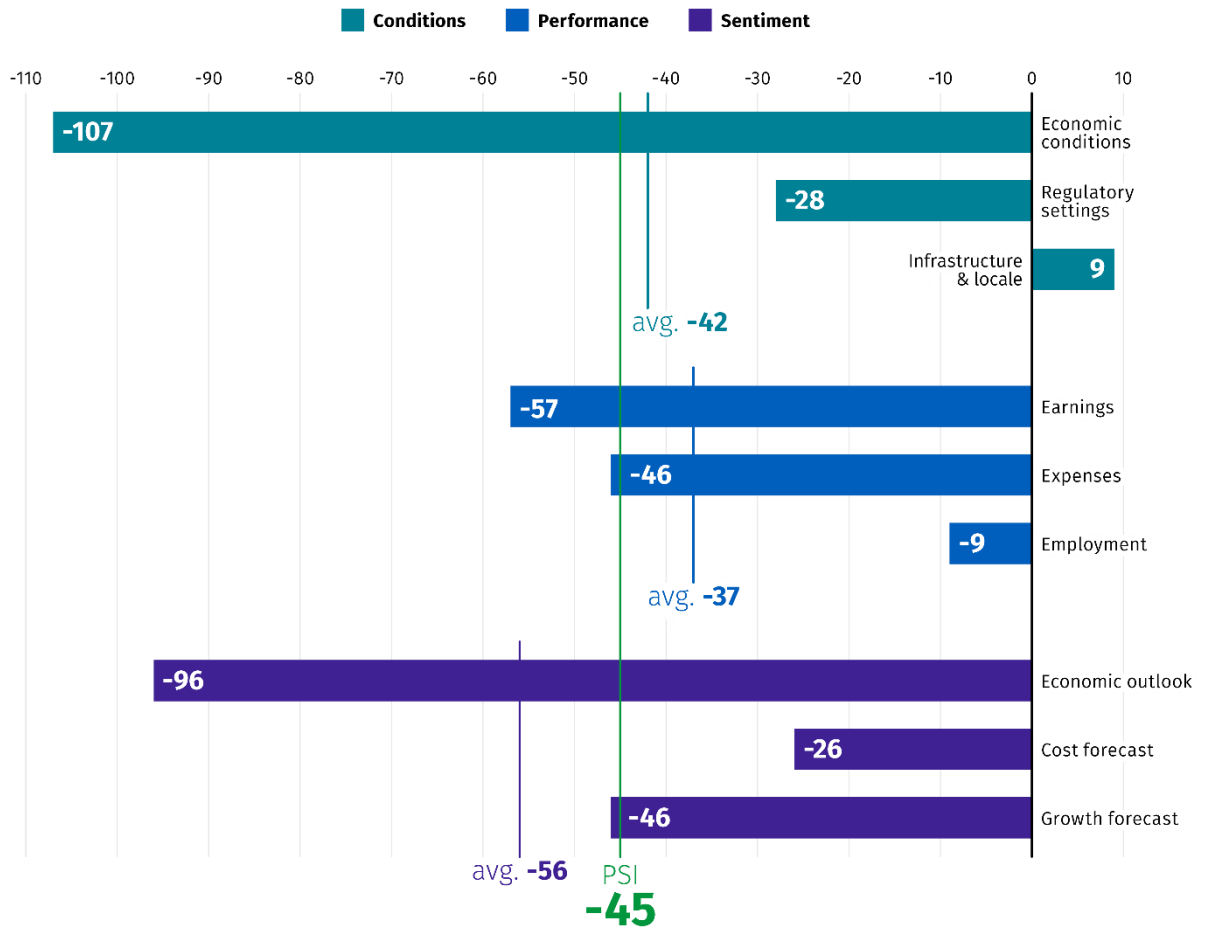
The Hills Shire Business PSI score for 2020 is -45. This indicates deteriorating business conditions, performance, and sentiment across the Hills business community.

Businesses have felt the almost overnight effect of COVID-19 leading to a decline in operating conditions (-42) and business performance (-37). Sentiment according to owners and managers is at the lowest (-56) in the PSI's six-year history.

The survey represents a unique event in the history of the Hills PSI, with results that stand on its own

as an indicator of the effects of the current once-in-a-lifetime global pandemic. The impact of COVID-19 will likely reverberate into future studies.

While the PSI score has fallen sharply compared to 2019 (-45 cf. -2), the trend of the previous three years suggests marginal improvement over time. Overall improvement from 2018 (-3) to 2019 (-2) indicates a steady state in the business environment in the Hills.



Individual measures

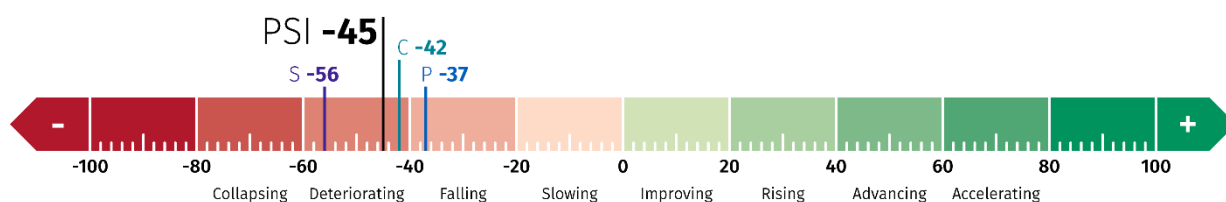
The Business PSI is comprised of three key categories: current operating conditions, performance and future sentiment.

Out of the three categories, business sentiment has scored the lowest (-56) according to business owners and managers. Understandably, this event has caused businesses unprecedented disruption with no indication of what will unfold in the future.

According to owners and managers, conditions in the Hills Shire are deteriorating with an index score of -42. This score is largely attributed to a

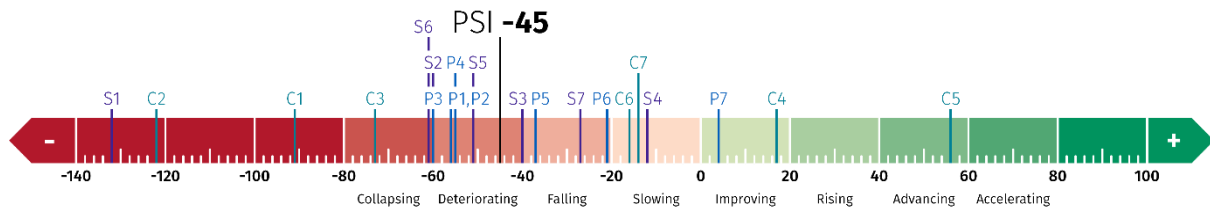
deteriorating national economic performance (-122). The onset of COVID-19 has halted economies worldwide, creating uncertain conditions for business in The Hills Shire.

Business performance is the category which scored the highest out of the three. Performance is falling (-37) according to owners and managers in The Hills Shire. This suggests that while the COVID-19 pandemic has caused future uncertainty and challenging economic conditions, it is likely that businesses place great emphasis on performance to ensure the survival of their business.



Longitudinal comparison

As a reflection of the current COVID-19 context, the Business PSI is at its lowest score since 2015 (-45 in 2020 cf. -12 in 2015). Unsurprisingly, the attitudes and perceptions of business owners towards the rapid change and uncertainty they are facing can be felt through all indicators of the business environment in a dramatic and unprecedented way.



Business conditions, while showing signs of improvement over the last five years (-2 in 2019 cf. -12 in 2015), has declined to -42. Currently national economic conditions (C2) are seen to be collapsing (-122). This is the lowest score for this indicator in the history of the PSI, superseding the 2015 score of -42.

Positively, amidst concerns of the current economic climate, business owners and managers are considering the past efforts of local infrastructure projects in a positive light. Owners and managers (56) are experiencing an advancing local infrastructure provision (C5) with the Sydney Metro opening in May 2019.

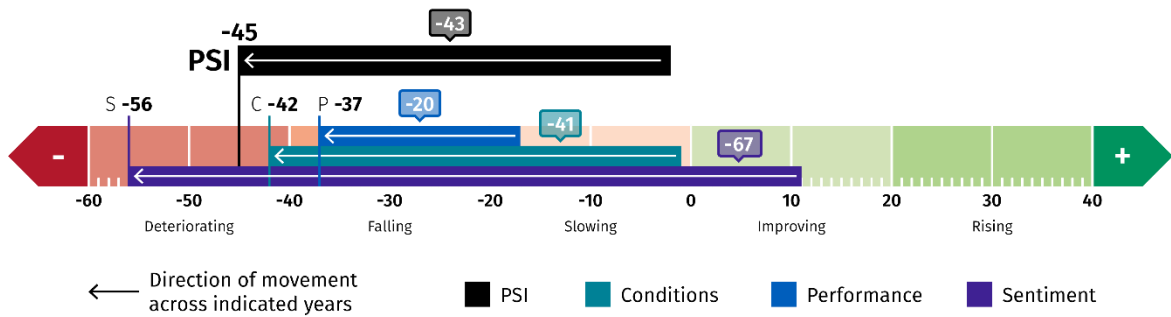
Furthermore, owners and managers (-73) view red tape and regulation requirements (C3) to be collapsing. This is consistent with previous years where the regulatory environment has put a similar amount of pressure on businesses (-73 in 2019, -61 in 2018).

Over the same period business performance for The Hills Shire has continued the downward trajectory. Sales and revenue (P1) were at their highest point in 2016 (55) and have declined to 19 in 2019. This score has deteriorated to -56 in the past 12 months indicating the effects of COVID-19 on businesses.

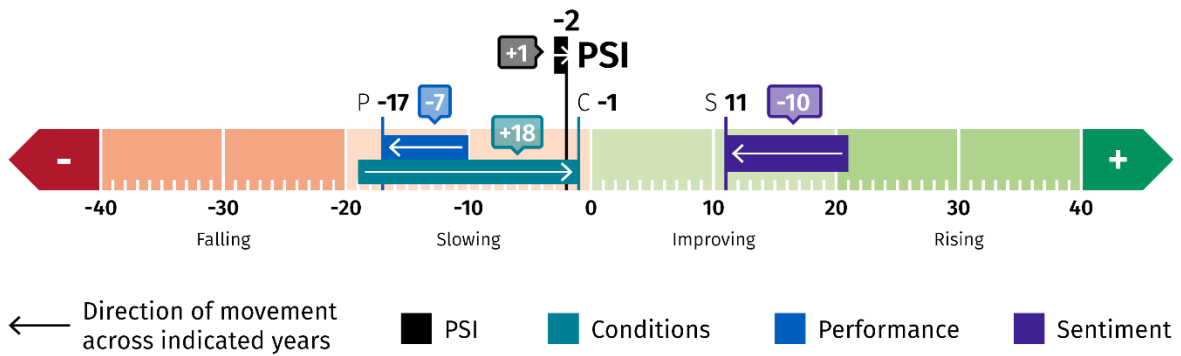
Business owners and managers in The Hills Shire have historically held optimistic expectations of the future of the growth of their businesses. Internal revenue outlook (S2) was accelerating (60) 12 months ago. This growth has now reversed to its lowest point (-60), suggesting many businesses are revising their future forecasts conservatively.

These results present a unique perspective on how businesses in The Hills Shire are operating in a COVID-19 world.

