

Online shopping: threat or opportunity?

1

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Is online trading part of a consumer revolution that could signal the end for a lot of bricks-and-mortar retailers and the businesses that supply them? We've heard some giants of the retail world say the internet will never replace the showroom and the department store, and then – within months – open their own online shopping portals. This month we'll sort out the facts from the speculation with the help of Simon Smith, from actuarial consulting firm Quantum, which has done an extensive survey on online shopping in Australia. You'll find the results thought-provoking.

As the business world changes fast, it also confronts tough times on a host of local and global fronts. Jay Chander of Capstone Business Improvement and Assurance will remind us that we must give profit sustainability our immediate focus if we want to survive and grow in these difficult times.

Economist Professor Neville Norman uses this mid-point in the calendar year to review of how Australia's key economic indicators are tracking; while Susan Orchard of GAAP Consulting alerts us to new draft legislation concerning collectible investing into self managed super funds – with ever-tighter restrictions on what we can, and can't, do with such assets in the superannuation environment.

We'll get some valuable pointers on how to improve account collections, from Roger Mendelson of Prushka Fast Debt Recovery. And, to round everything off this month, "potentialist" Richard Day will tell us how to make a positive out of stress to put a much brighter complexion on our working lives.

Plenty of ideas and advice for you and your clients this month. Enjoy the CD!

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TURNING DISTRESS INTO EXCITEMENT

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THE ESSENTIALS

July 2011

Track 2

Online Shopping: Threat Or Opportunity

Simon Smith, Quantum

- There's a lot of speculation about the size of the online market. Quantum has used a database of aggregated spend of more than 2 million Australians to assess the true state of play
- More than half of all Australian consumers made at least one online purchase last year
- The impact has been felt across the retail sector but it varies from category to category and according to the attitudes of the various entrepreneurs in those sectors
- Books, movies and music, electronics, clothing and homewares have done well. Online grocery purchases not so much
- Larger retailers have been slower than smaller businesses to embrace online retailing
- Loyalty is losing out to price and convenience
- Traditional retailers need to understand what makes them an attractive in-store shopping experience, they need to entertain, educate and add value
- Competing on price with online retailers will become an increasing issue
- Brand has become more important: online shoppers will have more confidence about identifying quality products and buying labels they know

- Online retailers have the advantage of online communications with their customers - but so do their competitors, so no-one can afford to be complacent
- Offline retailers should evaluate whether to create an online presence to expand their market
- Look at online tools like Facebook and Twitter to establish relationships with customers
- Even if you don't sell online, you need to have an online presence these days, where more than 50% of goods purchased offline have been researched online first

Track 3

Economic Update

Professor Neville Norman, Melbourne University

- Let's hope, as the new Financial Year starts, that calendar 2011 finishes better than its first six months would suggest, knocked around as it was by both natural and man-made disasters
- Reviewing the forecasts we made back in January, let's look at the key indicators:
- On economic activity, we're seeing a lot of negatives, as I forecast, though I didn't foresee the Japanese tsunami, Queensland floods or troublesome volcanoes
- Supply shortages of Japanese car parts and vehicles, together with the water in the Queensland coal mines, helped create the negative growth in the March quarter
- Government officials and the Reserve Bank seem convinced there'll be a full bounceback. I'm not so sure
- For small business, this means that purchasing power and confidence will be more affected than I foresaw in

January. Don't be surprised to see things like motor vehicle registrations and confidence indicators falling

- Inflation and price measures are still hovering around 3 percent. These days prices don't fall during a slump or slowdown
- Interest rates? No change from the start of the year. Maybe one more rise, particularly if Reserve Bank Governor Glenn Stevens has the casting vote
- Exchange rates are likely to stay within a fairly narrow band in the short term. I'm predicting around 95 US cents
- On budgetary policy, the "return to surplus" target still looks optimistic

Track 4

Profit Sustainability In Difficult Times

Jay Chander, Capstone Business Improvement & Assurance

- The world's facing great turmoil right now, with weak economies, fears of recession, political upheavals and natural disasters
- It's imperative to protect and grow profits - but that's all the harder to achieve in this climate
- A lot of businesses are turning to profit improvement and cost management strategies to sustain and grow profits
- Cost management is easier to manage and control. It should be a continuous process, aligned to key business objectives
- Profit improvement and cost management should be a core competence of every manager. This would mean the entire organisation was contributing to sustainable profits

