BusinessPlus+ Newsletter

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Issue – February 2023

Business Planning Tips in Times of Uncertainty

Economic Overview

Australia key indices December	2021	2022
Economic growth	4.6%	*5.9%
RBA cash rate	0.1%	3.1%
Inflation (annual rate)	3.5%	^7.3%
Unemployment	4.2%	#3.45%
Consumer confidence	104.3	82.5

*Year to September, ^September quarter # November

Sources: RBA, ABS, Westpac Melbourne Institute, Trading Economics

The Australian economy continues to be on a rollercoaster ride and there is little to suggest that calmer times lie ahead, but even in these tumultuous periods there are steps that leaders can take to future-proof their business strategies. As the country emerges from the impacts of the pandemic, inflation, supply chain disruptions, increasing energy bills, interest rates normalisation and the resulting cost of living impacts, many businesses are scrambling to bolster themselves against the ongoing threats that may affect them in 2023.

Key Challenges for 2023

In this turbulent business environment, many executives find the need to revise and adapt their strategies and operating models at a rapid pace. They know that capturing opportunity and avoiding disruption require speed. A 2022 global business survey found the top five risk factors to revenue growth were from:

- **Market** – Both customer and talent/labour disruptions have affected businesses;
- **Business/Operational Models** – Past models may be less relevant today and need to be reviewed;

- **Cyber/Information Management** – Risks have increased significantly in the past few years;
- **External Change** - The pace and extent of changes are constantly impacting the business environment now; and
- **Geopolitical Environment** – Be it war, supply chain disruptions, foreign currency fluctuations and political unrest -they are collectively adversely affecting business operations in Australia.

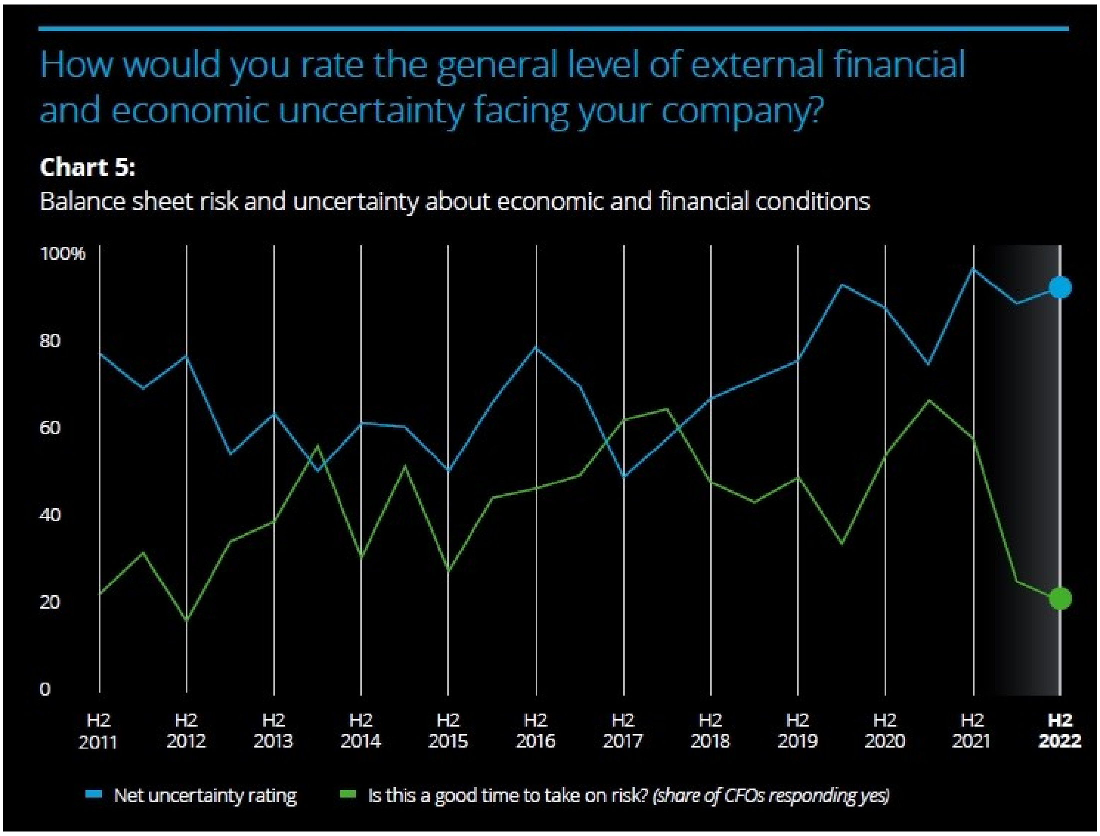
A December survey of Australian business leaders disclosed the top challenges for 2023 and the next 3 to 5 years, are as listed below:

ALL RESPONDENTS % say Top 5 Challenge for their organisation	Top 5 Challenges in 2023	Top 5 Challenges in 3 - 5yrs
Talent acquisition, retention and re/upskilling to meet a more digitised future	77%	61%
Digital transformation & optimisation, and extracting organisational value from it	46%	43%
Dealing with cyber risks	40%	43%
Dealing with evolving regulatory processes, reporting changes & impacts	35%	35%
The need for greater agility and flexibility in your organisation to meet opportunities and challenges	35%	31%

Source: "What's Keeping Us Up at Night – The Big Issues facing Business Leaders in 2023" ***KPMG January 2023***

The fourth challenge for the next 3 to 5 years, receiving a 40% ranking in the survey was, as shown in the full report – ***"Identifying and growing future market segments and/or innovation opportunities for growth"***.

