



From home remedy to sales success

Leanne Faulkner, Billie Goat Soap

Chartered Accountants Business in Focus
Monthly audio program

December 2010 / January 2011

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With Christmas and the holiday season just around the corner, you'll soon have time to reflect on your accountancy practice. Are you happy with your position in the marketplace? Ric Payne, of Principa, will tell you that increased recognition and a greater slice of the accountancy pie means finding, and showing, your point of difference. But that's not easy in an industry that suffers from "sameness". Ric Payne outlines the solutions which will help you stand out from the crowd - and grow.

Also this month, we'll show you how to escape the treadmill of practice life to rediscover the lifestyle you dreamt of before the daily grind got in the way. It's possible, says Peter Fehon. He's done it himself and he has plenty of advice for those who would like to follow suit.

Of course, there's much more. We'll hear Professor Neville Norman's review of the economy in 2010, we'll look at opportunities and challenges in the wine industry, and we'll examine the state of the sharemarket as we cap off another volatile year for investors. Plus, how to navigate the usual round of festive celebrations without overstepping the mark and landing up in court for breaching workplace laws. Industrial relations lawyer Joydeep Hor has plenty of advice on the risky business of office parties!

And this month we bring you two success stories – from succession planning at one of Australia's best known paint companies, to success of a very different kind - and it's all to do with goats.

Enjoy the CD – and enjoy a safe and happy festive season.

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THE ESSENTIALS

December 2010

Track 2

Economic Update

Professor Neville Norman, Melbourne University

- As we review 2010, it's clear from my overseas perspective that Australia has been very fortunate
- It's one of only 2 or 3 Western economies to largely avoid the GFC and the one that's been able to afford the greatest number of interest rate increases since
- It's been generally a good picture for business, though some industry sectors have faced problems
- Cash rates started the year at 3.75% and have risen by a full percentage point - not far from my prediction back in January
- Sharemarkets have been erratic, but economic growth to the middle of the year (the latest figures available) has been around 3% and average growth in earnings has reached 6.2%

- Exchange rate movements have reflected the relative strength of the Australian economy and inflation has stayed in check at just under 3%
- Pointers for business: interest rates will rise further; competition will still be intense, despite the strong economy, so it's no time to relax on marketing and pricing; and use a "confidence range" in your forecasting - it will ease the effect of unforeseen events
- I'll look at the outlook for 2011 next month, but overall 2010's been a terrific year

Track 3

Sources Of Differentiation In Professional Service Firms

Ric Payne, Principa

- It's difficult to differentiate your product or service in an industry that suffers from sameness
- If you can't differentiate your product, you need to differentiate the way you deliver it to customers
- You can differentiate in your focus, from offering broad services to specialised services
- Customer service and the customer experience is a key way to differentiate
- Look at your work processes, including the way you keep in touch with customers
- Consider your communication technology. On what platforms do you communicate? What does

your website look like? Do you use Facebook, Twitter and other forms of social media?

- What is your brand? The key to successful differentiation is to understand what you really offer customers
- Look at it from the "What's in it for me?" perspective of the customer
- A great brand is built on trust, that you'll do what you say you'll do, at a reasonable price and with consistency.
- It's common sense but not common practice
- Promptly returning phone calls has been valued higher than the fees you charge
- Consider the benefits of a "client concierge". Or try visiting your clients on a regular basis. That's the key and core of differentiation

Track 4

Opportunities And Challenges In The Wine Industry

Kym Anderson, University of Adelaide

- The surge in the Australian dollar is hurting those who haven't hedged against it
- Water is an issue, especially in drought-stricken areas such as the Murray-Darling Basin, where water buy-backs may mean some businesses won't be able to continue