- There are many hurdles but the main ones are lack of management focus and an absence of ongoing process. Profit sustainability and cost management should not be knee-jerk reactions when times are tough
- The tone from the top of the organisation is very important and leaders need to provide consistent messages
- An entire range of activities is involved, from non-core activities to a focus on more productivity from staff, operational improvements and simple things like procurement - getting fair but tough on suppliers
- Set the framework with some serious questions: can we manage this better, where are the revenue streams, what are the costs, who are the key suppliers, when did we last negotiate prices, what are our competitors doing, what activities don't add value, are they core to the business?

Track 5

Investing In Personal Use Assets & Collectibles In SMSFs

Susan Orchard, GAAP Consulting

- The government has indicated that it will be amending the legislation concerning investments in collectibles and personal use assets by SMSFs
- Collectibles include artworks, coins and stamps; personal use assets include cars and boats
- The new restrictions:
 - Assets may not be leased to a related party
 - Items must not be stored in the private residence of a related party
 - Decisions on storage must be documented

- The item must be insured in the fund's name
- The item must not be used by a related party
- The transfer of an asset to a related party requires independent valuation
- The legislation is in draft form and still under consultation in June 2011.
- The new rules will apply to assets acquired after 30 June 2011. Assets held by the fund prior to 1 July 2011 are exempted until 1 July 2016
- The changes will require trustees to clearly document their intentions in relation to storage, and keep this for 10 years
- The requirement to obtain insurance in the fund name will add costs for some superannuation funds whose assets are currently insured by a gallery or business leasing the asset
- Advisers and auditors need to be alert and make sure their clients are aware of the changes to the investment rules.

Track 6

Legal Perils In Performance Management Joydeep Hor, People + Culture Strategies

- Performance management frightens a lot of managers because it takes them outside their comfort zone, introduces an element of conflict and has possible legal or industrial relations implications. And many just lack the skills and training to do it well
- Very few organisations have the infrastructure to train managers and supervisors in the skills that the law requires
- Having a written policy on performance management can give managers reassurance about what is

required of them, especially if they're dispersed at sites away from head office

- But the downside is that if a written policy is over-precise, it can easily be picked apart on small points of non-compliance. It may become a rod for the business's back
- The key ingredient that's most often missing is training and education for managers and supervisors. And the link between contracts and performance management needs to be well synchronised
- The business needs to "walk the talk" - treating performance issues as it said it would, so that there's no disconnect between policy and practice
- Failure to get that right can lead to serious allegations of non-compliance with the organisation's own stated policy
- Many managers are afraid to manage staff robustly for fear of being accused of bullying or harassment, but the law will support them if their behaviour is not repetitious, threatening or intimidating
- Performance management should be about the job and how it's being done, and not about the person
- But "performance" can also extend to the way in which employees relate to co-workers, and their capacity to work as part of a team
- It's important therefore for management to set out those requirements in a contract or job description, so they have some reference points to measure performance against
- Organisations should take care when promoting people into managerial roles that they equip them with the skills to carry out performance management effectively and in line with the law
- If you have written policies, make sure they're updated regularly and accord with the business's values or

mission statement and that everyone understands them

- If you get it right, you will not only make performance management easier, you'll create an aspirational environment which is the real aim of the exercise

Track 7

How To Avoid Bad Debts

Roger Mendelson, Prushka Fast Debt Recovery

- Small business is often more effective than big corporations at chasing debts and keeping the cash flowing in, because business owners see it as closely related to their own success and wellbeing
- If they delegate the task to an accountant or bookkeeper, they should ask regularly for progress reports on the status of the debts. If the reports aren't provided quickly and accurately, the system isn't working
- It's vital that someone in management has a direct role in overseeing debt collection, making sure systems are in place and that they're followed
- But it's usually best not left to the business owner - they'll be too pre-occupied with other aspects of the business to do it well
- In small family businesses, it's often the owner's husband or wife who does the books - that can work well because there's a close personal interest in seeing the money come in promptly
- Professional practices often don't handle debt collection well. In accounting firms, for instance, partners will often be reluctant to initiate action against their own clients

