

# Guyana Business Outlook Survey 2003

## Part 3: How They Will Do It

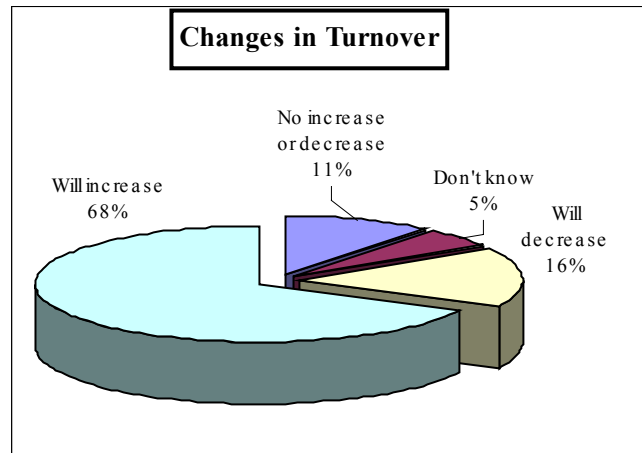
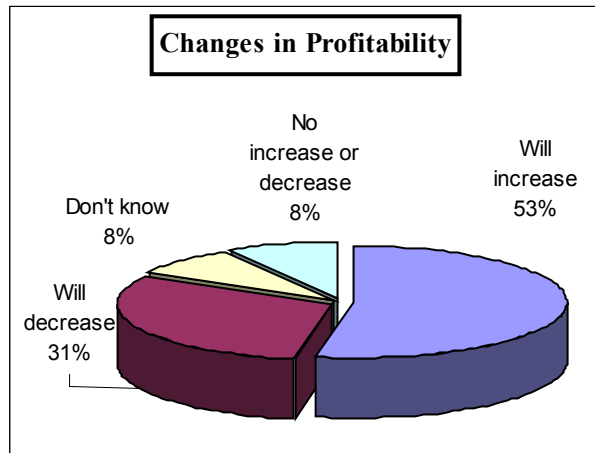
In this part, respondents reveal the strategies and goals they have set for their businesses in 2003, including projections for profits, revenues, work force expansion, financing, company growth and international activity.

### Revenues and Profits

*Respondents were asked to indicate whether and by how much they expect turnover and profits to change in 2003*

Twenty-six companies (68%) expect their companies' profitability to change in 2003 including 19 respondents which expect increases and 11 which expect decreases.

*Despite disappointment with their results, respondents continue to express optimism about their growth potential*



Fifteen companies (78.9%) expecting increases in profits forsee increases between 5-20% while two companies (10.5%) each expect increases of more than 20% and less than 5% respectively. Of the 11 respondents expecting decreases in profits, 9 (81.8%) anticipate decreases between 5-20%, while one each anticipates decreases of less than 1% and more than 20%. Three companies expect neither increases nor decreases in profits while three had no expectations.

Similarly 25 respondents (67.6% of the Survey group) expect increases in turnover as follows: 5-20% - 18 or 72%; more than 20% - 3 or 12%; and less than 5% - 4 or 16%. Six companies expect decreases, 5 between 5-20% and one more than 20% respectively. Four respondents (10%) expect neither a decrease or increase in their turnover.

***Ram & McRae's Comments***

**Despite their continuing disappointment with their results, the majority of respondents continue to express optimism about their growth potential. Over the past three years respondents' expectation of the performance of their business has been as follows:**

	<u>2001</u>	<u>2002</u>	<u>2003</u>
	%	%	%
<b>Turnover to increase</b>	<b>76</b>	<b>57</b>	<b>68</b>
<b>Profitability to increase</b>	<b>82</b>	<b>83</b>	<b>50</b>
<b>Turnover to decrease</b>	<b>12</b>	<b>27</b>	<b>16</b>
<b>Profit to decrease</b>	<b>18</b>	<b>17</b>	<b>29</b>
<b>No increase or decrease in turnover</b>	<b>6</b>	<b>8</b>	<b>11</b>
<b>Don't know (turnover)</b>	<b>6</b>	<b>8</b>	<b>5</b>

**In comparison with the 2001 Survey more respondents (68% compared with 57%) expect turnover to increase but the percentage that expect profitability to increase has dropped from 83% to 50%. Overall 29% expect profit to decrease, a larger percentage than in either of the two preceding years. A smaller percentage however (16% compared with 27%) expect turnover to decrease.**

***Respondents were asked to identify the likely sources of the expected increase in turnover***

On a weighted basis, companies which expect turnover to increase attribute this mainly to competitive pricing (171 points), entering new markets (163 points), product/ service improvements (161 points) and productivity (159 points). Other main reasons included bringing new products/ services to markets and acquiring competitor's market share.

