AUSTRALIAN BANKERS' ASSOCIATION INC.

Strong banks – strong Australia

The small business sector in Australia

Economic Report

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Part 1 – The small business sector

1. Introduction

Most businesses in Australia are small businesses and they provide over 40 per cent of all jobs, about one third of the value added by industry, and just under one third of industry profits. Their success is an integral part of the ongoing prosperity enjoyed by all Australians.

The availability of plentiful and affordable finance for small business is a key facilitator for the growth and ongoing viability of this critical sector. Most small businesses do not have an issue with obtaining finance, and lending to this sector is now at a record high while the cost of finance is at generational lows.

This economic report looks at the small business sector with a particular focus on the provision of finance. It finds:

- There are just over two million small businesses in Australia.
- The rate of formation of small businesses is strong while the exit of businesses due to financial difficulty has fallen from its post global financial crisis (**GFC**) highs.
- Small businesses employ 4.7 million people equating to 44.0 per cent of all jobs in Australia.
- Small businesses contributed about one third of all industry value-added over 2013-14.
- About 30 per cent of small businesses have no debt.
- About half of small businesses have a business loan facility other than a credit card.
- There are about 1 million loans provided to small businesses.
- Bank loans to small businesses (where the loan amount is under $2 million) totalled $261 billion in December 2015.
- Almost half of all small business loan outstandings are less than $100,000.
- The interest rates on small business loans are at generational lows.
- Almost nine in every ten small businesses say they do not see access to finance, or the capacity to finance further growth in their business, as an ‘issue’.

2. Number of small businesses

There are 2.1 million businesses in Australia - most of which (just over 2 million) are small businesses.

For every large business (employing 200+) there are 556 small businesses.

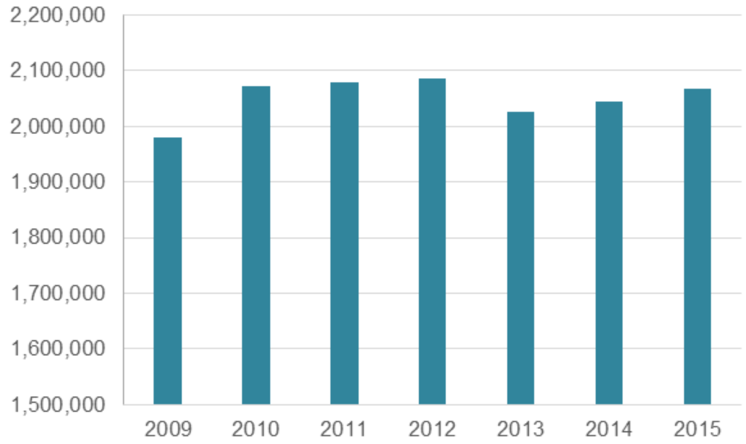
Small businesses have less than 20 employees.

Figure 1: Number of businesses

	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
Non-employing	1,229,879	1,303,040	1,306,023	1,306,093	1,264,298	1,273,769	1,284,615
Employing							
1-4	569,901	580,177	581,741	582,719	563,412	571,206	584,744
5-19	179,197	189,023	191,812	198,340	197,412	199,965	197,164
20-199	67,189	48,958	49,302	50,522	50,946	51,619	50,995
200+	4,476	3,452	3,534	3,606	3,598	3,603	3,717
Total employing	820,763	821,610	826,389	835,187	815,368	826,393	836,620
Total	2,050,642	2,124,650	2,132,412	2,141,280	2,079,666	2,100,162	2,121,235
. Small businesses	1,978,977	2,072,240	2,079,576	2,087,152	2,025,122	2,044,940	2,066,523
. % Small businesses	96.5%	97.5%	97.5%	97.5%	97.4%	97.4%	97.4%

Source: ABS

Figure 2: Number of small businesses



Source: ABS

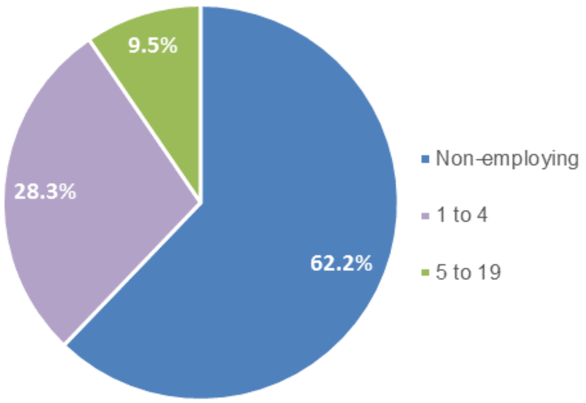
The construction industry has the highest number of small businesses at 341,080 (16.5 per cent). This is followed by the professional, scientific and technical services industry at 249,919 (12.1 per cent). The third largest industry is rental, hiring and real estate services at 232,648 (11.3 per cent).

Figure 3: Small businesses by industry (2015)

Industry	Non-employing	1 to 4	5 to 19	Total	%
Construction	204,774	112,680	23,626	341,080	16.5%
Professional, Scientific and Technical Services	140,795	89,417	19,707	249,919	12.1%
Rental, Hiring and Real Estate Services	200,639	24,633	7,376	232,648	11.3%
Financial and Insurance Services	150,042	28,669	4,251	182,962	8.9%
Agriculture, Forestry and Fishing	127,118	39,204	10,998	177,320	8.6%
Retail Trade	55,353	46,687	24,617	126,657	6.1%
Transport, Postal and Warehousing	86,737	32,143	6,039	124,919	6.0%
Health Care and Social Assistance	62,952	36,526	14,866	114,344	5.5%
Other Services	39,066	38,051	10,975	88,092	4.3%
Accommodation and Food Services	23,719	31,702	24,814	80,235	3.9%
Manufacturing	35,727	24,484	17,047	77,258	3.7%
Administrative and Support Services	42,022	24,468	9,233	75,723	3.7%
Wholesale Trade	35,919	24,030	12,541	72,490	3.5%
Currently unknown	25,782	6,703	1,464	33,949	1.6%
Education and Training	13,958	7,692	3,810	25,460	1.2%
Arts and Recreation Services	16,812	6,228	2,207	25,247	1.2%
Information Media and Telecommunications	11,922	5,489	1,296	18,707	0.9%
Mining	4,552	2,070	837	7,459	0.4%
Public Administration and Safety	3,645	2,148	879	6,672	0.3%
Electricity, Gas, Water and Waste Services	3,174	1,863	628	5,665	0.3%
Total	1,284,708	584,887	197,211	2,066,806	100.0%
%distribution by employment size					
Construction	60.0%	33.0%	6.9%	100.0%	
Professional, Scientific and Technical Services	56.3%	35.8%	7.9%	100.0%	
Rental, Hiring and Real Estate Services	86.2%	10.6%	3.2%	100.0%	
Financial and Insurance Services	82.0%	15.7%	2.3%	100.0%	
Agriculture, Forestry and Fishing	71.7%	22.1%	6.2%	100.0%	
Retail Trade	43.7%	36.9%	19.4%	100.0%	
Transport, Postal and Warehousing	69.4%	25.7%	4.8%	100.0%	
Health Care and Social Assistance	55.1%	31.9%	13.0%	100.0%	
Other Services	44.3%	43.2%	12.5%	100.0%	
Accommodation and Food Services	29.6%	39.5%	30.9%	100.0%	
Manufacturing	46.2%	31.7%	22.1%	100.0%	
Administrative and Support Services	55.5%	32.3%	12.2%	100.0%	
Wholesale Trade	49.6%	33.1%	17.3%	100.0%	
Currently unknown	75.9%	19.7%	4.3%	100.0%	
Education and Training	54.8%	30.2%	15.0%	100.0%	
Arts and Recreation Services	66.6%	24.7%	8.7%	100.0%	
Information Media and Telecommunications	63.7%	29.3%	6.9%	100.0%	
Mining	61.0%	27.8%	11.2%	100.0%	
Public Administration and Safety	54.6%	32.2%	13.2%	100.0%	
Electricity, Gas, Water and Waste Services	56.0%	32.9%	11.1%	100.0%	
Total	62.2%	28.3%	9.5%	100.0%	

