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OPEN FOR BUSINESS

2016 SURVEY OF WELLINGTON BUSINESSES

Absolutely Positively
Wellington City Council
Me Heke Ki Pōneke

September 2016

BEING OPEN FOR BUSINESS

Following a benchmarking survey conducted in September 2013 and a follow up survey in October 2014, this May 2016 survey was commissioned to track:

- The benefits and challenges of operating a business in Wellington
- Businesses' perceptions of, and experiences with, Wellington City Council
- The level of risk for businesses being lost to Wellington (from closure or from relocation) in the foreseeable future
- The profile of businesses looking to expand and the ways in which these businesses envisage expanding.

• This research will help the Council to identify how it can better support the Wellington business community.

RESPONSE RATE

A total of 508 businesses completed the survey, with a response rate of 29%, similar to the 2014 response rate of 28%.

	2013	2014	2016
ELIGIBLE RESPONDENTS	1952	1859	1780
COMPLETED SURVEYS	683	516	508
RESPONSE RATE (COMPLETES/ELIGIBLE RESPONDENTS)	35%	28%	29%



Active engagement with the topic, with **42%** agreeing to being re-contacted by the Council

EXECUTIVE SUMMARY

Since 2014, perceptions of the Wellington economy have continued to improve. Businesses are overall more optimistic about their own business prospects. They are also less negative about their interactions with the Council. Positive changes include:

- Expectations for the Wellington economy over the next 12 months have improved markedly. In 2014, three in ten (31%) businesses thought there would be a net improvement in the Wellington City economy, while in 2016, close to half of businesses (48%) feel this way. Expectations for their own businesses have also improved, with 56% of businesses expecting a net improvement in their own business over the next 12 months.
- Ratings of most interactions with the Council have improved. In particular, perceptions of the consents and licensing process have improved since 2014 (up from 49% satisfied to 56% satisfied in 2016).
- Responses relating to engagement and consultation on policies and bylaws show increased levels of both satisfaction (up from 46% in 2014 to 51% in 2016) and dissatisfaction (up from 19% in 2014 to 26% in 2016).

Fourteen percent of Wellington businesses say there is at least some possibility of relocating or closing in the next year, but the motives for this have changed from 2014. In 2014, many businesses felt that there were better business opportunities elsewhere and that it would be easier to move to be closer to their clients/customers outside of Wellington. In 2016, a much lower proportion of businesses cite this as a reason to leave while businesses planning to stay cite more business opportunities and the possibility for growth as a motive for this.

In 2016, a higher proportion of businesses now say they are considering leaving due to increasing operation costs and the inability to find suitable premises for their businesses. From the verbatim comments of the 14% of respondents who say there is either a strong possibility or it is almost definite that they will close or relocate their business within the next 12 months, it appears that these businesses are primarily planning to re-locate within the Wellington Region to reduce their operation costs, rather than close.

EXECUTIVE SUMMARY (CONT'D)

In the survey, businesses were asked what challenges they faced when doing business in Wellington. The most prominent challenges businesses reported facing within Wellington are:

- Traffic/transport problems
- Having head offices/clients/ members outside of the region
- Parking issues.

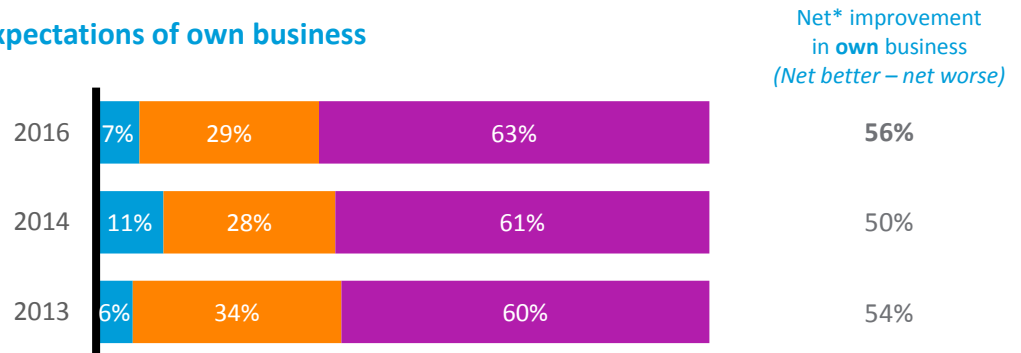
Since 2014, there has been quite a change in the challenges facing businesses within Wellington. Previously, Wellington being a small economy with a small population was a prominent challenge for businesses, but this is now seen as a challenge by a very small proportion of businesses. Conversely, traffic and parking issues have surfaced as key challenges.

