

businessessentials[®]

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

July 2010 | Audio CD



the extras



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Welcome to this July 2010 edition of Business Essentials. I must begin it with some sad news.

Last month I reported that our founder and Executive Chairman, my father Michael Schildberger, was seriously ill. Now I must advise you that he passed away.

It's been a difficult time for all those who were close to Michael, but my family and I would like to thank the many BE members who have offered their condolences and warm memories.

As was his wish, I will continue to host the program, working with the same production team and striving to bring you each month – as he always did – interviews which can help you grow your business and your profits. As well as being the best Dad I could have hoped for, Michael was my boss for almost half my life. His work ethic, the respect and loyalty he received from those who worked with him, and his vast store of business knowledge and experience will be my guide. I hope I'll be able to rely on your continuing support too.

We'll begin this month with a tribute to my father from Professor Neville Norman, Associate Professor of Economics at Melbourne University, who was one of the co-founders of Business Essentials more than a quarter of a century ago. Neville Norman has never missed a program in all that time, and many BE members have told us how much they rely on his advice and his forecasts.

And there's much more on this CD which I hope will be of interest and assistance to you.

Please enjoy it.

Regards

A handwritten signature in black ink that reads "Nick Schildberger". The signature is fluid and cursive.

Nick Schildberger
Managing Director

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

THE ECONOMY & TAX REFORM - UNFINISHED BUSINESS

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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.

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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: JULY AND AUGUST 2010

- 14 Jul 10** **PAYG Withholding:** Payers must issue PAYG withholding payment summaries to employees.
- 21 Jul 10** **Quarter 4 (Apr – Jun 2010) activity statements:** final date for lodgement and payment.
- 28 Jul 10** **Superannuation guarantee contribution:** super contributions for quarter 4 are to be made by this date.
- Quarter 4 (Apr – Jun 2010) GST instalments:** final date for payment of forms S & T.
- Quarter 4 (Apr – Jun 2010) PAYG instalments:** final date for payment of forms R & T.
- 14 Aug 10** **PAYG Withholding:** Final date for lodgement of the PAYG withholding payment summary annual report.
- 21 Aug 10** **Monthly Activity Statements:** final date for lodgement and payment.

For more visit our website, www.cfmc.com.au

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THE ESSENTIALS

July 2010

Track 2

THE ECONOMY & TAX REFORM – UNFINISHED BUSINESS

**Professor Neville Norman, Melbourne
University & Michael Jones, Cummings
Flavel McCormack**

- At the halfway point of the calendar year, most of the news is good: unemployment low, fulltime jobs increasing, the budget forecast to be in surplus in 3 years not 5, and investment in plant and equipment rising
- We should expect the federal election to be a short-term business and confidence negative, and the possibility of a change of government has risen as the year has gone on
- For the rest of the year, growth and rate forecasts have to be trimmed a little, inflation risks remain, and a double-dip recession in economic activity is still unlikely
- It's better to face an ugly boom than a real activity slump
- In a year's time: no recession, higher interest rates, brighter business prospects, the mining tax shelved, possibly a change of government and more of the Henry Report adopted

- Henry's proposals under the personal income tax heading have merit, not only for the suggested changes in tax rates, but for what would be included under the definition of personal income
- Bringing down the Henry Review in an election year has meant a piecemeal approach by government, and delays in introducing worthwhile reforms quickly
- The value of Henry is that it's a comprehensive review, but reducing the company tax rate by bits and pieces is not helpful
- Trying to bring in tax changes to deal with a single issue is often unsatisfactory and results in bad taxes
- Tax reform does not mean tax relief, unless the whole question of government expenditure is opened up at the same time – a political minefield

Track 3

PROPERTY: A BOOM OR A BUBBLE?

Nicholas Don, Odyssey Financial

- Probably neither at this stage, but strong growth has continued through the first half of this year, and shows no sign of abating
- Strongest growth has been in apartment sales in inner suburban areas of most capital cities, with demand from both investors and owner-occupiers
- Investment in property has benefited from a turn-away from the stockmarket as a result of the GFC and continuing volatility
- That's particularly true with self-managed super funds, which have traditionally invested mainly in shares

- Legislation 3 years ago permitted super funds to borrow to buy property, albeit under strict conditions
- External factors, like the financial instability in Europe, are having little effect while the Australian economy stays in good shape
- High levels of immigration, especially in Melbourne and Brisbane, are contributing to the continuing strength of the property market
- Post-GFC dominance of home lending by the major banks is receding, with second and third-tier lenders re-entering the market

Track 4

WHAT'S HAPPENING IN THE JOB MARKET **Jason Snell, Final5**

- With unemployment low and the economy moving forward, job advertisements have been growing steadily since January, especially online, though confidence seems to have receded slightly in recent weeks
- Businesses are moving cautiously, preferring to make sure that employees are fully occupied before they take on new staff
- They're also looking to extract full efficiency from their business systems and new technology
- IT staff are in demand, as are sales and marketing people, and accountants and administrators, as business picks up
- On the slower side, retail staff, mining and resources - because of uncertainty - and manufacturing

- Fulltime staff are in demand again, with part-time employment showing a modest decline – another indicator of business confidence
- Competition for good candidates is starting to show through again – if you're thinking of hiring, move now
- Most people change jobs because of a poor relationship with their manager or because they're not feeling challenged
- So work at retaining your good staff – it's cheaper and less destabilizing than having to replace them