- In that situation, external collection agencies can be more effective because they have no emotional involvement
- Five simple steps can ensure that your credit control and debt collection systems work for you
- As above, give someone in management responsibility for the area
- Make sure you have good customer paperwork, including a credit application form with all the necessary details
- Have clear timelines for the collection process, with each stage harsher than the previous one
- Get on the phone to the customer quickly if the account is overdue, and ask them why it's not been paid
- Finally, if you're not getting anywhere, outsource to a collection agency. You'll save time and money

Track 8

Finding Financial Peace Of Mind

Michael Jones, Cummings Flavel McCormack

- My New Financial Year's Resolution - help your clients to get their tax and financial affairs in order, to gain valuable peace of mind. If clients aren't getting the support they need from their accountants, they should challenge them or find another one
- For long term peace of mind, look at superannuation and make sure the assets will reach the intended beneficiaries
- A super fund is not part of a will, so the wishes expressed there won't help
- Trustees of a self-managed super fund must be clear about who'll take over as trustees once they've gone

- Generally the new trustee will come from within the pool of beneficiaries - a spouse or children, so potentially conflicts can arise
- A Binding Death Benefit Nomination will direct the trustees as to how and to whom the benefits are to be paid
- But bear in mind that circumstances can change, tax situations can change, and nominations made now may not be appropriate when the time comes
- Consider whether the circumstances to make a binding nomination are appropriate or not, but in any case superannuation should be seen as part of estate planning, so any expressed intentions should be clear and properly documented

Track 9

Sharemarket Update

Elio D'Amato, Lincoln Stock Doctor

- There's still a lot of nervousness in the market, which is now showing up in confidence indicators, despite the fact that most measures of the economy are still reasonably strong. But investors are reluctant to take risks
- The global economy continues to weigh down on sentiment - Greece is a real mess, and we knew that the US recovery would be a slow and drawn-out affair
- Europe will go through more pain, but in terms of Australia's development and future, it plays a tiny role these days. It's a confidence thing
- At home, the two-speed economy is casting a shadow and it's worrying to hear the Reserve Bank still sounding hawkish on interest rates

- A rate rise wouldn't help the retail industry, which is still suffering, or property, which is coming off some historic highs
- On the stock market, we may see continued range trading until the next reporting season, some months away
- Meanwhile it will still respond to good news from China, and we remain very optimistic about the China story
- Their latest 5 Year Plan focusses on increasing domestic consumption and moving people into the cities where the jobs are
- Our hope is to be able to benefit from that prosperity, accepting Chinese businesses here with the investment they bring
- We have two new Star Stocks: the ANZ, with its Asia focus, and TechnologyOne, an IT outsourcing business with good prospects for growth
- We've been looking at the industry sectors that are doing well in the two-speed economy, and obviously mining and mining services are the stand-out performers, even though share prices took a hit in the latest correction
- Telecommunications is also doing well as the NBN approaches, and healthcare remains a good defensive sector

Track 10

Turning Distress Into Excitement

Richard Day, Potentialist

- Stress is simply a reaction to a stimulus and every stimulus is neutral until we decide what to think about it

- Our thought processes will either create excitement from stress, or turn stress into distress. It's a question of interpretation and the sequence goes like this: stimulus - thought - brain chemical - emotion - reality
- If we're feeling distressed, we need to ask ourselves "why am I feeling like this?"
- My strategies for turning stress into excitement include Flip 5 - 1: for every thought there's an equal opposite thought. Against every negative thought we can choose to create a positive thought. Next time you think of a problem, think of 5 positive things about that situation before you move on
- This trains the brain to become hard-wired to look at problems differently. It's a very liberating process and once people get it, they can become naturally positive thinking
- Another strategy involves what I call "Magic moments". This is learning to live in the moment. It's impossible for distress to occur in the moment because it comes from ruminating about what's happened in the past, or projecting forward to what might happen in the future. A total focus on the present allows no room for distress.