



# Napier City Council

## Council

Business Confidence Survey

| SIL Research

June 2023

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## EXECUTIVE SUMMARY

The main objective of this research was to gain a better understanding of the impacts of Cyclone Gabrielle on the Napier business community. This understanding was important to facilitate necessary and appropriate actions for ongoing recovery from the damage caused by the cyclone.

A survey of randomly selected Napier businesses was undertaken between 24 April and 24 May 2023 via CATI (Computer Assisted Telephone Interviewing) data collection and email invitations. A total of n=402 business responses were used in the analysis.

The sample was stratified, and data collected within all four Napier wards to ensure representation across NCC's territorial area. In addition, the responses were monitored by business industry type and size.

The main findings were as follows:

- 73% of businesses reported a negative impact on their operations from Cyclone Gabrielle, with 4% indicating a "threat to survival" and 17% stating a "very negative impact". This perceived negative impact was significantly greater compared to the Covid-19 national emergency in 2020. However, approximately 14% of businesses reported a positive impact following the cyclone.
- Negative impacts of the cyclone were primarily linked to the loss of work opportunities and (mostly temporary) business closures (41%), as well as a general slowdown in business activity with fewer customers and reduced operations (38%).
- 30% of businesses anticipated trading at a lower level in the next six months following the impact of Cyclone Gabrielle. Among these businesses, 5% reported a significant decline, putting them at risk of potentially going out of business. In contrast, 43% of businesses expected returning to pre-cyclone trading levels within six months, and 25% anticipated trading at even higher levels. The severity of the impact experienced served as the main predictor of future trading expectations.
- Profitability and revenue were identified as key areas for expected changes in 2023, with 37% of businesses anticipating a decline and 26% anticipating an increase. Although businesses significantly affected by the cyclone were more inclined to expect lower revenue, other factors played a significant role in shaping business expectations: such as inflation and the cost of living, as well as customer loss and reduced spending, which were among the top concerns.
- The Net Promoter Score (NPS) for Napier as a place to do business was -2%, indicating concerns about local trading conditions and a low likelihood of recommending the area. Positive perceptions of the area and consideration of Napier as a good place to live or do business were key factors influencing recommendation likelihood.

However, Detractors raised concerns about a number of challenges, especially slow business conditions.

- Businesses were generally positive about the Council's contribution to the local business community: 36% agreed that the Council provides good support; an additional 32% rated the Council's performance as fair. Businesses that rated the Council's performance as good were more likely to be active Promoters, resulting in a higher Net Promoter Score (+22%).
- A high rate of business retention was identified in Napier, with 83% of businesses foreseeing continued operation in the city for the next five years. This retention level surpassed local residents' intention to stay in Napier (surveyed in 2022).
- Key predictors of businesses continuing to operate in Napier included: willingness to recommend Napier as a place to do

business, the level of cyclone impact, perceived loss of customers, and business cutbacks.

- To improve business sentiment and recommendation of Napier, further efforts could help foster a more positive business environment, revitalise the economy, enhance the positive image of Napier to attract visitors, and ensure its continued growth. Providing support and resources tailored to the needs of (especially younger) businesses, including access to funding and business development assistance, incentivising business growth, smoothing consent processes, and promoting networking and collaboration opportunities, were also considered important.
- Other suggested improvements included greater transparency from the Council, better communication, and improved decision-making processes to enhance engagement with the business community, as well as continuous infrastructure upgrades for future city-wide resilience.



# METHODOLOGY

## RESEARCH GOAL

In February 2023, a severe tropical cyclone named Cyclone Gabrielle caused extensive flooding and wind damage in Hawke's Bay. As a result of stopbank erosion, substantial areas on the low-lying Heretaunga Plains surrounding the river, including parts of Taradale, Meeanee, and Awatoto, were submerged. This also led to disruptions in traffic between Napier and Hastings due to damaged bridges and the flooded Expressway.

Power was cut off for multiple days to approximately 32,000 properties in and around Napier when the main Redclyffe substation was damaged by flooding after the Tutaekuri River burst its banks.

The main objective of this research was to gain a better understanding of the impacts of Cyclone Gabrielle on the Napier business community. This understanding was important to facilitate necessary and appropriate actions for ongoing recovery from the damage caused by the cyclone.

The research was conducted approximately 2-3 months after the main cyclone event, following the lifting of the national civil defence emergency and full restoration of power. However, significant traffic congestion persisted between Napier and Hastings during the fieldwork due to the widespread destruction of local roads and bridges caused by Cyclone Gabrielle.

## QUESTIONNAIRE AND PROJECT SPECIFICS

SIL Research, together with the Napier City Council (NCC), developed a Business Confidence Survey. The questionnaire was reviewed and tested prior to full-scale data collection to ensure the survey was fit for purpose.

The survey focused on:

- Overall opinion of the Napier area as a place to do business, and its strengths and weaknesses;
- Cyclone impacts;
- Impacts on business revenue, staff, and capital investment;
- Future business outlook and confidence;
- Potential assistance required from the Council.

## DATA COLLECTION

A survey of randomly selected Napier businesses was undertaken between 24 April and 24 May 2023 via CATI (Computer Assisted Telephone Interviewing) data collection and email invitations (for businesses that preferred an online survey form).

The sample was stratified, and data collected within all four Napier wards to ensure representation across NCC's territorial area. In addition, the responses were monitored by business industry type (based on ANZSIC classification) and size. Business size was based on full-time equivalent employees (FTE) information.

## DATA ANALYSIS

Overall, n=402 responses were used in the analysis.

Data was analysed using a variety of statistical tests. Additional statistical variance control tests between wards, industry and business size were also used. Where any significant differences were identified, they have been mentioned in the findings.

Based on a sample size of n=402 for the 6,681 commercial entities within the Napier city (2022 Statistics NZ), overall results are reported with a margin of error of +/- 4.8% (at a 95% confidence level).

Where results are reported by sub-groups of businesses, estimates of results may not be statistically reliable due to the higher margins of error (small sample sizes).

## NOTES ON REPORTING

Due to rounding, figures with percentages may not add to 100%. Reported percentages were calculated on actual results, not rounded values.

Where relevant, the current 2023 findings are compared to the 2020-2021 Post-Covid-19 business research conducted in Napier, and 2022 NCC Social Monitor.

Open-ended (free-text) responses were also collected and analysed. SIL Research used a content analysis approach to determine certain themes, concepts or issues within this feedback. Results for reported themes may not add-up to 100% as several themes could be mentioned by a given business respondent.