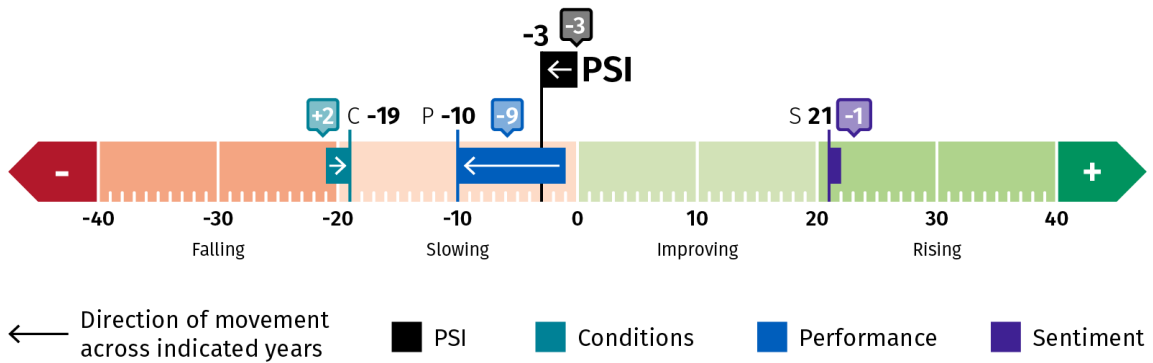
2019 to 2020



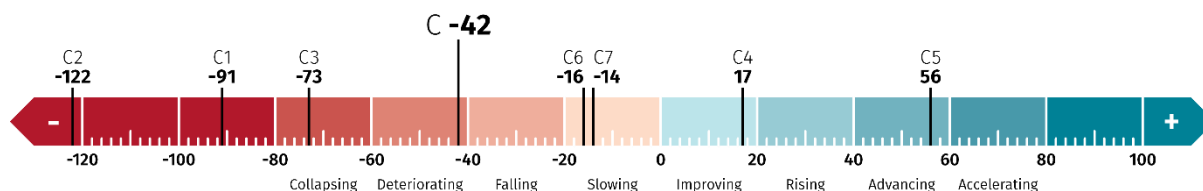
2018 to 2019



2017 to 2018



Conditions



Measure	Key	Indicator	2015	2016	2017	2018	2019	2020	Change ('19 - '20)
Economic conditions	C1	Local economic performance	6	47	39	20	-19	-91	↓
	C2	Australia's economic performance	-42	21	-3	10	-33	-122	↓
Regulatory settings	C3	Red tape and regulation requirements	-64	-45	-53	-61	-73	-73	
	C4	Supportive government policy settings	3	1	-18	-15	-16	17	↑
Infrastructure and locale	C5	Local infrastructure provision	-32	-49	-94	-76	123	56	↓
	C6	Business expansion or reduction	18	32	33	21	13	-16	↓
	C7	Infrastructure and locale outlook	-27	-35	-72	-45	64	-14	↓
Total score			-21	-2	-21	-19	-1	-42	↓

Business owners and managers in The Hills Shire consider conditions to be deteriorating, impacted by the current effects of COVID-19.

Conditions summary

Economic conditions a reflection of current context

No other measure has experienced greater decline over the last 12 months than the perceptions of economic conditions in The Hills. With a score of -107, business owners and managers believe that the economic conditions of business in The Hills are collapsing, likely due to the effects of COVID-19. Local economic performance (-91) and national economic performance (-122) are both collapsing highlighting the difficulty of business operation both locally and nationally amongst a global pandemic.

A responsive Government

Despite worsening economic conditions, regulatory conditions are not as affected. Over the last year,

regulatory conditions have eased by 17 points (-28 in 2020 cf. -45 in 2019). This is largely due to the improvement in supportive policy settings (17) which was -16 at the same time last year. An improvement suggests that owners and managers are receptive to the initiatives (such as the JobKeeper program) provided by the Federal government.

Sydney Metro receiving positive sentiment

The opening of the Sydney Metro in 2019 correlated to an accelerating infrastructure and provision condition in 2019 (123). After months of usage the sentiment for infrastructure provision is advancing (56), indicating a healthy satisfaction towards the productivity and connectivity gained from the Metro.

Conditions by business size

Not all businesses are affected by COVID-19 equally. Smaller businesses are the most likely to experience collapsing business conditions (-48 for sole traders, -46 for micro businesses, -50 for small businesses), while larger businesses (employing 20 or more employee) fared better (-2).

Smaller businesses see the economic conditions as collapsing

Concern about the current local and national economic performance is high for owners and managers. Micro businesses (-136) are the most likely to view the overall economic conditions as collapsing followed by sole traders (-109) and small businesses (-105).

Local economic performance, while faring better than national performance, is collapsing according to most businesses in The Hills Shire. Micro businesses are the most pessimistic about local conditions (-115), followed by small businesses (-97) and sole traders (-89).

National economic performance is the lowest scoring economic condition experienced by business owners and managers in The Hills Shire. Once again micro businesses (-156) are the most likely to view the national economic performance as collapsing followed by sole traders (-129) and small businesses (-112). Larger businesses view national economic performance as falling (-24) rather than collapsing. Regardless of size, however, there is unanimous concern among business owners and managers regarding local and national economic performance in the current context of COVID-19.

Small and medium+ businesses affected most by regulation and red tape amidst COVID-19

Regulatory conditions are viewed as deteriorating by small businesses (-43, employing five to 19 employees). Medium+ business share a similar sentiment (-36). In contrast, there is more than a 20-point difference between these businesses and their leaner counterparts. According to micro businesses (-20) and sole traders (-24) the current regulatory conditions are seen to be slowing.

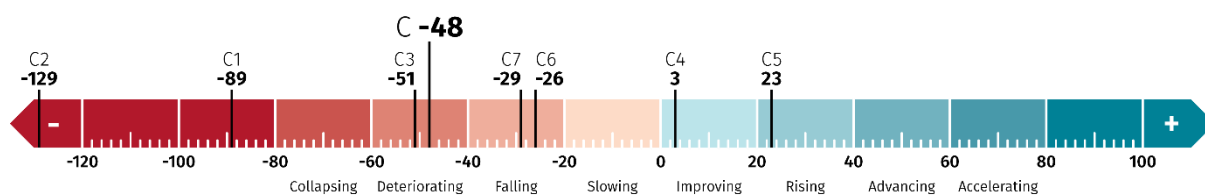
Small (-100) and medium+ (-124) businesses perceive red tape and regulatory conditions to be collapsing. The Royal Commission inquiry into banking and lending in February 2020 has reshaped many policies that financial institutions adhere to and may be one cause of such negative conditions for these businesses.

Infrastructure remains positive for businesses

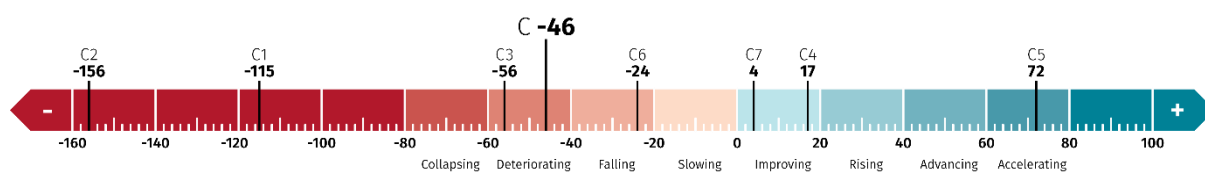
Despite the difficulty in navigating ongoing business conditions, many businesses remain positive when thinking about infrastructure and locale outlook. Micro businesses (17) see business infrastructure conditions as improving while medium+ businesses (53) see it as advancing.

Local infrastructure provision, such as the completion of the Sydney Metro is largely driving this. Medium+ sized business view this as accelerating (88) along with micro businesses (72).

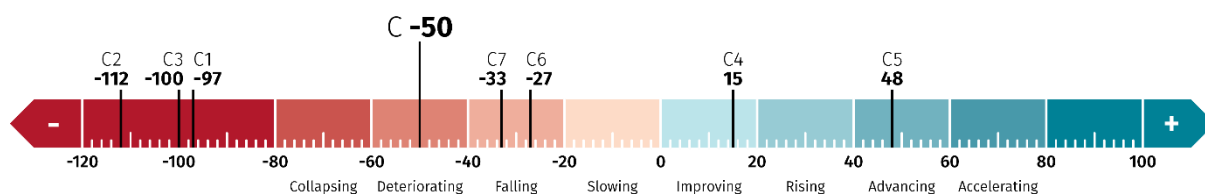
Sole traders (no employees)



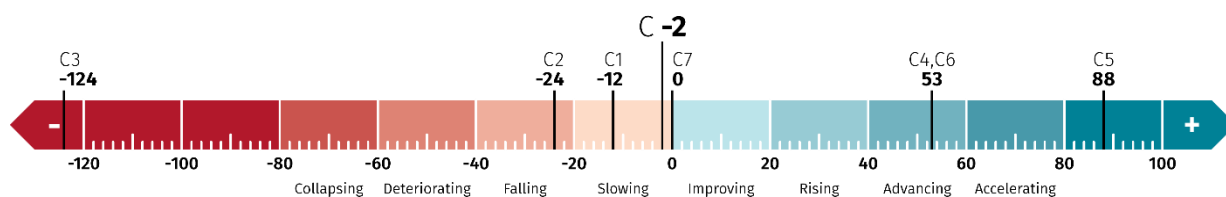
Micro (one to four employees)



Small (five to 19 employees)



Medium+ (20+ employees)



Conditions in B2B v B2C

Conditions in the last 12 months fared similarly for B2B (business to business) companies and B2C (business to consumer) companies. B2B companies (-36) have experienced falling conditions while B2C companies have experienced deteriorating (-47) conditions.

Economic conditions are collapsing according to B2B companies (-115) and B2C companies (-99). Regulatory settings are also falling according to B2C companies (-40). In comparison, regulatory settings are slowing for B2B companies (-16).

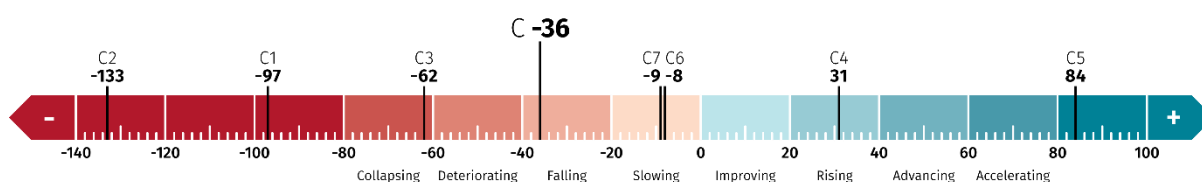
At the same time, B2B companies (22) view local infrastructure conditions to be rising. B2C companies, however, do not share this sentiment (-4) and have experienced a slowing of infrastructure conditions.

Regulatory conditions more favourable to B2B companies

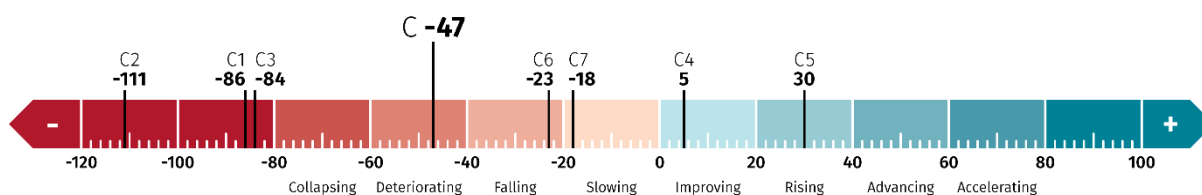
While both B2B and B2C companies agree that regulatory conditions are declining, B2C companies are experiencing increasingly supportive government policy settings (31). For B2B companies, however, it is only marginally improving (5).

Furthermore, red tape and regulation requirements have impacted all businesses regardless of offering. Both B2C (-84) and B2B (-62) are experiencing collapsing red tape and regulatory requirements.

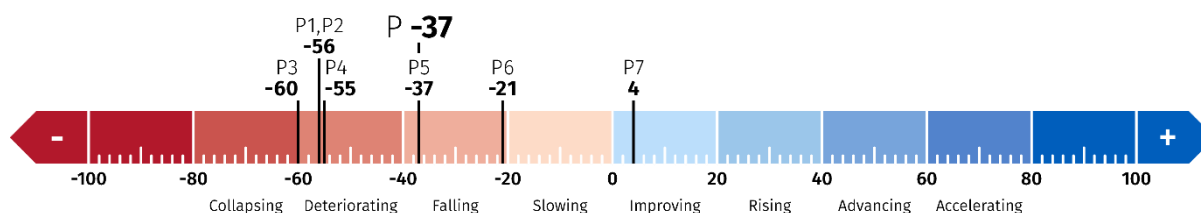
B2B



B2C



Performance



Measure	Key Indicator	2015	2016	2017	2018	2019	2020	Change ('19-'20)
Earnings	P1 Sales and revenue	52	55	35	32	19	-56	↓
	P2 Pre-tax profit	31	43	21	10	-2	-56	↓
	P3 Business cash flow	24	35	9	-7	-21	-60	↓
Expenses	P4 Business costs	-26	-44	-57	-65	-63	-55	↑
	P5 Capital investments and expenses	-3	18	21	-2	-5	-37	↓
Employment	P6 Staffing levels	18	31	28	23	11	-21	↓
	P7 Staff wages and on-costs	-45	-58	-41	-39	-40	4	↑
Total score		3	6	-1	-10	-17	-37	↓

According to business owners and managers in The Hills Shire, overall business performance is falling (-37). The total score for Business performance has been declining year-on-year since 2016 and it is currently at its lowest point since the first Business PSI in 2015.