Source: ABS

Figure 4: Distribution of small businesses by employment size (2015)



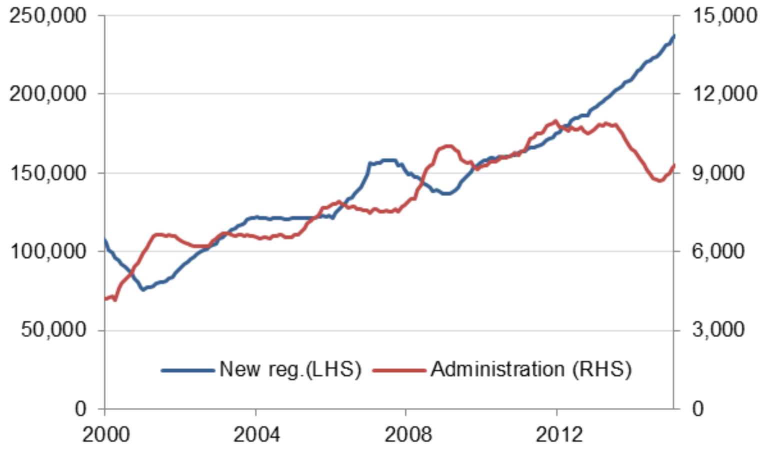
Source: ABS

2.1 New business registrations

Overall, the small business sector is in robust good health. The rate of formation of small businesses is strong while the exit of small businesses due to financial difficulty has fallen from its post GFC highs.

New business registrations climbed to a record level of 235,101 in 2014-15 while 9,177 businesses entered external administration. That is almost 26 new registrations for every one business which entered external administration. This is the best outcome since September 2000.

Figure 5: New business registrations and administrations



Source: ASIC

2.2 Employment and profits

Small businesses employ 4.7 million people, equating to 44.0 per cent of all jobs in Australia.

Small businesses account for about one third of total business income and total business value-added.

The importance of the small business sector as a job creator and generator of national income would likely be larger than these figures suggest, because the Australian Bureau of Statistics excludes the finance and insurance industry from these data. That equates to 173,506 small businesses which are engaged in insurance sales and consultancy, financial advice, broking activities and more.

Figure 6: Businesses - Employment, income and value-added

	2008–09	2009–10	2010–11	2011–12	2012–13	2013-14
Employment	'000	'000	'000	'000	'000	'001
Small businesses	4,556	4,731	4,781	4,626	4,576	4,722
Total businesses	9,809	10,056	10,535	10,672	10,637	10,726
. Small as %	46.4%	47.0%	45.4%	43.3%	43.0%	44.0%
Total income	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**
Small businesses	803,168	855,656	869,153	901,170	915,193	978,620
Total businesses	2,570,860	2,582,086	2,779,867	2,917,708	2,967,442	3,066,551
. Small as %	31.2%	33.1%	31.3%	30.9%	30.8%	31.9%
Value-added	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**
Small businesses	283,220	312,785	325,760	340,893	335,348	343,400
Total businesses	833,894	858,145	942,620	1,002,940	1,001,183	1,037,189
. Small as %	34.0%	36.4%	34.6%	34.0%	33.5%	33.1%

Source: ABS

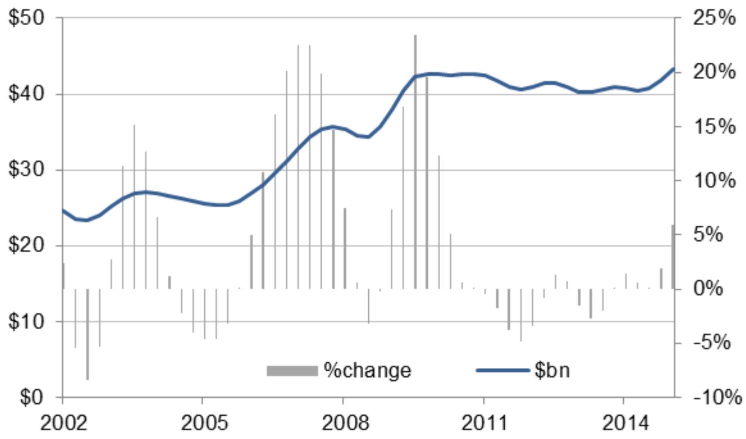
Figure 7: Small businesses contribution to employment, income and value-added

Source: ABS

There was a strong rebound in profit of unincorporated businesses after the GFC. Over the next five years the profit of unincorporated businesses was relatively stable between $40 to $43 billion per annum.

Profit growth began to accelerate in 2015 with profits rising to the highest on record.

Figure 8: Profits of unincorporated businesses

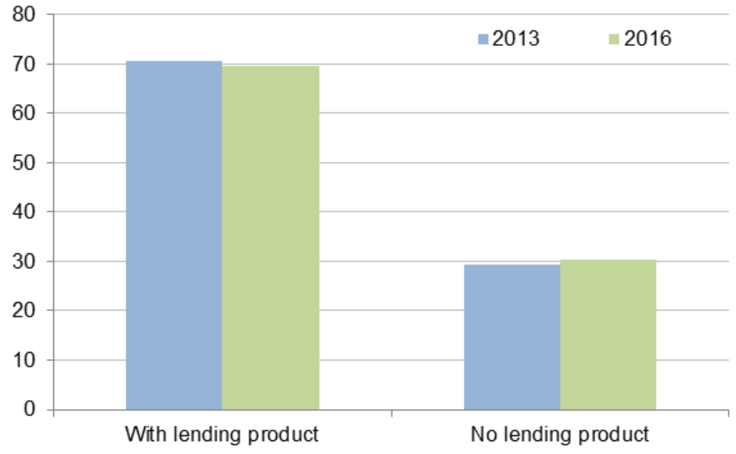


Source: ABS

3. Lending to small businesses

About 30 per cent of small businesses have no debt and do not access debt facilities, and about 25 per cent have access to a credit card but no other debt.

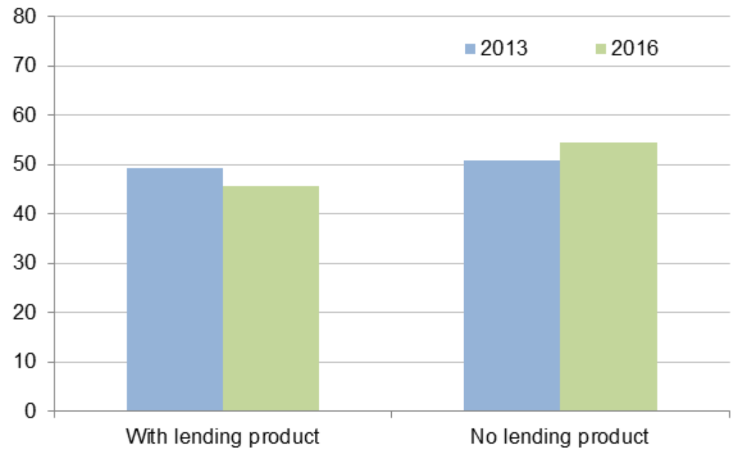
Figure 9a: Small businesses with and without lending products (incl. credit cards) (%)



Source: DBM

If credit cards are excluded, just under half of small businesses have a loan facility.