Preparing For Uncertain Times

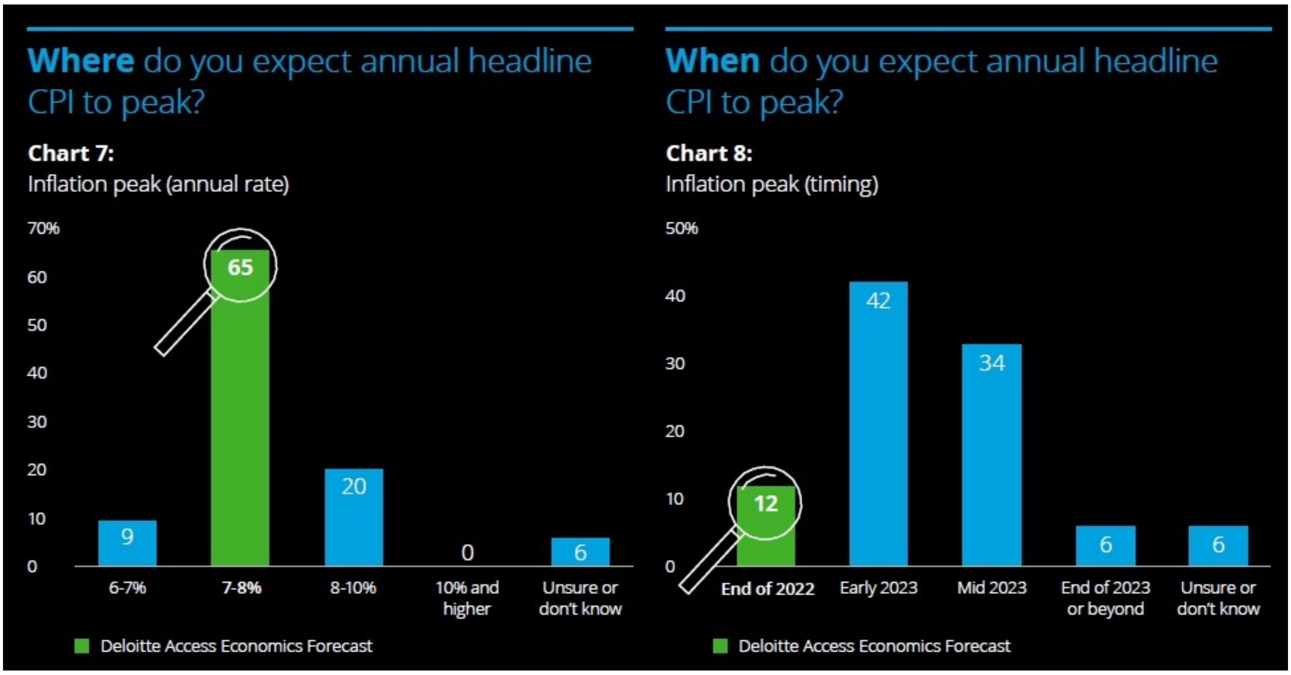


<u>Source:</u> ***"CFO Sentiment Report for Australia 2nd Half 2022" - Deloitte***

An often-overlooked truth about business planning is that it is not about attempting to create absolute certainty of outcomes. Instead, it is about identifying and defining a range of scenarios, evaluating the business impact, and designing potential responses. By doing this, it is possible to act quicker and build agility into a strategy and prepare, as best as possible, to ride the forthcoming waves and ensure goals continue to be met.

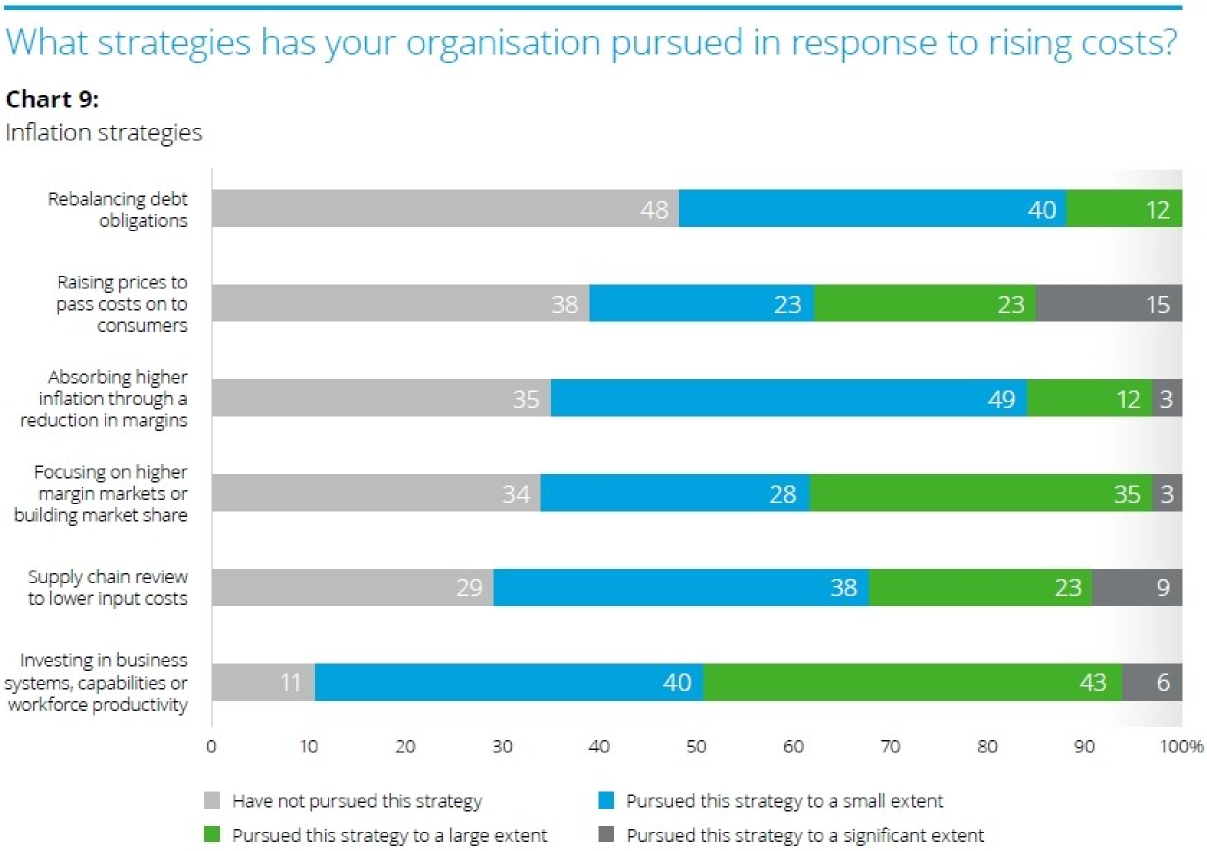
No matter what is happening in the economy and business landscape, plans are subject to change and must be designed to be able to flex as change happens. Planning is often not about providing certainty of the outcome, but about preparing to deal with challenges quickly as they arise. Setting a plan prepares us for action, helps to align our teams and resources, and gives us a mindset ready to take on challenges as they arise.