## WHO TOOK PART IN THE SURVEY

*Table 1 Responses by ward*

	Frequency	%	Stats NZ %
Ahuriri	98	24.4	24.0
Onekawa-Tamatea	78	19.4	19.3
Nelson Park	104	25.9	26.5
Taradale	122	30.3	30.1
<b>Total</b>	<b>402</b>	<b>100</b>	<b>100</b>

*Table 2 Responses by business size (FTE)*

	Frequency	%	Stats NZ %*
Small (0-19 FTE)	343	85.3	90.2
Medium to Large (20+ FTE)	59	14.7	9.8
<b>Total</b>	<b>402</b>	<b>100</b>	<b>100</b>

*\*Note: Stats NZ business population proportions only available for the Hawke's Bay region.*

*Table 3 Responses by number of years business has been operating (business age)*

	Frequency	%
Less than a year	7	1.7
More than a year but less than 5 years	50	12.4
More than 5 years but less than 10 years	58	14.4
10 years +	287	71.4
<b>Total</b>	<b>402</b>	<b>100.0</b>

Table 4 Responses by industry (ANZSIC aggregated)

	Frequency	%	Stats NZ %
Primary Industries & Manufacturing	53	13.2	12.3
Administrative, Support, Wholesale	34	8.5	10.0
Construction	49	12.2	10.4
Retail	53	13.2	9.8
Hospitality	30	7.5	7.5
Transport, Warehousing, Recreation	27	6.7	6.7
Professional, Financial, Technical	48	11.9	13.3
Real Estate & Rental	30	7.5	11.3
Education	29	7.2	6.2
Healthcare	22	5.5	8.1
Other	27	6.7	4.8
<b>Total</b>	<b>402</b>	<b>100</b>	<b>100</b>



Statistics NZ provides business information by industry, utilising business entity numbers and total employee counts to determine population proportions.

This approach yields different proportions for each category. SIL Research employed a combination of both measures to ensure a representative mix of businesses in the sample.

Furthermore, the ANZSIC categories were aggregated into high-level groups to achieve a more balanced frequency distribution, a crucial factor for conducting statistical variance control tests.

Table 5 Responses by Māori business affiliation\*

	Frequency	%
Yes	7	1.7
No	377	93.8
Unsure	18	4.5
<b>Total</b>	<b>402</b>	<b>100</b>

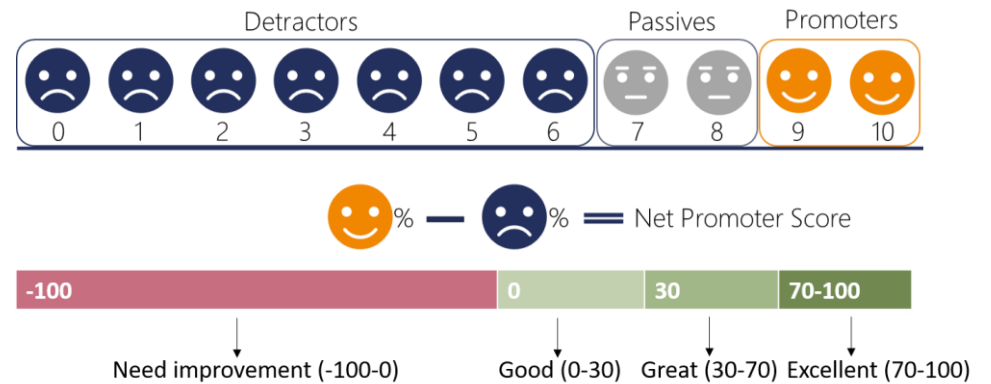
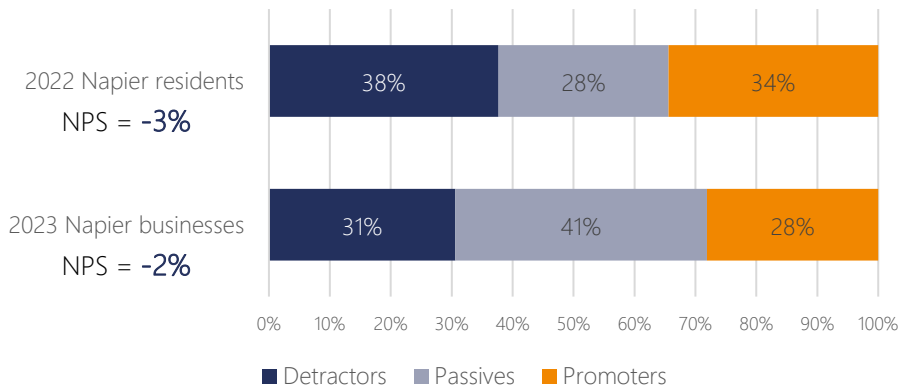
\*Note: Māori Business Identifier on the NZBN Register has only recently been introduced (2023).





# NAPIER AS A PLACE TO DO BUSINESS

- The Net Promoter Score (NPS) for Napier as a place to do business was -2%, indicating a low likelihood of recommending the area. This score was similar to the NPS for residents' willingness to recommend Napier as a place to live in 2022 (-3%). However, businesses tended to fall into the "Passive" category more frequently, with fewer "Promoters" and "Detractors".
- Notable differences in NPS were observed based on industry and business size. Medium to large businesses (with 20+ FTEs) had a positive NPS (+24%) and generally spoke favourably about Napier.
- On the other hand, small businesses, particularly those with 6-9 FTEs (-28%), tended to provide lower NPS scores.
- The industries with the lowest average NPS were, on average, Transport & Warehousing and Art & Recreation (-59%). Hospitality (Accommodation & Food), Retail and Other services (e.g. hairdressing, beauty services, automotive, etc.) also had significantly lower NPS scores.



NPS 2023	Ward				Industry											Size	
	Ahuriri	Onekawa-Tamatea	Nelson Park	Taradale	Primary industries & Manufacturing	Administrative Support, Wholesale	Construction	Retail	Hospitality	Transport, Warehousing, Recreation	Professional, Financial, Technical	Real Estate & Rental	Education	Healthcare	Other	Small	Medium to Large
	-9%	18%	-5%	-8%	-4%	18%	16%	-13%	-27%	-59%	10%	13%	10%	5%	-15%	-7%	24%

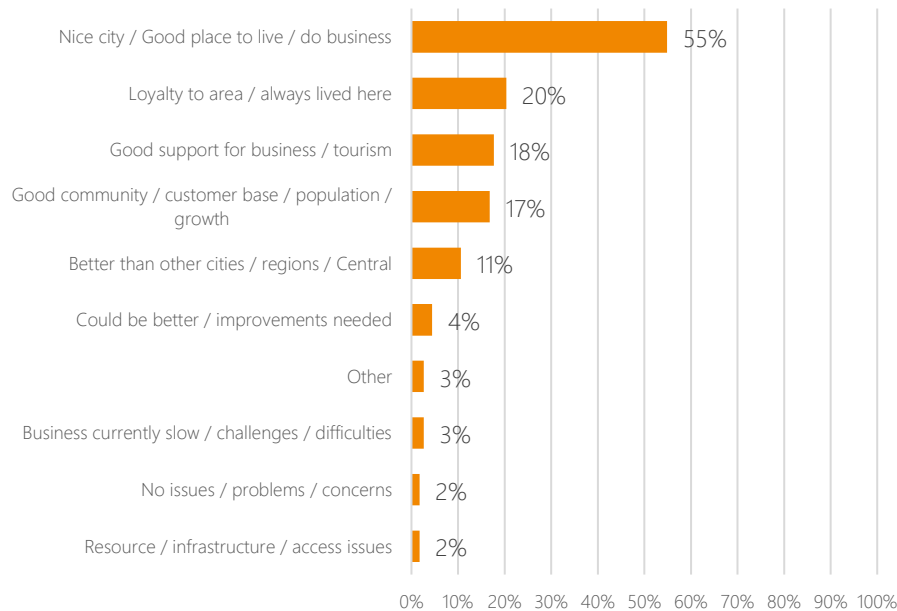
All respondents were asked: "On a scale of 0-10 where 0=not at all likely and 10=extremely likely, how likely is it that you would recommend Napier as a place to do business to a friend or colleague?"