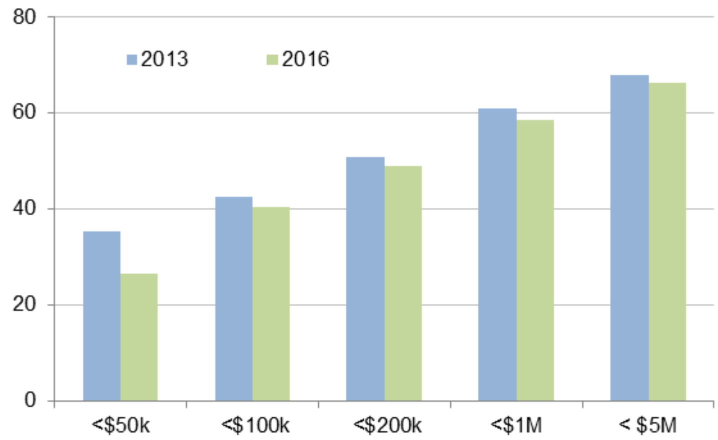
Figure 9b: Small businesses with and without lending products (excl. credit cards) (%)



Source: DBM

The proportion of businesses that have access to finance (excluding credit cards) increases with turnover.

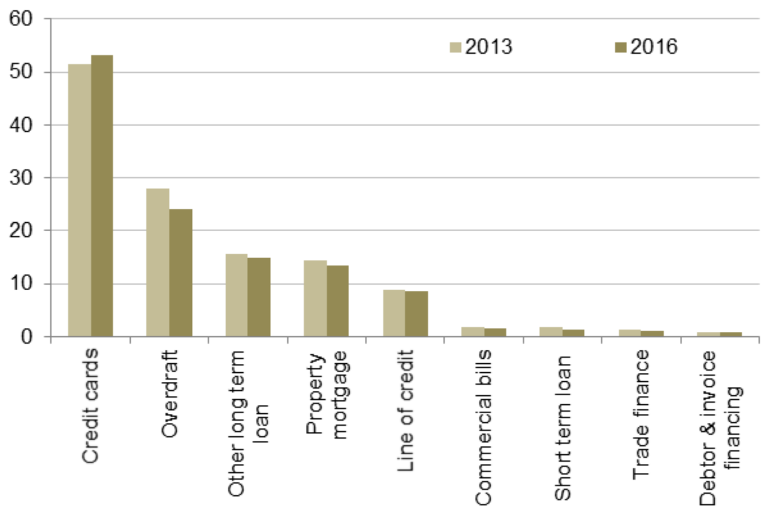
Figure 9c: Small businesses with lending products (excl. credit cards) by turnover (%)



Source: DBM

The most commonly utilised sources of credit (excluding credit cards) are overdrafts (used by 24 per cent of small businesses), long term loans (15 per cent) and property mortgages (14 per cent).

Figure 10: Small businesses with lending products (%)



Source: DBM

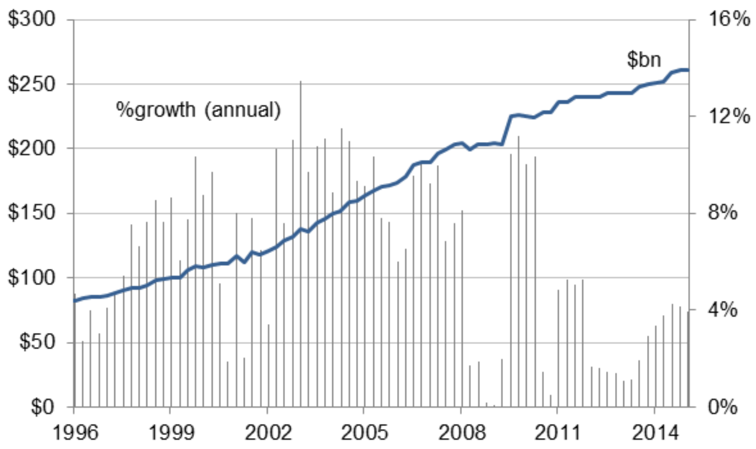
3.1 Loan outstandings

A small business loan is a loan under $2 million.

Banks' total business loan outstandings for loans under $2 million were $261 billion at the end of December 2015.

Growth in these loans has increased over the past two years and is now increasing at an annual rate of almost 4 per cent.

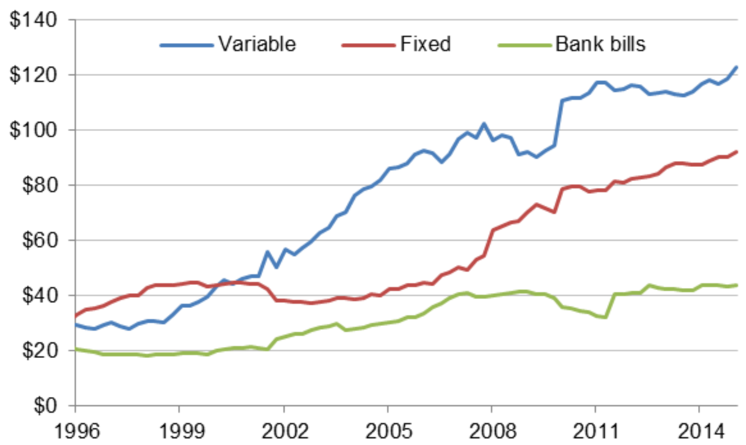
Figure 11: Business loan outstandings for loans under $2m



Source: RBA

Nearly half (48 per cent) of small business loans are variable loans; over a third (36 per cent) are fixed loans, and just under one fifth (17 per cent) are bank bills.

Figure 12: Business loan outstandings for loans under $2 million by type ($bn)

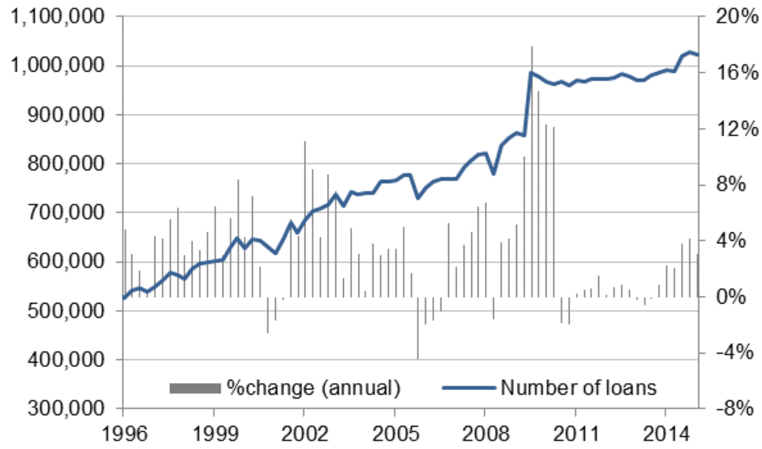


Source: RBA

Data on the *number* of business loans are not publicly available, however, estimates by the Australian Bankers' Association **(ABA)** suggest there are just over 1 million business loans under $2 million.