Performance summary

According to business owners and managers in The Hills Shire most indicators of business performance have declined in the last 12 months. This is likely due to the rapid response by the nation to combat COVID-19 and captures the impact it has had on businesses in The Hills Shire.

Earnings impacted the most by COVID-19

Compared to just 12 months ago measures of earnings have dropped 56 points to -57 (cf. -1 2019).

Almost three quarters of businesses (72%) have seen a reduction in cash flow according to a recent study surveying Australian businesses and the effect of COVID-19 conducted by the ABS.¹ Congruent with this study, owners and managers in The Hills Shire are experiencing collapsing business cash flow (-60). At the same time, they are also experiencing deteriorating sales and revenue (-56) and pre-tax profit (-56). This highlights the magnitude of the impact COVID-19 is having on business earnings.

Slight improvement in business costs

Owners and managers (-46) view positive expense conditions to be deteriorating. Within this measure however, owners and managers experience marginally improved business costs over the last 12 months (-55 in 2020 cf. -63 in 2019). An eight-point improvement in business costs indicates that even in a time of adversity, there is a shift towards easing on business overheads in The Hills Shire.

Employment conditions most optimistic condition

Business owners and managers (-9) in The Hills Shire view employment conditions to be slowing. This is the highest score in business performance and suggests that JobKeeper payments may be a factor to potentially ease the pressure of retaining staff. Nationally, for more than two in five businesses (44%) the announcement of the JobKeeper payment scheme influenced their decision to continue to retain staff.¹

¹¹ Australian Bureau of Statistics 2020, Business Impacts of COVID-19, cat. no. 5676.0.55.003, ABS, Canberra.

Performance by business size

Earnings declining for smaller businesses in The Hills Shire

Sole traders (-84), micro (-77) and small businesses (-64) are experiencing collapsing earnings. This suggests that the smallest of business types face difficulty in creating new verticals as the model for entrepreneurial or micro businesses tend to focus on one major offering or service.

The biggest indicator for this decline stems from deteriorating business cash flow according to sole traders (-91) and micro businesses (-78). Small businesses (-55) view their business cash flow slightly more optimistically suggesting that the diversity of products or services afforded by a scaled workforce may improve overall performance.

Owners finding staffing levels a challenge amidst lockdown

The reduction in earnings may cause difficulty in maintaining staffing levels. Small (-6) and micro (-17) businesses are experiencing slowing employment performance over the last 12 months. In particular, small (-45) and micro (-46) businesses view deteriorating staffing levels as the largest contributor to slowing staffing levels.

This suggests that with the reduction in sales, or even the forced closure of some businesses due to social distancing measures, comes the reduction in workload for their employees. Unsurprisingly, sole traders are neutral to staffing concerns as they do not hire staff (-3)

A declining performance felt by micro businesses more than any other

The overall performance score is seen to be deteriorating by micro business owners. This may

be attributed to the unique advantages and disadvantages of a smaller business. Hampered by the likely limited earning offerings (-77) akin to the sole trader but with the added challenge of managing staffing levels (-46), micro business owners are experience a declining performance score of -52 which is the lowest for all business sizes.

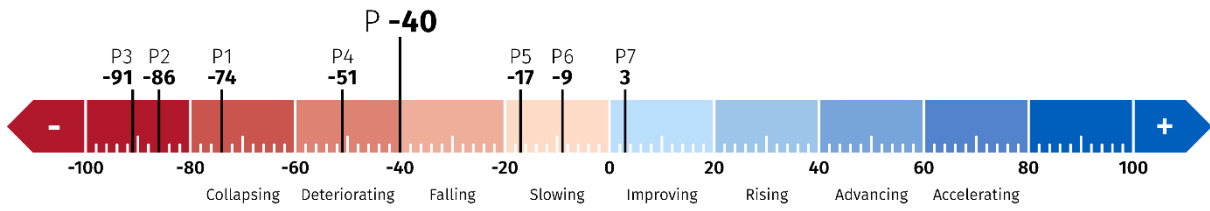
Medium+ sized businesses optimistic with rising performance conditions

Medium+ businesses (27) have been experiencing rising performance over the last 12 months This suggests that size and scale may have provided insulation against the conditions caused by COVID-19.

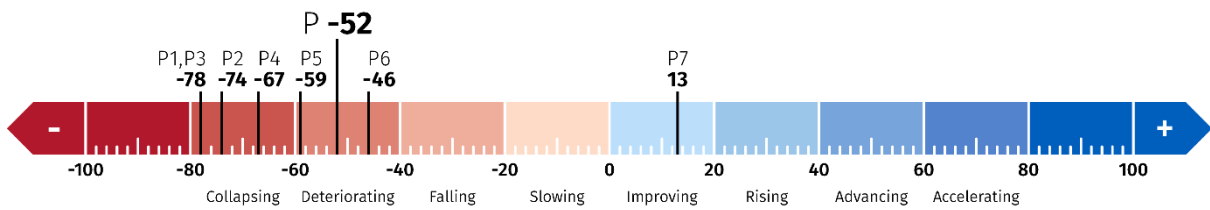
For many medium+ businesses, earnings have been accelerating in the last 12 months (69). This is attributed to accelerating sales and revenue (88) and pre-tax profit (71). Business expenses (9) and employment conditions (3) have also shown improvement over the same period.

Surprisingly, performance for medium+ businesses have exceeded scores in previous years (27 in 2020 cf. -24 in 2019). Over the same time sales and revenue has reversed to an upward trajectory increasing by 98 points over 12 months. Other areas of significant increase for medium+ businesses include cash flow (47 in 2020, cf. -30 in 2019) and staffing levels (82 cf. 3), indicating the strength of larger businesses in The Hills Shire amidst a global pandemic.

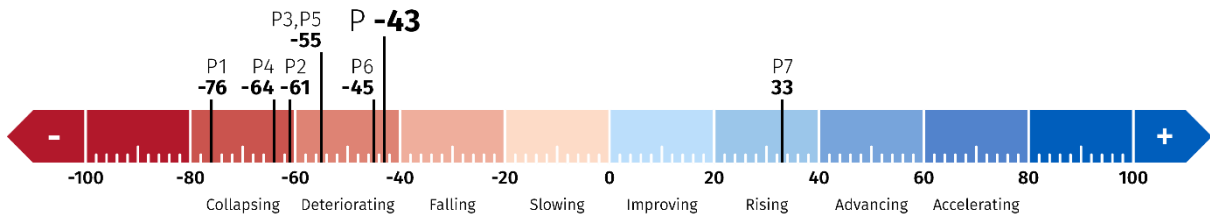
Sole traders (no employees)



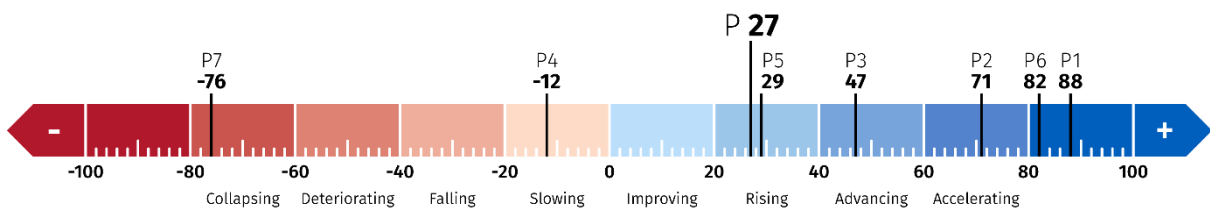
Micro (one to four employees)



Small (five to 19 employees)



Medium+ (20+ employees)



Performance in B2B v B2C

B2B companies faring better than B2C amidst COVID-19

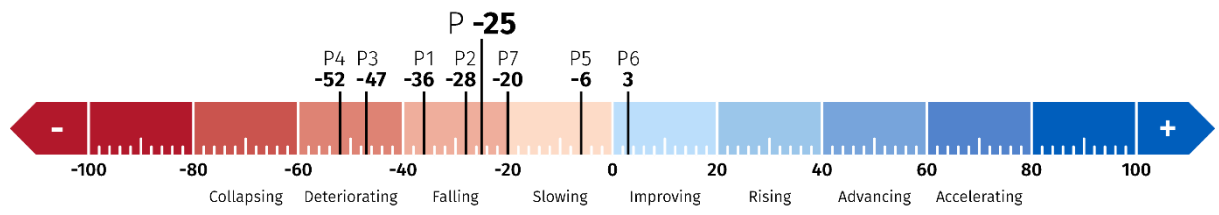
B2B companies (-25) view business performance as falling. For B2C companies, however, business performance is deteriorating (-49), suggesting that B2B companies may be faring better in the face of COVID-19.

B2B companies view their earnings performance more positively (-37) than B2C companies (-76). When looking at pre-tax profit performance, there is a 53-point difference between the two. While B2B companies (-28) view pre-tax profit as falling, B2C companies (-81) are experiencing deteriorating pre-tax profit. This implies that the economic ramifications of social distancing measures and business lockdowns affect consumer organisations the most.

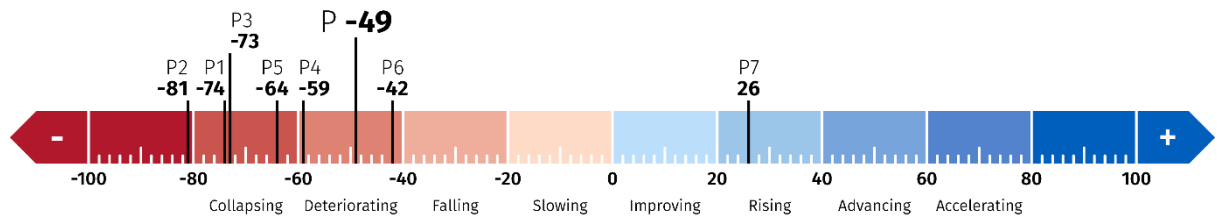
B2C companies are experiencing collapsing business expenses (-62) while B2B companies are falling (-29). This may be attributed towards falling capital investments, and rising upkeep costs (interest rates, repayments etc.) over the past 12 months (-64 B2C cf. -6 B2B).

B2B companies and B2C companies share a similar sentiment towards employment performance in the current climate. Both B2B and B2C companies view employment to be falling (-9 B2B, -8 B2C) When investigating employment indicators, B2B businesses perceive a slight improvement in staffing levels (3), but believe wages to be falling (-20). B2C businesses, conversely, see deteriorating staff levels (-42), but lower staff wages and on-costs (26).

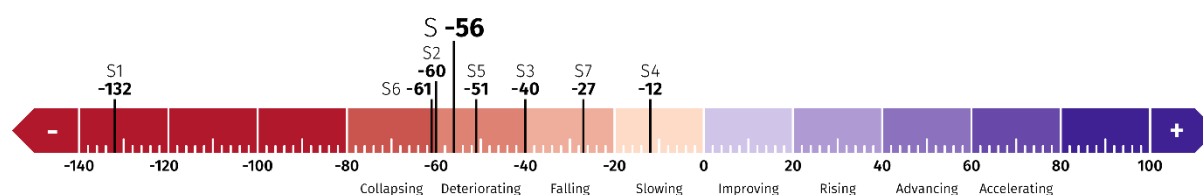
B2B



B2C



Sentiment



Measure	Key	Indicator	2015	2016	2017	2018	2019	2020	Change ('18-'19)
Economic outlook	S1	National economic outlook	-31	14	-9	4	2	-132	↓
	S2	Internal revenue outlook	46	78	73	61	60	-60	↓
Cost forecast	S3	Expense forecast	-68	-65	-82	-64	-73	-40	↑
	S4	Staffing level forecast	30	55	69	43	29	-12	↓
Growth forecast	S5	Profit forecast	36	48	40	43	34	-51	↓
	S6	Cash flow forecast	34	52	39	49	28	-61	↓
	S7	Expansion forecast	16	41	38	28	13	-27	↓
Total score			6	29	22	21	11	-56	↓

Over the past 12 months, business sentiment has dropped from 11 points (2019) to -56. The advent of COVID-19 and the economic impact it has caused has shifted future expectations of business owners. With no set date on when recovery will occur, many businesses remain vigilant by shifting expectations on national economic outlook (S1), internal revenue (S2) and cash flow forecasting (S6).

Sentiment summary

The onset of COVID-19 and unprecedented measures by the Federal Government to combat infection have impacted the optimism towards the future. Just 12 months prior, the sentiment of the future according to owners and managers was improving (11). It is now deteriorating (-56).