Inflation Outlook



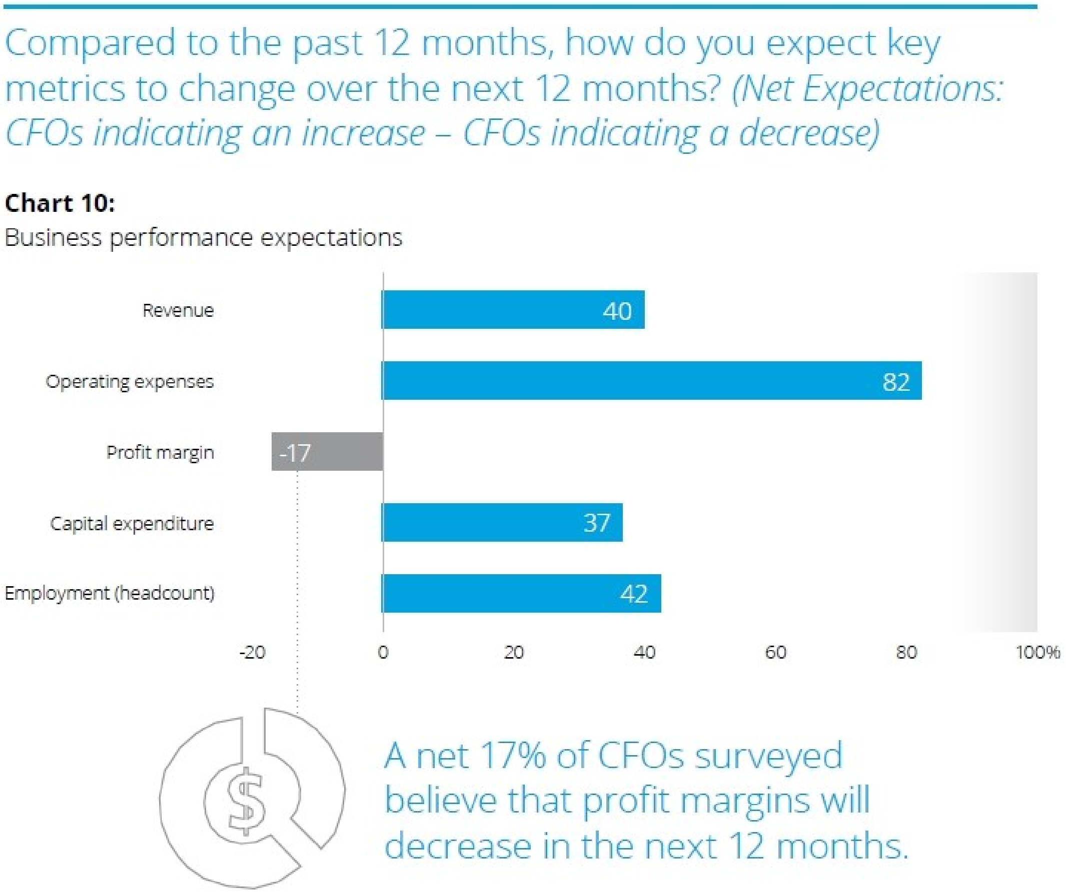
Source: *"CFO Sentiment Report for Australia 2nd Half 2022" - Deloitte*

Strategies for Rising Business Costs



Source: *"CFO Sentiment Report for Australia 2nd Half 2022" - Deloitte*

Business Performance Expectations 2023



Source: "CFO Sentiment Report for Australia 2nd Half 2022" - Deloitte

Time To Dig-In or Grow?

In the current climate, a hesitant approach might seem understandable with so much uncertainty in the air. After all, going for too much growth in a period of instability could leave you overstretched with debts and additional costs.

Opportunity is often present alongside challenge, with customer needs presenting themselves more clearly which can be a great opportunity for growth. However, holding back can also hamper your firm's ability to keep investing in new products and talent, which could reduce competitive advantage or impact the overall quality of service delivery that customers have come to expect.

Prepare For Uncertain Times

If we think of a business as a ship out at sea, heading for a destination and needing to ride any storms, then it is important to consider both the internal design of the ship and the impact of the external factors buffeting the ship.

Regarding the design, you could look at seven areas of a business (as shown in the diagram above) and compare to good or best practice for your industry:

- **People** – Do we have the right people in place to help us innovate, build the right products, improve customer satisfaction, and deliver against our projected financial targets? If not, what's really holding us back from finding the right talent?
- **Processes** – What processes, systems and protocols do we have in place to ensure we can deliver what our customers expect and need? Are our existing processes efficient, up to date with the latest technologies and optimised on a regular basis?
- **Purpose** – What's the defining purpose, vision, and mission for the business? How has that been translated into an actionable strategy that is clear to everyone in the business?
- **Profit** – Have you connected the dots between your purpose and the business goals for profit and performance? How do all three work together?
- **Performance** – What are our business goals and how are we tracking how key tactics and initiatives are performing to ensure we hit those business goals within the desired timeline?
- **Productivity** – How productive are your operational processes and teams?
- **Place** – What does the 'place' of work look like for us in this new era of hybrid and remote-first working?