EXPECTATIONS IMPROVE MARKEDLY FOR WELLINGTON

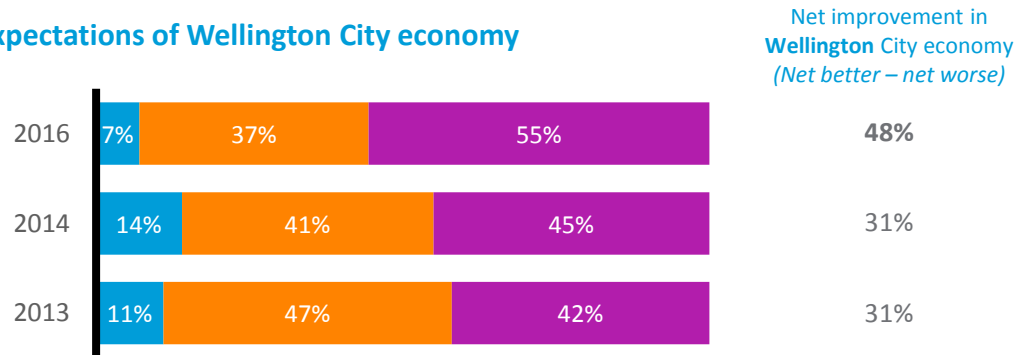
Expectations that the **national** economy will improve in the next 12 months continue to follow a downward trend (down from 63% in 2013 to 50% in 2014 and 45% in 2016). However, expectations for the **Wellington** economy over the next 12 months and for the **individual businesses** have improved.

Although respondents continue to expect more of an improvement in their own businesses than in the Wellington City economy, this gap has narrowed since 2014. Close to half (48%) of respondents now expect an improvement in the Wellington City economy, up from 31% in 2014.

