

Chartered Accountants

Business **in focus**

Monthly audio program > presented by Michael Schildberger

BOOSTING SALES WITH THE iPHONE

Don Meij,
Domino's

April 10

The extras



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Accountants

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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.

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.

The government's new rules on Employee Share Schemes have been passed, and Peter McGinty, Tax Training Specialist with the Institute of Chartered Accountants in Australia, walks us through them.

Navigating through the credit squeeze is a challenge for many business people now but Guy Barnes of Global Rental and Leasing has an answer.

Motivator and international entrepreneur, Justin Herald of Major Motivation, believes in starting businesses with limited capital and tells us why and how.

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,

Michael Schildberger
Executive Chairman

Information

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

EMPLOYEE SHARE SCHEMES

The Institute of Chartered Accountants in Australia
T: 1300 137 322
www.charteredaccountants.com.au/training

NAVIGATING THE CREDIT SQUEEZE

Global Rental and Leasing
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ECONOMIC UPDATE

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GROWING YOUR BUSINESS – THE ATTITUDE STORY

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SHAREMARKET UPDATE

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THE ESSENTIALS

April 2010

Track 1

EMPLOYEE SHARE SCHEMES

Peter McGinty CA, The Institute of Chartered Accountants in Australia

- Employees no longer have a choice to be taxed up front or to take a deferral of tax. The design of the share plan dictates the way in which employees are taxed
- Employees may be offered to participate in different types of employee share schemes. Employees with old shares or options issued under the old rules should seek advice from a tax agent
- Employers now have greater PAYGW reporting obligations
- Employers should consider if their employee share plans need to be redesigned
- The new employee share plan system is now predominately driven by the PAYGW summary. Tax agents need to carefully consider how the different types of employee share plans operate

Track 2

NAVIGATING THE CREDIT SQUEEZE

Guy Barnes, Global Rental and Leasing

- The GFC over the last 18 months means that credit is harder to source, and when the banks do lend the money the conditions are increasingly onerous
- A sensible alternative to existing banking relationships for solid companies with a good credit history is in rental asset finance
- A third party financier like Global Rental & Leasing buys the assets on behalf of the company that wants to use them and then rents them back on an unsecured basis
- The financier will invest a small equity stake into the deal based on an estimated trade-in value, which ensures the renter gets the assets for lower rate than banks
- The loan is structured as an operating lease which means the renter's balance sheet remains unencumbered and the payments are more tax effective
- Because of the flexibility of the product the finance can be upgraded or terminated during the term without penalties
- I take a leaf from the book of John Paul Getty who once said, if it appreciates buy it, if it depreciates, rent it

Track 3

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 4

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 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

GROWING YOUR BUSINESS – THE ATTITUDE STORY

James Herald, Major Motivation

- Starting and growing businesses does not have to mean you spend a lot of money

- Before you explore ways to use extra money in your business to grow, find out if you have the tools now
- Instead of trying to find new customers all the time, spend more effort to keep your current customers happy. They may then become your best promoters
- Going that extra mile for your customers is a great way to keep them loyal
- Seek out mentors for your business. Never think that you know everything about what you do
- Never stop learning. There are new methods and systems for business growth now. Are you changing or will you do things the way you always have?
- Instead of waiting for future customers to come to you, go to them. Social networking sites are a great way to reach an audience that doesn't even know you exist

Track 8

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 9

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 10

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