- Climate Change is having an impact - both drought and rain and high humidity
- Considerations about tax reform would hit lower-priced grape producers
- The big supermarket chains are dominating wine retailing - it's a revolution in developing countries and a global phenomenon
- It means that the "Big Three" - Fosters, Constellation, and Pernod Ricard - can compete successfully everywhere, but it's not so easy for smaller players to get shelf space
- There's downward pressure on pricing everywhere and the Australian wine industry has plenty of competition from the likes of Chile and Argentina
- Wine in China is showing phenomenal growth
- Australia is a huge seller into China and also India. The challenge is to capitalize on that position, through joint ventures for example, to continue to grow in those markets
- The "Big Three" have pushed our export markets and the smaller producers have benefitted in the slip stream
- There are plenty of great opportunities for the Australian wine industry, with many highly experienced private family businesses who know how to ride the ups and downs
- We have technological capabilities and a good environment which should provide Australia with a huge wine future

Track 5

Risk-managing The Festive Season

Joydeep Hor, People + Culture Strategies

- Employees who accept that there are rules governing their behaviour while they're at work, sometimes think they don't apply when they're "off-site", at a Christmas party for example
- To avoid trouble, organisations must make sure they have policies and procedures in place and embodied in staff contracts
- Then, by memo or email, it must be made clear that the workplace behaviour rules apply equally to functions which may be held elsewhere
- Recent high-profile cases have shown the risks around harassment and bullying when the rules are not followed
- Where alcohol is involved, employers have a responsibility to ensure that the necessary licences and permits are obtained, and to monitor consumption to ensure it doesn't get out of hand
- Management responsibility doesn't stop when the company stops paying for the drinks
- Having a senior manager as a "designated non-drinker" for the evening will help reinforce management's leadership role and let people know that someone is sober and keeping an eye on things
- If there's a problem, managers must be prepared to step in. It's no longer good enough to wait until there's a complaint before instigating action

Track 6

Build A Boutique Practice - And Reclaim A Lifestyle!

Peter Fehon, accountanttocoach.com

- We're so busy chasing the bottom line that we fail to focus on the real needs of our clients
- The traditional accounting environment is highly stressful. Our lifestyles suffer as a consequence and we run the risk of turning into grumpy old accountants by the end of our careers
- Competitive forces include bigger practices looking to poach our best clients, and business coaches who aren't interested in compliance work but in giving clients what they really want and need
- I've turned my business and my life around by creating a boutique accounting practice.
- It involved a 7-step process (blueprint), which involves:
 - Profiling clients to hand-pick those with whom you wish to work closely
 - Picking up the phone and talking to them to discover their real issues
 - Visiting the clients to see them on their own turf
 - Deciding what to do with those clients who fit the selection profile
 - Booking strategy meetings with all selected clients

- Making this a regular event
- Ensuring you have the right skills to give your clients what they need
- The upshot: twice the money in half the time and a lifestyle restored!

Track 7

How Debtor Finance Can Help Cashflow

Bob Ada, BOQ

- Business owners often create problems for themselves by not planning properly for the future, especially where growth is concerned
- Debtor finance can help keep the cash flowing. It's like an overdraft, but with the loan secured against the business's debtor book, not property
- We'll provide up to 80 percent of the value of the debtor book, for debtors up to 90 days
- Charges and fees are similar to an overdraft secured against commercial property
- A strength of debtor finance is that the facility can grow as the business expands, while the cost - as a percentage of turnover - reduces
- Business owners who can negotiate discounts with their suppliers for early payment can use the facility to pay those bills, while offsetting their own interest costs

- For a debtor finance facility, we'll look at businesses with turnover of at least \$600,000 and a debtor book of around \$100,000
- We'll favour a business which is well-run and profitable and where there's a good spread of debtors
- My advice is to have a clear business plan, talk to your accountant and business manager and consider all options. But don't ignore debtor finance