The number of business loans under $2 million was relatively stable over the four years ending March 2015, but has been rising over the past nine months.

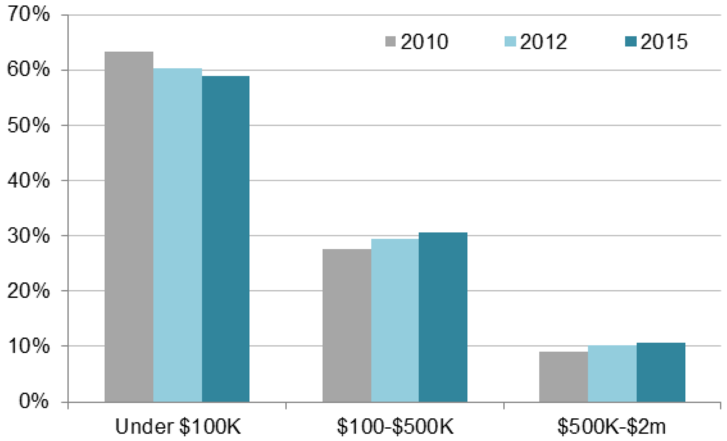
Figure 13: Number of business loans with loan size under $2 million



Source: RBA/ABA

In 2015, just under 60 per cent of small business loans had a value less than $100,000. A relatively small number (about ten per cent) were for amounts between $500,000 and $2 million.

Figure 14: Distribution of business loans under $2 million by loan size ranges



Source: ABA/RBA

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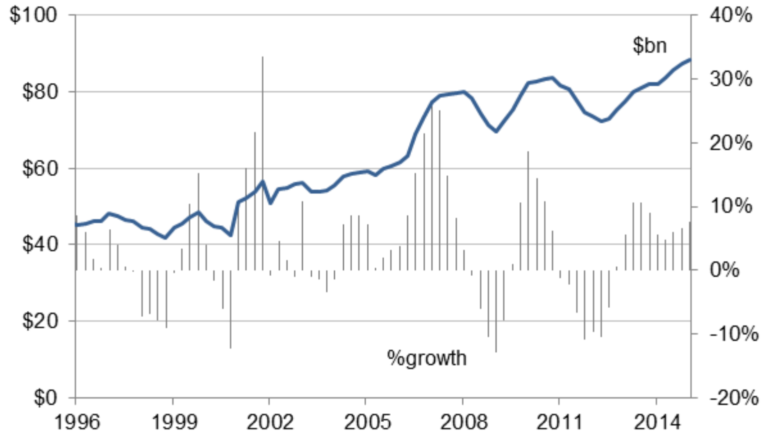
3.2 Loan commitments

New lending commitments to small businesses (i.e. loans for amounts under $2 million) rose strongly over the past two years. In 2015 a record $88 billion in new loans were approved.

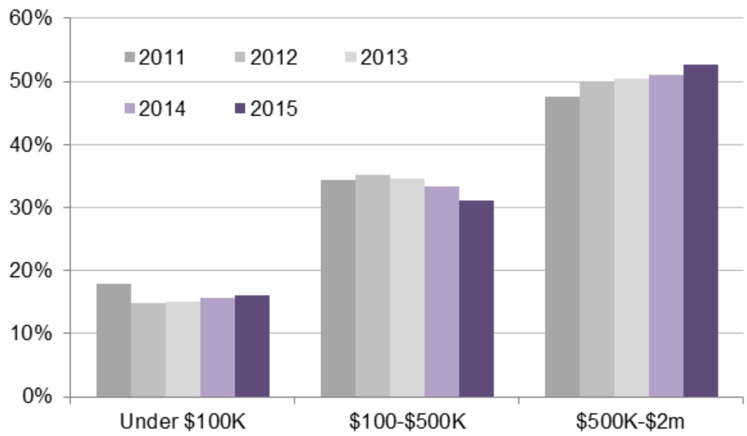
Figure 15: Business loan commitments for loans under $2m



Source: RBA

In 2015, more than half (53 per cent) of the value of new commitments for business loans under $2 million had a value of $500,000 to $2 million. The total value of these commitments was $46.7 billion. Nearly a third (31 per cent) of the value of commitments for loans under $2 million were between $100,000-500,000.

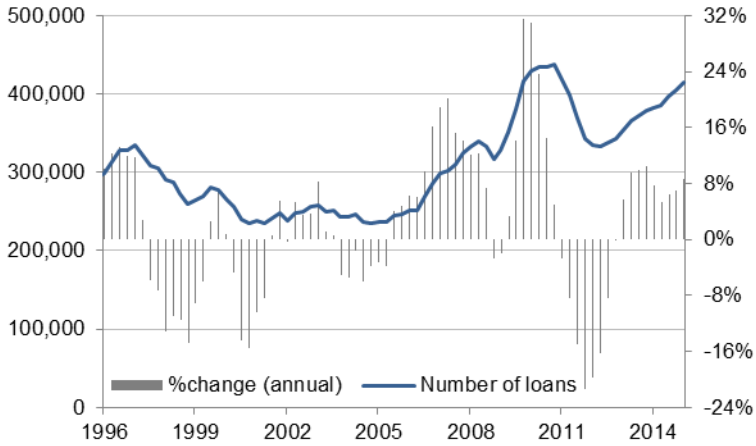
Figure 16: Business loan commitments for loans under $2m



Source: RBA

In 2015, the ABA estimates that the number of commitments for business loans under $2 million was 414,300, the highest number of approvals in four years.

Figure 17: Number of business loans with loan size under $2 million



Source: ABA/RBA

Over the past five years, almost two-thirds of commitments for loans under $2 million were for loans under $100,000.

Figure 18: Number of business loan commitments with loan size under $2 million

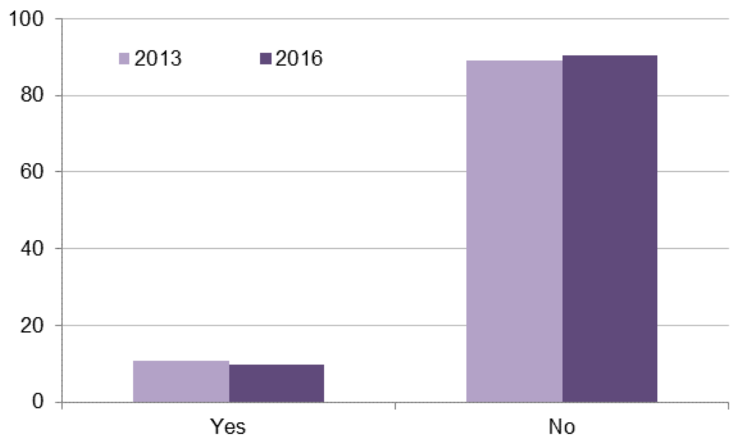
	Under $100K	$100-$500K	$500K-$2m	Total <$2m
Dec-11	292,560	93,510	31,105	417,175
Dec-12	219,220	86,347	29,447	335,014
Dec-13	233,260	89,387	31,447	354,094
Dec-14	257,020	91,090	33,578	381,688
Dec-15	285,340	91,677	37,336	414,353
%distbn				
Dec-11	70.1%	22.4%	7.5%	100.0%
Dec-12	65.4%	25.8%	8.8%	100.0%
Dec-13	65.9%	25.2%	8.9%	100.0%
Dec-14	67.3%	23.9%	8.8%	100.0%
Dec-15	68.9%	22.1%	9.0%	100.0%

Source: ABA/RBA

4. Access to finance

Almost nine in every ten (89 per cent) small businesses say they do not see access to finance, or the capacity to finance further growth in their business, as an 'issue'. There has been little change in this over recent years.