By reviewing the seven aspects of the business lens in the context of your business operations, business leaders can gain a solid understanding of how they benchmark against competitors, identifying common challenges and sector specific traits.

A balanced approach to growth, spanning these seven areas, can help to both build resilience and increase the effectiveness of the entire business. Once you have explored all the internal considerations to be factored into your business plan, a thorough assessment of current external trends, threats and opportunities is vital.

There are perhaps four key long-term external megatrends which are shaping how we do business today. These include changing socio-demographics, sustainability and resource resilience, technological transformation and shifting global economics.

Megatrends help us to understand additional challenges that businesses face in the immediacy, such as rising inflation, a shortage of skills, and disruption to vital supply chains. They can also help in building a stronger long-term business strategy, forcing businesses to rethink what it is they do, identify new business opportunities and opportunities from emerging customer needs.

Some Practical Tips for Uncertain Times

Are you ready for the challenges of uncertainty? Every business will have a unique set of circumstances going into 2023, and each business leader will need to set their own priorities when it comes to business planning.

To help you focus on what matters, we have listed the top considerations to keep in mind. There are seven key areas that businesses should consider when planning – **people, processes, purpose, profit, performance, productivity, and place**.

a) Consider A Range of Outcomes and Scenarios

It is remarkable how many business plans focus on a single set of outcomes, rather than weighing up alternative strategies and options. Many struggle to objectively look at external signals and data, which may suggest alternative plans are more suitable for the long-term. Positive confirmation bias means we can all often hold onto old strategies and products too long and miss new opportunities as they occur.

b) Stay Close to Your Customers

Despite most businesses claiming to have a strong focus on customer needs and experience, in reality that is not the case when the business is independently reviewed. The impact of the last few years has meant that many organisations have become inward looking. Many businesses need to revisit their operating model in the months ahead and it is more vital than ever to strengthen your customer relationships and interactions to provide a truly memorable and unique industry experience. Failure to keep close to customers could lead to businesses being displaced from supply chains, but in-depth understanding of customer needs could create significant opportunities.

c) Plan For Things Going Wrong

Despite many businesses feeling proud of their ability to survive over the last few years, it is worrying that most businesses still report poor disaster recovery plans. Below average ratings for this area suggest that most businesses are relying on intuition to survive the many challenges lying ahead. One reason for this could be that the scale of uncertainty makes it hard to plan for a multitude of scenarios. A solution could be to set up a non-decision making "think tank" or "advisory board", which is designed to think around possible events and provide insight to the board.

d) Remove Non-Profitable Activities

Many businesses admit to reverting to pre-pandemic activities, in addition to resuming the changes brought in since. This can create a significant drain on productivity and leads to an inefficient allocation of resources and an excessive cost base. Objectively reviewing all business activities and ensuring they remain effective and relevant could help reduce the break-even point and boost profitability. One effective way of doing this is to rebuild business forecasts from scratch and assess whether each cost is necessary and adding value.

e) Effectively Monitor Business Performance

Surprisingly, many businesses only have an average rating in relation to the effective tracking of business performance against meaningful targets. For most, key performance indicators (KPIs) remain focused on traditional measures rather than using additional data sources available to give advanced warning around issues and trends. Effectively planned data strategies can provide insights to support fast decision making and allow leaders to adapt quickly whilst building business resilience. Simple investment into better use of management reporting systems can help improve tracking of business segments, customers, and suppliers.

f) Refocus Your Business Strategy Around Purpose

The rise of purpose-led cultures is gaining increased market traction, higher innovation, lower staff attrition and improved resilience. However, most businesses only get a poor to average rating when it comes to clarity of purpose and strategy; most businesses are missing out on these potential benefits. At a time when attraction and retention of staff is one of the biggest business challenges, this could be an easy step to differentiating yourself in a crowded marketplace.

g) Redesign Your Workspace to Drive Innovation and Productivity

News headlines suggest we're back in our offices. But are we? Data suggests the contrary, with footfall in cities showing a decline and many business leaders reporting challenges with workforce engagement and productivity. Double thinking has also led to people wanting to choose when and where they work, but then expressing frustration when other colleagues are not in when they are. It is not a simple conundrum, and mandating office time could trigger worsened staff attrition. A lot of businesses rate poorly for the effectiveness of physical and digital infrastructure, this remains a challenge which businesses have to resolve if they wish to compete for and retain top talent.

h) Build Resilience in Your Team

Shortage of talent is being reported by most businesses, and this can quite easily lead to lack of resilience. Many businesses have a lack of contingency planning for the departure of key staff, with many teams excessively relying on one key person to deliver activities. It is important to invest in skills within your team, so that future talent can come through and support activities.

i) Benchmark Against Competitors

The business landscape is making it harder and harder for firms to survive, which means it has never been so important to know exactly what you do best. Cautious spending habits among potential customers will mean that only the brands that communicate effectively and differentiate themselves from the general market will make an impact. Naturally, uncertainty also leads to competitors changing what they do, which could mean a change in market focus or the displacement of others in the supply chain.

j) The Right Advisors for Your Business

The expertise you bring into your business is a long-term investment, strengthening your ability to ride out any storms that might lie ahead and helping you to prepare for better times. There is no shortage of financial guidance available to businesses in all sectors and securing a trusted partner at this stage can make all the difference in the year ahead, helping you to think differently about risks and challenges, and opening your eyes to opportunities.

