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Educators go to head of the class: SME opportunities

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THE next year is going to be a time of constraint for the Australian economy but there are still opportunities for small and medium-sized businesses, and there are good possibilities over the longer term, according to a report by business information analysts IBISWorld.

The report, *The New Australians: who we will be in 2020*, predicts population growth averaging around 1.5 per cent a year, an increase in the proportion of women in the workforce from 45.1 per cent to 46 per cent, and a steady rise in the number of people working in part-time jobs.

"The structural increase in the purchasing power of women opens significant opportunities, and we expect to see more companies started up by women as well," says Raghu Rajakumar, a senior industry analyst with IBISWorld.

"In the shorter term, until the end of 2010, we expect growth to be slow, at best. However, it is still not a bad time to be setting up a business, provided you understand your value proposition. As credit is going to be tight for a while yet, it would be better to look to a sector with low entry costs."

According to Rajakumar, businesses dependent on discretionary spending are likely to face difficulties, as unemployment ratchets upwards and consumers have less money in their pockets.

"For example, restaurants at the high end of the market are already experiencing a lot of pressure, even while cafes and takeaway places in the middle of the sector are doing pretty well," he says. "The key is to offer value for money, and to be seen as doing that."

"Outside the retail sector, businesses that can put their offering in terms of investment are likely to have an advantage. In this area, we expect the private tutoring industry to do very well. It saw an increase in revenue of about 6 per cent in 2008-09 over the previous year, and we expect an increase of 5 per cent in 2009-10."

Chris Druett, managing director of Tutoring for Excellence and chairman of the Australian Tutoring Association, agrees that the sector's outlook is good although he notes that the past year has been tough.

"The anecdotal evidence from the industry is that we are through the worst, and that the difficulties have underlined what you have to do to succeed," he says.

"Customers have to clearly see where you are adding value, and how their outlay will provide benefits in the future. At the same time, when people are choosing a company they want a guarantee of reliability. They want to see a track record, and they like to see an association with an industry body which ensures high standards, such as through a code of conduct."

"To date, much of tutoring has been in the secondary education sector, but we see growth potential in the tertiary education sector, especially for mature-age students. There is also a lot of opportunity in online tutoring, as long as it is backed up by good service capacity and comes from a company which has a reputation for quality."

Rajakumar likewise sees online business as a growth area, boosted by the spending power of Generation Y.

"This group is doing it tough in the current job market but they will rebound and increase their earnings over the next decade," he says.

"Gen Y is extremely comfortable with online buying, so businesses will need to adopt a multi-channel approach, integrating online technologies and traditional avenues to a greater extent than we see today. This should extend to incorporating additional service options for online buyers, such as the opportunity to return goods online and interact with customer service staff.

"Another major theme in the next decade is towards greater environmental sustainability, regardless of what business you are in.

"Large companies are looking at sustainability across their supply chains, it is becoming a key issue for finance providers, there is a growing body of government regulation, and of course there will be increasing interest from customers at every level," he says.

"It means that entrepreneurs will have to understand a broader range of issues. But it also means that there are a lot of opportunities for those with the right mindset."

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