Figure 19: Whether access to finance is an issue for small business (%)



Source: DBM

The majority of small businesses who seek finance are successful.[1]

In 2013-14 less than 15 per cent of small businesses sought debt or equity finance, with most (over 90 per cent) looking to borrow funds. Of this group, close to 85 per cent were successful. Less than 8 per cent were unsuccessful.

Figure 20: Small businesses – access to finance

		Type of finance		Debt finance that was:		
	Businesses that sought finance	Debt	Equity	Obtained	Not obtained	In progress
2013-14						
0–4 persons	13.0%	94.5%	26.8%	83.4%	7.8%	12.5%
5–19 persons	20.0%	92.5%	28.6%	84.2%	4.1%	13.9%
Total	13.7%	94.3%	27.0%	83.5%	7.4%	12.6%

Source: ABS

The most common reasons for seeking finance are to maintain short term cash flow or liquidity, and to ensure survival of the business. The least common reason is the purchase of additional assets not related to expansion.

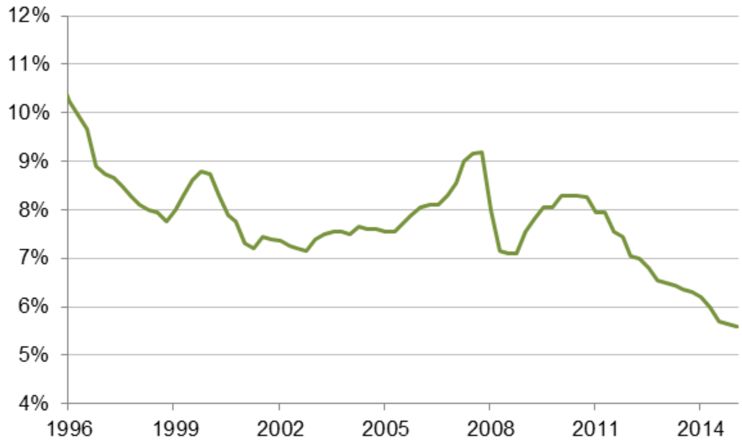
[1] ABS, Cat No 8167, Selected Characteristics of Australian Business

5. Interest rates

The interest rates on small business loans are at generational lows.

The weighted average interest rate for business loans under $2 million has seen a long and sustained fall since June 2011, declining by 270 basis points to 5.60 per cent at the end of 2015, the lowest level in over twenty years (data goes back to 1993). For most of the past 20 years the average interest rate has been between 7 and 8 per cent.

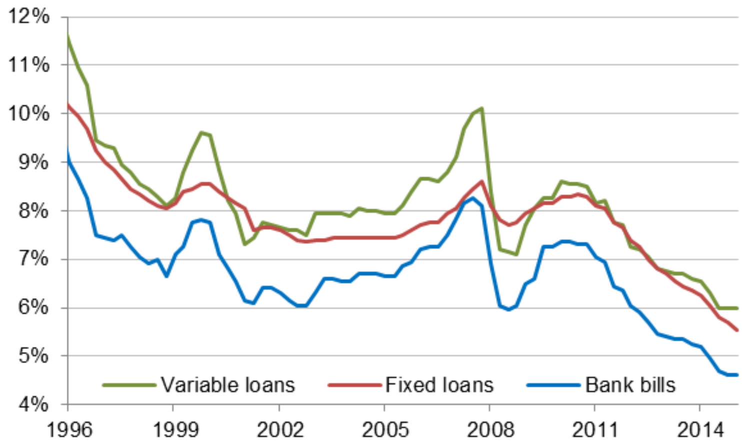
Figure 21: Weighted average interest rate on business loans which are less than $2 million



Source: RBA

The fall in interest rates occurred for variable loans, fixed rate loans and bank bills.

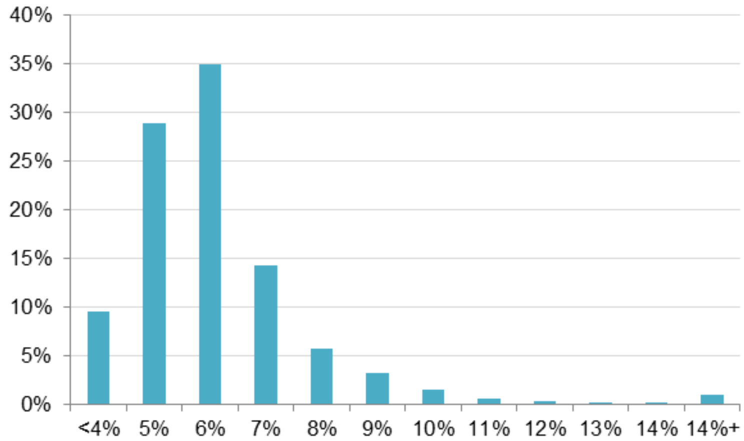
Figure 22: Weighted average interest rate on business loans which are less than $2 million (by type)



Source: RBA

At the end of 2015, almost three-quarters of loan outstandings under $2 million had an interest rate under 6 per cent.

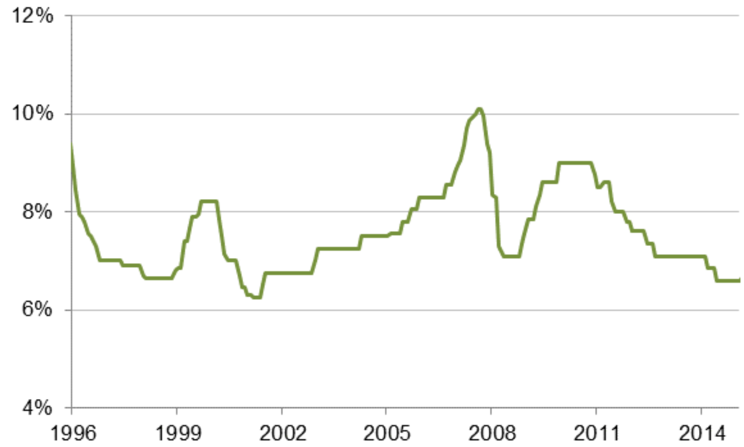
Figure 23: Business loan outstandings for loans under $2 million by interest rate



Source: RBA

The advertised average interest rate on a new small business *residential secured loan* was 6.60 per cent in December 2015, the lowest since 2002.

