



RBA warns strong Australian dollar will force “structural change” for SMEs – here are 10 ways to adapt

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Australian entrepreneurs need to get used to the fact the Australian dollar will be stronger for longer, according to Reserve Bank of Australia governor Glenn Stevens, who has acknowledged businesses may struggle to adapt to the "structural change" created by the higher dollar.

Speaking at the Economic Society of Australia in Brisbane yesterday, Stevens warned businesses that "the need to adapt to a high exchange rate may continue".

"Of course, it is easy to talk about structural change in the abstract," he said.

"It is another thing to cope with it in practice. There are no magic-pill solutions, nor are there any real alternatives to adjustment."

The Aussie dollar has swung from 65 cents to \$1.05 in just 18 months and SME's are under more pressure than ever to cope with the low disposable income of the average Australian.

With the help of Principal of MGI Boyd Accountants, Sue Prestney, here are 10 ways your business can use the strong dollar as an opportunity to increase growth and profitability.

Shift costs offshore

Businesses can keep wages and overhead costs down by moving workers overseas or setting up offshore manufacturing or development sites.

But Prestney recommends making sure the quality of your product or service isn't compromised. This will ensure the quality control remains the same across operations of your business.

Hire staff from overseas

A skills shortage in Australia should not limit your ability to hire quality staff – the stronger dollar could make it possible to attract staff from the huge talent pool overseas.

"It is very difficult to squeeze any more out of staff because of industrial laws and a rising minimum wage," says Prestney. "Productivity bonuses for employees will only take you so far."

Buying an overseas company

With the US economy still recovering and the Aussie dollar expected to remain above parity for awhile yet, this could be the best time to buy a business overseas – particularly while asset prices in many countries remain depressed.

Boost your customer service

Retailers leaking sales to offshore websites simply must improve their on-the-ground customer service.

"You are able to get customer loyalty by building good customer relationships," says Prestney. "Give them assistance and demonstrations when they walk into the store. These are services they can't get online."

Logistics

A really good delivery process – such as same day delivery – could make you more attractive than overseas goods that take weeks to arrive. Study your delivery systems and see if you can speed up delivery or improve logistics in other ways.

Buy equipment from overseas

Buying important equipment overseas can save a lot of money, especially if you buy in bulk. There are great deals to be found for a fraction of the cost compared to buying equipment domestically. A customs broker can walk you through regulations and possible costs.

Travel

With more cheap flights than ever, this is the time to visit new investors, suppliers and establish new customer bases overseas.

Attend conferences and trade shows

Take advantage of cheap flights and head overseas to get the information on trends that could affect your business. Build your network overseas and you may be able to expand your customer base.

Concentrate on premium niches

Review your pricing and your target markets. Above all, focus on a quality product. "Never go for the lowest price" warns Prestney. "That should never be your competitive advantage."

Use overseas suppliers

Find the best possible price for everything from data hosting to uniforms and business books. Speak to your relevant trade or professional organisation to get in touch with reputable overseas suppliers. You can also ask a national embassy for a list of local suppliers.