

businessessentials

Advice and ideas to grow your business - presented by Michael Schildberger

April 2010 | Audio CD



the extras



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We always like to tell stories of outstanding business success and we have two inspiring examples this month.

One is Aussiebum – a company which is hardly a household name in Australia. That's because its creator, Sean Ashby, doesn't sell to retailers here. They rejected him when he tried to start his manufacturing business, specialising in men's swim and under wear. But that didn't stop him. He went on the internet and now runs a multi-million dollar empire selling to some of the most fashionable outlets in the world. We hear plenty about internet success stories, but Aussiebum is a real-life example. Sean Ashby was determined not to be beaten – and he won.

Another great example is the Domino's Pizza chain, which has also embraced technology to achieve remarkable profit results. While so many baby boomers were shying away from the communications explosion, Domino's targeted its Generations X and Y consumers by creating an iPhone application for ordering pizzas. The outcome is staggering, as Chief Executive Don Meij explains to us on this month's CD. It's hard to believe you could expand an already successful pizza empire by taking orders on the iPhone – but Domino's have done it.

And that's not Domino's only point of difference, as sales and marketing dynamo, Tony Gattari of Achievers Group, tells us. Tony's also preaching his first commandment, "thou shalt not discount"... it's a key element on his list of what to do and what not to do in keeping customers.

There's plenty more to enjoy – and learn from – in this program, including Professor Neville Norman's regular update on the economy.

I hope you enjoy it,

Regards

A handwritten signature in black ink that reads "Michael". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Michael Schildberger
Executive Chairman

For more information about the topics discussed on this April 2010 program, please contact the relevant organisations listed below.

ECONOMIC UPDATE

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BOOSTING SALES WITH THE IPHONE

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THOU SHALT NOT DISCOUNT

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THE LESSONS OF THE GFC

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TAX UPDATE

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SHAREMARKET UPDATE

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LEARNING FROM YOUR EX-EMPLOYEES

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Accountants Who Help You See Further

Cummings Flavel McCormack are accountants who provide accounting, auditing and business advice to business owners. Cummings Flavel McCormack also provides tax consulting services.

Tax Consulting

Tax law is relevant to every major business and investment decision. Understanding the latest developments in tax is difficult.

The Cummings Flavel McCormack tax consulting practice works with clients to evaluate the taxation risks and benefits applicable to their business and investment plans.

We are proud of our ability to untangle the complexities of tax law to produce commercially practical tax advice that the client can understand and act on with confidence.

We have significant breadth of experience, having worked with successive governments in tax law development and holding key positions on advisory and education committees with professional tax bodies.

David Kent, Michael Jones and Neil Flavel lead a group of dedicated taxation professionals.



CFMC KEY TAX DATES FOR: APRIL AND MAY 2010

21 Apr 10 **Quarter 3 (Jan - Mar 2010) activity statements:**
final date for lodgement and payment for statements
containing a monthly GST obligation.

28 Apr 10 **Quarter 3 (Jan - Mar 2010) activity statements:**
final date for lodgement and payment.

**Quarter 3 (Jan - Mar 2010) superannuation
guarantee contribution:** last day for payment to
a superfund provider.

Quarter 3 (Jan - Mar 2010) PAYG instalments:
final date for payment for forms R and T.

Quarter 3 (Jan - Mar 2010) GST instalments:
final date for payment for forms S and T.

21 May 10 **2010 FBT Return:** Due date for lodgement of 2010
FBT return and payment if required.

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THE ESSENTIALS

April 2010

Track 2

ECONOMIC UPDATE

Professor Neville Norman, Melbourne University

- Domestically, the ratio of good news to bad news in Australia is increasing: the share market and other confidence indicators rise after a February lull, unemployment figures continue to surprise, long term economic and social policy debates heat up and the good growth figures for 2009 are confirmed in the GDP releases in March
- Internationally, the news is not so good: the US is stalling, Europe is sluggish and even China had a small slump in manufacturing activity in February
- There is increasing debate on policy issues now – but it's not all positive
- Support for the insulation industry highlights the dangers when Government interacts with industry
- Education curriculum and assessment and hospital funding are also under debate
- Many are asking why the Government has sat on the long-awaited Henry Report for three months. Will the Government release details with legislation

in the Federal Budget? This may be too hard politically

- The Federal Budget on May 11 will be an election Budget and the Government won't want to make mistakes in a tight political environment
- There will be pressure to make long-term changes plus amendments to the stimulus packages
- The Government will need to eat humble pie for its botched economic forecasts of last year
- The good news is that there's more revenue around this time
- Start preparing for the 2010/2011 financial year. Expect stronger demand for your cycle-sensitive products, with less help from Government, higher interest rates and, probably, lower exchange rates
- It's a good backdrop for business, with fewer excuses for you!