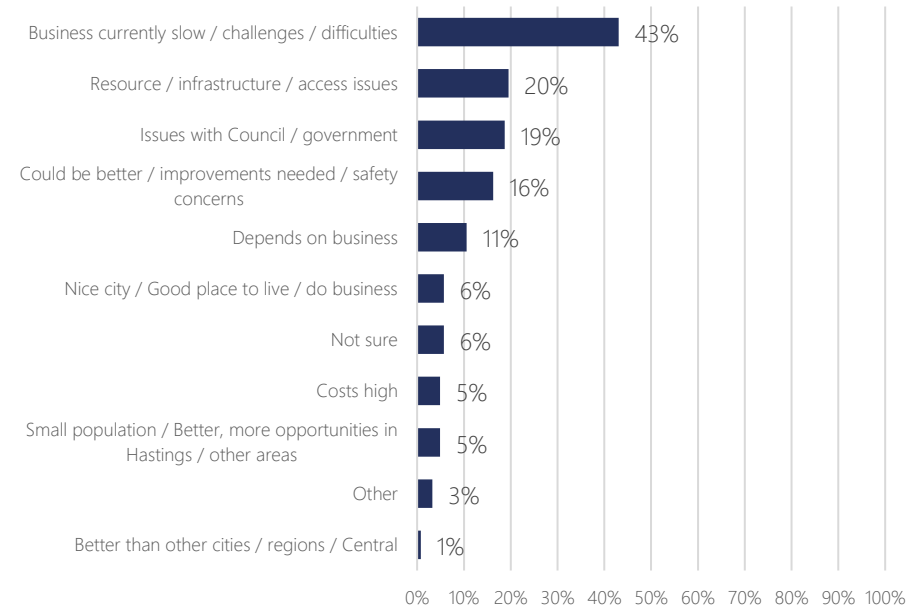
# REASONS FOR NPS RATINGS

- The key factors that influenced the likelihood of businesses recommending Napier were generally positive perceptions of the area and considering Napier a "good place to live/do business".
- Businesses from Construction and Professional, Financial, Technical industries were more inclined to view Napier positively and demonstrate loyalty to the area.
- Detractors, on the other hand, raised concerns about a number of challenges, especially slow business conditions. The comments cited a perceived decline in foot traffic, lower demand, and not being busy enough.
- The recent Cyclone Gabrielle was mentioned specifically by about 15% of Detractors, making it a difficult time to start or maintain a business in Napier. Limited growth opportunities, and a generally challenging economic climate were also mentioned.
- Retail and Transport, Warehousing, and Recreation industries were more likely to express worries about slow business, with the latter also mentioning issues related to resources, infrastructure, and access.

Reasons for higher NPS scores (9 to 10) - Promoters 28%



Reasons for lower NPS scores (0 to 6) - Detractors 31%

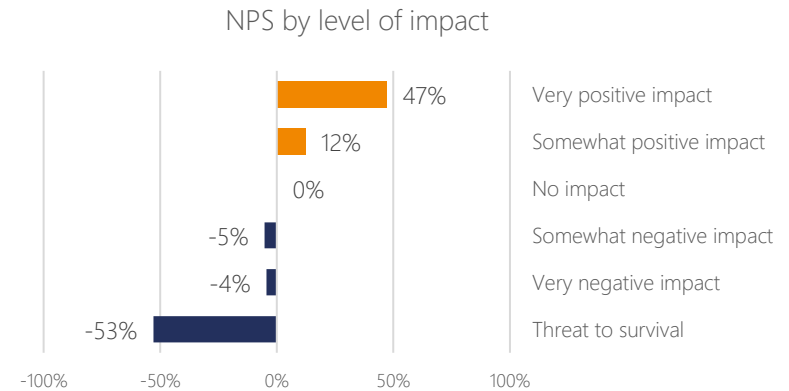
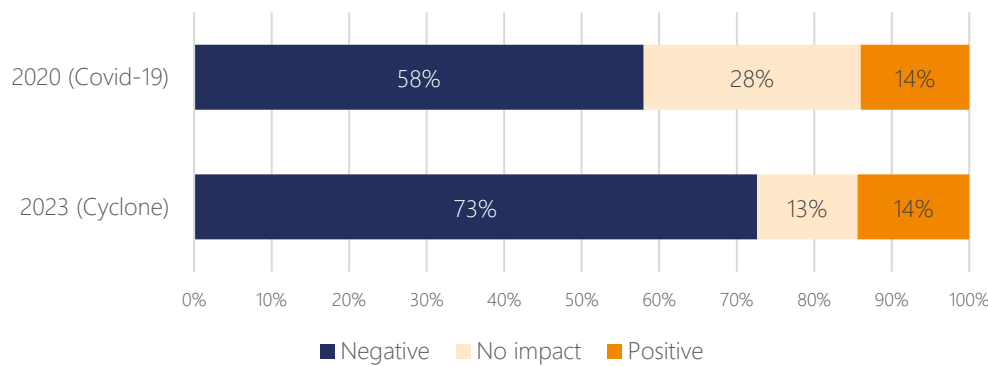


Categorised (unprompted) open-ended comments. Totals may exceed 100% owing to multiple responses for each respondent.



# CYCLONE IMPACT

- 73% of businesses reported a negative impact of Cyclone Gabrielle on their operations, with 4% indicating a "threat to survival" and 17% stating a "very negative impact". The perceived negative impact of the cyclone in 2023 was significantly greater compared to the national emergency caused by Covid-19 in 2020.
- Despite this, many businesses displayed a high level of resilience towards cyclone impacts. Only businesses that experienced the most negative impact ("threat to survival") or the most positive impact were significantly less likely or more likely, respectively, to recommend Napier as a favourable place for doing business.
- About 14% of businesses reported a positive impact, which was similar to the post-Covid-19 lockdown period in 2020; while 13% reported no impact, which was lower than in 2020.
- Regardless of their location, industry, or size, businesses were more inclined to report a negative impact rather than no or positive impact. However, the Construction industry stood out, with 39% of these businesses reporting a positive impact due to an increase in their workload in the post-cyclone environment.



