Good Business Practices for Industry in challenging times

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Snapshot of the Australian Prawn Industry

• On average – 25,000 tonnes of Australian prawns produced annually (21,000 tonnes wild caught and 4,000 tonnes farmed)

• Currently, around 70% of seafood consumed in Australia is imported, compared to the terrestrial livestock sector, which export between 60% - 70% of production.

• The industry has been impacted by a number of significant influences over the past few years, including the discovery of WSD in prawn farms, broodstock availability, sustainability of feed, environmental factors, impact of biosecurity and regulatory requirements and the availability of cheap imported prawns
Challenging times for the Farmed Prawn Industry

It’s fair to say that the Australian Farmed Prawn Industry has faced more challenges in the past few years, than it has faced in the past few decades.

When an industry or a business is faced with significant adverse challenges, they generally adopt one of three strategies, being:

• Cut costs to conserve resources or
• Invest in new products and processes to exploit commercial opportunities or
• A combination of both strategies
Best Practices in Challenging Times

What I would like to do in this short presentation is to make you aware of some ‘best practice’ opportunities that can be employed regardless of the survival path your business takes when faced with challenging economic circumstances. Some of them might be obvious, but it’s worthwhile refreshing our knowledge of these strategies, so they are top of mind.
1. Maintain Cash Flow

Without good cashflow management, your options to respond to challenging times is limited. To keep cash coming into the business, you might want to consider:

- Factoring out receivables
- Factoring out payables, to access a discount
- Offering incentives for early payment (i.e. discounts, additional product, prize at the end of the year, etc)
- Request time extensions for payables or a payment plan
- Renegotiate contracts for more favourable terms
- Make it easy for customers to pay (i.e. payment plans, discounts, technology)
2. Proactive Staff Management

Staff costs are often one of the most significant expenses to a business, but management of people resources is often an Achilles Heel for businesses. To get the optimum value from this key resource in challenging times, consider:

• Assess the value of each employee to the business and ensure key staff are locked into the business (back ended bonuses, equity, etc). This is important as high performing staff are often the first to leave when a business or industry is faced with challenging conditions.

• Evaluate if all staff are 100% productively engaged in the business and if not, consider amalgamation of roles, reducing non-essential positions, reduction of work hours, part time roles, etc.
3. Be Aware of Non-Core Opportunities to Reduce Costs or Increase Income

This practice involves looking ‘outside the norm’ for opportunities to reduce expenses or increase income. Example of this kind of thinking include:

• Being aware of Government grants available for a range of purposes (i.e. drafting business plans, attending mentoring workshops, small business disaster recovery grants, etc)

• Collaborate with industry participants to share resources or reduce costs (i.e. HR advisors, payroll services, etc)

• Investigate non-core business opportunities (e.g. leasing out equipment, farm stays, farmer’s markets, etc)
4. Don’t Cut Back on Marketing

When times are challenging for a business or industry, marketing expenses are often treated as discretionary spending and are often one of the first expenses to go (or at least one of the first expenses cut).

Instead of cutting back on your marketing expenses, make your marketing dollars work harder. Spend your resources on taking the time to investigate what your competitors are doing, bring customers to your site so they will form a personal connection with your business, investigate potential value added opportunities, explore potential export opportunities or consider development of a site specific brand, capable of differentiating your product from others in what can be a congested market.
5. Take Action and Deal with Facts

When times are challenging, one of the worse things a business or industry can do is to do nothing. We often see businesses stricken with inertia, hoping that if they just hang in there, business will get better.

Doing nothing does not help a business improve in scenarios where the economic environment is degrading. Doing nothing will actually (more often than not) result in the situation getting worse, quickly.

This is the time to keep a level head and develop a plan of action based on fact – that is, what’s actually happening and what’s contributing to the issue, rather than what could happen and trying to deal with a ‘worse case’ scenario that may never eventuate.
Finally – Look at the Big Picture!

When an Industry or a business is going through a challenging period, people have a tendency to try and solve the immediate issue but in doing so, miss the opportunity to solve the cause of the problem.
Best practices for an industry and a business during challenging times is all about critically evaluating the facts and developing a response to the cause of the challenges not just coming up with a ‘band aid’ solution.

Some of the decisions that businesses make in such situations can be difficult and could result in a business exiting the industry. However, by truthfully evaluating the big picture and responding accordingly, it is possible to come out the end of the tunnel with positive and lasting changes, able to take advantage of current opportunities whilst being positioned to withstand future challenges.
Thank You!