Track 3

BOOSTING SALES WITH THE iPHONE

Don Meij, Domino's Pizza

- Developing an iPhone application started 15 months ago as part of Domino's digital platform
- We saw the iPhone as visually enriched – an important factor when retailing food

- We took a punt with very modest break-even predictions
- The results have absolutely exceeded expectations. We expected 14,000 app. downloads and got 200,000 downloads, achieving sales of \$2 million in the first 3 months
- This has justified the expensive development costs, which were funded by the Australian and New Zealand businesses, and we are now considering a roll-out to Domino's Pizza elsewhere
- We expect our digital sales to grow, but that growth will curb as a result of the slow penetration, reach and speed of broadband, and also because of Australia's cautious attitude to purchasing online
- It's expensive to develop iPhone applications. You must bring something special to the customer and the product needs to be able to market itself
- As market conditions shifted at the start of the GFC, we put all our savings into new tastes and an improved offering to our customers. We hope this will pay off into the future
- Technology is a risky area and constantly changing. It's important to keep up

Track 4

THOU SHALT NOT DISCOUNT

Tony Gattari, Achievers Group

- Don't make the same mistake as Joe the Plumber – he confused turnover with profitability and discounted to follow his competitors
- The result: he increased his working hours dramatically and cut his profits
- My watchword: turnover is vanity, profit is sanity, cashflow is reality
- Think instead of increasing your prices, by at least the rise in CPI
- But you must create value for the customer
- Have a unique selling proposition, so you stand out from the crowd
- Educate your customers and your team on value, not price
- Offer warranties, guarantees or finance deals. They're intangibles that can add to your profit
- Stock higher-priced products. Customers will settle for the middle of the price range
- Make your product a status symbol. People will pay more for a brand that reflects their values
- Create a quality image. If your marketing looks and sounds cheap, you'll fail the three-second test: potential customers will move on

Track 5

CREATING A WINNING BOTTOM LINE

Sean Ashby, Aussiebum

- I started with the idea of making distinctively Australian men's swimwear, and tried it out on my friends
- They were positive, but the big Australian retailers turned me down flat
- That made me even more determined to succeed, so I turned to the internet
- I started manufacturing in my lounge room and created my own website
- Meeting the first orders was a challenge, but the business has grown exponentially
- I realised that the laidback Australian lifestyle had a lot to offer to the world, and added an element of sex appeal
- In our first year we turned over \$30,000. Last year it was \$23.5 million, growing by 40 percent during the GFC
- Our key markets are North America and Europe and we sell in many of the world's leading department stores
- But I still won't sell to the Australian retailers who wouldn't support me when I was starting out
- Australia represents 20 percent of our turnover, but it's all done on the internet

- We have a great young team who are growing with the business, and I'm particularly proud that we still manufacture in Australia
- We're passionate about our product and the values behind the business, which haven't changed despite our success

Track 6

TILTING THE ODDS IN YOUR FAVOUR

Kevin Ryan, Ryan & Associates

- The internet has changed the buying and selling cycles dramatically – the customer now often knows more about the product than the salesperson
- The essential skill needed now is facilitation – helping the customer to make the right choice, not just selling to them
- I have developed the TILT theory to help salespeople become buying advisors and industry experts and insert themselves back into the process
- TILT stands for trust, influence, leverage and trigger – the 4 stages of bringing a sale to completion
- It's important to quickly put yourself in the position where the potential customer trusts you – and you can start by showing that you trust them
- That means you'll be able to influence the customer's thinking – the second stage

- You'll then be able to exercise the leverage to propel the customer towards a decision in your favour
- And then it's a matter of identifying and using the triggers that will lead to a confident buying decision
- The same principles apply whatever the sales vehicle – an internet “landing page” needs to take the customer through the same stages
- Humour is an important ingredient in the sales process – we like people who make us laugh, and we're more likely to buy from people we like