Economic outlook sees reversal

In the last four years, business owners and managers have perceived a consistent economic outlook (31 in 2019, 33 in 2018 and 32 in 2017). Unfortunately, and understandably, this trend has reversed. Future economic outlook weighs heavily within the region with a collapsing score of -96. The uncertainty lies predominantly on how the nation's economy will recover in the future (-137) rather than internal revenue outlook (-23).

Cost forecasting remain stable

Interestingly, business owners and managers do not expect too much of a change in future cost forecasting with a marginal fall of four points compared to 12 months ago (-26 in 2020 cf. -22 in 2020). This is likely due to a positive shift in forecasted expenses over 12 months (-40 in 2020 cf. -73 in 2019).

Growth perceived to fall in the future

Business owners and managers (-46) are experiencing a falling sentiment for future growth. This, yet again is a reversal in the trend of rising growth in 2019 (25) and can be attributed towards deteriorating profit forecasts (-51) and collapsing cash flow forecasts (-61).

Sentiment by business size

Medium+ most optimistic amidst COVID-19

Currently, medium+ sized businesses are the most confident out of all businesses. This is attributed to improving staffing level forecasts (12), profit forecasts (6) and improving conditions for expansion in the future (6). The optimism medium+ business owner's share, however, is measured and cautious, with future sentiment to do business in The Hills Shire viewed as slowing (-18).

Small & micro businesses concerned about future economic conditions

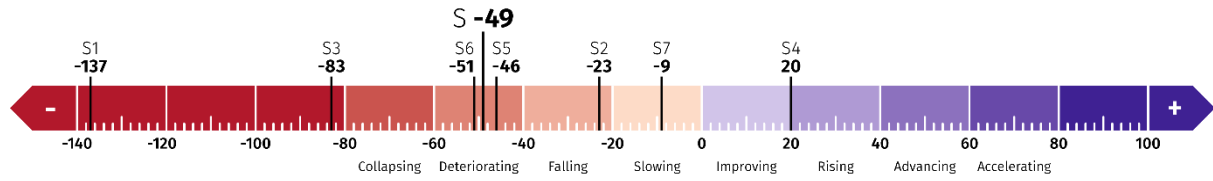
The economic outlook in the future is seen to be collapsing (-122), according to small business owners and managers. Micro-sized businesses share a similar sentiment in outlook (-110). This exemplifies the uncertainty in future economic trends in a post-COVID-19 world particularly surrounding national economic trends (-155 small, -139, micro).

Small businesses less pessimistic than micro or sole traders about future costs

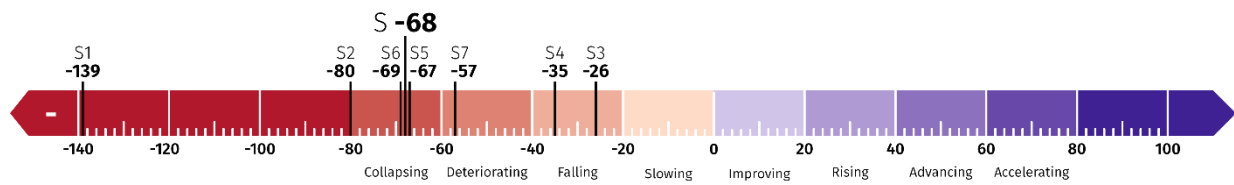
Small businesses are less pessimistic about forecasted costs in the future (-18) than micro businesses (-31) and sole traders (-32). This may also suggest that many businesses are engaging in services by their lenders to delay loan repayments or begin negotiation with landlords to try and stave off excessive overheads. According to the ABS, 38% of businesses owners have renegotiated rent/lease arrangements while a further quarter (24%) applied to defer loan repayments².

² Australian Bureau of Statistics 2020, Business Indicators, Business Impacts of COVID-19, Week Commencing 30 March 2020, cat. no. 5676.0.55.003, ABS, Canberra.

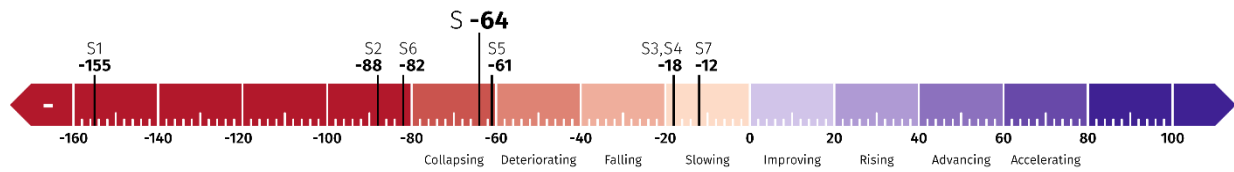
Sole trader (no employees)



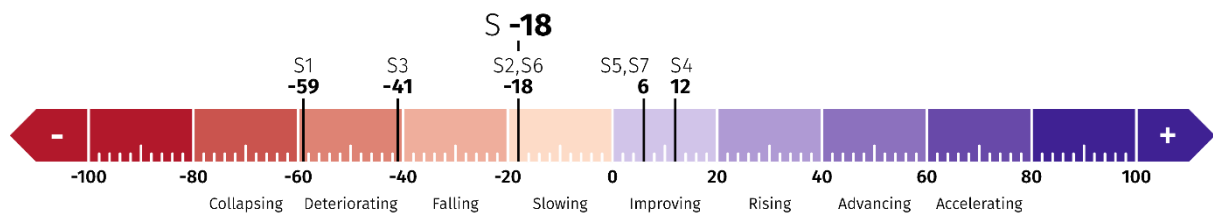
Micro (one to four employees)



Small (five to 19 employees)



Medium+ (20+ employees)



Sentiment in B2B v B2C

Future sentiment less pessimistic among B2B businesses compared to B2C

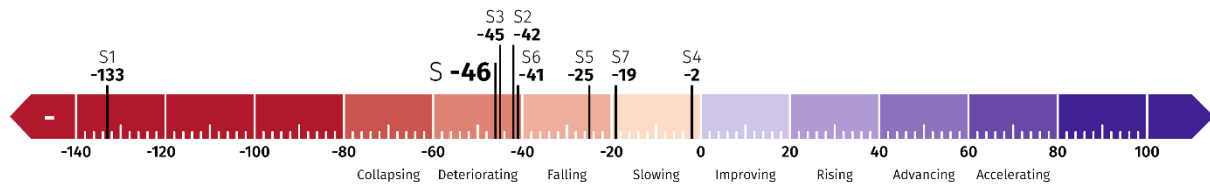
COVID-19 has placed uncertainty in the minds of business owners in how they forecast the next six months.

B2B (-46) and B2C companies (-64) are experiencing deteriorating future business sentiment. B2B companies, however, are more optimistic about the future growth than B2C companies (-28 B2B cf. -64 B2C).

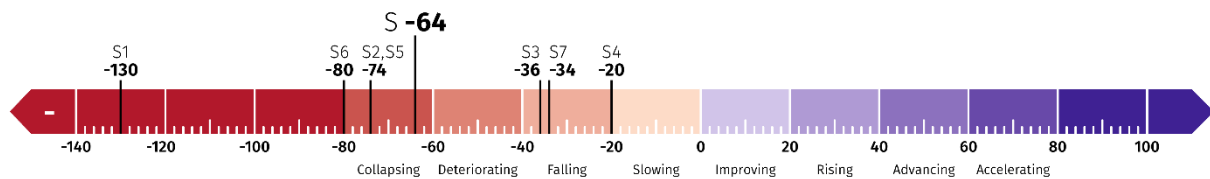
Nominal decrease in expenses from 2019 show COVID-19's minimal impact on costs

While other indicators of sentiment are collapsing, costs forecasted for the next six months are less adverse (-24 B2B, -28 B2C). Understandably, business costs have risen due to COVID-19, but only nominally compared to 12 months ago (-17 B2B, -28 B2C in 2019).

B2B



B2C



Further insights

Net Promoter Score

The Net Promoter Score (NPS) developed by Bain & Company, is based on the perspective that every stakeholder can be divided into three categories: Promoters, Passives, and Detractors.

Supporters respond on a 0-to-10-point rating scale and are categorised as follows:

- Promoters (score 9-10) are loyal enthusiasts who will keep engaging and will refer others, fuelling growth.
- Passives (score 7-8) are satisfied but unenthusiastic stakeholders who are vulnerable to competitive offerings.
- Detractors (score 0-6) are unhappy stakeholders who can damage your brand and impede growth through negative word-of-mouth.

An organisation's NPS score can range anywhere between -100 and 100. A score above 0 is considered a good score, with organisations often receiving a negative result.

Improvement in NPS over the last 12 months

In 2020, the NPS for doing business in the Hills is 21 a very good score and an increase from the previous year (6, 2019). This shows an increase of owners and managers who are promoters in The Hills Shire in 2020.

Two in five owners and managers are promoters (41%), while slightly less are passive (39%). One in five owners and managers are detractors (20%).



Innovation

The following section of this report provides further insights into the strengths and challenges of doing business in The Hills Shire. The question below was first asked in 2016 and tracked since.

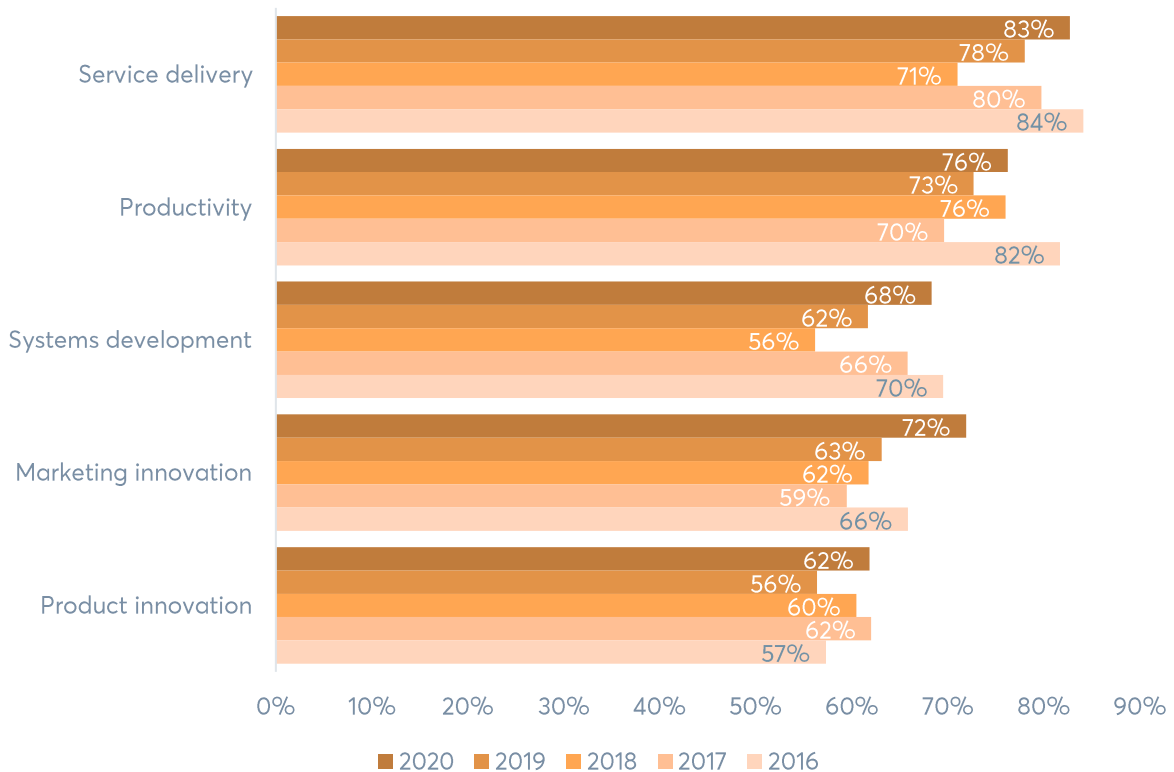
Service delivery remains strongest component for second year in a row

When looking at innovation, business owners and managers in The Hills believe that service delivery (83%) is the most important component in their future growth strategy. With more than three quarters of business in The Hills Shire (77%) providing services to other businesses or consumers, it is understandable that owners and managers are more likely to invest in innovation in service delivery (83%) rather than product innovation (62%).

More than three quarters of business owners and managers (76%) believe that investment into productivity is extremely/very important for the future growth strategy for their businesses. This is the second highest area for investment in innovation and is consistent with last year (73% 2019).

