

BusinessPlus+ Newsletter



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'Digital Disruption' is a Major Concern

At the Australian Technology Showcase for Accountants (ATSA) Conference held in Melbourne on 20-21 October 2014, a clear warning was issued by Jason Bender, partner at Deloitte Chartered Accountants, that 'digital disruption' is starting to affect many industry groups.

Two years ago, Deloitte produced a report, 'Digital disruption – short-fuse, big bang?' The report predicted that six different industry groups would encounter 24% to 43% of revenue becoming 'disrupted' over time.

Mr Bender indicated that 'disruption' doesn't mean revenue is gone. **However, there would be a need for the affected industries to develop strategies on how to respond to changing market conditions.**

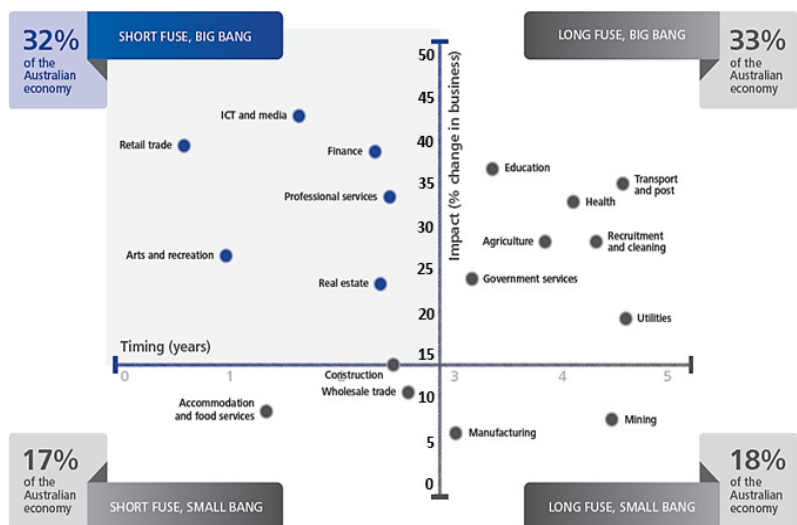
Mr Bender referred to the changes that have occurred over recent years to businesses, such as video stores, and the flow-on effects that were then felt by property investors and shopping centres where other tenants missed the customer drawing power that the video stores used to generate. Mr Bender indicated that there's a flow-on effect from one business closing down to others in the location.

The 'digital disruption' forecast highlighted significant changes that will occur.

Mr Bender said, "These changes can creep up on you." It's the same as the 'rear vision mirror' of your car – it doesn't show you how close the vehicle behind you is to your car."

The market forces that are going to require changed strategies within the six affected industries in 'short-fuse, big bang' are a lot closer than what they appear to be.

"One of the prime examples of what can happen, if a business does not respond to changing technology is what happened to Kodak." He indicated that "Kodak had the first patent of digital technologies, but were happy with their existing model. The business went into bankruptcy."



If you would like to have a discussion with us relative to developing a strategy to combat 'digital disruption' for your business, please don't hesitate to contact the accountant within our firm with whom you normally have dealings.

Debt Recovery – An Ongoing Task

In these difficult times, many business operators have found it necessary to extend credit to customers and potential customers.

The key to offering credit terms is to manage the credit you're offering.

The objective of managing credit effectively is to ensure that you've implemented an appropriate system.

A written system would include the following key components:

- **Application Form**

An application form for a prospective new customer to complete. In the application, it's a good idea to indicate that, if the customer is in default, you will elect to transfer the debt to a debt collection agency or legal firm and the customer will be responsible for all of the collection agency and/or legal firm's fees.

If a potential customer is a private company, ensure that a director's guarantee is received and appropriately filed, so the guarantee is available if you require it in the future.

A decision also needs to be made as to whether you're going to register this customer on the Personal Property Securities Register (PPSR). The registration process requires you to submit a 'Terms of Trade' agreement and a 'Retention of Title' agreement (in most cases) to your customer. Your customer must sign these agreements and return the agreements to you. It's a good idea to have these documents signed before any sales are made to the new customer. If you're going to register on the PPSR, you then have to ensure the registration is completed on the PPSR, within the very limited time period allowed.

An internal system is recommended to ensure the credit application form is checked, referees are contacted, a decision is made on what credit limit and terms of payments are going to be offered to the prospective new customer.

- **Welcome to New Customer Letter**

Issuing a 'welcome to new customer' letter is an appropriate way to summarise your terms of trade and to confirm the credit limit and payment dates set for the new customer. It is recommended to ask them to sign a copy of the letter and return the signed copy to you. If you have implemented the terms relative to expenses of the collection agency and/or legal firm, it's a good idea to incorporate this clause into the 'welcome to new customer' letter.