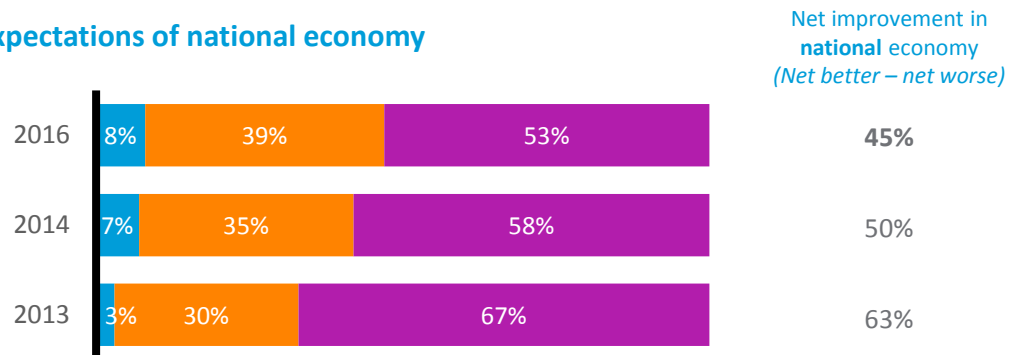
Expectations of own business



Expectations of Wellington City economy



Expectations of national economy

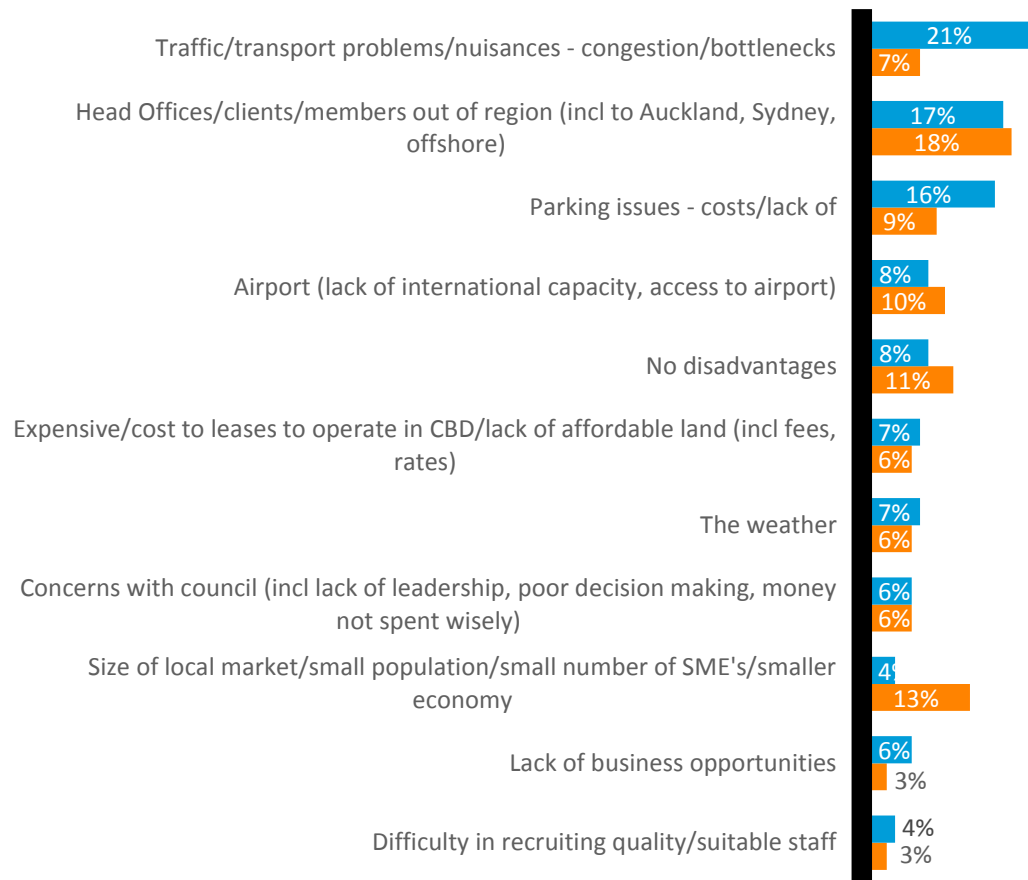


*Note: Net improvement is calculated by subtracting the Net worse results from the Net better results
 Better (% rating substantially better or moderately better)
 Worse (% rating substantially worse or moderately worse)

WHAT ARE THE CHALLENGES FOR A BUSINESS IN WELLINGTON?

Around nine in ten businesses think there are at least some challenges or disadvantages to doing business in Wellington (92%), which is a slight increase from 2014 (89%). Of the disadvantages to doing business in Wellington, traffic/transport problems is leading the list, after receiving only a minor mention in 2014. Parking issues has also increased in mention. However, Wellington being a small economy with a small population has decreased as a problem after having been one of the more prominent concerns expressed in 2014.