Seven in ten business owners and managers (72%) believe that innovation into their existing marketing strategy is extremely/very important to future growth. The focus on this area has increased since 2019 (63%). This growth may be attributed to changing methods of revenue generation due to social distancing measures and the reduction in foot traffic.

How important is investment in innovation as part of your growth strategy in the following areas?
(extremely/very important)

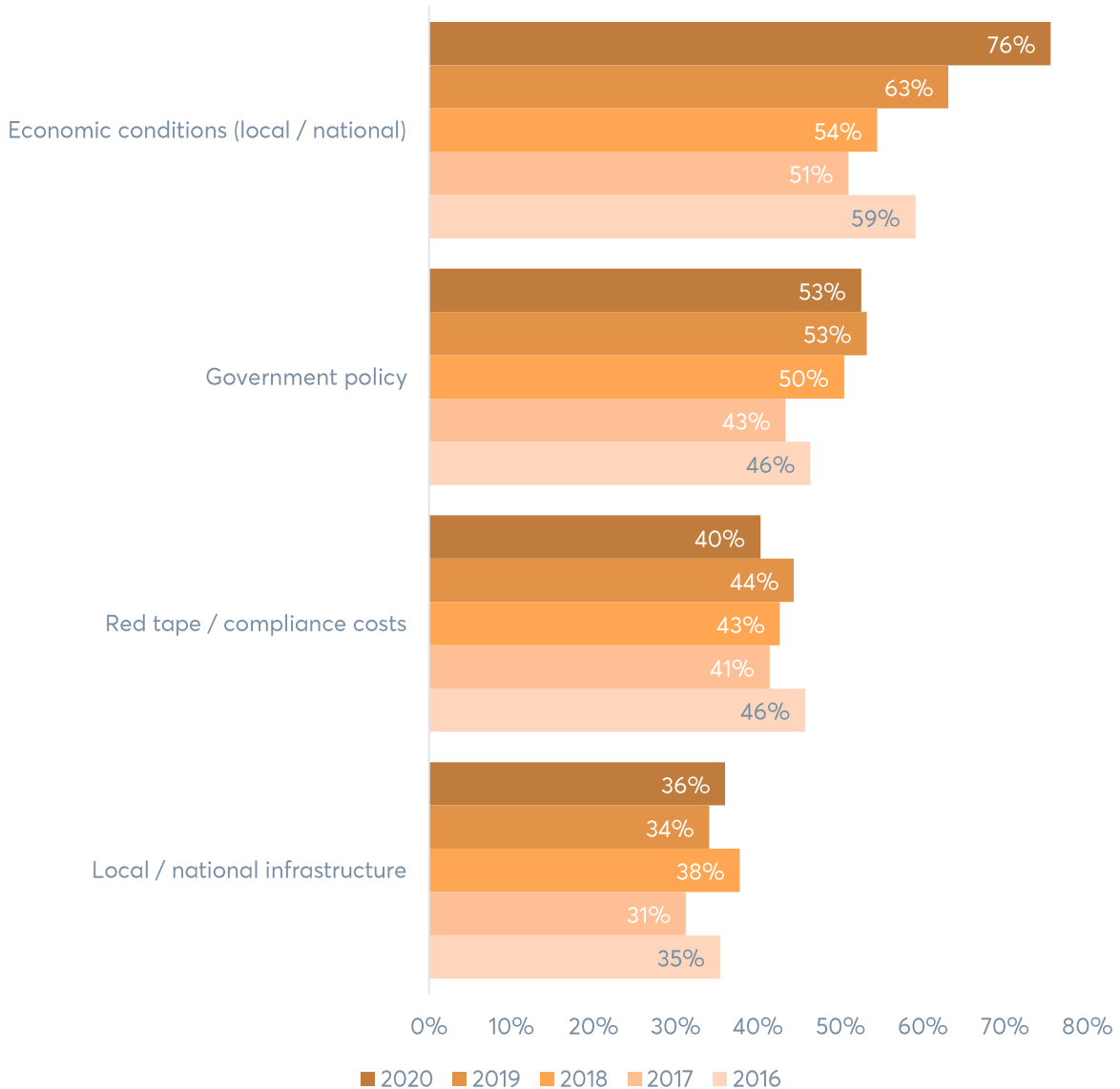


External impacts

Business owners and managers in The Hills Shire were asked which issues impact business performance. Unsurprisingly, more than three quarters of owners and managers believe that economic conditions (76%) have the biggest impact on their business performance. This exemplifies the economic challenges due to the pandemic.

A further half (53%) believe that government policy has an extreme/significant impact on their business performance, and for two in five (40%) business owners and managers red tape and compliance costs impact their business performance.

At the moment, how much do the following issues impact your business performance?
(extremely/significant impact)



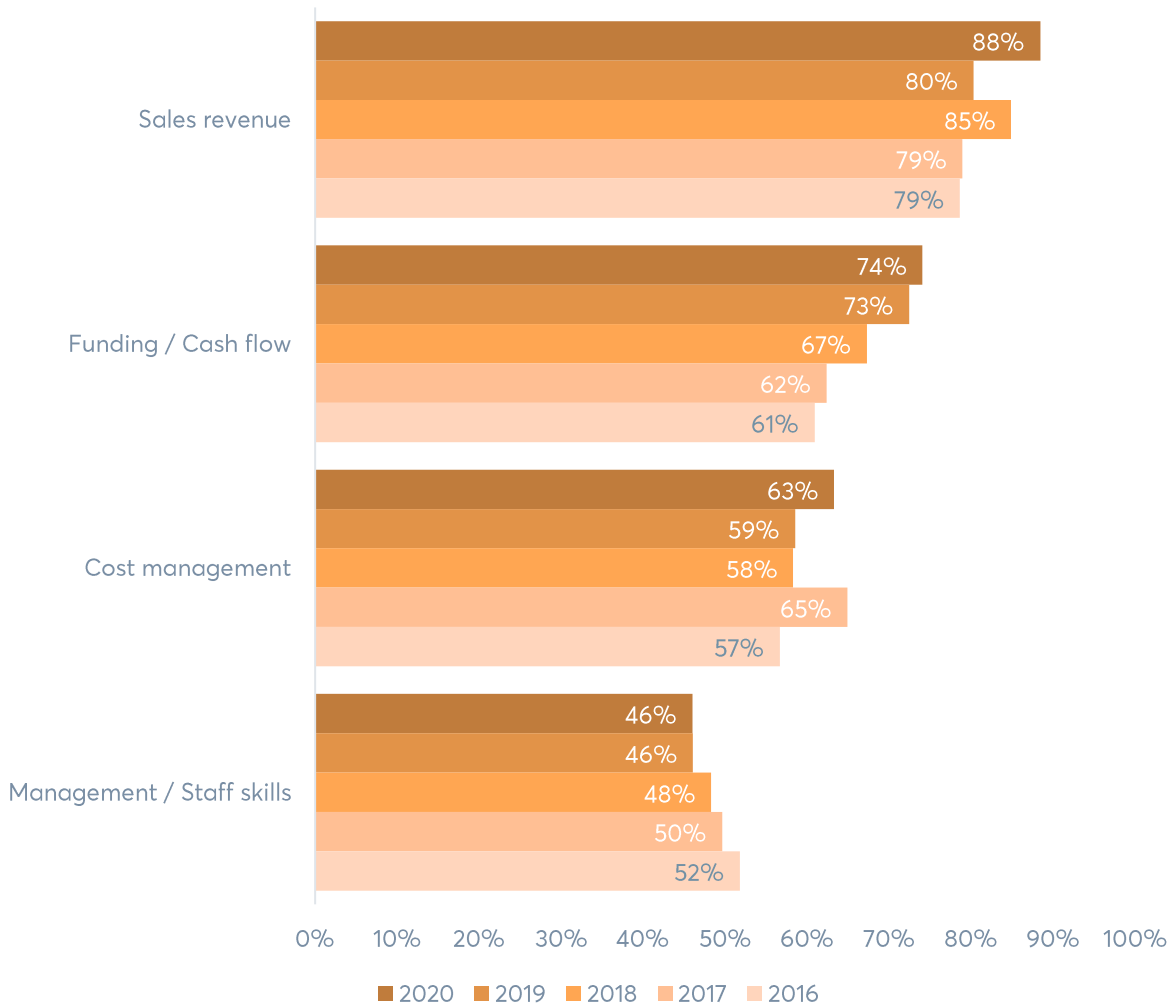
Business priorities

When thinking about areas of focus in the future, business owners and managers are most likely to prioritise sales revenue. Nearly nine in ten (88%) owners and managers believe that sales revenue is the most important area to prioritise. This is an eight percentage point increase compared to 2019 and may indicate a focus on returning to the status quo after COVID-19.

Furthermore, nearly three in four owners and managers (74%) believe that funding and cash

flow is an area to prioritise over the next six months, while three in five (63%) believe that cost management is an area to prioritise. Less than half of owners and managers (46%) in The Hills Shire believe management and staff skills is as an area to address in the coming six months. This highlights the trend of businesses focusing on revenue generation over operational business advancement.

Thinking ahead to the next six months, how much are the following areas a priority for you to address?
(extremely/significant impact)



Challenges faced by business in the Hills

Business owners and managers were asked 'What is the most significant challenge that your business is currently facing?'

Unsurprisingly the most common challenge businesses face is regarding COVID-19 and its impact on their business. Other challenges include increased rent, legislative challenges, and rising costs.

COVID-19

While some owners and managers chose to acknowledge COVID-19 as a general challenge, some business owners and managers provided further insights to show specific impacts of the pandemic.

"Dealing with lots of issues to do with Covid19. Cashflow."

Several businesses highlighted the negative impact of social distancing measures and business lockdowns.

"Potential closure due to Covid 19"

"COVID 19 has caused a large number of our clients to close their businesses affecting our revenue"

"Coronavirus restrictions of trade and corresponding business uncertainty"

Other businesses are faced with the challenge of an uncertain downward turn in economic conditions.

"Corona virus effects on the economy and lack of spending/loss of income"

"Economic downturn due to coronavirus pandemic."

Another common trend is the challenge of pivoting or adjusting business offerings to continue trading.

"Having to learn everything about running a business plus marketing and trying to pivot all at once due to the COVID-19 pandemic"

Hiring quality staff

Some business owners and managers find it difficult to recruit quality staff members.

"Staffing, the management time and cost of team. Maintaining attractiveness to professional staff."

"Needing more high quality staff."

Compliance and tightened regulations

Some businesses link the current challenges they are experiencing to rising regulations. There is a feeling that financial regulations in particular have tightened over the last 12 months.

"Gout compliance legislation (FASEA, LIF) significantly increasing service costs to clients and reducing time available to service clients. By far the biggest impact on productivity and negative aspect for 'client best interest' in my financial services business."

"Federal Government policy after the Royal commission into Banking and Finance"

Strengths

Since 2016, business owners and managers in The Hills Shire have been asked to indicate what they believe are the greatest strengths of doing business in The Hills. This was posed in two parts: the current strengths of The Hills Shire, as well as what they believe would be the future strengths of the region.

Location and lifestyle are the greatest strengths.

For the first time in four years, location is what most business owners and managers believe to be the greatest strength of doing business in The Hills.

Three in five owners and managers (60%) believe that the greatest strength of doing business in The Hills Shire is the geographical location of The Hills. This is followed by The Hills being characterised as 'family friendly' (58%), and that doing business in The Hills offers a high degree of work/life balance (56%). Ultimately, these three characteristics suggest that the ability for business owners to embrace both their business and relationships is a strong pull factor for deciding to choose The Hills Shire as a place of business.

Operational benefits less likely to be regarded as strengths

The Hills Shire is highly regarded as a lifestyle location to do business. Lifestyle strengths are more likely to outrank operational benefits. Although more than one in three business owners and managers (35%) see the customer base as a strength of doing business in The Hills, less than

one in ten (8%) believe that local recruitment options are a strength. An even smaller proportion (6%) see the price of commercial real estate as a strength.

Lifestyle benefits continue

When looking at future strengths of doing business in The Hills, many owners and managers believe that lifestyle benefits still weigh strongly.