Additional Resources

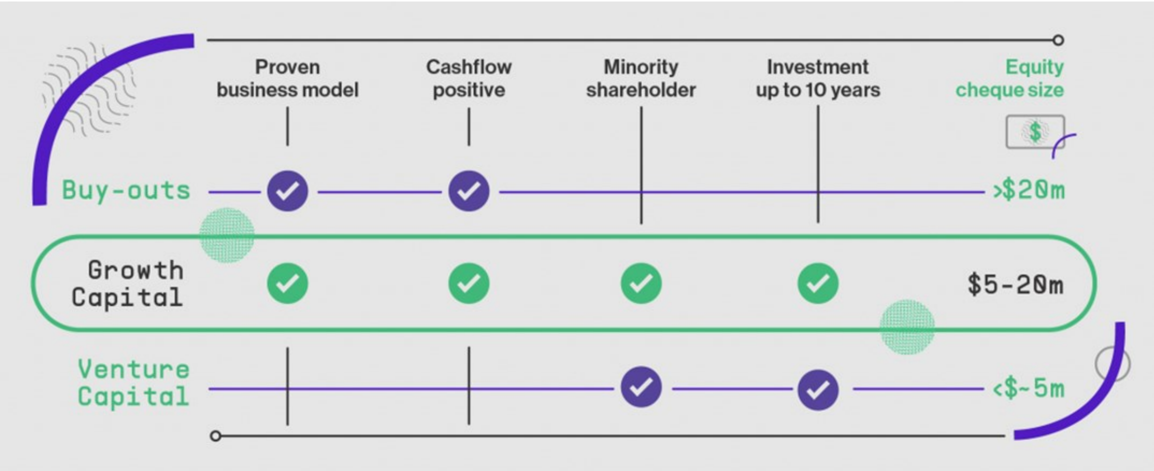
If you would like to access the full business survey reports referred to in this article, please click on the links for:

The 14th edition of the CFO Sentiment Survey Report HERE; and
"What's Keeping Us Up at Night – The Big Issues facing Business Leaders in 2023" HERE.

Looking for an External Business Investor? - Part 2

This article was adapted from information provided on the ABGF website.

The first part of this topic was included in the December 2022 edition of our BusinessPlus Newsletter. We started to explore some of the options available to SME business for funding their business growth initiatives and ambitions as shown in the diagram below. We were looking at the Australian Business Growth Fund ("ABGF") that quite recently has provided some new options for business.



Three 'Sights' of the Right Business Strategy

The last 18 months have been incredibly challenging for SMEs. Facing uncertainty and disruptions on all fronts, many business owners feel more like firefighters than entrepreneurs; they barely have time to look up and out from the day-to-day grind.

With that in mind, we stress the importance of having a planned and documented business strategy and the long-term benefits that come with being able to work 'on' a business, instead of just 'in' it.

A robust strategy is an essential ingredient to business success – especially through periods of upheaval. For instance, an annual survey by CPA Australia found that businesses that grew strongly in 2020 were much more likely to prioritise their business strategy compared to businesses that didn't grow. Unfortunately, many businesses still often lapse into ad-hoc and reactionary decision-making.

A business strategy is a bit like an extra set of eyes – it allows you to see your business and the road ahead more clearly – or from a different perspective entirely.

In fact, a great strategy gives business leaders 'sight' in three ways…

Hindsight - Reflecting on what's been done and looking at new opportunities and threats

Business leaders need to stay focused on their long-term goals, but this requires self-reflection and awareness on whether your current path is moving you toward those goals. Setting (or revisiting) your strategy helps you zero in on what really matters to your business. It's easy to become distracted by the minutiae of your daily, monthly, or even yearly targets – you may find you've steered off course chasing a small win that won't deliver the level of growth you're seeking.

Some say hindsight is 20/20. Taking a step back to reflect on how you've flourished – or faltered – in the past can help you contextualise new challenges and opportunities that arise along the way – so you never miss the chance for a step-change in growth.

Insight - Helping see where your business or products are heading

Growing businesses should always be advancing their pipeline of new products, services, and features. A strong strategy prompts you to leverage the right insights to evaluate where you stand and adjust your product plans accordingly.

Data is critical in enabling businesses to take decisive and impactful action but there are plenty of pitfalls as well. Data can be a distraction – especially if its unstructured or captured without clear goals in mind.

Similarly, many businesses are so focused on using data to 'disrupt from with' – they end up pursuing a dead end or making dramatic changes too quickly. While innovation is critical, abrupt change can alienate existing customers – especially in established businesses. Are you headed toward insight-driven innovation or a data-fuelled distraction? Your customers are typically your best barometer on your evolution. Focus on using targeted data insights to respond to their needs and to bring them along the journey.

Foresight - Strategy helps you keep an eye on the future

Pandemics aside, the most disruptive challenges to your business won't happen overnight. Like a tectonic plate, there is constant change beneath the surface that slowly, but surely, builds toward a tumultuous shift. A strategy that looks at least three to five years ahead helps you keep an eye on how these trends are progressing, which in turn, gives you the chance to prepare.
The consequences resulting from macro trends such as climate change, decarbonisation, digitisation, and an ageing population all have the potential to derail unprepared businesses. While you won't have all the answers as to how you'll navigate these trends, you won't be able to respond effectively without a plan.

Strategic foresight is especially critical because parties looking to invest in the future of your business are already looking 5 to 10 years ahead. They won't want to invest in a business that has its head in the sand.

Have a One-Page Business Strategy

Despite adding immense value to you and your business, your strategy doesn't have to be complicated. It can fit on a single page. **At its simplest, an effective strategy typically covers your financial goals, your product goals, and channels, as well as the implications of those goals on your organisational structure and capital needs. Your strategy should not be static – it's strengthened by regular feedback and revisions.**

Usually, it's easiest to start with the end goal in mind. Ask yourself, *'Where do I want my business to be in five years' time?'* Then, work backwards from your preferred financial targets.

Identify your total addressable market, the market growth rate, your current market share, and the slice you would need to reach to achieve your financial goal. This exercise allows you to sense check your goals as you might need to expand your target market or change your product plan to achieve them. Once they align, you can begin clarifying and challenging your assumptions and validate further with trusted advisors.