	Ward				Industry											Size	
	Ahuriri	Onekawa-Tamatea	Nelson Park	Taradale	Primary industries & Manufacturin	Administrative Support, Wholesale	Construction	Retail	Hospitality	Transport, Warehousing, Recreation	Professional, Financial, Technical	Real Estate & Rental	Education	Healthcare	Other	Small	Medium to Large
<b>Negative</b>	79%	68%	70%	73%	79%	65%	49%	74%	87%	81%	73%	67%	93%	68%	74%	72%	78%
<b>No impact</b>	8%	15%	17%	11%	11%	18%	12%	15%	10%	11%	19%	10%	3%	18%	11%	14%	7%
<b>Positive</b>	13%	17%	13%	16%	9%	18%	39%	11%	3%	7%	8%	23%	3%	14%	15%	14%	15%

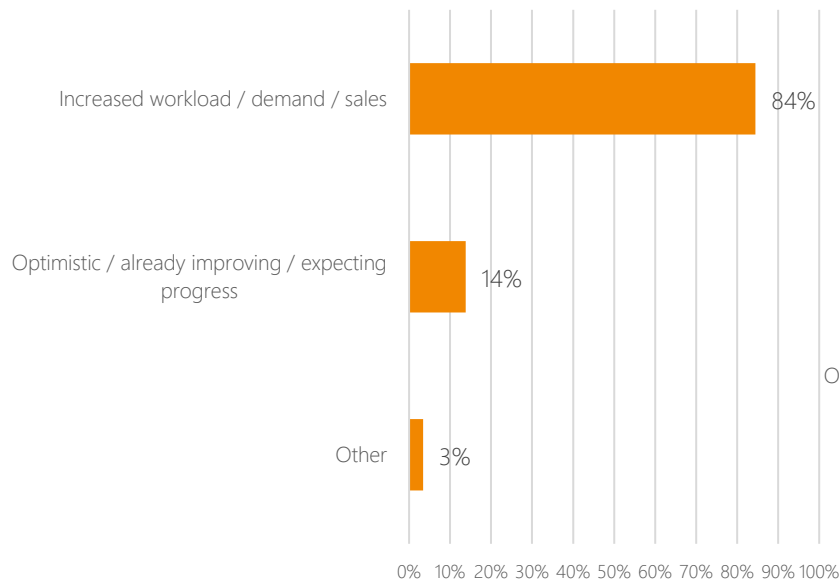
All respondents were asked: "Overall, what impact, if any, has Cyclone Gabrielle had on your business?".



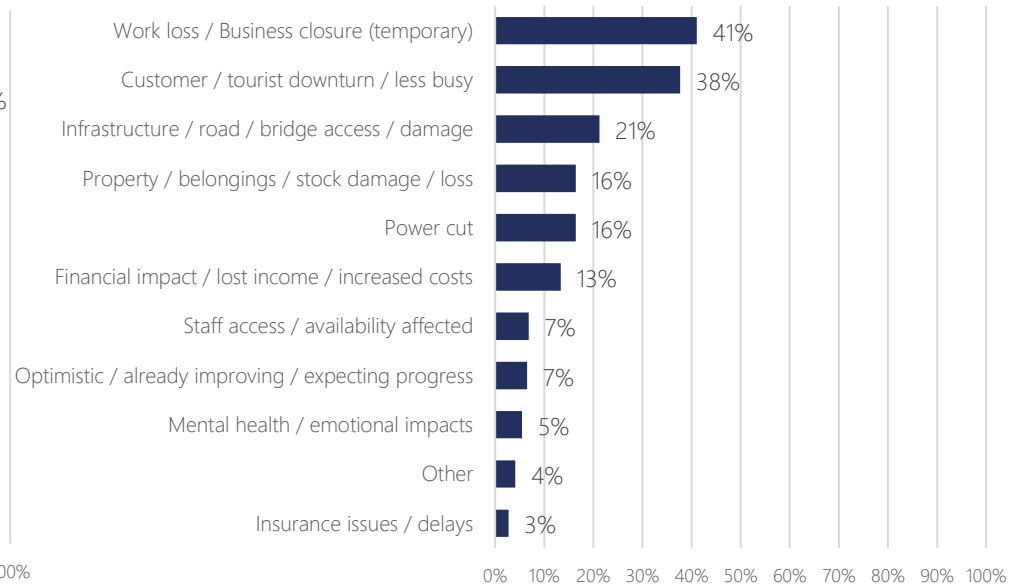
# CYCLONE IMPACT – type of impact

- Positive impacts were primarily associated with increased workload or demand (84%). As noted, businesses in the Construction industry (and other involved in post-cyclone activities) were more likely to cite increased workload.
- On the other hand, negative impacts were mainly linked to the loss of work opportunities, business closures (41%), and a general slowdown in business activity, with fewer customers and reduced operations (38%).
- Primary industries and Manufacturing were more likely to report work loss and property damage (e.g. stock, belongings, crop).
- Transport, Warehousing, and Recreation businesses were more likely to report customer loss and infrastructure/road access issues.
- Work loss and closure was a prominent issue across multiple industries, particularly Administrative, Support, Wholesale, Construction, Real estate and Rental, and Education. Retail, Hospitality, and Professional services were notably affected by a downturn in customers or tourism. Additionally, more healthcare services reported experiencing financial impacts.
- In comparison, the main cited negative impacts after the Covid-19 lockdown were fewer customers, sales and/or demand, and low revenue.

Types of positive impact - 14% businesses



Types of negative impact - 73% businesses



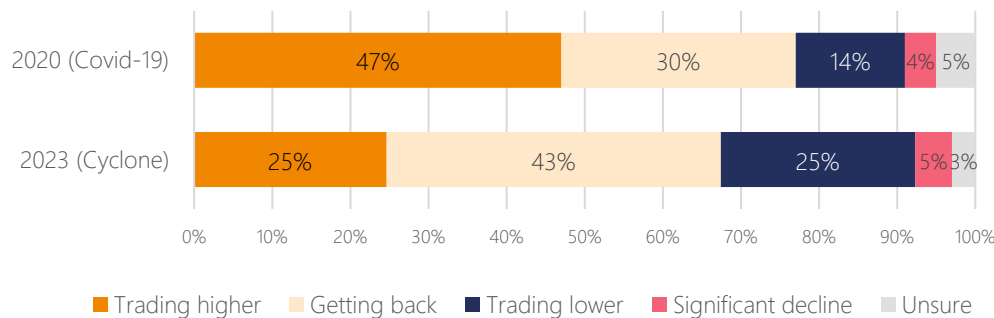
Categorised (unprompted) open-ended comments. Totals may exceed 100% owing to multiple responses for each respondent.



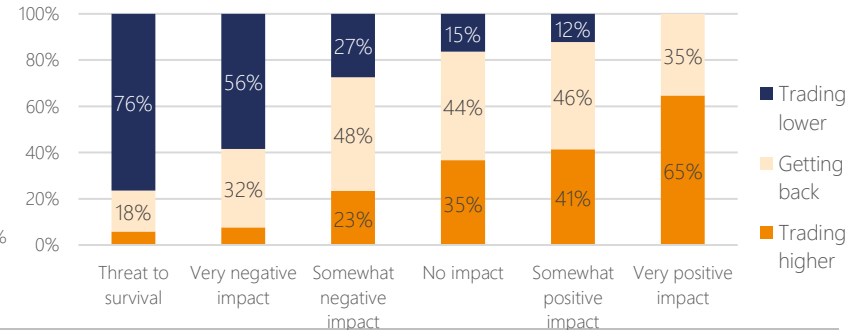
# CYCLONE IMPACT – future outlook

- 30% of businesses anticipated trading at a lower level in the next six months following the impact of Cyclone Gabrielle. Among these businesses, 5% reported a significant decline, putting them at risk of potentially going out of business. Three businesses mentioned closing down permanently.
- Primary industries, Hospitality, Transport, Warehousing and Recreation were the areas most likely to expect a decrease in business operations.
- Approximately two-thirds of these businesses anticipated returning to pre-cyclone trading levels within two years (32% within a year and another 36% within 1-2 years).
- Another 15% expected a longer recovery period of 2+ years, while 9% remained uncertain about their future outlook.
- In contrast, 43% of businesses expected to reach pre-cyclone trading levels within six months, and 25% anticipated trading at even higher levels. The severity of the experienced impact strongly predicted future expectations.
- It is worth noting that the perceived six-month outlook differed significantly in 2023 compared to the 2020 post-lockdown period, when almost half (47%) of businesses expected to trade at even higher levels.