Increased spending on public relations and government policy were the two issues which are least likely to affect turnover.

***Ram and McRae's Comments***

**Companies clearly intend to follow several approaches to increase turnover but they expect their principal strategy - competitive pricing - to impact adversely on both profit and profitability.**

***Respondents were asked to identify from eight choices, areas which they would most likely cut back on in the event of limited financial resources***

On a weighted basis, the items which companies will most likely cutback on are:

- Capital Investment Programme (CIP)- 220 points
- Employment levels - 188 points
- Advertising & PR - 186 points
- Employment cost - 166 points

Respondents consider working capital and training as areas they are least likely to cut back on. The main reasons stated for companies cutting back on resources were the local crime situation, political uncertainties and performance of the economy. The availability of finance was cited as the least likely reason for cutting back despite the tightening of bank credit.

***Ram & McRae's Comments***

**Once again, the CIP (41%) was the most popular choice for the axe. Other options which respondents were likely to choose in 2001 were advertising and PR, R&D programmes, employment cost and employment levels.**

***Respondents were asked what initiatives their company might consider in an effort to cushion the effects of the recent economic difficulties.***

Respondents are more likely to consider cost reduction exercises (276 points), entering new markets (238 points), providing more training to staff (205 points) and new product development (200 points) as initiatives they would pursue. Those initiatives which they are least likely to pursue include liquidation, relocation, acquisition/merger or disposal/downsizing.

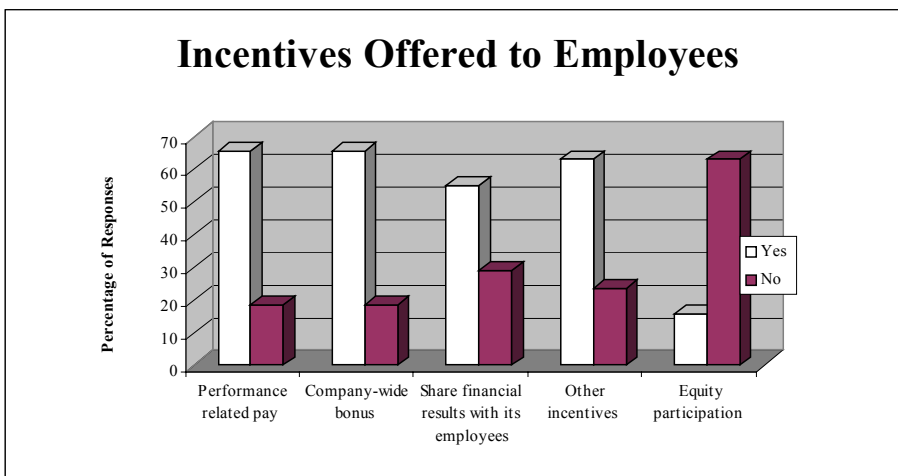
**Human Resources**

***Companies were asked about the areas in which they allowed participation by employees and of the various types of incentives offered to employees***

Five questions were specifically geared to ascertain the importance of employees in companies. The results showed the following:

- Percentage offering performance related pay - 65%
- Percentage offering company-wide bonus - 65%
- Percentage sharing financial results with employees - 55%
- Percentage offering equity participation for employees - 16%
- Percentage offering incentives other than those above - 63%

Other incentives being offered by respondents include provision of transportation, housing and uniforms, production incentives, study grants, bursary awards and non-contributory medical and pension schemes



### *Ram & McRae's Comments*

Companies now regard performance related pay and company-wide bonuses as equally important strategies despite the differences between the two. Significantly but understandably, in the prevailing business climate there is a substantial decline in the proportion of respondents offering performance related pay as well as company-wide bonuses.

### Strategies for the Future

*Respondents were asked about their plans for 2003.*

Despite their pessimism about a number of issues and their below expectation performances in 2002, 17 companies (44% ) are planning to increase the scale of their operations in 2003, with only 5 (13%) planning to scale down and 16 (42%) planning no changes in the size of their operations. In 2001 some 39% of the respondents planned to increase operations while 51% planned no changes and 9% planned on scaling down.

*Seventeen companies (44%) of the Survey's respondents are planning to increase the scale of their operations in 2003*

### *Ram & McRae's Comments*

The Guyanese businessperson continues to exude confidence although the percentage of respondents has fallen. They do appear however to have contingency plans in the event that their expectations do not materialise.