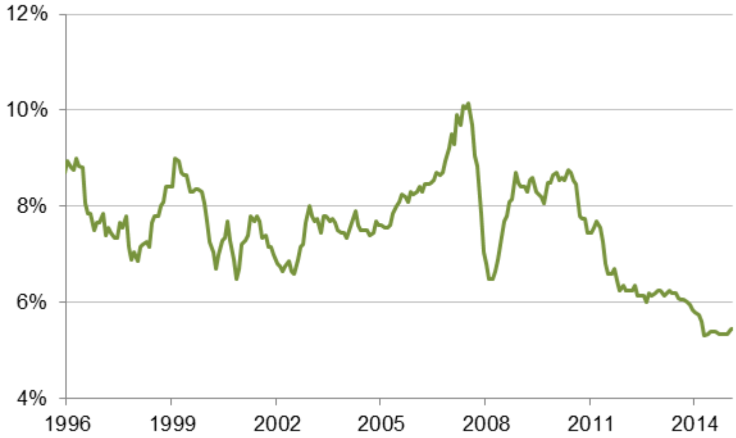
Figure 24: Interest rate on small business residential secured loan



Source: RBA

The average advertised interest rate on a new *three-year fixed loan* for a small business was a very low 5.45 per cent in December 2015.

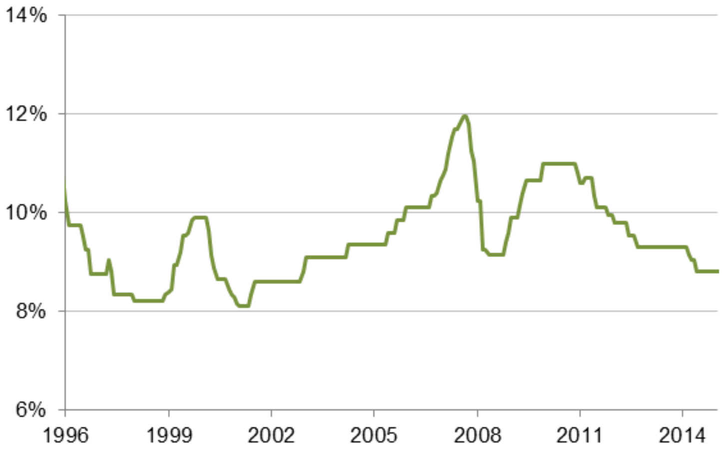
Figure 25: Interest rate on three-year fixed small business loan



Source: RBA

The average interest rate on a new small business *overdraft* was 8.80 per cent in December 2015, the lowest since the end of 2003.

Figure 26: Interest rate on small business overdraft



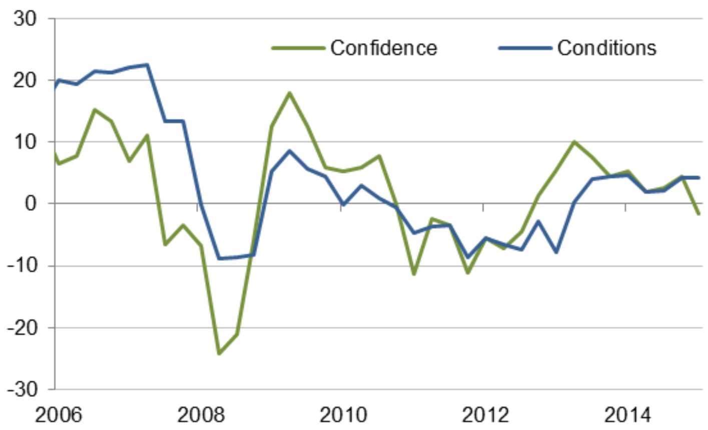
Source: RBA

6. Business conditions and confidence

Business conditions for small and medium enterprises (**SMEs**) were moderately elevated over the seven quarters to September 2015, back to levels last seen in 2010. Looking at the components of business conditions, the September 2015 quarter results show that trading conditions and business profitability were solid but employment conditions remained subdued.

Confidence among SMEs turned negative in the September 2015 quarter for the first time in ten quarters. This reflected volatility in international markets and concerns about the economic slowdown in China.

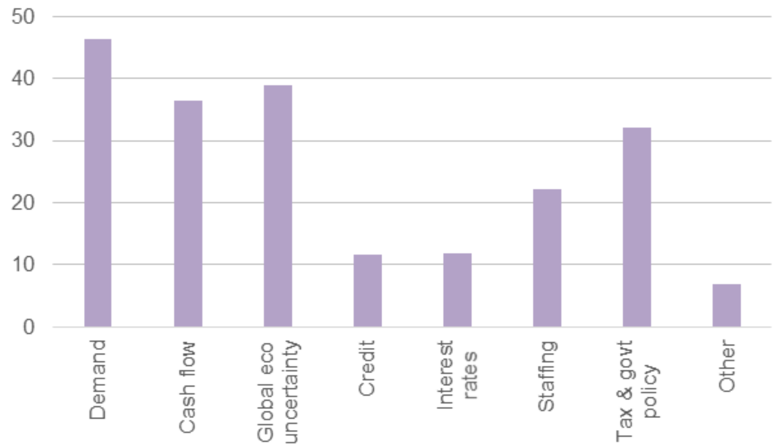
Figure 27: Small and medium enterprise business confidence and conditions



Source: NAB Economics

The factors most constraining long-term decisions for SMEs are demand and global uncertainty. Cash flow and tax/government policy are also significant constraints. Credit and interest rates are relatively minor concerns.

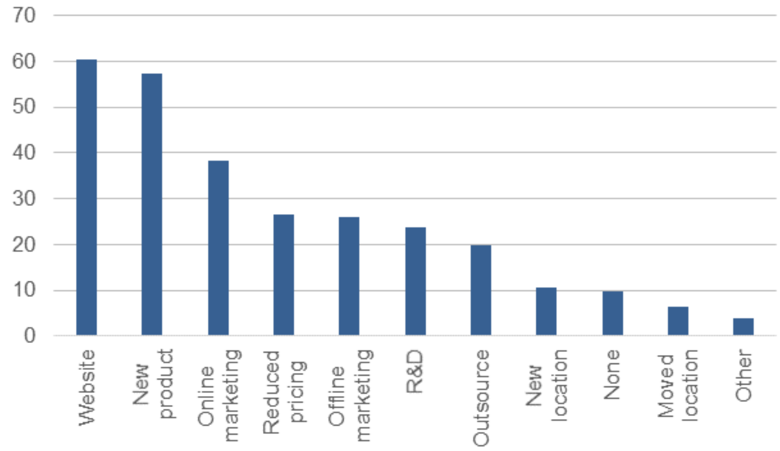
Figure 28: Constraining factors on SMEs (September 2015) (%)



Source: NAB Economics

The most important strategies used by SMEs to improve competitiveness are improvements to websites, and new product design.

Figure 29: SME strategies to improve competitiveness (September 2015) (%)



Source: NAB Economics

Part 2 – Financing small business – the process

Banks are in the business of supporting sound and viable financial decisions by their business customers. Every request for financing is considered on its own merits.

1. Preparing a loan application

When preparing a loan application, it's important to have a well-structured and accurate business plan which will assist the lender to understand how the business operates; what the vision is for the future of the business, and the expected financial results.[2]

Some of the information required in the loan application includes:

- Purpose of the loan?
- Amount of funds required?
- When will the funds be required?
- Expected duration of the loan?
- How will the loan be repaid?
- What is the risk to the lender?

Some of the common mistakes in loan applications include:

- Asking for more funds than required – banks use a variety of formulas to work out how much they think a business requires and can afford to borrow, so it is not prudent to ask for more than is required.
- Rushing it – each bank will have different loan approval processes, but it helps to provide all the information the bank needs upfront so they have a good understanding of why the loan is required.
- Inflating the value of the business assets – bank valuations assess standard market value for a quick sale.
- Thinking that business turnover is the same as cash received from customers – banks look at net profits and cash flows.
- Not providing information about the directors of the small business – banks will assess directors and may ask for guarantees depending on the individual circumstances of the business.