Perceived business situation in 6 months



Future outlook (6 months) based on level of impact



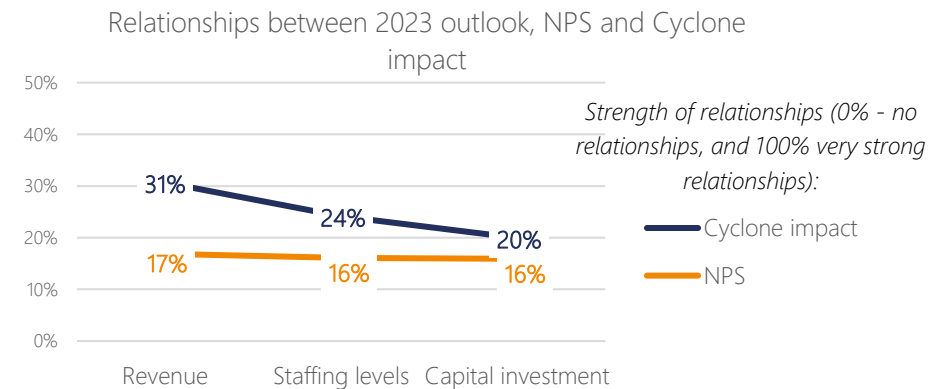
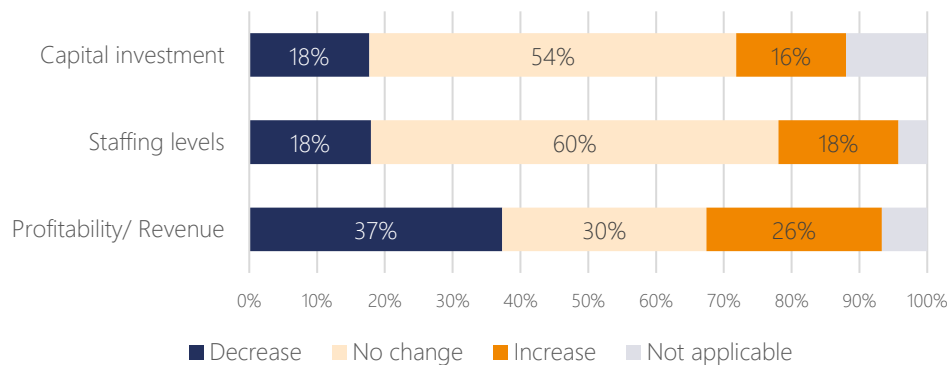
Future outlook:	Ward				Industry											Size	
	Ahuriri	Onekawa-Tamatea	Nelson Park	Taradale	Primary industries & Manufacturing	Administrative Support, Wholesale	Construction	Retail	Hospitality	Transport, Warehousing, Recreation	Professional, Financial, Technical	Real Estate & Rental	Education	Healthcare	Other	Small	Medium to Large
Higher	17%	33%	19%	30%	13%	44%	41%	21%	10%	19%	23%	33%	28%	23%	15%	25%	24%
Getting back	48%	36%	48%	39%	45%	32%	37%	42%	37%	30%	48%	33%	55%	64%	56%	41%	51%
Lower	34%	27%	25%	32%	42%	24%	22%	30%	43%	52%	25%	33%	14%	14%	22%	30%	25%

All respondents were asked: "Which one of these best describes your business situation in the next 6 months?"



# 2023 BUSINESS EXPECTATIONS

- Many businesses expected stability across business performance in 2023. However, 43% of businesses anticipated a decline in at least one of three performance areas.
- Profitability and revenue were identified as key areas for potential changes in 2023, with 37% of businesses reporting a perceived decline and 26% anticipating an increase in this regard.
- In contrast, 60% of businesses expected no change in their staffing levels, and 54% expected no change in capital investments.
- Transport, Warehousing, Recreation, Hospitality, and Primary industries were more likely to anticipate a decrease in revenue for 2023.
- There were significant but weak relationships observed between business performance (revenue, staffing levels, capital investment), NPS ratings and cyclone impact. This implies that other factors also played a significant role in shaping business expectations. However, businesses heavily affected by the cyclone were more inclined to expect lower revenue.



Decrease in	Ward				Industry											Size	
	Ahuriri	Onekawa-Tamatea	Nelson Park	Taradale	Primary industries & Manufacturin	Administrative Support, Wholesale	Construction	Retail	Hospitality	Transport, Warehousing, Recreation	Professional, Financial, Technical	Real Estate & Rental	Education	Healthcare	Other	Small	Medium to Large
Investment	21%	18%	17%	16%	21%	3%	20%	17%	21%	37%	19%	17%	0%	5%	33%	18%	19%
Staff	20%	19%	19%	15%	25%	12%	12%	15%	31%	33%	17%	20%	10%	5%	19%	17%	22%
Revenue	41%	31%	37%	39%	49%	24%	31%	32%	53%	63%	40%	23%	21%	32%	44%	38%	32%

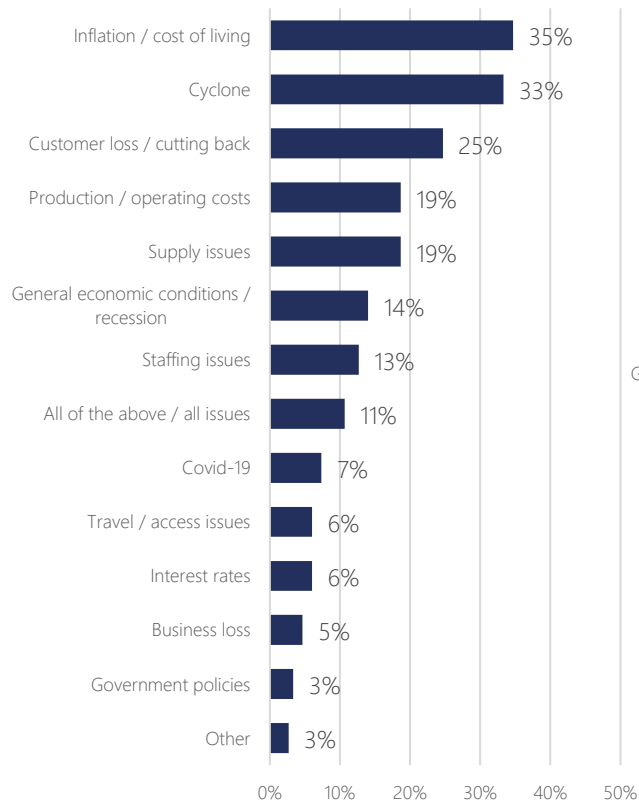
All respondents were asked: "With regards to your business, do you expect an increase, decrease or no change over the 2023 year in the following areas?"