*Those respondents who are planning to expand their operations in 2003 were asked to rank on a scale of one to ten, the growth strategies they are likely to pursue in the next twelve months.*

*strategy proposed for 2003 is the improvement of existing products*

Measured on a weighted basis, popular growth strategies for 2003 include improvement of existing products (176 points), new product/service development (161 points), upgrading of technology (151 points) and investment in PR/ advertising programmes (150 points). Least popular

growth strategies include expansion into new international markets and investment in new capacities.

### *Ram & McRae's Comments*

Even as companies identify cost reduction exercises generally including cutting back on capital expenditure and on advertising and promotion programmes, they identify entry into new markets and new product development as growth strategies they intend to pursue. Among respondents, investment in new capital assets and acquisition of new businesses are not favoured options. Those that plan to expand through capital projects or acquisition have indicated that they are likely to do so from internally generated sources and bank financing.

### Raising Capital

*Respondents were asked to indicate whether they propose to raise capital in 2003 and identify how those funds would be applied.*

Fifteen companies (39.5%) do not plan to raise capital in 2003. The twenty-three companies which are planning to raise capital cite multiple reasons for doing so. These include financing capital expenditure/ expansion programmes (23.7%), funding new products/ services (21%), expanding geographic markets (18.4%), funding current operations such as working capital (15.8%), refinancing debt (15.8%), retooling (13.2%) and funding acquisitions, joint ventures or strategic alliances (13.2%).

**Ram and McRae's Comments**

*Capital will be raised mainly for financing capital expansion programmes*

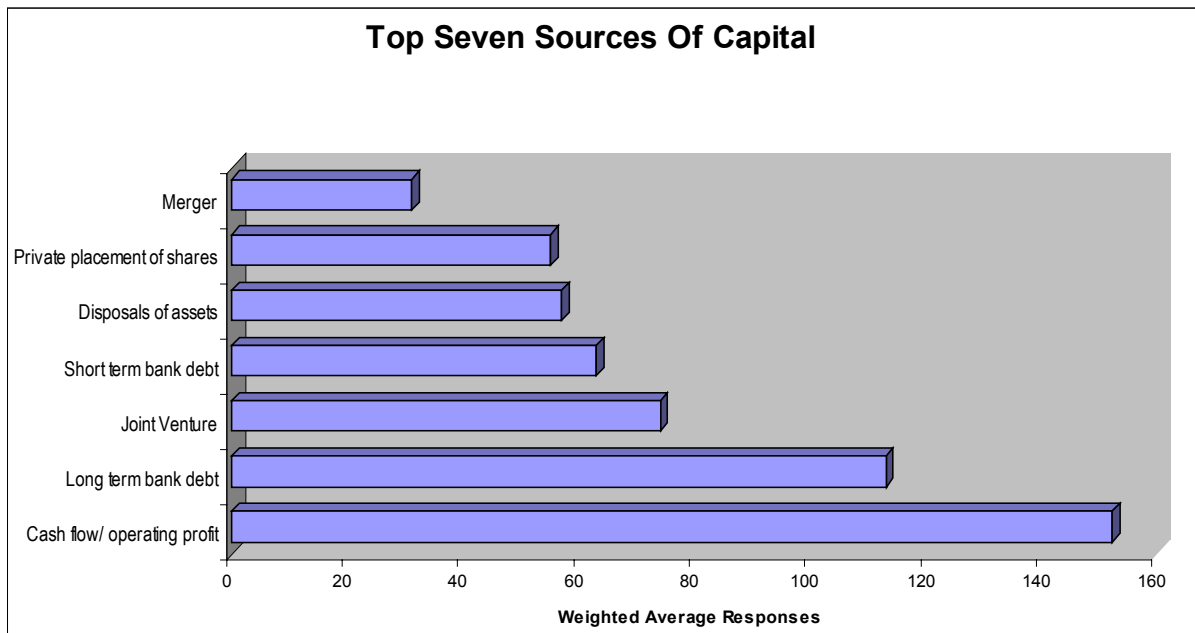
**While capital expenditure/ expansion programmes are not highly favoured as growth strategies, companies identify them as the leading reasons for raising capital.**

*Companies were asked to rank on a scale of one to ten the principal sources of capital they are likely to use in the event that they plan to raise capital in the next twelve months*

The sources of capital that respondents, on a weighted basis, are most likely to use are:

- ✓ Cash flow/ operating profit -152 points
- ✓ Long-term bank debt - 113 points
- ✓ Joint venture - 74 points
- ✓ Short-term bank debt - 63 points
- ✓ Disposal of assets - 57 points

Respondents are also considering the private placement of shares (55), mergers (31) and input of personal resources (30) as the potential sources of capital in 2003



### *Ram & McRae's Comments*

Despite anticipating reduced profits, respondents still see internally generated funds as a major source to finance their plans. Bank debts continue to be considered a major potential source of capital despite the increasingly tight lending policies of the commercial banks. It means that much of the expansion planned by respondents is contingent on realising internally generated funds.