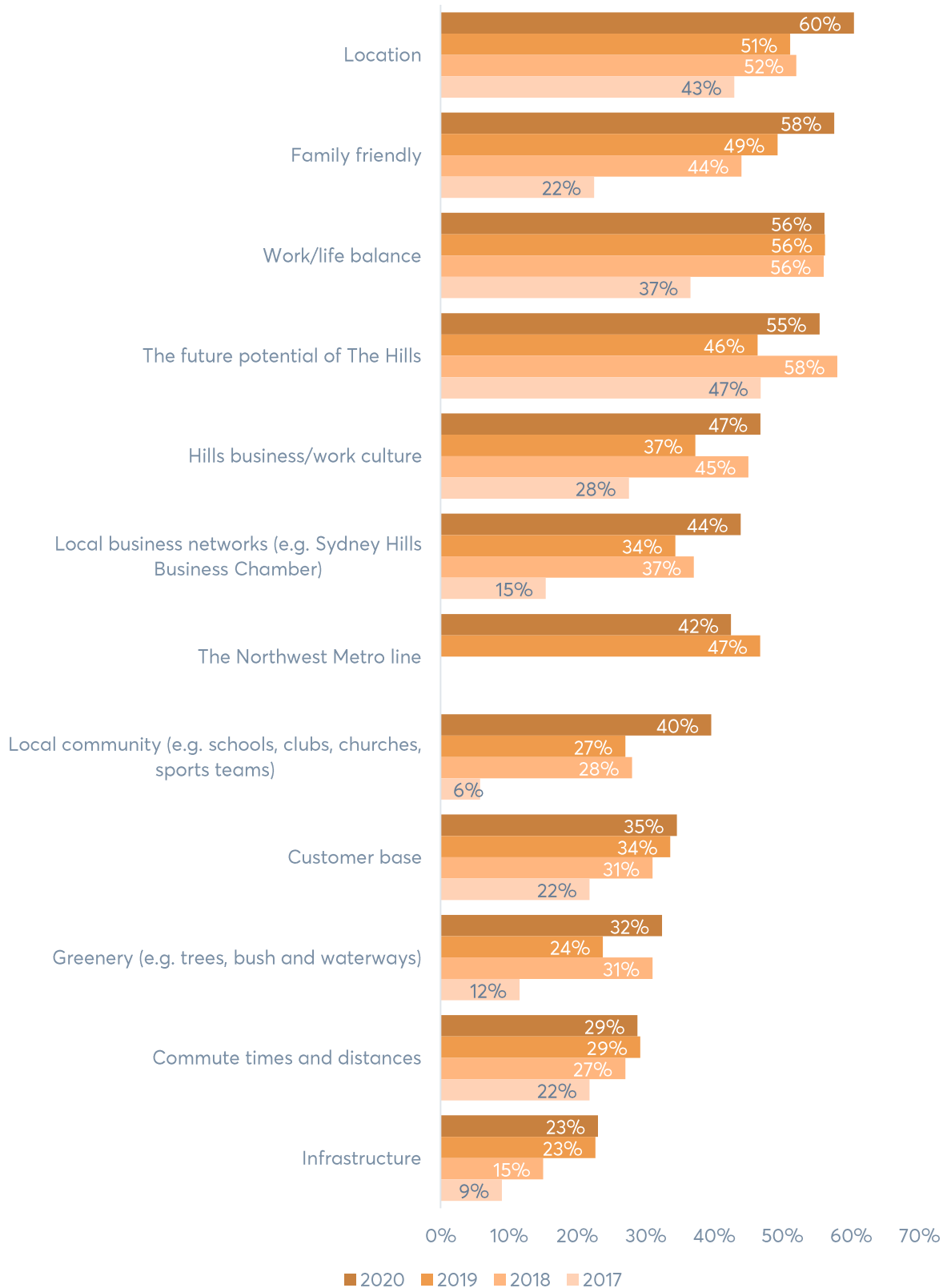
More than half of business owners and managers (57%) agree that location will remain the greatest strength of doing business in The Hills. The completion of the Sydney Metro has changed the outlook of the geographical location of The Hills Shire. It is also not surprising that more than half of business owners and managers (51%) suggest that work/life balance is another future strength of doing business in The Hills Shire, continuing the lifestyle focus.

An emerging business hub

Future strengths of The Hills also encompass a desire for the area to become a productive hub entrenched with council & infrastructure support. More than two in five business owners and managers (43%) believe that The Hills businesses and work culture could be a potential strength of The Hills in the future. A further 39% see local business networks such as The Sydney Hills Business Chamber as a future strength. More than one in three (37%) also believe that future infrastructure could be an asset to The Hills.

What do you think are the current strengths of doing business in The Hills?

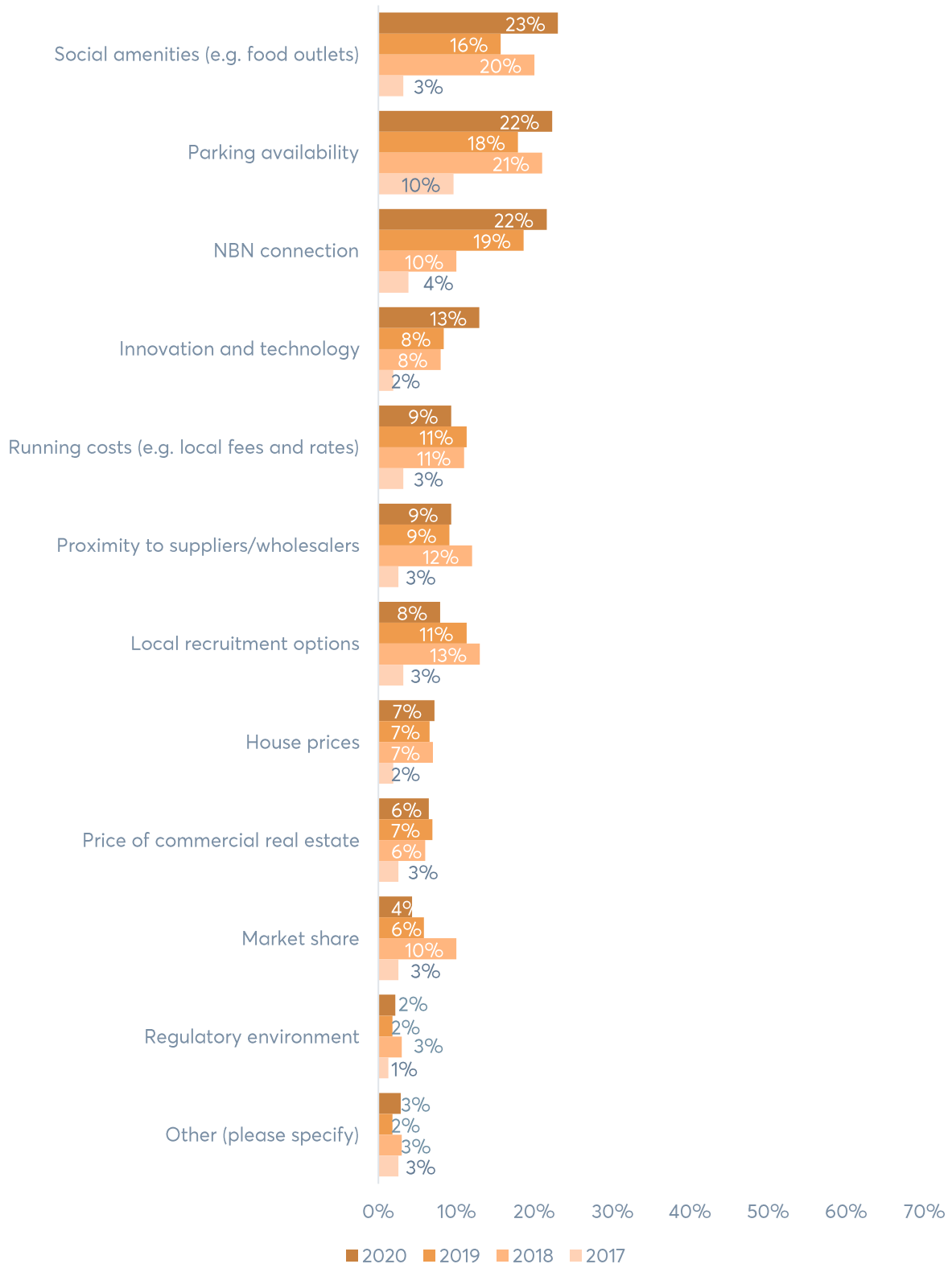
Please select all that apply



What do you think are the current strengths of doing business in The Hills?

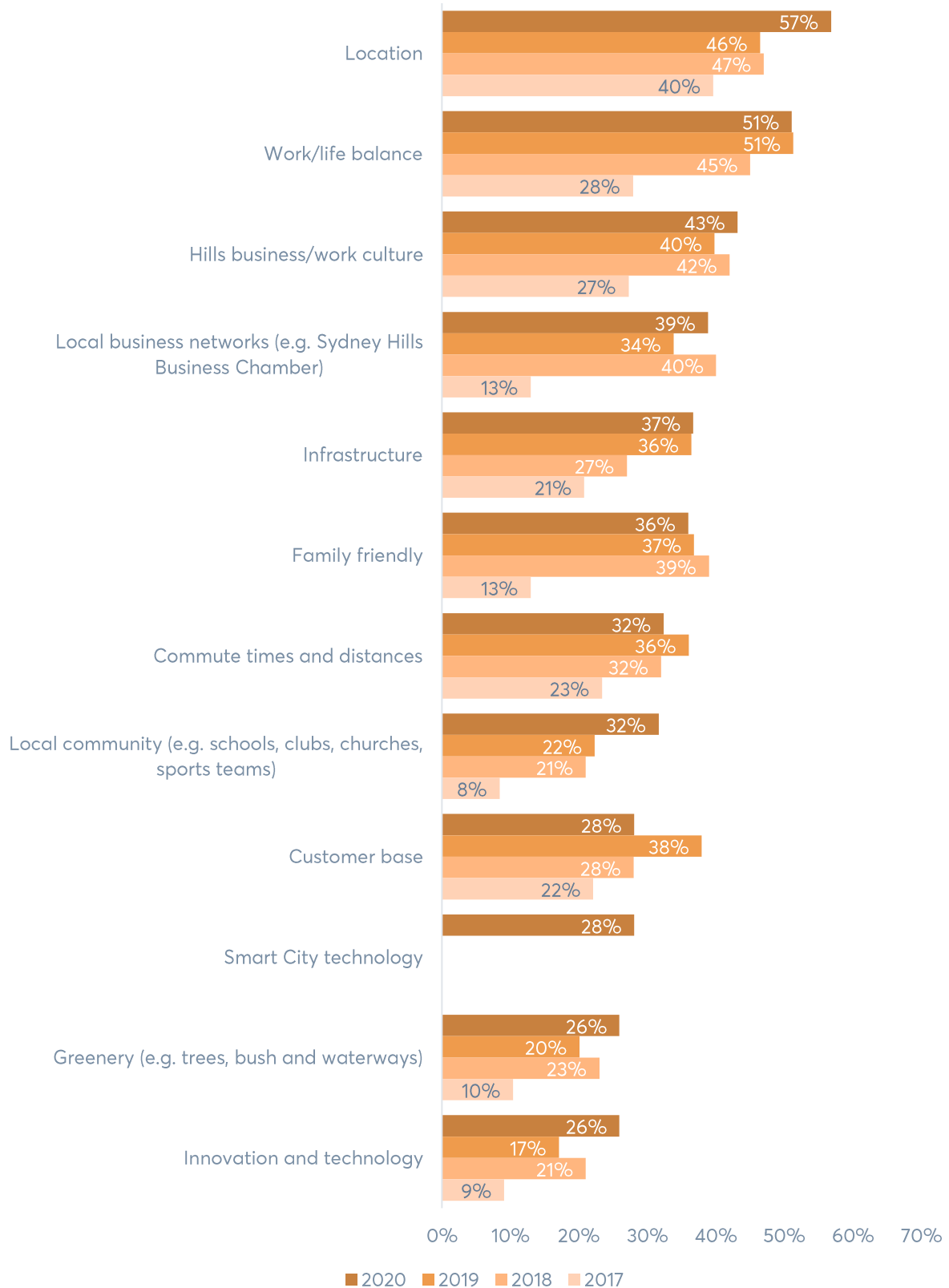
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Please select all that apply



What do you think are the future strengths of doing business in The Hills?