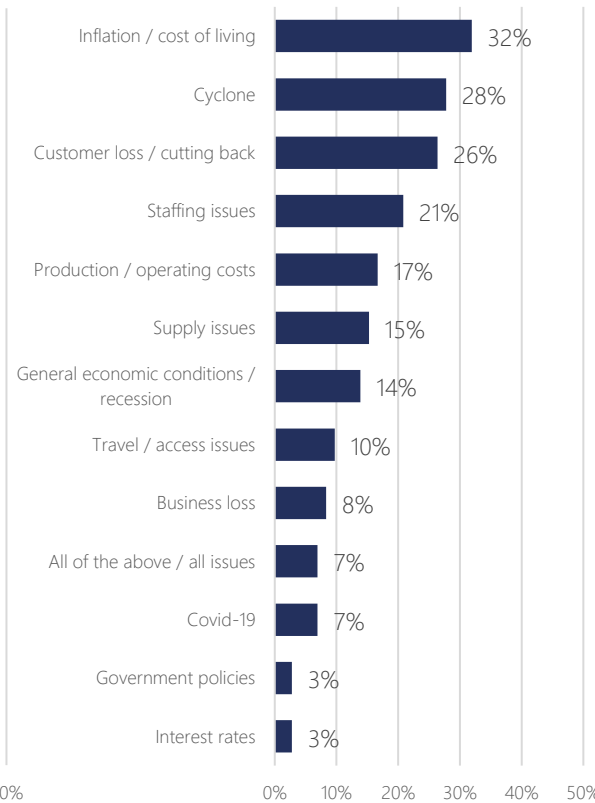
# 2023 BUSINESS EXPECTATIONS – reasons for decrease

- Overall, 43% of businesses anticipated a decline in at least one of three performance areas in 2023. The primary reasons cited for these expected declines were inflation and the cost of living, the impact of Cyclone Gabrielle, and customer loss or reduced spending.
- The anticipated decrease in 2023 revenue due to Cyclone Gabrielle was mainly expected by Healthcare, Primary industries, and Hospitality businesses.

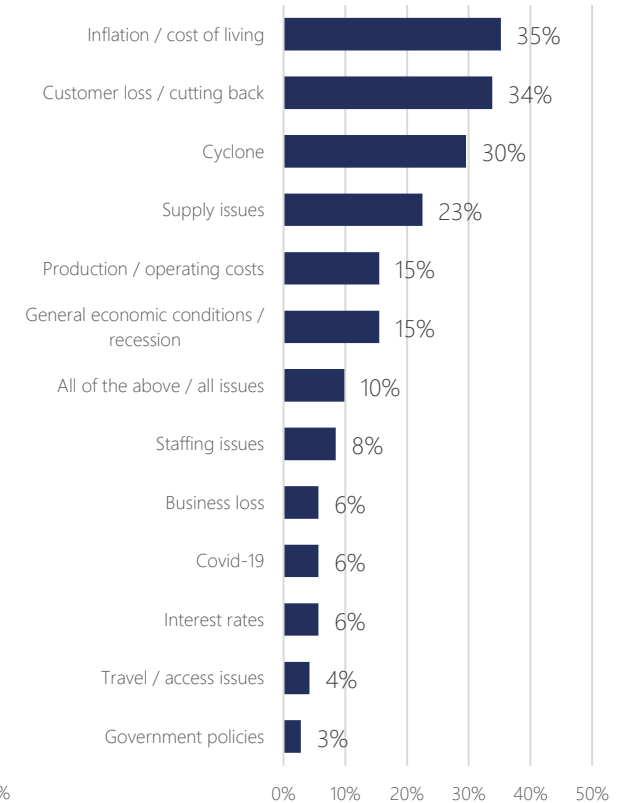
Reasons for **revenue** decline



Reasons for **staff levels** decline



Reasons for **investment** decline

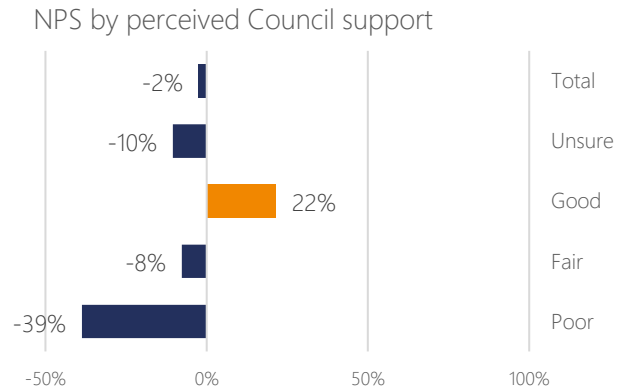
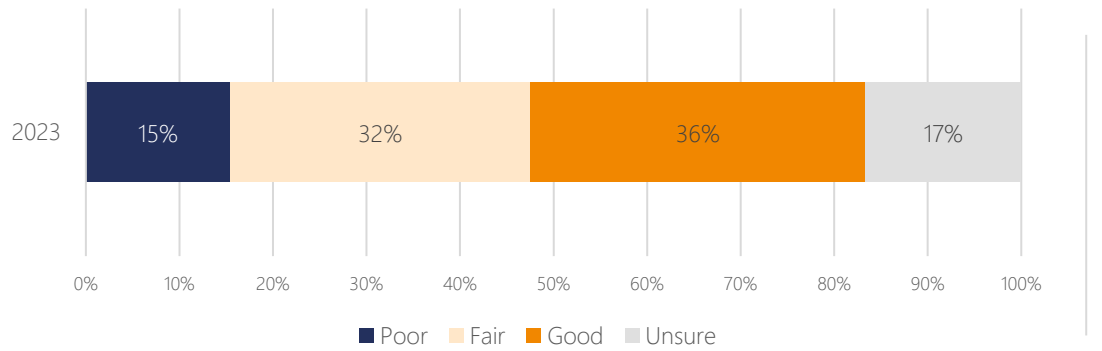


*Categorised (unprompted) open-ended comments. Totals may exceed 100% owing to multiple responses for each respondent.*



# COUNCIL SUPPORT

- 36% of businesses agreed that the Council provides "good" support for the business community, while an additional 32% rated the Council's performance as "fair". Only 15% of businesses gave a low rating, indicating that the Council's support was considered either "very poor" or "somewhat poor".
- Transport, Warehousing, Recreation industries expressed the lowest level of satisfaction with the Council's performance.
- Perceived Council support was significantly related to businesses' recommendation of Napier as a place to do business. Businesses that rated the Council's performance as "good" were more likely to be active Promoters of the city, resulting in a higher Net Promoter Score (+22%).



	Ward				Industry										Size		
	Ahuriri	Onekawa-Tamatea	Nelson Park	Taradale	Primary industries & Manufacturing	Administrative Support, Wholesale	Construction	Retail	Hospitality	Transport, Warehousing, Recreation	Professional, Financial, Technical	Real Estate & Rental	Education	Healthcare	Other	Small	Medium to Large
<b>Good</b>	31%	35%	39%	38%	43%	41%	41%	34%	43%	15%	31%	33%	41%	36%	26%	35%	39%

All respondents were asked: "How would you rate Napier City Council's current performance in supporting the business community?".