From there, your strategy builds with a logical cascade of assumptions. What product roadmap is required to achieve your target market share? This plan influences your product development, channel, and potential acquisition strategies, which in turn, influences your organisational structure and the level of resources dedicated to each work stream.

Understanding what resources you will most likely need to succeed dictates your predicted cash flow position and will get you thinking about how you'll finance your growth plans.

Take Control of Your Business Cash Flow

Cashflow issues are never far from business owners' minds. Typically, issues manifest in the form of a cash crunch – a period in which there's simply not enough cash to cover your operational needs.

A report by [Money.com.au] found that even before the impact of COVID, more than half of business owners had foregone or delayed paying themselves an income due to cash flow issues. Despite cash flow issues being one of the most talked about topics within the SME community, it remains one of the most misunderstood. Businesses run into cash flow problems for a wide variety of reasons – and often, it's not because they're unprofitable or underperforming.

Cashflow crises often occur during periods of significant growth. It's how business owners' rise to the challenge that determines how far they can potentially grow into the future.

Resetting Cashflow Understanding

One of the biggest misconceptions about cash flow is that it's a static number – cash at bank. When asked about their cash flow, many business owners respond with how much money they have in the bank at that moment, instead of communicating how money moves in and out of their business over time, seasonality, and growth impacts.

Another common misconception is equating cash flow with profit. Many believe if they maintain profitability, they'll avoid cash flow issues. But the reality is that highly profitable businesses run into cash flow issues too, especially if they're growing too quickly to keep pace with their working capital requirements.

Mastering your cash flow means having a complete picture of the timing and magnitude of the business's working capital requirements, whether you have sufficient funds to meet all your obligations, and how you plan to finance future challenges and opportunities.

Over time, businesses that don't effectively manage their cash flow, end up operating in a reactive manner. Cash crunches limit your ability to step back and take a long-term view of the business. It's challenging to focus on strategic initiatives and investing in the future when your time and energy is spent on putting out fires and worrying about upcoming payment obligations.

The best way to avoid cash flow issues: strengthen internal control and planning functions and identify suitable sources of capital early.

It's common for small businesses to outsource parts of their finance function – most often payroll and accounting. But where many growing businesses go wrong is failing to strengthen their in-house financial control and planning capabilities early enough in their journey. As a result, they lack strategic oversight of their finances at critical moments.

Ideally, having a skilled finance team in-house is important to ensuring good financial management, control, and planning. A capable financial controller or part-time CFO can help you implement better controls over cash flow and put the potential cash flow implications of the business's longer term and strategic projects into context.

While it's not critical for business owners to understand the fine details of financial management and accounting, it is important to have your finger on the financial pulse of the business. Ensure there is in-house capability for financial control and management and rely on your CFO/Financial controller/Accountant to provide you with key information and regular reports that enable your understanding of how business performance is tracking against targets.

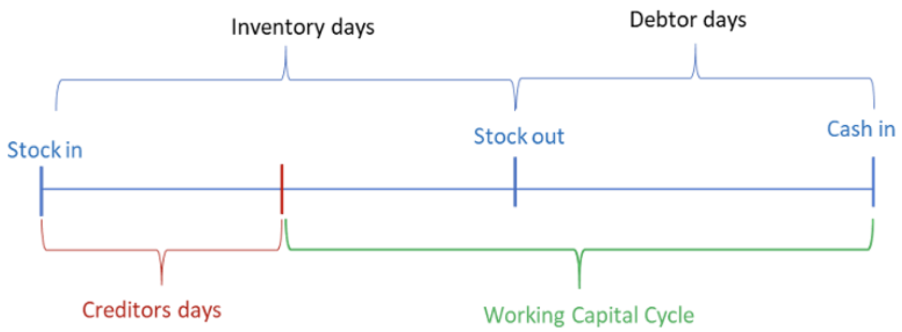
Poor cash flow could also be indicative of poor capitalisation of a business. This is especially true for fast growth businesses with growing working capital requirements. It's prudent to plan early and identify various sources of capital (equity, short- and long-term debt, etc.) that best meet the business needs, and the owners' preferences.

Metrics to Manage Cash Flow

For business owners looking to get a better grasp on the numbers and the financial health of their business, these three key metrics are a good place to start.

Working Capital Cycle: When evaluating the financial health of a business, investors seek to understand its 'working capital cycle'. This cycle is made up of three parts, as shown in the diagram below.

Inventory days - How long the company sits on its inventory.
Debtor days - How long it takes the company to collect cash from its customers.
Creditor days - How long the company takes to pay for goods and services it receives from suppliers.



Your working capital cycle is a simple equation: (Inventory days + debtor days) – (creditor days)

Working out the difference between the sum of your Inventory and Debtor days and your Creditor Days reveals the gap between cash leaving and coming into the business. A large gap, or a working capital cycle that is increasing over time, may indicate a cash flow crisis on the horizon.

Free Cash Flow (FCF)

A key metric in assessing your business's financial performance is the business's ability to generate Free Cash Flow (FCF). FCF is the cash that the business generates from its operating activities, after considering capital expenditures (CAPEX). This measure identifies your business's ability to generate positive cash flow from its products and services and helps you understand its true profitability.

FCF = Operating Cash Flow – Capital Expenditures

If money is tied up in outstanding accounts receivable, overstocked inventory, or high CAPEX, you might run into liquidity issues, even if you're generating large profits.

Debt Service Coverage Ratio (DSCR)

Another useful metric to consider is your business's debt service coverage ratio (DSCR). DSCR is a measure of the business's ability to meet its short-term debt obligations. The ratio shows the company's earnings as a multiple of its debt obligations due within one year.

***DSCR =** Net Operating Income / Short-Term Debt Obligations*
(also referred to as "Debt Service")

A DSCR of less than 1 means a business might not be able to cover its debt obligations without additional sources capital injection (equity/debt).