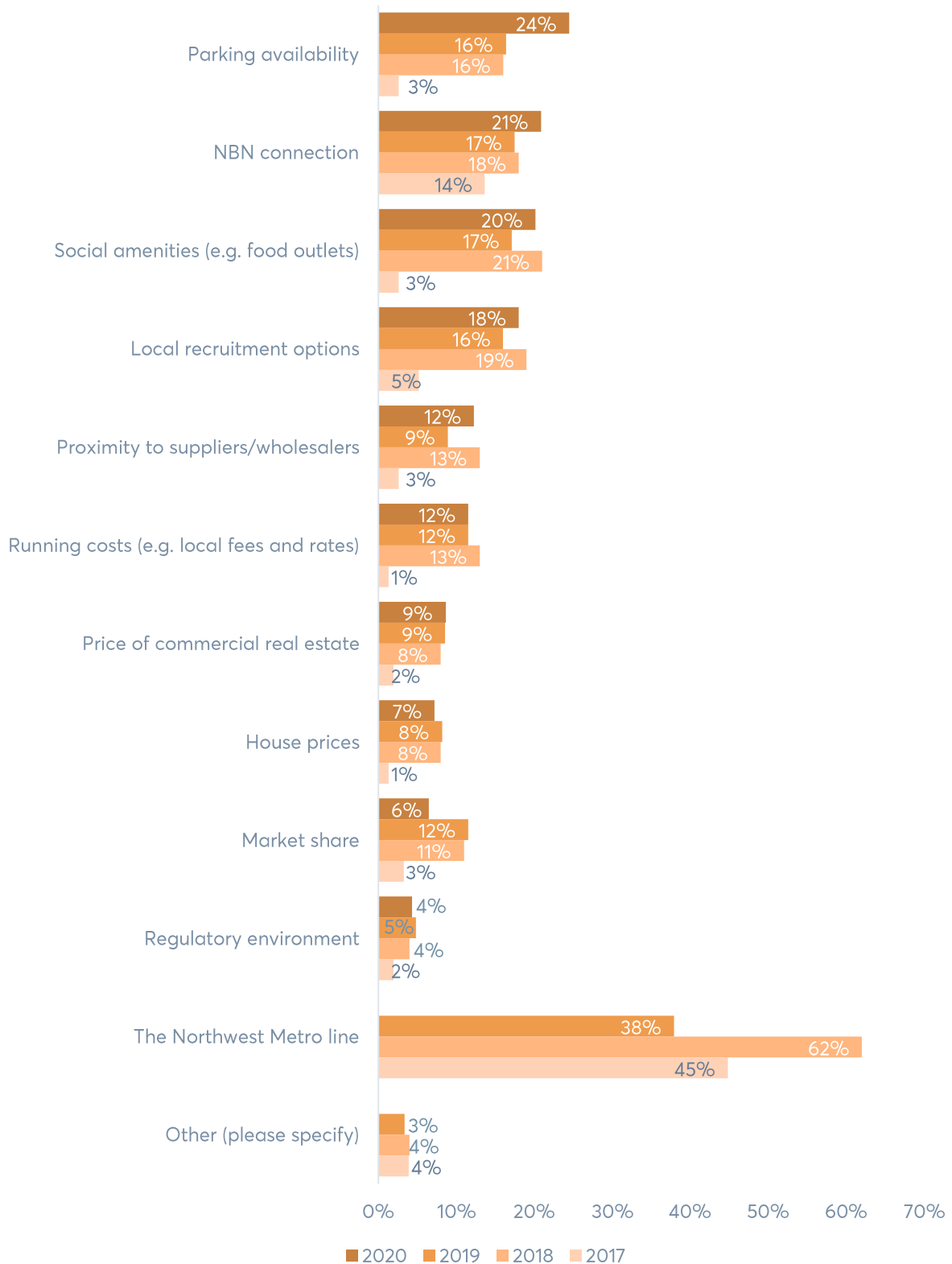
Please select all that apply



What do you think are the future strengths of doing business in The Hills?

Continued

Please select all that apply



The Hills Shire Council

Businesses that seek support from The Hills Shire Council are more likely to see an increase in sales and revenue

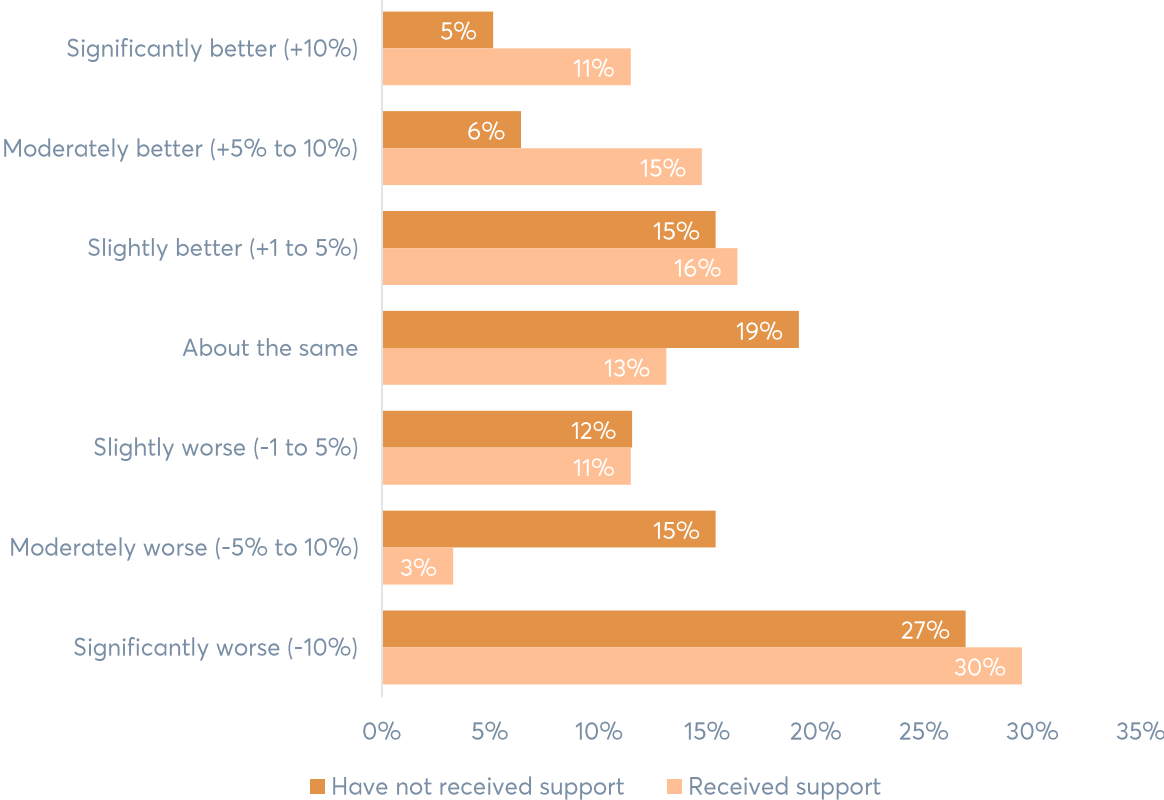
Over the past six months 44% of business owners and managers have utilised resources or engaged services provided by The Hills Council. These owners and managers are also more likely to have seen improvements in revenue over the same period compared to those who did not engage in the Council's support offerings.

Those that seek Council support are twice as likely to report a revenue increase of 5% or more over the past six months than business owners or managers who did not seek support (26% cf. 11% no support). This is consistent for the bottom line, as businesses who utilise Council support are more likely to report a pre-tax profit increase of 5% or more in the last six months than those that did not (18% cf. 13%).

Within the current COVID-19 affected economic climate, however, many businesses have reported a decline in revenue over the past six months. Business owners and managers that take advantage of Council support are less likely to have reported a decrease of 5% or more in revenue. More than two in five business owners and managers (42%) who did not access Council support have seen a decrease of 5% or more in revenue compared to one in three owners and managers (33%) who accessed Council support.

When reviewing the bottom line, two in five (41%) owners and managers who did not access Council services have experienced a reduction in profit of 5% or more in the last six compared to the third of owners and managers that did access Council support (34%).

Thinking about your overall sales revenue at the moment, how does this compare to 6 months ago?



The Sydney Hills Business Chamber

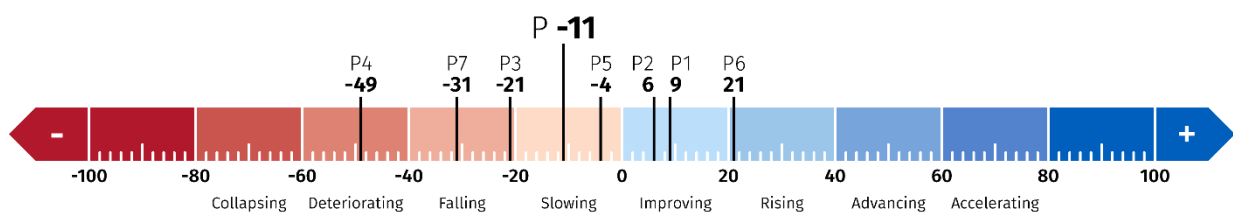
Chamber members more likely to experience higher PSI score than non-members

Currently 48% of all owners and managers are members of the Sydney Hills Business Chamber. The results suggest that Chamber members are faring better than non-chamber members in the wake of COVID-19. While the 2020 PSI score is falling for Chamber members (-23). Non-members fare three times worse (-66)

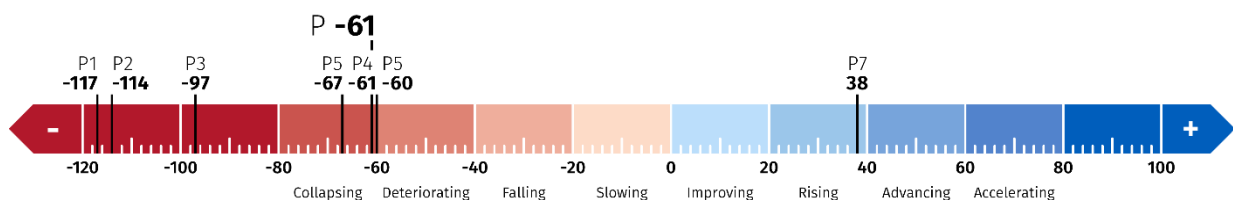
Specifically, Chamber members report falling performance (-11) as a contributor to the lower PSI score. On this same metric non-members fare six

times worse (-61). Business performance, according to non-members is deteriorating (-61). Within the measure, there is a stark difference in sales & revenue performance when comparing members of the Hills Business Chamber to businesses who are not yet members. There is an 108 point difference between member's perception of sales and revenue and non-members (9, members cf -117 non-members) suggesting that the benefits inherent within the Sydney Hills Business Chamber (the network, informative events and gatherings) have assisted businesses in developing resiliency towards the economic impact of COVID-19.