Main challenges or disadvantages about Wellington City (unprompted comments)



Base: All respondents 2016 (n=445), 2014 (n=473)

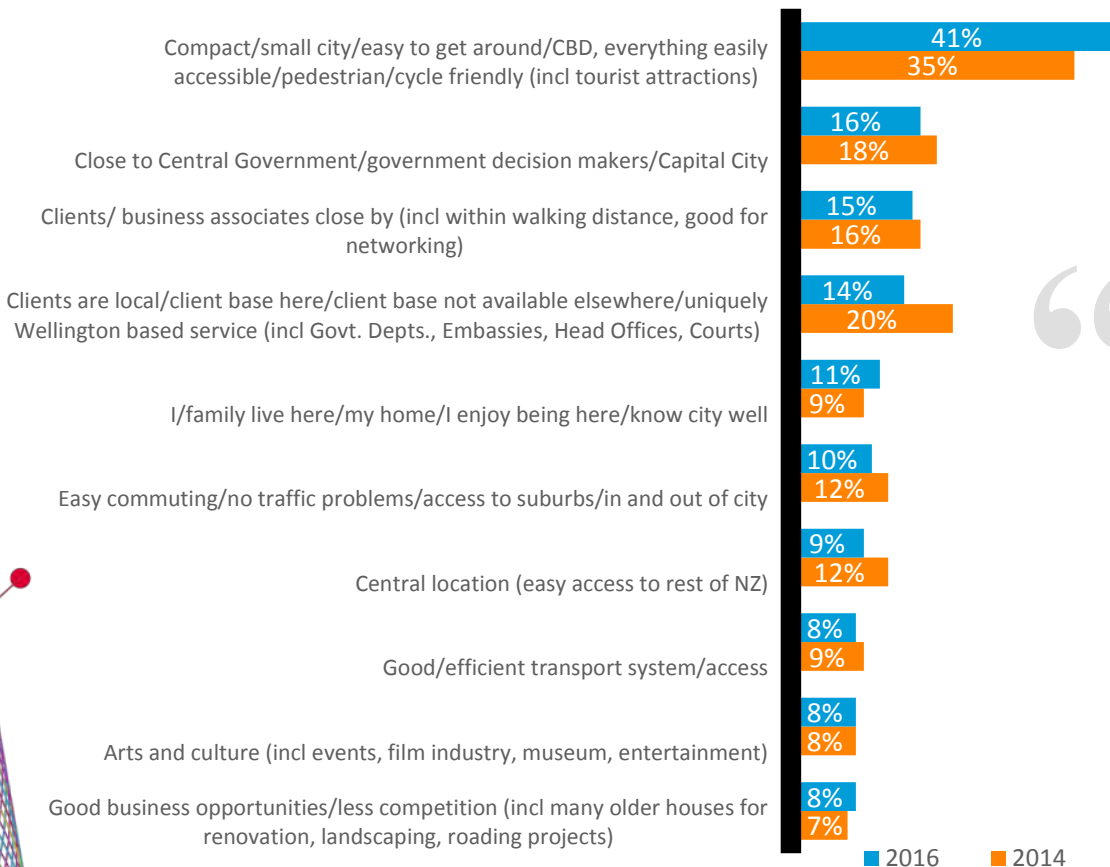
Q16. Compared with other places, what are the main challenges or disadvantages about Wellington City that make it more difficult for your business?

Note: Only the top ten mentions in 2016 are shown

WHAT MAKES WELLINGTON A GOOD PLACE TO BASE A BUSINESS?

As in 2014, accessibility and the relatively compact nature of Wellington make it a good place to base a business. Other prevalent mentions remain consistent with 2014, including proximity to central government and to the client base and business associates.

What makes Wellington a good place to do business (unprompted comments)



“ A compact and vibrant city located in the centre of New Zealand. ”

