

Adapting to the current business environment

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Whilst the pandemic once again created the 'challenges' that we are now familiar with, we are seeing signs of a 'new-normal' starting to take shape amongst our clients. When I think about the 'new-normal' with our Fordham offices around Australia, I'm staggered at just how much

change has occurred, and what we need to plan for given the continuing uncertainty. I thought it was timely to share some of the themes that we are seeing amongst our networks in relation to adapting to the current business environment.

What does a new-normal look like for business?

Businesses doors are open – but not all customers have returned to store:

Web based shopping boomed throughout the lockdowns worldwide and it is predicted this trend will continue. Non-post delivery platforms adapted quickly to increased demands in major cities, and as a result, customers have enjoyed seeing delivery times slashed over the last two years. All of this points to the importance of your business having a robust web presence, and where practical, allowing customers to buy online. Stable software and internet providers have never been more important to business!

Industrial Property is in short supply and rents have increased:

If you contact any commercial property agent in major Australian cities and sub-regional centres you will most likely find that industrial properties suitable for business are in short supply. The supply chain delays and move to accelerated online sales has been a key driver in these areas. Businesses have needed more room to warehouse inventory. Whilst tenants are trying to lock in longer rental terms for surety, landlords have profited on the short supply and increase in construction costs generally (for a new building), by increasing rents. This has seen some pockets of industrial property values significantly increase over the last year.

Reducing footprints for office space:

We are seeing a trend of businesses that use office space taking a short to medium term view to reduce their footprint where possible. And why not, when a recent Victorian Chamber of Commerce survey of Melbourne CBD located offices highlighted that only 19% of office workers are attending the office 5 days a week. 42% are attending the office 1 to 2 days a week, and 14% have not returned at all since restrictions lifted. Saving in rent for under utilised space is common sense to boost the bottom line.

Staff shortages are everywhere:

Across all industries we are seeing the impact to business on a lack of access to suitably trained and qualified team members. Whilst we generally focus on the impacts of not having full-time employees, another major impact we are seeing post lock down are the constant interruptions to staff attendance due to illness with COVID, the common cold or the flu. We have all been trained to not attend the office when you have a sniffle, and that's what people are doing. And with unemployment levels so low, the fix is not just around the corner. What impact does this shortage have on your business? How are you looking after your Team members to ensure they stay with your business?

Delays in supply of materials and inventory:

In recent weeks the media has reported on high profile discussions between residential volume builders and the Federal Government in relation to unlocking the supply deadlock. For businesses that deal on a contract basis, the ability to supply materials for a prompt completion of jobs determines whether the task is profitable, or not. For any business suffering from supply shortages, the knock-on effect at the end of the day is a reduction in cash-flow. Managing the supply dates of inventory has become a full-time role!

Prices have increased, and so to must your prices:

Inflationary pressures have now played out on the Reserve Bank, with the last two meetings resulting in lifts to the official cash rate. The media is focusing on the increased cost of home loan repayments, but all of us in business will have noticed the prices of materials, fuel, labour and energy costs increase significantly over the last 12 months. Have you checked your Gross and Net Profit Margins within your businesses recently? Have you set a Budget for the next financial year to establish the impact to profit on your business? Subject to the results of your analysis, you may need to rise your prices.

The 'new-normal' highlights the need for all businesses to increase their planning efforts to not only undertake their 'business as usual' activities, but also to factor in items such as those above. Knowing your numbers has arguably never been more important and we are here to help you with those needs.

For further assistance please don't hesitate to contact your [Fordham Partner](#).

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