Cash flow issues can stop a profitable, growing business in its tracks and impact its future longevity and prosperity. But with accurate financial information, planning and support, the business owners can take control of the business's financial future.

Additional Resources

To be eligible to apply for funding from the Australian Business Growth Fund, a business will need to satisfy the following criteria:

- An Australian based headquarters
- Business turnover between $2M and $100M per annum
- At least three consecutive years of continuously profitable historical trading operations
- Have a clear and documented business growth strategy.
- More information is available at **abgf.com.au**.

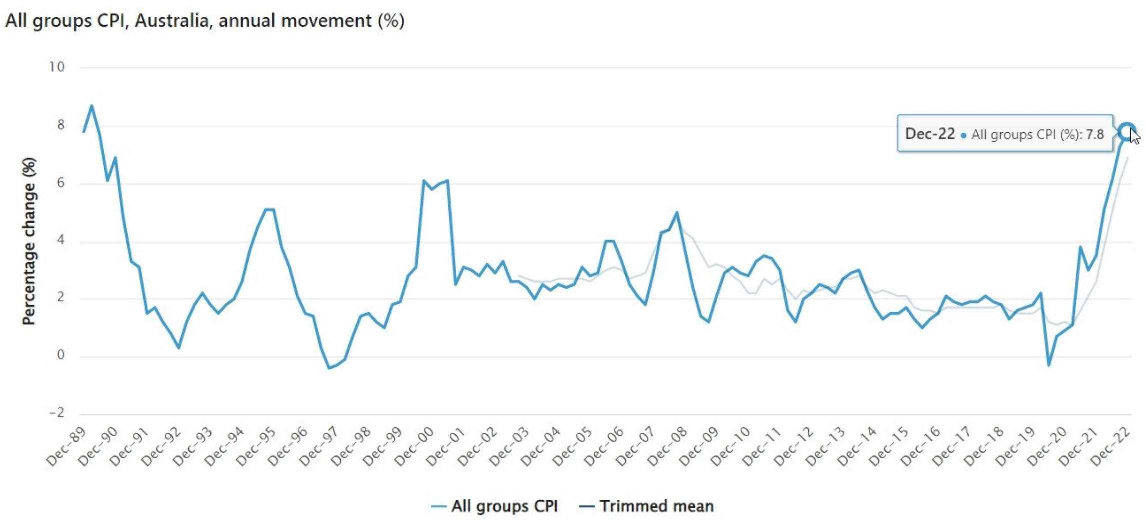
Of course, a business should, in the first instance, usually pursue growth funding from its existing bankers. The following information may be of assistance when assessing your business financial position and for strategic planning:

- ***Essential Guide to Business Funding* – HERE**
- At - ***business.gov.au/grants-and-programs***
- ***"The Essential Guide to Strategic Planning, Budgeting and Forecasting"* – Executive Summary – HERE**
- ***A West Australian Consultant, for Grant, Tender and Business Case application assistance – at Whitney Consulting - whitneyconsulting.com.au***

Effects of Inflation on Business Operations

Australia's annually adjusted inflation hit 7.8% as at the end of December 2022 and was 8.3% in Perth. Much of the changes to the Consumer Price index for calendar 2022 were driven by just a few components:

- Housing (*this category includes electricity, gas, and rent*) +10.7%
- Food & non-alcoholic beverages +9.2%
- Recreation and Culture (*this category includes domestic & international travel*) +9.0%



Source: Australian Bureau of Statistics January 2023

Some Of the Negative Effects of High Inflation

- Inflation rates are complex
- Many different indexes exist
- Focus on core drivers
- Mistakes become more costly in an inflationary environment

Not every business is impacted equally by rising inflation numbers. For some, it may even generate higher profits. The level to which the below may impact any business depends on what industry it is in, its state of financial health, its level of stock, and other factors.

- **Rising prices often represent rising overheads** – Higher inflation can spell trouble for businesses that do a high volume of purchasing annually. These can be raw materials, goods to put on a retail floor, or other necessary items. As the prices for those essential goods rise, management needs to determine how much of this increased cost can be passed onto consumers. For goods with high elasticity of demand, the consumer base may not be prepared to take on the price hike.
- **Lower consumer sentiment** – As prices appear to unilaterally rise, consumers will naturally look to spend less and save more, conscious of their own budgets. This applies to discretionary or luxury goods. In Australia, the Westpac-Melbourne Institute Index of Consumer Sentiment has dropped from approximately 102.2 in January 2022, to 80.3 in December 2022. Businesses need to be careful to maintain revenue numbers, especially in the face of rising overheads.
- **Potentially lower investment** – This one depends on the business's susceptibility to rising overheads and lower consumer confidence. If profit margins dwindle in the face of these factors, investment levels in that business may reduce. Investors may also be feeling the pinch in consumer confidence, adopting a more bearish approach to the market.
- **Increased interest rates** – Higher inflation has encouraged the Reserve Bank of Australia to raise the official cash rate from record low levels which has subsequently increased repayment amounts on loans.

Positive Effects of Inflation on Businesses

There can be positive impacts of inflation for some businesses, as higher inflation does not affect all businesses equally. Some enterprises may witness their profit margin increasing due to higher levels of inflation. Some of the general positive impacts of inflation may include:

- **High profits for businesses that sell goods with fixed demand –** Also known as inelastic goods, if the consumer base must continue purchasing your product, despite the rise in prices, then your business may see a surge in profitability. Your ability to pass on costs increases, as your goods are essential for your consumers no matter the economic conditions. The classic example would be a business that sells necessary medication to consumers, which they must buy despite changing conditions. Equally, a business with an especially loyal customer base may be able to sustain sales for longer at higher prices.
- **Rising investment in profitable business –** If, as outlined in the point above, your business can leverage price hikes to increase profitability then you may correspondingly witness an increase in investment. These investors may grow wary of other enterprises more grossly affected by inflationary prices, and funnel more of their investable income towards you.
- **Efficiency born out of necessity –** Some businesses may use rising inflation as an incentive to review their practices, outgoings, and productivity. Sometimes rising costs can stimulate ownership and management into acting, where otherwise they may not have. Perhaps you might renegotiate the price of your goods or review the costs of utilities and rent within the business. Innovation can be born out of times of pressure.