Sydney Hills Business Chamber Members



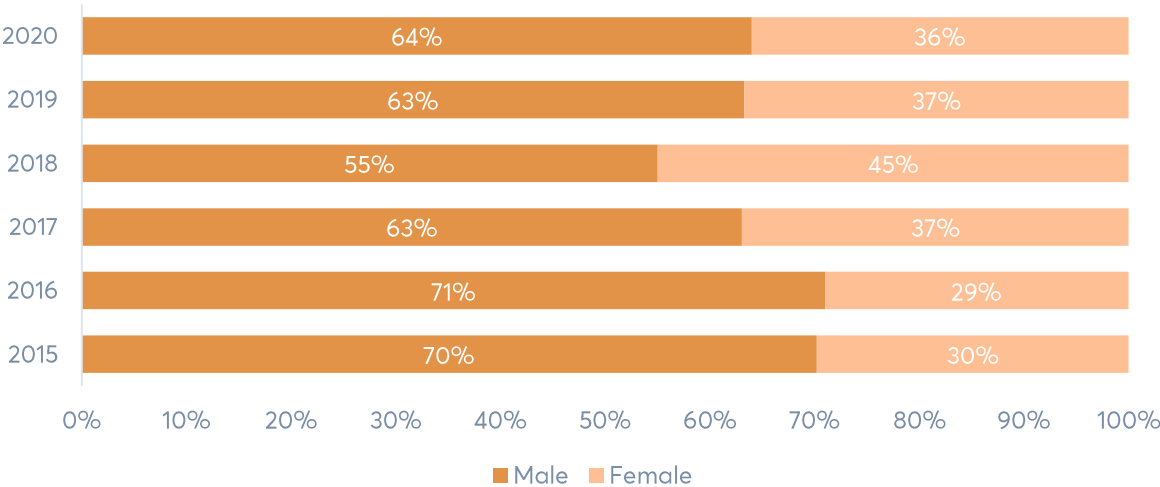
Non-members



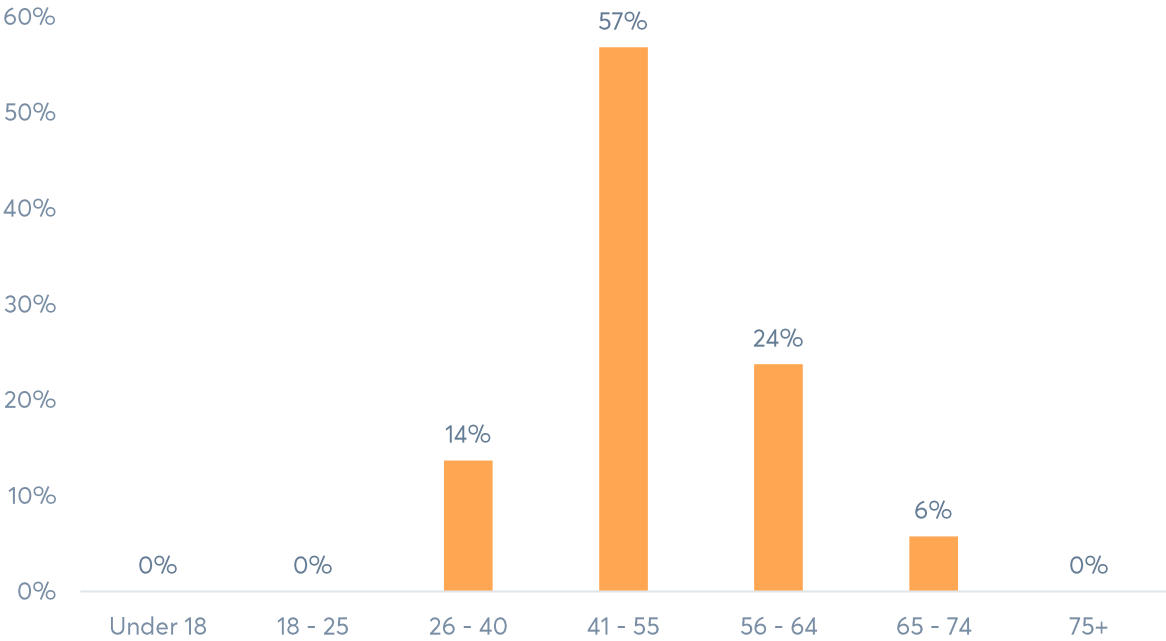
Appendix

Respondent characteristics

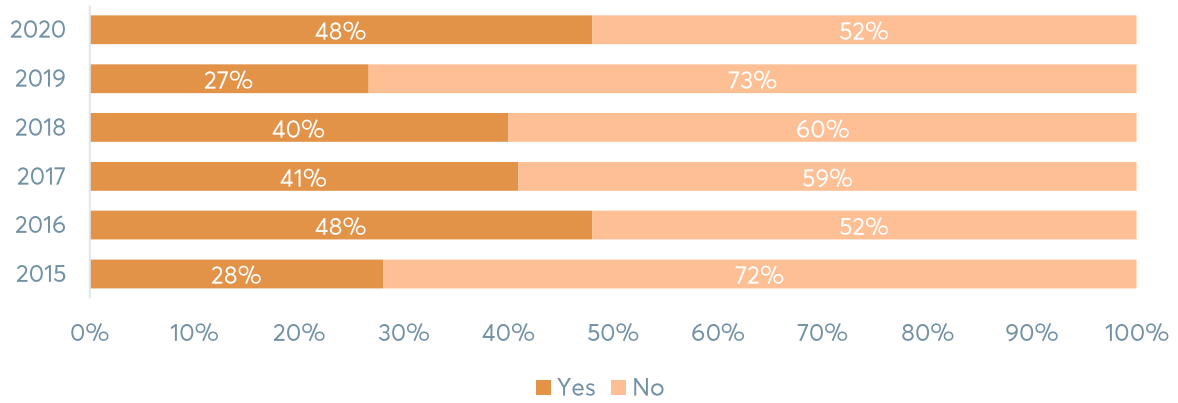
Are you male or female?



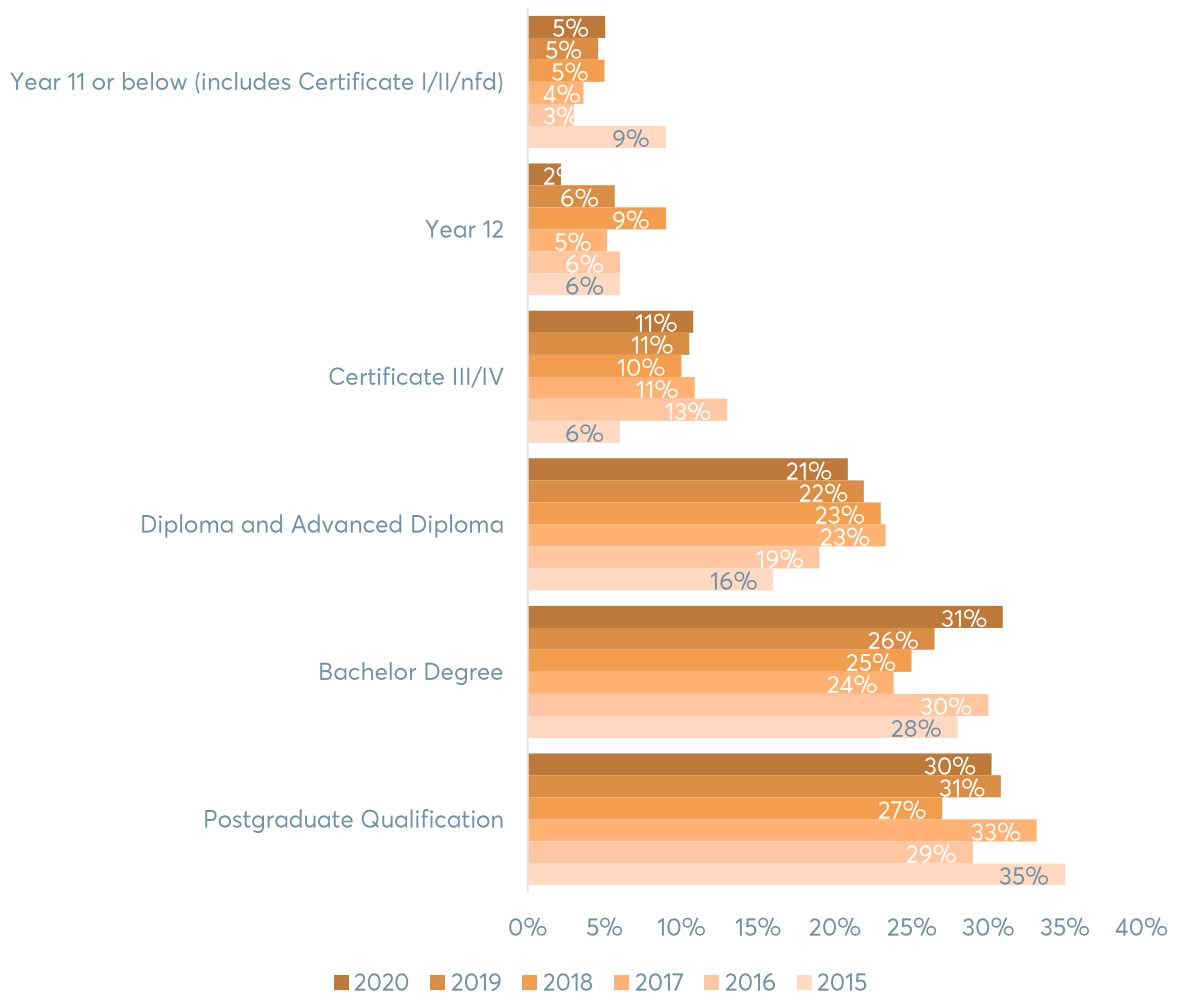
What was your age at your last birthday?



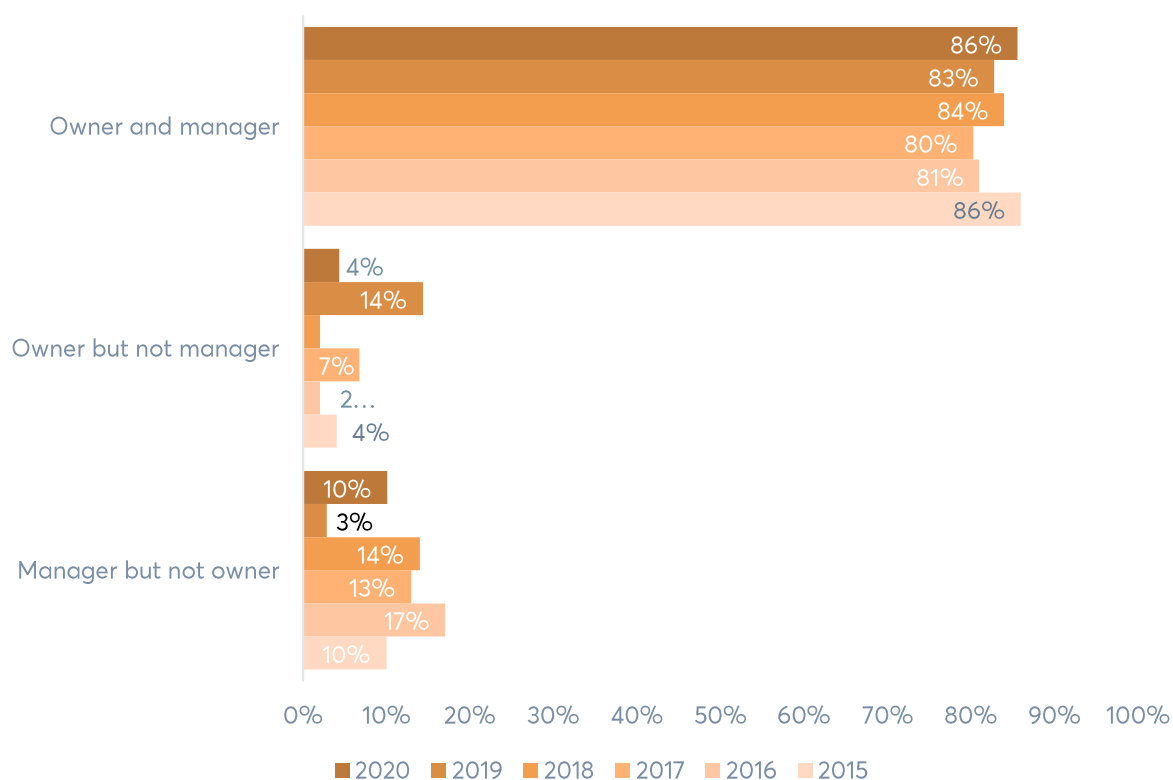
Are you a member of the Sydney Hills Business Chamber?



What is your highest level of completed education?



What is your role within your business?



Postcode	2020	2019	2018	2017	2016	2015
2117	0%	0%	0%	2%	0%	2%
2118	0%	0%	0%	1%	6%	2%
2125	2%	2%	3%	2%	3%	4%
2151	1%	2%	2%	1%	3%	4%
2152	0%	0%	0%	2%	1%	1%
2153	45%	39%	34%	44%	47%	30%
2154	20%	25%	26%	21%	16%	24%
2155	17%	17%	19%	15%	14%	16%
2156	4%	5%	4%	5%	3%	7%
2157	1%	1%	1%	0%	1%	2%
2158	5%	0%	5%	3%	5%	4%
2756	1%	1%	1%	2%	1%	1%
2765	3%	3%	3%	1%	1%	1%
2775	0%	0%	0%	1%	0%	0%

Conducting your own PSI

The Business PSI can be conducted by any organisation, local government, or business chamber through partnership with McCrindle. The instrument is designed to be deployed every 12 months through a survey to business owners and managers for longitudinal tracking.

As the developers and deployment partners of the Business PSI, McCrindle can not only efficiently deploy, analyse, and visualise this survey for organisations, but act as a clearinghouse of the longitudinal data and so can provide benchmarking of industry or local results against other areas or sectors, as well as provide longitudinal comparison.

Partnership with McCrindle in deploying the Business PSI includes use of the Business PSI instrument, the raw data and output, a report of results, and assistance with commercial insights from the results.

Contact

For information on conducting your own PSI, contact McCrindle at info@mccrindle.com.au or call (02) 8824 3422.

For information and implications specific to the 2020 Hills Shire Business PSI, contact Sydney Hills Business Chamber at membership@sydneyhillsbusiness.com.au or call (02) 9659 3366.

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THE HILLS
Sydney's Garden Shire



Sydney Hills
**BUSINESS
CHAMBER**

25+
YEARS