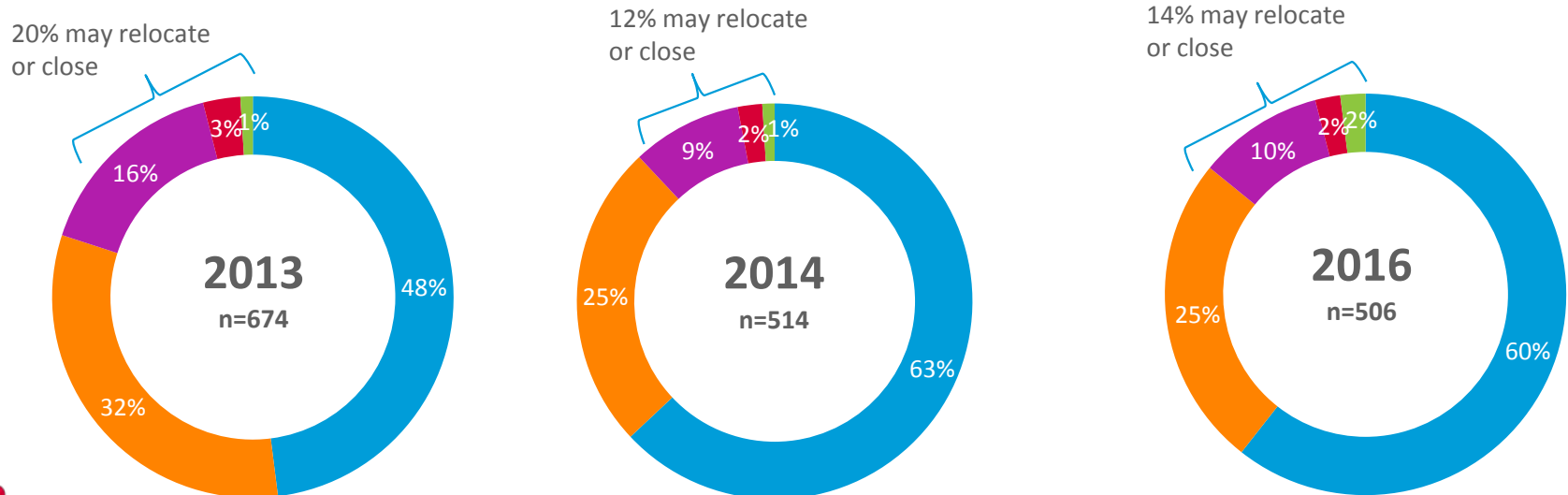
Base: All respondents 2016 (n=478), 2014 (n=494)

Q15. What is unique or special about Wellington City, compared with other places, that makes it a good place for your business to be based? Note: Only the top ten mentions in 2016 are shown

RELOCATING/CLOSING IN THE FORESEEABLE FUTURE

After decreasing significantly in 2014, the proportion of businesses that indicate that there is **at least some possibility** that they will relocate or close their Wellington business in the foreseeable future has held relatively steady. For those businesses who are at the negative end of the scale, re-locating the business is more likely than closing it. Many of these businesses indicate that they are planning to re-locate within the Wellington Region to reduce operation costs.

Likelihood of relocating or closing operations



- NO POSSIBILITY AT ALL
- ONLY A VERY SLIGHT POSSIBILITY
- SOME POSSIBILITY
- STRONG POSSIBILITY
- ALMOST DEFINITELY OR DEFINITELY