[2] http://www.financingyoursmallbusiness.com.au/

2. Responsibility of the lender

It is a requirement of the Australian Prudential Regulation Authority for banks to make responsible lending decisions. This means, for every loan application, a bank must consider the risks for itself and the applicant, including the applicant's ability to repay the loan. The greater the risk for the bank, the more capital it is required to hold against a loan. In short, banks have to consider risk and return, and assess whether the application is a viable proposition. Not all loan applications are approved.

To grant a loan a bank will need to be satisfied that there is a strong business case for the project or investment and that debt finance is the most suitable form of finance.

The applicant needs to prove the loan can be repaid and meet any other requirements that are specified in the loan agreement. This could include regular financial reporting to the bank and demonstrating that the business meets, and will continue to meet, all compliance requirements, including the timely lodging of tax returns and tax payments.

Taking a bank loan will increase the financial risk to the business, so an applicant needs to ensure that the term of the loan is understood and that the risk can be managed. The bank has an exposure to the business and the business owner must ensure there are adequate cash flows available to repay the loan over the agreed term.

3. Five considerations in determining risk

There are five factors any potential lender will consider in identifying the level of risk being undertaken.

3.1 Character

This looks at the applicant's reputation, integrity and capacity to repay the loan. It includes consideration of:

- Loan repayment history – have debts been repaid on time?
- General savings history – is there a good history of saving?
- Stability (e.g. years in profession) – is there stable income/cash flow/employment?
- Credit bureau history e.g. Dunn & Bradstreet, Veda and Experian. Is there a history of defaults, writs, judgements or bankruptcy?

3.2 Collateral

This looks at the applicant's 'security' for the proposed loan. Will the applicant's collateral provide sufficient security for the loan and will it be acceptable to the lender? This includes consideration of:

- Type of security (property/land/vehicle/etc.).
- Value and marketability of the security.
- Security age, location and attributes.

3.3 Capacity

This looks at the applicant's ability to repay, including potential earnings and whether this is sufficient to meet repayments. This includes consideration of:

- Potential earnings.
- Debt obligations.
- Living expenses.
- Dependents.

3.4 Capital

This looks at the strength of the applicant's financial position. This includes consideration of:

- Amount of asset and liabilities.
- Type/liquidity of assets.
- Type/nature of liabilities.

3.5 Conditions

This looks at the lender's 'terms' for providing the loan. This includes consideration of:

- Repayment schedule.
- Pricing (interest rate and fees).
- Conditions precedent (something that must happen before funding).
- Conditions subsequent (during the loan).

Part 3 – Case studies

1. Word-of-mouth helps grow an innovative business

Farmers typically are not the type to change their minds, or switch to a new supplier just for the fun of it. Imagine trundling up a long dusty drive to try and sell an overworked, sun-baked farmer something they already have.

This was the issue Michael Bowden and Anthony Pearce faced when they formed Hills Farm Supplies in 2011 to manufacture and supply stock feed to stud producers and smaller lifestyle farms.

“There are about 13,000 hobby farms from the Barossa Valley to the Fleurieu Peninsula in South Australia, so we knew there was a market,” says Michael. “The problem was that it was already being serviced by established businesses – we needed to give farmers a reason to change.”

Michael and Anthony had both worked for larger feed and nutrition companies and understood the market well. They knew that these larger businesses omitted two critical opportunities – emphasising animal health rather than simply selling high volumes of stock feed, and focusing on small, specialised needs.

Many of Hills’ lifestyle farm customers were just waiting for someone to spend a little more time with them, without treating them as ‘small accounts’. A focus on personally talking to every farmer to listen to what they wanted, then providing the range that suited smaller orders and needs, allowed farmers to look at overall value, rather than simply price.

“Reputations are built over time and early on we didn’t have a local reputation that distinguished us from our competitors,” clarifies Michael. “But by continuing to meet farmers’ requests for new products, our range and stock-on-hand grew.”

“This had a flow on effect – as we won new customers, built a better range, gained more credibility within the farming community, and were getting good referrals.”

Nothing beats referral business and as Michael says, “we often have customers ringing because they’ve been told they need to speak to us to solve their problems – something we pride ourselves on.”

They identified a niche and found a gap in the market – and as a result, their business evolved to become both a stock feed manufacturing plant and a supplier of all things related to producing livestock.

As you would expect there have been bumps along the way. Their hardest challenge? “Cash flow to begin the business was particularly difficult,” explains Michael. Even with all the planning and forecasting, they found it tough to predict early sales and to fund growth.

When the business began to experience double-digit growth year after year, the challenges changed to managing that growth – especially additional staff, invoices and stock.

“Our biggest success is continual expansion with customer referrals still coming through the door. Nothing is more satisfying than knowing we’re meeting customer expectations,” says Michael.

The right advice has been invaluable to Michael and Anthony – from their accountant regarding financial matters, through to their business banker who advised on how to best fund projects and business growth.

Hills Farm Supplies has only ever dealt with one bank for their banking needs. Having a great relationship with their business banker has made accessing additional funds a simple and seamless process. “We value the fact that it only takes a couple of phone calls to have arrangements in place for vehicle purchases and other such transactions,” explains Michael.

“When you’re running a small business, time is probably the most valuable commodity. When a bank can do all the legwork for you, it means you can get on with running your business and not worrying about chasing up funding arrangements.”

Hills Farm Supplies have a few future goals to work towards. They intend to expand their stock feed manufacturing business to offer services to other rural reseller outlets – and to leave a proud legacy, and a business future, for the next generation of the Bowden and Pearce families.

Michael and Anthony have the following advice for turning a dream into a viable business, and gaining significant customer growth:

- Be prepared to change – in order to grab opportunities as you go. “Start-up businesses are capital intensive and it’s difficult to predict exactly how they’ll evolve,” says Michael.
- Under promise and over deliver – to your customers so you’re not only meeting their expectations, but exceeding them.
- Have sound financial support – and a strong will to succeed. As Michael points out, “despite your best efforts to forecast and plan, things do change and it’s difficult to get the numbers right.”
- Prepare to delegate as your business grows – with increasing enquiries, sales and deliveries, Michael and Anthony have realised they need to hire more staff and delegate these tasks, to allow them to do what they do best – continue growing their business.

2. From garage to warehouse: home grown beauty business eyes growth in Asia

Cameron Campbell had a simple goal when he and his wife decided to start-up their own business and that was to create a comfortable source of income for his potentially growing family.

A lot can happen in a year and a half, as Cameron can no doubt attest. With a desire to establish a business that his wife was able to run, Cameron started Mine.Tan.Body.Skin, a brand specialising in body tan products. This business, which was set up at home, was to be the first step towards something much bigger.

"I used to look at some of my customers that would start these small businesses in the beauty market and run them, becoming stay-at-home mums and dads and being able to spend time with their kids. So I created Mine.Tan.Body.Skin. We started out of a bedroom at home, then we moved to the garage, and then to our first warehouse. When we moved to the warehouse eighteen months ago, that's when we set up Marque of Brands."

Marque of Brands distributes, imports and manufactures some the world's finest beauty and tanning products, thanks to business partnerships with brands such as Norvell and St. Tropez.