What Can Businesses Do to Combat Inflation?

EXTERNAL DRIVERS

- Economic growth
- Government policy/ regulation
- Demographic change
- Market size and growth rate
- Commodity prices
- Consumer spending
- Rate of technological innovation
- Inflation
- Cost of borrowing
- Social attitudes

INTERNAL VARIABLES

- Mission, vision, strategy
- Business model
- Customer satisfaction/loyalty
- Productivity
- Cost structure
- Quality
- Talent
- Time to market
- Reputation/trust
- Access to capital

Detailed below are some general suggestions that a business might consider combatting rising inflation. Recommendations more specific to your business will depend on the impact that rising costs and other factors have had on your bottom line, workforce and so on.

- **Pass on the price hikes –** Where applicable, passing on the increase in the price of the means of production or purchased stock to your consumers will stave off a lot of the cost pressures. As previously stated, this depends upon the elasticity of demand for your goods. The more discretionary the goods that you sell, the harder it will potentially be to pass on any increases to your customer base. If you forecast higher inflation on the horizon, you may even choose to raise your prices early in anticipation.
- **Review your costs –** This includes everything from rent to utility costs, workforce wages and any other overheads. There can be cost efficiencies found in most businesses, and perhaps higher inflation is the kick that your business needs to conduct such a review. Reducing your exposure to costs that are inflating will go a long way towards protecting the business.
- **Take advantage of fixed interest early –** If you're aware that interest rates could continue to rise to combat rising inflation, then you could take advantage of some of the fixed-interest debt options on offer to get out ahead of it all. Repayments will only stand to increase if interest rates keep rising, so it's important to pick the right time to increase liabilities.
- **Ensure you have multiple supply options –** As the cost of production inputs rises, ensuring that you have options from multiple suppliers will allow you to better identify the best deal or price option at any given time for your business. The more reliant you are on a particular supplier, the more vulnerable you are to their price increases.
- **Increase your levels of essential stock –** Now is not the time to be playing games with the supply of your goods. You need to ensure that you have enough stock to be able to supply your customer base without needing to reorder excessively from a supply chain under enormous stress. Excess stock, so long as it can be stored adequately, may be a boon during these times, as there are some long delays in ordering.

Business Essential Briefs: Coles Nurture Fund Reopened 30 January 2023

In April 2015, Coles established the Nurture Fund to help small to medium sized businesses in Australia's food and grocery sector to innovate and grow. From Australia's first quinoa processing facility, to fence posts made from recycled plastic, and a state-of-the-art factory to grow grass indoors, the Coles Nurture Fund (CNF) supports businesses to develop new market-leading products, technologies, systems, and processes.

Funding Objectives

The funding is provided by the Fund to assist selected businesses to drive innovative and sustainable practices, differentiation, extended growing seasons and reduce imports. To be eligible, businesses must demonstrate that they are seeking funding for a project which is unique, drives innovation and provides outstanding sustainability benefits.

The maximum single amount provided under the CNF is $500,000. The eleventh round of funding opened on Monday, 30 January 2023 and closes at 5pm AEST on Friday, 24 February 2023.

Some of the questions the Applicant may be required to answer during the CNF application and evaluation process include but are not limited to:

- *Why is the Applicant applying for support from the CNF?*
- *How will the support from the CNF be used by the Applicant?*
- *What assets may need to be purchased, and what entities would supply goods and services required by the project?*
- *What business debt does the Applicant have, and who are the Applicant's creditors?*
- *Who are the members of the Applicant's management team?*
- *Is the proposal market-ready?*

Business Eligibility

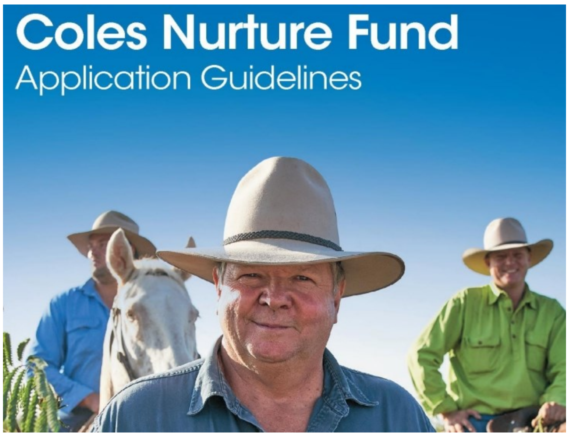
To be eligible for funding from the CNF Applicants must:

a) have a turnover that is less than $25M per annum.
b) employ no more than 50 full time employees (excluding casual seasonal labour.
c) have a registered Australian Business Number.
d) have been trading for a minimum of two years.
e) provide financial statements for a minimum of the previous two financial years.
f) demonstrate the project is unique and drives innovation and provides outstanding sustainability benefits.
g) provide a funding declaration from an external accountant on the accountant's company letterhead confirming ability to fund applicant's share of project costs and solvency.

To be eligible to apply for the Coles Nurture Fund all the above criteria must be met.

Applicants that have already secured co-investments for their project from other entities will be considered.

However, funds cannot be allocated for general operational expenses including purchase of real estate, rent, utilities, marketing, or remuneration for existing staff. Nor can funds be used as security to obtain, or comply with, any form of loan, credit, payment, or other interest or for the preparation of, or during any litigation.



Additional Resources

For a copy of the Coles Nurture Fund guidelines, please click HERE.
For a copy of the CNF Application Form, please click HERE.

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