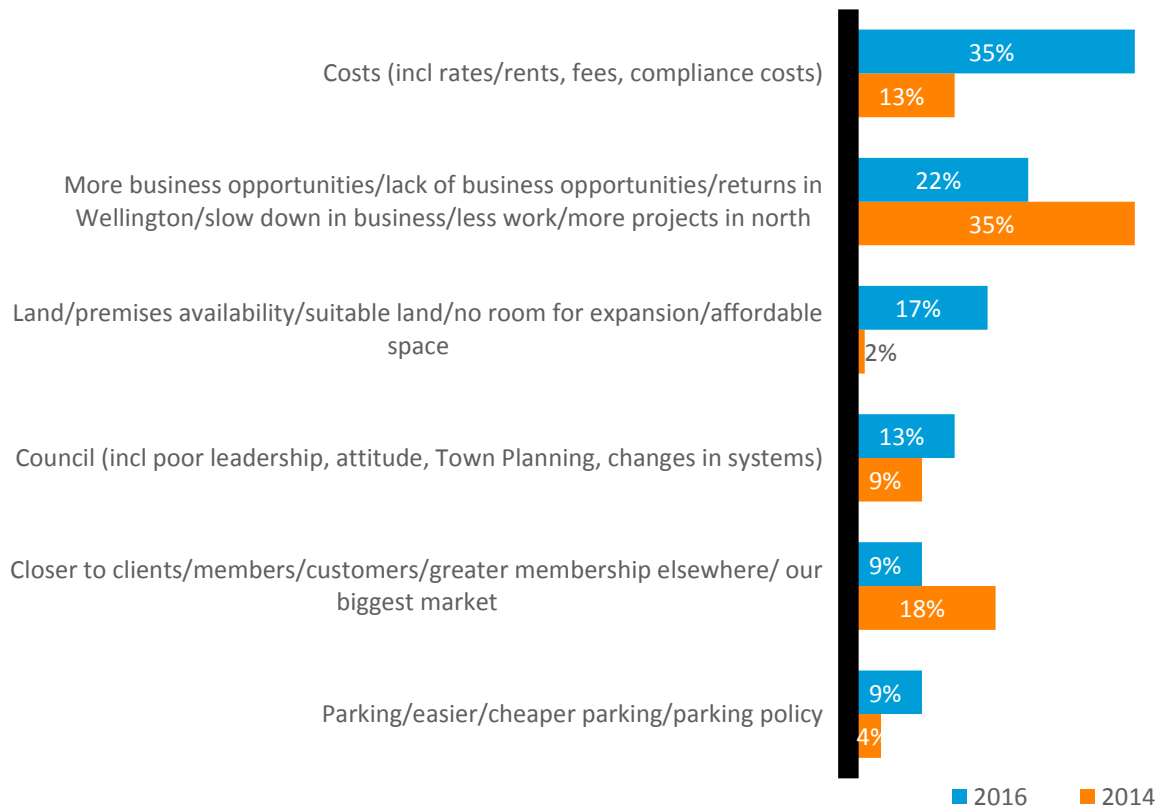
Base: All respondents

Q18: Which of the following best describes whether or not it is likely that you will relocate/close your Wellington operations in the next 12 months?

WEIGHING IT UP: THE NEGATIVE

For those at some risk of relocating or closing their business (n=57), the cost of doing business in Wellington (e.g. rents, fees) is the main reason for relocating/closing. The availability of and suitability of premises has also become a leading reason for businesses to consider re-locating.

Reasons for relocating or closing their business (unprompted comments)



Base: Those with some possibility of relocating or closing in the future 2016 (n=57), 2014 (n=56)

Q19. Please outline the factors that you will be weighing up in your decision - the ones working in favour of you relocating/closing your Wellington business.

Note: The top 5 (equal) mentions are shown

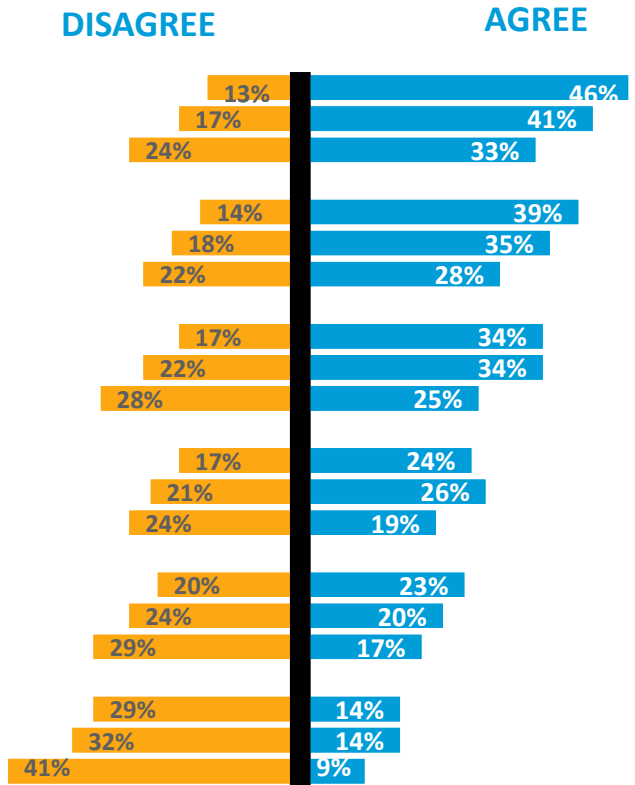
WHAT PERCEPTIONS OF COUNCIL EXIST AND ARE THEY CHANGING?