Track 7

DON'T BE AFRAID TO SEEK HELP

Tim Millar, Institute of Management Consultants

- The first step towards getting your business back on its feet is to recognise that you need help
- Strategic planning is the key to success. Where do you want to be in five years, and what are the strengths, opportunities and constraints you're likely to face?
- Marketing is the least understood business practice. Everybody has an opinion, but expert advice about getting the mix right is essential
- Don't rush to fill the void if you hit a quiet time. Stick to your core business and work on doing it better than anyone else

- The Institute of Management Consultants represents the top 10 percent of consultants in Australia
- It offers the opportunity for consultants to be certified to a global standard, so that clients can be assured of getting best practice and soundly-based advice

Track 8

THE LESSONS OF THE GFC

Clive Isenberg, Octet Finance

- The GFC underlined the importance of cash flow for SMEs as overseas suppliers demanded cash on delivery while customers pushed their payment periods out
- Liquidity also became a problem for many small businesses as banks tightened their scrutiny to the point where securing extra funds became almost impossible
- The folly of having all your banking eggs in one basket also became apparent – the need to diversify funding sources is a major lesson from the GFC
- But to access additional funding you'll need a clear plan, and a clean set of books, free from tax debts
- Management accounts need to be up-to-date, and accounts payable and receivable in good shape – it's all about demonstrating good internal discipline

- Look at alternative sources of funds, like supply-chain financiers, and look at cost-benefit rather than simply the cost of finance
- Stratify your debtors, so that you focus attention on those who owe you most, who'll probably be only a small number
- Consider employing a business-to-business credit card scheme, so that the buyer's financier carries the risk
- Now that things are improving, look at your suppliers – especially if they're overseas. Are they still viable?
- Review your staffing. Do you need to start hiring again to provide for growth?
- And don't ignore the staff who stayed with you and shared the battle to survive – it's time to reward them

Track 9

TAX UPDATE

Michael Jones, Cummings Flavel McCormack

- For the first time, employers will need to include figures for Reportable Employee Super Contributions in their end-of-year PAYG notices
- The provision came into effect on July 1, 2009 and relates to any extra Super contribution employees have arranged as a salary sacrifice

- It would be helpful to advise employees that this will happen, and that it may affect their personal tax position
- Don't forget that concessional contributions to Super are now limited to \$25,000 p.a. for those aged under 50 and \$50,000 if you're over 50
- If you exceed those limits, you'll pay tax on the excess at 46 and a half percent
- And if that excess amount also pushes your non-concessional contributions over the limit of \$150,000 p.a., you'll pay another 46 and a half percent
- A new Tax Office ruling has sought to define what comprises a contribution to a Super fund
- In essence, it says that a contribution is anything of value that increases the capital of a Super fund and is provided by a person whose purpose is to benefit one or more members. It provides two examples:
- If a member of the fund arranges for accounting and audit services for the fund, and pays for them, that's regarded as a contribution
- But if the member is a qualified accountant and provides the services himself, without payment, that's not a contribution
- People are now increasingly providing for their own retirement, so it's important to take the time and trouble to get these things right

Track 10

SHAREMARKET UPDATE

Tim Lincoln, Lincoln Stock Doctor

- You must do your homework. You can't rely on third party advice
- Now is the time to do that homework, after the end of the reporting season
- It's been a positive reporting season with companies continuing to grow in challenging times
- Other highlights included companies withstanding headwinds like the \$AU exchange rate
- On the downside, some companies had poor results but were rewarded because they exceeded expectations
- Favourite stocks: CSL, JB Hi-Fi, Woolworths, Kingsgate Gold, Sirtex, Seek, Westpac

Track 11

LEARNING FROM YOUR EX-EMPLOYEES

Sheralyn Guy, HRhelp

- When an employee leaves, make sure you ask for feedback. They're more likely then to tell you what's good about your business and what could be improved

- Treat the departing employee with respect – they could re-appear as a customer, or as an advocate for your business
- Keep in touch – you may want to re-hire them and it's easier to retrain an ex-employee than to start from scratch
- Find out why they're leaving. You may be able to tailor a solution, like part-time work, that will solve their problem
- Ask them for a testimonial or farewell letter. It can be useful as a recruitment tool
- Download their knowledge about practices and procedures. If it's not documented, it will walk out when they do
- Don't rule out bringing them back, if only for contract or project work for short periods. They already know how things are done
- Make the departure as pleasant an experience as possible, both for the person leaving and those still working in the business. You'll need their support
- The key to all this is open communication with your employees. You'll reduce the risk of a shock resignation and be better able to plan the replacement