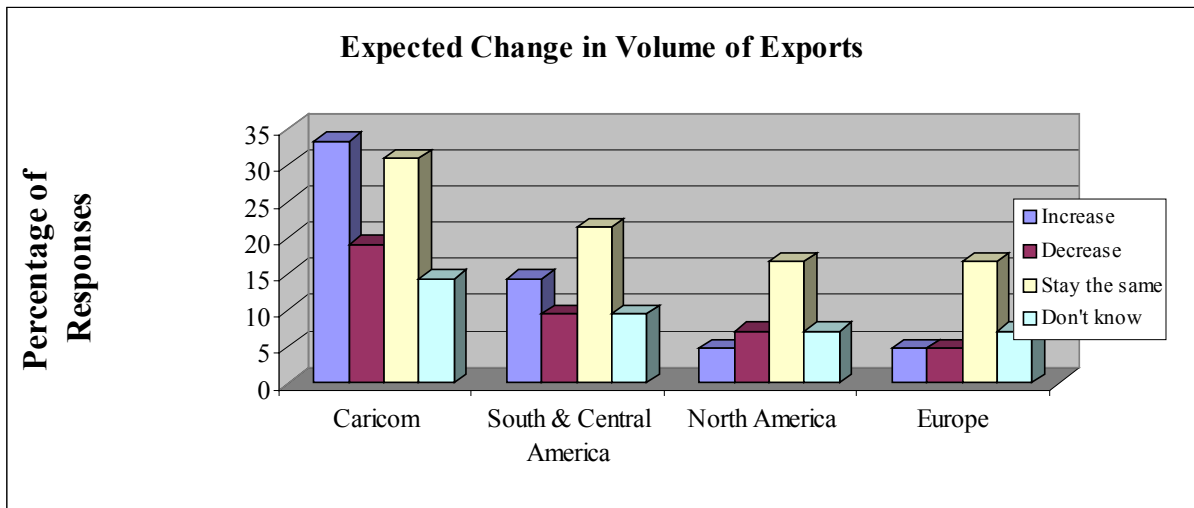
### Exports

*Companies were asked whether or not they exported and how much they export to various markets*

34% of the Survey group are engaged in exporting their products. These companies do so to the following countries:

- ✓ **Caricom:** Twelve companies (32%) export to Caricom. Of these 9 companies export less than 25% of their products.
- ✓ **North America:** Six companies export to North America of which 3 exports below 25% of their output and one over 50%.
- ✓ **South & Central America:** Only two companies export to South and Central America both of which export less than 10%.
- ✓ **Europe:** Six companies export to Europe of which two exports more than 50% of their output while three are below 25%.
- ✓ **Other:** Two companies reported export to other countries, in both cases below 10%.

**Many respondents export to more than one market and therefore the percentages will not add up.**



***Companies were asked about prospects for trade growth over the next twelve months.***

- Caricom:** Of 18 companies exporting to Caricom, 8 (44%) anticipate increases in the level of their exports while 7 expect their exports to this market to stay the same. Two foresee declines while one respondent could not say.
- North America:** Most exporters are expecting business to remain the same (7) while four expect decreases. Only one respondent anticipates an increased level of export to North America.
- South & Central America:** Four respondents expect increases while three expect the same level of exports. Two each expect decreases or do not know.
- Europe:** Six companies believe that their exports to Europe will remain the same while five expect increases, four expect decreases and two are unable to predict.
- Other:** Only three respondents export to other markets and one each expect their markets to increase, decrease and stay the same respectively.

***Respondents were asked about their exposure to foreign competition and whether they expect this to decrease or increase in 2003***

Twelve companies (32%) indicated that they are not exposed to any foreign competition while eight (21%) are exposed to just a little. Seven (18%) are exposed to a fair amount while ten (26%) are exposed to a great deal of foreign competition. 17 respondents (45%) expect this competition to remain the same, 10 (26%) expect it to increase, 2 (5%) expect it to decrease and 9 (24%) either did not respond or did not know what to expect.