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Perceptions of certain aspects of dealing with the Council have improved. These include the Council’s ability to effectively promote Wellington as a good place for businesses to be based and the view that the Council is business-friendly. Additionally, across all aspects the negativity expressed by respondents about their interactions with the Council has decreased. As in 2014, the Council is rated best in its promotion of Wellington as a good place for businesses to be located, but respondents think it could assist the business community further in a number of areas.

Ratings of Wellington City Council

Statement	2016 (n)	2014 (n)	2013 (n)
Wellington City Council effectively promotes Wellington as a good place for businesses to locate	490	515	667
Wellington City Council is business friendly	499	513	667
Wellington City Council does what it can to enable Wellington-based businesses to succeed	494	511	666
Wellington City Council provides quality services for businesses	493	514	669
Wellington City Council makes it as easy and efficient as possible for businesses to comply with regulatory requirements pertaining to Council	493	514	666
Wellington City Council provides quality leadership for businesses	492	512	667



Base: All Respondents
 Q26: How strongly do you agree or disagree with each of the following statements
 Note: This chart does not show the neutral option.

WELLINGTON: BENEFITS AND CHALLENGES OF CONDUCTING BUSINESS IN WELLINGTON

The benefits of doing business in Wellington have remained consistent, but the challenges for businesses have changed and the suggestions for how the Council can stimulate economic growth are shifting.

Challenges

In previous years, the main challenges for business in Wellington stemmed from the size of the economy and access to head offices/clients. The Wellington economy is changing, however, and new challenges are emerging. These are challenges faced by other growing cities: **traffic congestion and lack of parking**.

Development designed to improve the quality of life in Wellington (e.g. Festivals, cycle ways, etc.) is also seen by businesses in some sectors as having occurred at the sacrifice of other projects that may have been of more benefit to business (**e.g. development of infrastructure, improving access to the airport**).

Benefits

The benefits to doing business in Wellington have remained consistent. The compactness of the city and the ease of moving around it are seen as great benefits to doing business in Wellington. Many businesses also felt that the quality of life in Wellington and the vibrancy of the city made it not only a good place to have a business, but also a good place to live.

Issue for Council

The issue for Council and the business community is preserving the benefits of the Wellington economy, while also addressing the challenges that these benefits pose to an expanding city. The central city is valued for its compactness and ease of accessibility, however, this compactness has also contributed to parking issues and competition for affordable office space. In addition, a compact central city means that many people are commuting into a single area, which increases traffic congestion.

WELLINGTON: BENEFITS AND CHALLENGES OF CONDUCTING BUSINESS IN WELLINGTON (CONT.)

	Positives	Negatives	Potential Ways to Balance Benefits/Challenges
Compactness	<ul style="list-style-type: none"> • Accessibility • Efficiency / ease of moving around the city 	<ul style="list-style-type: none"> • Traffic congestion • Issues with parking • Availability/cost of office space 	<ul style="list-style-type: none"> • Higher density housing/office space with adequate underground parking • Improve public transport
Community Vibrancy	<ul style="list-style-type: none"> • Improves quality of life in Wellington • Attracts clients/ customers to Wellington 	<ul style="list-style-type: none"> • Focus on development not directly related to business/economic development 	<ul style="list-style-type: none"> • Improve communication around projects that don't have direct economic/business benefits and ensure these progress smoothly

PERCEPTIONS OF THE COUNCIL HAVE CONTINUED TO IMPROVE

There has been a significant drop in the proportion of businesses who have overall negative perceptions of their relationship with the Council, with only 18% of respondents having overall negative perceptions, compared to a quarter of respondents in 2014. Additionally, a significantly larger proportion of respondents have indicated that their opinion of the Council's support for businesses has improved over the last couple of years (15% in 2016 cf. 8% in 2014).