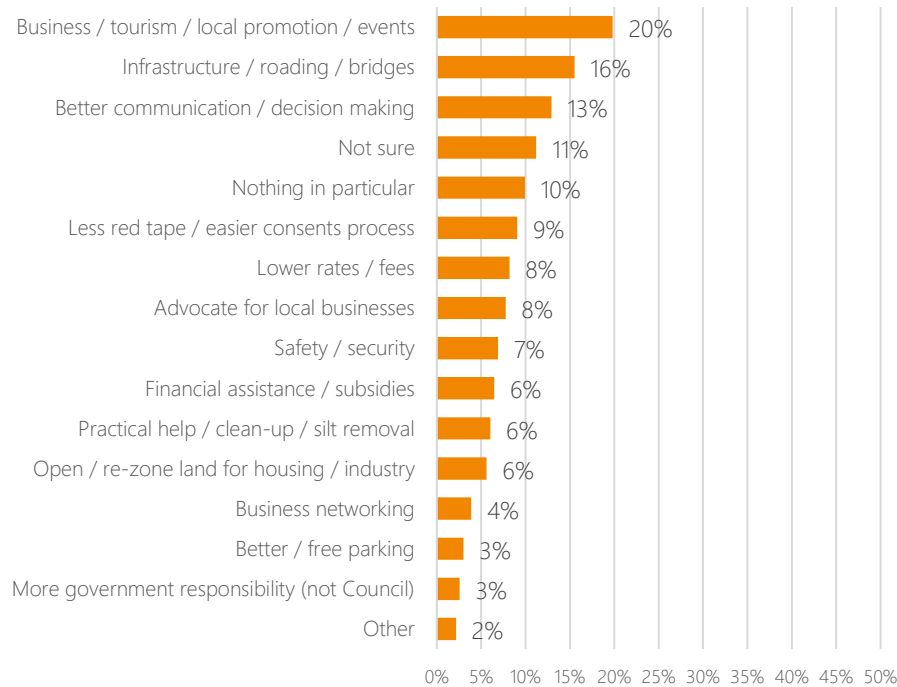




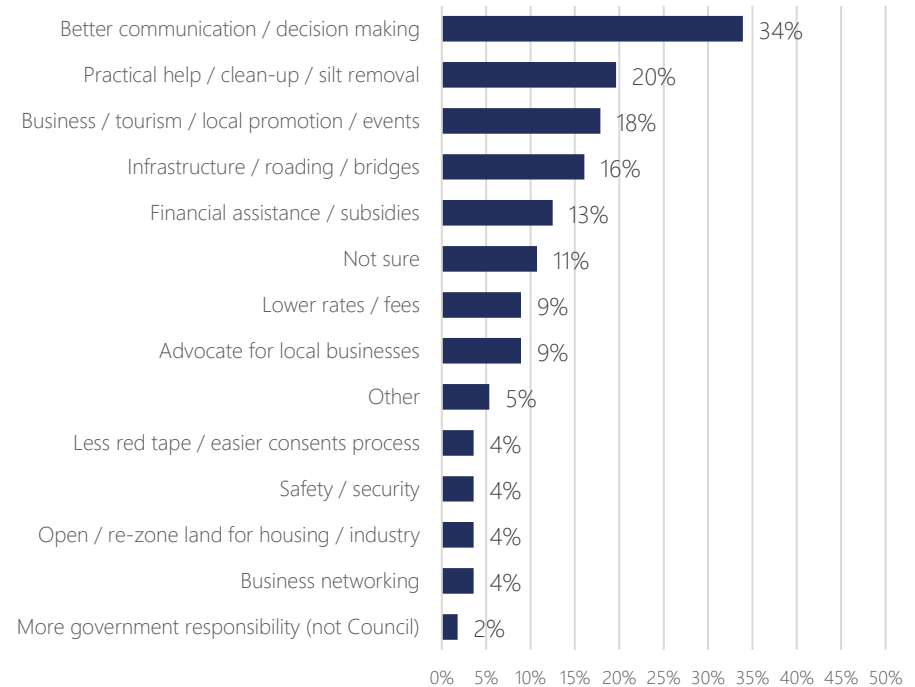
# SUGGESTED IMPROVEMENTS

- Among the 68% of businesses rating the Council's support of the business community as "fair" or "good", the top two suggested improvements revolved around promoting local businesses through local initiatives. This included efforts to attract more visitors, enhance marketing strategies, and organise events. Additionally, businesses expressed the need for infrastructure upgrades and improved resilience, particularly in transportation links, roads, bridges, and drainage systems.
- For businesses currently dissatisfied with Council's support, the main suggestion was focused on communication and decision-making processes. These businesses called for greater transparency from the Council, decisive and proactive leadership, and improved engagement with the business community. Additionally, these businesses highlighted the need for practical assistance in cleaning up the cyclone damage and removing silt.

Rated Council performance as fair or good - 68%



Rated Council performance as poor - 15%

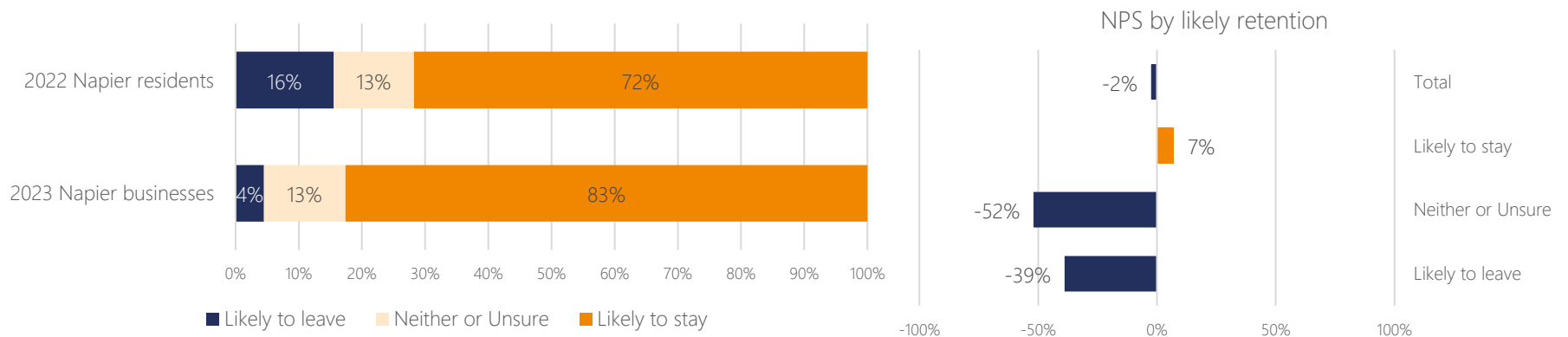


Categorised (unprompted) open-ended comments. Totals may exceed 100% owing to multiple responses for each respondent.



# RETENTION

- 83% of businesses expressed their intention to continue operating in Napier for the next 5 years, indicating a high rate of business retention. Only 4% of businesses believed they might cease operating in Napier. This business retention was higher than residents' intention to stay in Napier in 2022.
- Newer businesses (operating for less than a year) (29%), and those from the Retail (13%), and Transport, Warehousing, Recreation sectors (11%), were more likely to consider stopping their operations in Napier.
- Business retention correlated with willingness to recommend the city as a place to do business. Businesses considering closing their operations in Napier or unsure about their future plans were more likely to be classified as Detractors, less willing to recommend the city.
- Furthermore, businesses that reported a significant negative impact to their survival following the cyclone were also more likely to foresee relocation or closure within the next 5 years.