Track 5

SHAREMARKET UPDATE

Tim Lincoln, Lincoln Stock Doctor

- My thanks to Michael Schildberger, a great mentor, for all that he taught me in the 11 years in which we've done these interviews
- Volatility, mainly caused by the European debt crisis, worries about sovereign risk and the uncertainty over the mining super profits tax, continues to dominate the market
- But that creates opportunities, and it's time to be an active investor, not a passive one
- Review your portfolio. Sell off the stocks to which you're not wholly committed. Use the cash to buy into those which are performing well and have the best underlying strength
- Look for the stocks that are under-valued at the moment. It's an opportunity to re-weight your portfolio

- Active management means taking big decisions, based on careful assessments. At Lincoln, we've recently sold our Billiton BHP holding, not because it's doing badly but because other stocks offer greater value
- High among our Star Stocks: Wotif, Webjet, TGA Holdings, CSL, JB Hi-Fi – all trading at substantial discounts to our valuation

Track 6

GETTING YOUR BRAND OUT THERE

Gene Stark, Stark Reality

- Between business owners, marketers and designers, there's a lot of confusion about what "brand" really means. They may all have got it wrong
- Branding is about the customer, and the customer experience
- There are tangible bottom line benefits to a good brand – for example, goodwill when the business is sold
- If your brand is strong, it has value even if the physical business is burnt to the ground
- Branding is external – the way your customers think about you; it's also internal – the way your employees think about you, which extends to your culture and vision
- Branding goes further than how you're seen, it's how you affect all your customers' deeper sensory perceptions and pleasure centres in the brain

- Understand your point of difference. Build your uniqueness by understanding precisely what your customers want and need
- Talk about benefits, not features. Give very good reasons why customers should buy from you rather than someone else
- Coco Chanel said, “In order to be irreplaceable, one must always be different”

Track 7

CLOUD COMPUTING – DOING BUSINESS IN CYBERSPACE

Sandy Male, Tymwise

- Software as a service (SAAS) or “cloud” computing is a simple distribution model where applications are hosted by a vendor and made available via the Internet
- Using cloud computing doesn’t remove control but it does remove the need to micromanage, allowing the owner to focus on the core business
- It reduces the frustration of having to back up your data on an ongoing basis. That’s all taken care of out on a cloud
- Security needn’t be an issue, there are many hosting providers who are extremely secure
- Tymwise is an online scheduling application
- A key benefit is accessibility. Clients can access the booking system in real time, from anywhere - it’s very

useful when managing complex bookings or where employees or clients are in remote locations

- As well as streamlining operations, there are bottom line savings, eg multiple branches can be handled from one location through a single application
- SAAS applications allow clients to interact with a business 24x7, whenever it suits them
- There are many SAAS or cloud applications on the market now

Track 8

TRAPS TO AVOID IN ONLINE TRADING **Dr Michael Schaper, ACCC**

- Online trading offers great opportunities but there are traps for the unwary
- One is the belief that because you aren't selling from a bricks-and-mortar shop, the normal rules of retailing don't apply. Not so!
- Whether sold online or not, the goods must be fit for their intended purpose
- They must match the description provided and be of merchandisable quality
- Online traders are bound by the usual rules on remedying defects in the goods they sell
- They must disclose full information about the customer's rights. If they don't do this, or if they cut and paste information from elsewhere and it's wrong, they putting the business at risk of breaching the Trade Practices Act

- This applies also to the rules on refunds and warranties
- It's harder to enforce your rights as a customer if the supplier is overseas, especially if the country is outside the jurisdiction of the Australian courts
- The ACCC can assist in many ways
- The laws of the land are there to provide a fair environment in which businesses can compete against each other – no matter where the trade takes place
- It's important for customers to have confidence in online purchases

Track 9

WHY YOU NEED A BOARD

Adrian McFedries, DC Strategy

- Boards aren't just for big business. In some ways they're more important for small businesses, whose owners have trouble finding the time to work ON the business
- Some companies will say they have a board but actually it's a collection of family and friends and not a genuine functioning board with independent representation
- Sometimes the ego of the business owner will get in the way, or the fear of losing control or of being confronted in front of the team
- "I don't have the time" is no excuse for not having a board. If you don't have time to work ON your business, what are you doing in it?

- It's likely to be much easier to get a bank loan if you have a board. Banks will find comfort in the decision-making process in your business
- Likewise, potential investors will be more confident about getting involved
- Businesses with a board are more likely to get a premium price when they're sold
- It can take 24 months for a board to become fully functioning, with several months just getting the reporting right
- In the initial period, the business owner may find the whole process a grind – but don't give up!
- It's a good idea to select board members who'll bring different skill sets to the table
- It doesn't have to be a Board of Directors. It could be a Board of Management, which is quite different, easier to implement and which doesn't have the directorship obligations
- Consider the cost of having a board as an investment. It could be the best money you've spent in the company

Track 10

GET SERIOUS ABOUT SELLING

Andrew Griffiths, Oceanic Marketing Group

- Not enough businesses focus on how to sell well. There's too little consideration on sales training
- You don't have to be pushy to be successful at selling

- Start right at the beginning of the day – get yourself into a positive, enthusiastic mind set
- Look the part. Be respectful of both your customers and yourself by looking well groomed
- Greet people with a big warm smile
- Focus on the person in front of you and give them 100% of your attention
- Don't make assumptions about customers just by the way they look – treat everyone equally well
- Make someone's day by complimenting them. It's easy to do and very effective so long as you're sincere and speak from the heart
- In the sale process, be prepared to make recommendations. Customers want help.
- Don't assume that your customers know everything about your business. Tell them more and you'll help them to come back and buy more
- Make it easy for them to buy from you. Don't introduce complicated rules or systems
- People like to hear their own name. Find opportunities to discover people's names, it's a great way to build relationships