“ I think the council have listened to what business have had to say and tried harder to be business friendly. ”

“ Services related to building seem to have streamlined and early access to advice is better managed within the enquiry department. ”

“ The ability to react to Building Consent exemptions for temporary structures is fantastic and support provided by the Council officers ensures these are addressed efficiently and effectively. ”

“ It feels like business is coming back to Wellington after years of people and businesses leaving. ”

REMAINING AREAS OF FOCUS FOR THE COUNCIL

For 18% of respondents who still have an overall negative perception of the Council, the following areas were identified as targets for improvement:

- Clarifying a strategy/strategic direction for business development and focus on economic development in addition to social development initiatives
- Less bureaucracy/red tape and more clarity on who is the best person to contact for certain issues
- More clarity on rate and fee (licensing fees, in particular) increases and communicate to businesses the reasons behind these rate and fee increases and what services they may expect as a result of these rate increases
- More consultation on issues that affect business (e.g. parking, living wage increases for Council contractors, rate increases).

SPECIFIC ISSUES OF NOTE

Clarify a vision/strategy and focus on economic development initiatives

Some businesses do not feel that the Council is in tune with the current challenges that Wellington businesses face. They feel that some initiatives are anti-business (e.g. focusing on cycle ways at the sacrifice of parking and traffic flow) and that more emphasis should be placed on economic development initiatives.

Less bureaucracy/red tape

Some businesses feel that the Council is becoming increasingly bureaucratic and that it is becoming more difficult to adapt regulations and procedures to the reality of the Wellington business environment. There is also some concern that it is more difficult to find the right person to talk to in Council and that some employees don't know enough to be helpful.

Justify rates increases

Businesses would like more justification for the rates increases. They would like to know which additional services are being provided as a result of these rates increases or why the rates need to be increased even if there is no change in services provided to businesses.

More consultation on issues that affect businesses

Some businesses requested more consultation around specific issues and felt that the Council could do more to understand the effects that certain projects will have on business in Wellington. In particular, more consultation with businesses around the Island Bay cycle way, the living wage increase for Council workers and contractors and property development/zoning issues was requested.

MAJOR CONCLUSIONS

- Expectations for the Wellington economy have continued to rise and a much higher proportion of businesses are now falling into the 'growth' and 'optimist' segments. This indicates that the Wellington economy is in a good position to continue expanding and that businesses are optimistic about their future prospects.
- Perceptions of the Council have improved, with a significantly lower proportion of respondents having more negative than positive perceptions of the Council. There are still some areas needing improvement, particularly around consulting and communicating with businesses around a clear vision for the Wellington economy and the potential benefits to businesses of non-economic development activities. Overall, however, a few issues that were of concern to businesses in 2014 appear to have receded (e.g. issues around earthquake regulations), indicating that issues businesses have had with the Council are being addressed.
- The business environment within Wellington appears to be changing. While in 2014, one of the main challenges for businesses was the size of the Wellington economy and a small customer base. In 2016, this is no longer cited as a major challenge and, in fact, now traffic and parking issues are cited as prominent challenges. These are challenges that tend to be faced by growing cities, further indicating that Wellington is in a phase of expansion.
- Fourteen percent of Wellington businesses are considering relocating or closing in the next year, but the motives for consideration have changed from 2014. In 2014, many businesses felt that there were better business opportunities elsewhere and that it would be easier to move to be closer to their clients/customers outside of Wellington. In 2016, a much lower proportion of businesses cite this as a reason to leave. Instead a higher proportion of businesses now say they are considering leaving due to increasing operation costs and the inability to find suitable premises for their businesses. These businesses are primarily planning to re-locate within the Wellington Region, rather than to leave the area, indicating that the expansion of the Wellington City economy will potentially have positive knock-on effects for the Wellington Region.



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