Track 8

From Home Remedy To Sales Success

Leanne Faulkner, Billie Goat Soap

- I'd swapped the corporate world for life in the country. My son Liam developed eczema which defied all the traditional treatments
- I discovered on the internet that goat's milk soap could help people with sensitive skins. I had goats so I thought I'd try to make some
- A couple of years' trial-and-error followed before I produced something which did help his eczema and was well-received by family and friends
- Then I sold some at a local show and it was picked up by health stores, mostly through word-of-mouth
- Our core product is still made to the same recipe I developed for Liam, but we've added more products to expand our range

- Big stores initially turned us down, but they stock our soap now and we're Myer's general cosmetics Supplier of the Year!
- I have a very clear exit strategy - a trade sale in perhaps 3 years to allow someone else to take the business to the next stage
- I've learned 3 key lessons along the way - the 3 Ps. You've got to have Passion; you have to roll with the Punches; and you must surround yourself with dedicated, motivated People

Track 9

ATO News On Trust Distributions To Companies

Michael Jones, Cummings Flavel McCormack

- The ATO has now finalised its views on trust distributions to companies, and there are some important changes to the draft publication
- Two of the changes allow for some self-correction: if unpaid entitlements have been incorrectly described as loans, or if you've made a Division 7A error
- Those corrections can be made until December 31, 2011 From now on, a number of possibilities are available: once the company has been made entitled to the income, the money will have to be paid across (though for the year 2010 payment can be deferred for up to 23 months)

- The payment can be treated as a Division 7A loan, with prescribed principal and interest payments over 7 years
- There are 3 other options, two of which allow for the payments to be treated as interest-only loans over 7 or 10 years, with different interest rates
- The final one treats the payment as a co-investment between the trust and the company, but that requires the Trust to get a separate tax file number and accounting system for the co-investment. It's unlikely to be used
- The Tax Office says observing these guidelines will give protection from penalties when the law is finally settled, but the best advice is to see your accountant now to see how it affects you.

Track 10

Sharemarket Update

Tim Lincoln, Lincoln Stock Doctor

- Discipline is crucial to long-term success in the stockmarket, both in stock selection and the management of our portfolios
- Observing the Nine Golden Rules, managing our stocks around valuation and taking an opportunistic approach rather than following the herd mentality will see us through
- Now that the market has rebounded 50 percent from its lows, the pool of opportunity for buying stocks at good valuations is drying up

- As that develops, the smart investor will begin to move to cash, waiting for the inevitable correction which will once again throw up sound companies at prices well below valuation
- Among the good stocks still trading well below valuation: JB Hi-Fi, iiNet, Forge Group and Seek, which will probably become a Star Stock next reporting season

Track 11

Lessons From A Life In Family Business

David Haymes, Haymes Paint

- My father had died before realising his dream for the business. I'd come back to work in it, but the ownership was diverse and the company was struggling
- I decided to buy it back. But establishing a family business wasn't the main objective: we wanted a business that was successful and would make the staff and the people of Ballarat proud
- An entrepreneur's life is full-on and time gets away from you. It was only when my children were older that I realised it was time to think about my future - and theirs
- The children had grown up with the business, but we sat down with a facilitator to explore whether they wanted to be part of it and what - if they did - they could bring to the table
- Eventually they took on a variety of roles, and it's worked extremely well

- One of the biggest challenges in family business is getting the structures right, both for direct family members and those who've married into it
- It's vital to have forums which can deal with workplace and operational issues and have a pecking order, and strategic ones at board level, where everyone comes together as equals
- A family constitution is a must, to define and provide for all sorts of eventualities
- We couldn't have done it without Family Business Australia, who provided the help to devise the right structures
- I retired four or five years ago, but it took me three years to stop worrying about the business. Now I love floating around the edges, meeting customers and chairing the board
- Too many people who start businesses can't bear to step aside and let their children take over. That just creates unhappiness and confusion
- My five rules: T for truth - never lie; P for passion - it's essential; M for marketing - you won't succeed without it; R for respect, for customers, suppliers and staff; and L for listening and learning, a lifetime experience