"The business was driven from a passion for beauty and our desire for family life down the track. I left my previous role and joined forces with my wife, and that's when bigger brands came into the picture," Cameron says.

Gathering partnerships was not as much of a challenge as they first assumed, says Cameron, citing a mutually rewarding focus as the key to attracting other brands.

"A traditional importer and distributor would go and buy a product and sell it – they don't necessarily work in partnership with the brands that they represent. That's where we're very different. We work just as hard working with their brand and helping them as we do on sales."

As with any business, Marque of Brands needed a strong financial push in order to get the ball rolling. Cameron and his wife 'bit the bullet' and sold their house – a necessary risk seeing as they didn't have much money to begin with.

"We didn't have much, we had a tiny bit of money and we put everything in. From that we were lucky enough to have a good relationship and good cash flow," Cameron says, pointing out that their relationship with their bank played a major hand in getting them off the ground.

Cameron believes that banks can be looked at as business partners, and that businesses can benefit from the resources and knowledge that these financial institutions offer.

"We look at our bank like we look at our business relationships with suppliers and the like. They're ultimately a supplier, a supplier of funds and money. From day one we tried to build a business that the bank could look at and say, 'we want to be a part of that.' "

Cameron sat down with their bank with a series of questions, which he says is important for every business signing up with a financial institution.

"Some of the questions we asked when we met with the bank was, 'what do you think of our business? What do you look for? How do we hit your goals so that you can help us?' That's what we were doing. The people we were lucky enough to work with at our bank were really good in terms of sitting us down and saying, 'these are the key things you need to watch, these are the things that matter to us, and this is what we look for."

There's no doubt that Marque of Brands is growing, with around sixteen staff members now working hard on keeping the business' many moving parts well oiled.

Apart from importing and distributing, keeping up with a growing online customer base, and offering their exclusive products nationally, Marque of Brands offers full sales, marketing, education and training support as well.

With such a variety of different services on offer, Cameron says it's important to have employees that are multi-skilled.

"It's a challenge particularly because we're a small business. We have employees that are capable of doing two or three things. We're not fortunate enough to be so big that we have a marketing department, a finance department, and a human resources department. We have people that do multiple functions – and we've found good people. Without good people we don't get anywhere."

In terms of future plans, Cameron says that growth is currently their number one priority and aim. The company is expanding its overseas reach, and is looking at Asia as a region of importance.

"External markets are key. What we're doing with China is really important. We've got some unique products about to hit the market, an example being Pure Blanc. This is a whitening product that is primarily targeted towards Asian markets. If we can take Australian products to where there's a demand, that's where we see the biggest opportunities for growth."

Cameron acknowledges that it isn't easy to succeed in business, and suggests that there are people who can help.

"The biggest advice that I've got for anyone is to never be afraid to have conversations with people. What I mean is, go and speak to the government departments, go and speak to the customs guys, go and speak to an accountant, go and speak to the bank," Cameron says.

"When we talk with our bank, we ask about all business. We want their advice, what they know and what they've experienced. When businesses go under it's not because of what they didn't know, it's what they didn't think to ask. This is what we instil in our team. We tell them to keep learning, keep learning from one another and from external sources, because then we're a better business."

3. Road and rail containers

With over 20 years' experience working in the container business, Stephen Fleming and John Hannon decided it was time to open their own shop. Before they could get their company, called Road and Rail Containers specialising in the repair and modification of transport freight containers, off the ground, they needed a financial institution to back their business plan. They knew their idea was a winner but they also knew they couldn't succeed on their own.

They did their research, met with a number of banks and found that their bank was the best fit for them and their business.

"As we were just starting out, we needed a bank that would assess our business plan, provide the support we needed and really help keep us afloat," says Stephen.

"We were aware of the slow payment cycles in the industry and needed to be sure that we could cover our expenses in the lag time before payments flowed through the door. Our bank took a chance on us and our business despite this, and has supported us in a big way."

The business opened its doors in 2004 and now employs 10 staff - a number that is about to double. Over the past three years, Road and Rail Containers' profitability has been increasing and it is now servicing some of the largest and most well-known transport companies in the country.

Stephen credited their bank with being a great support and integral to the development of their business.

Road and Rail's success has led Stephen and John to expand the business into the engineering sector. Their plans will take a two-pronged approach with Road and Rail tendering for work in the energy sector and also developing prototypes for a new kind of freight container, including servicing and repairs.

Looking further ahead, the company plans to expand interstate within the next five years, and cover the eastern seaboard within 10 years. They have been discussing their options with their bank.

4. How to build a recipe for start-up success

Persistence and product integrity proved to be the secret ingredients for a Sydney based cupcake retailer.

Company founder Anna Eden's story started 12 years ago when she was in England operating a catering and experiential events company. She then moved to Sydney in 2010 where she decided to start her own business. The Classic Cupcake Co. was born - or if you like, baked!

Anna was motivated to start her own business for several reasons. "I was inspired by my passion for fine culinary arts and the history of working with food and people", she recalls.

But you need more than just passion to be successful in business. Starting a business requires two main ingredients: confident decision making based on market research, and enough capital to make it happen. A good gut instinct helps, too.

Anna thought she had both. "Once I'd made up my mind to start, I had suppliers in place, a shop location, and a team of employees all within three months and ready to go."

But at the eleventh hour her investor thought the markets were about to change and decided to stop investing in retail ventures.

Anna was facing a tough choice: continue with the business and seek funding elsewhere, or decide to turn off the ovens. She was confident in her ability to build a successful business and knew that her product integrity gave her a competitive edge - her cupcakes are made with pure vanilla, Belgian chocolate, natural colours, free-range eggs and world-class Willie's Cacao.

So she turned to her bank.

"I found a Small Business Specialist who truly believed in me and my business," she says. "Without the loan I would not have been able to set up the first store. It has been the platform for our growth and we are now, two years later, ready for the next stage."

Anna's business plan includes opening additional locations across Australia and growing The Classic Cupcake Co. into a recognised household name.

To see how Anna and her team are faring, drop by the shop at 167 Avenue Road in Mosman, New South Wales, or visit them online.

Want a recipe for success? Anna shares these business tips.

- Get endorsements for your products—testimonials from experts can really build your reputation. Have this person talk about your business so you can quote them on your website or promotional material.
- Create a business plan and prepare your action steps. Review your plan at least quarterly.
- Build contingency plans so you have a back-up strategy if your original one doesn't work out. Don't be afraid to change your plan.
- Pay attention to the little details, like what you are spending money on.

Give your business the best possible chance to succeed by being able to adapt and adjust to unexpected conditions.

5. Microenterprise loans

Starting and running your own small business is one of life's most exciting and rewarding experiences. But accessing affordable business credit can often be daunting, with few, if any, avenues available to those on low incomes. The Micro Enterprise Program has been set up to support small businesses that have difficulty accessing mainstream finance.

The program works in partnership with a variety of organisations that provide training and small business advice to loan recipients. Program partners mentor and help the applicants develop their business plan and provide them with business skills training and advice during the first year of business.

Key features of this program are:

- Loans from $500 to $20,000
- Loans dispersed in the form of a credit card
- Up to 3 years repayment period
- 90 day interest and repayment free access period
- Loans are available to help start-up or support existing businesses of five or fewer employees. This includes owner-operated businesses and businesses operated from home
- Liability for the loan sits with the applicant, not the business; and
- Recipients get access to business skills training and advice during the first year of their business.