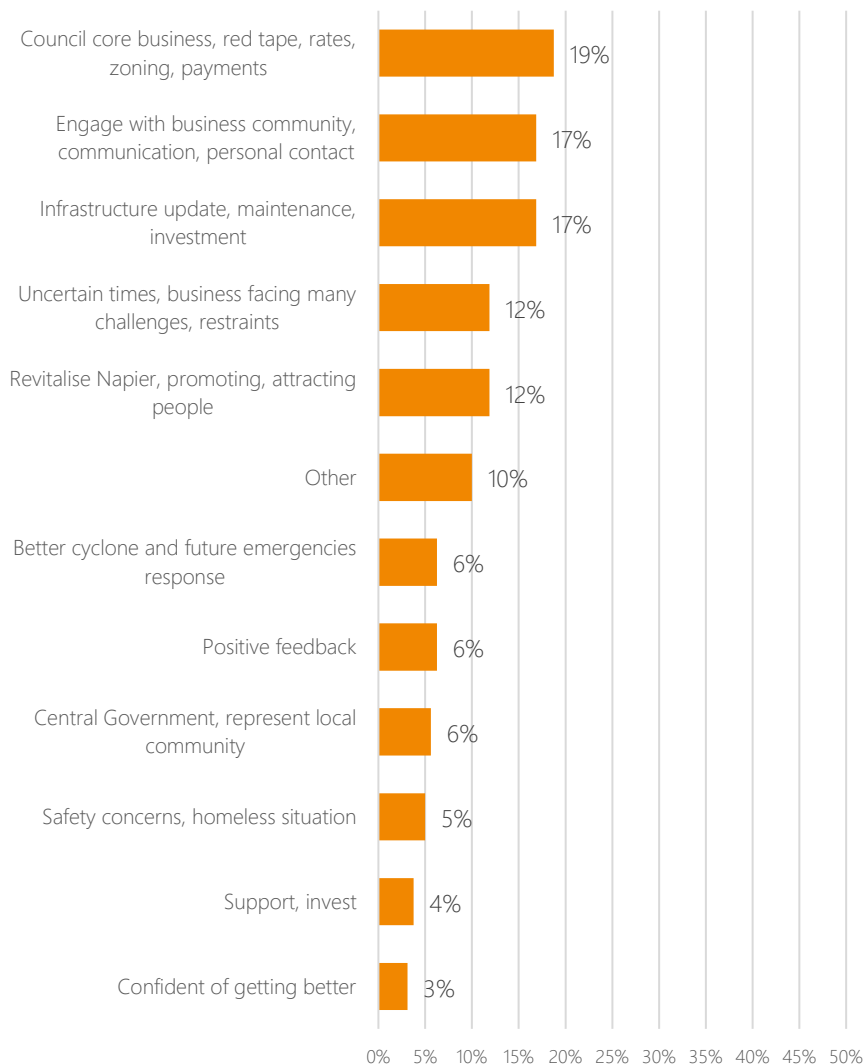
	Ward				Industry											Size	
	Ahuriri	Onekawa-Tamatea	Nelson Park	Taradale	Primary industries & Manufacturing	Administrative Support, Wholesale	Construction	Retail	Hospitality	Transport, Warehousing, Recreation	Professional, Financial, Technical	Real Estate & Rental	Education	Healthcare	Other	Small	Medium to Large
<b>Likely to stay</b>	78%	88%	80%	85%	77%	97%	92%	74%	67%	67%	92%	83%	97%	82%	78%	81%	93%

All respondents were asked: "Taking recent events and Napier as a place to do business into account, how much do you agree or disagree with the following - Our business will continue operating in Napier for the next 5 years?".



## OTHER FINDINGS

Other themes and comments

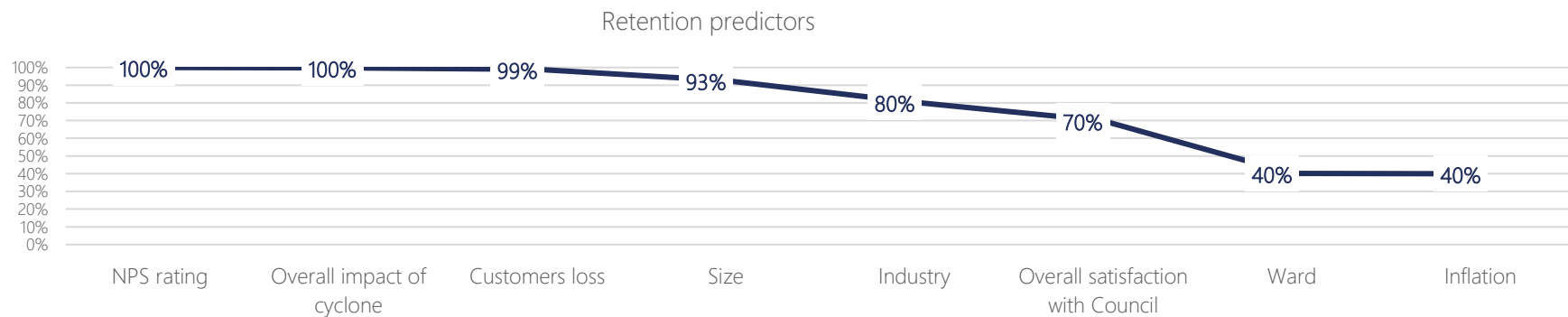


- Overall, 40% of businesses provided further comments and suggestions.
- The comments reflected a range of concerns and suggestions related to Council core business, reducing bureaucracy, red tape, and unnecessary regulations, with businesses expressing frustration over administrative processes and the lack of efficiency in dealing with the Council.
- Communication and transparency were also emphasised, with businesses wanting to be kept informed about developments and to understand what actions the Council is taking, through greater personal contact and engagement.
- Other top themes were infrastructure upgrades, particularly regarding roads and transportation; and overall business environment, presenting uncertainty for businesses faced with many challenges and restraints (inflation, housing market, downturn in the economy, etc.).
- Tourism promotion and marketing support were important to a number of businesses, suggesting greater focus on attracting visitors, promoting the region, and creating incentives for businesses. There were also suggestions for enhancing the city's appearance and organising events to facilitate community spirit and provide further business opportunities.



## OTHER FINDINGS – cont.

- Based on the collected information, three factors emerged as the strongest predictors of businesses continuing to operate in Napier:
  - Businesses providing low NPS ratings (ranging from 0 to 6) were less likely to consider operating in Napier in the next five years. This suggests that businesses with lower satisfaction with Napier as a business community may be more at risk of discontinuing their operations.
  - Businesses that experienced significant impacts from the cyclone were also less likely to foresee operating in Napier in the next five years. The adverse effects of the cyclone, such as damage to infrastructure or disruptions to business operations, may contribute to businesses considering feasibility of operating locally.
- A notable predictor of businesses continuing to operate in Napier was the perceived loss of customers and consequent need to scale back business operations. This indicates that a decline in customer base and financial constraints can influence businesses' decision-making regarding their continued viability in the city.
- However, it is important to acknowledge that the decision for businesses to retain their operations in Napier is a complex consideration, and the aforementioned factors only represent a portion of the overall decision-making process. Different factors will have variable influence on individual businesses, depending on their unique circumstances.



*A regression analysis was used to predict which attributes most influence businesses' overall perceived retention in Napier. These attributes were ranked in order of influence based on their level of statistical significance.*