- **Debtors' System**

A sound debtors' system would then ensure that tax invoices are promptly prepared and dispatched to the customer and make sure there are no errors on the tax invoices. If you're sending statements, they should be prepared promptly at the end of the month and sent through to customers within 48 hours of the end of the month. This way, you've laid the foundations for an effective debtors' management system.

- **Debt Recovery Process**

The other key component of the system is the debt recovery process. The system should signify a prompt follow-up by an email or an SMS to a customer, advising them that their payment is overdue. If the customer doesn't pay within seven days, a further follow-up should then be issued. If that request is again ignored by a customer, it's time to transfer the debt to a debt recovery organisation, to collect the money that's owing to your business. If you continue to give credit to that customer, it will probably end up as 'bad debt'.

Debt recovery is an ongoing task if you're going to keep on top of your business finances.

If you would like our assistance in the establishment of a debtors' system manual for your business, please contact us.

Bank Relationships are Important

At present, the majority of bank lending is for property investments as, according to the banks, this is where the demand is. Bank lending for property is easier than lending for small businesses.

To have a successful relationship with your bank, you should consider implementing a bank strategy, including preparation of a budget and cashflow forecast, which indicates that you have a profitable business and the ability to repay the loan.

Prior to approaching the bank, it's a good idea to think about what the bank's questions are likely to be and formulate your answers. Such questions might relate to previous discussions you've had with the bank.

Other potential questions may include:

- Are you running a profitable business?
- Do you have the cashflow to repay the loan?
- What security are you offering?
- How are you running a sound business? To be able to convey to the bank that you're doing this within your business, you should be able to show your banker that you're doing your homework on your customers, that you have an appropriate debtors' management system, you might insure your debtors.
- Does your staff have adequate training? Are they able to make day-to-day decisions?
- What is your relationship with the ATO? Are you in arrears or are you up to date with them?

It's also a good idea to find or build a 'cashflow buffer' within your business, so that you're able to negotiate the difficult conditions, which most businesses around Australia are in at present.

If you would like to have a discussion with us relative to the development of strategies that suit your business or your dealings with your bank, please don't hesitate to contact us.

Disciplined Approach to Marketing

Having a disciplined approach to marketing the business can make all the difference.

Marketing is a process, not a one-off event. It's not advisable to copy what your competitors are doing. How do you know if they're doing it successfully?

When you examine the marketplace, only 3% - 4% of your potential customers are ready to buy at any one moment in time.

The main reason for marketing is to generate some interest by using a time-based process, such as a 'drip' campaign of communicating with potential customers until they're ready to buy. This can be built around four words – **interrupt**, **inform**, **educate** and **offer**.

It's a good idea to give consideration as to how you might be able 'interrupt' potential customers. This could be done via email or a telephone call, to advise them of your product or service at some particular point, followed up with information which will inform the potential customer of how your products can assist them in their day-to-day business operation.

Business owners and consumers receive hundreds of offers every day, directly and indirectly. Therefore, you need to determine how you're going to 'educate' your prospective customer on the services you're providing.

Having gone through the process of 'interrupt, inform, educate', as part of the disciplined marketing process, to inform and educate your customer on the products and services your business is offering, you're then in a position to make an 'offer' to your prospective customer.

If you would like to have a discussion with us relative to the development of a marketing process for your business, please contact us or have a discussion with a marketing consultant. If you don't know a marketing consultant, we're happy to give you an introduction to a marketing professional.

What Services Can Accountants Offer – Part 8

BUSINESS HEALTH CHECKS – PART 1

Your business' health is very important for the long-term, successful operation of your business. As your accountants, we can assist you by preparing a number of reports and reviews to measure your business' health, including:

- **Break-Even Calculation**

This is the amount of sales that need to be made each week or each year, so the business is neither trading at a loss nor failed to create a profit. The key components of the calculation of break-even are your business' overhead expenses and the business' gross profit percentage.

- **Working Capital Evaluation**

Detailed evaluation of amounts owing for sundry debtors, investment in stock, investment in work in progress, owing to creditors and bank accounts will assist in the calculation of the excess of current assets over the current liabilities or working capital.

If you would like to have a discussion with us relative to the implementation of business health checks for your business, please don't hesitate to contact the accountant within our firm with whom you normally have dealings.

Characteristics of a Well Run Business – Part 15

Planning

To run an outstanding business, it is necessary to produce written procedures for all business activities – from opening the front door at the beginning of the day, through to closing the front door at the end of the day's business activities.

The procedure manual should establish the fundamental procedures required to successfully run the day-to-day activities of the business, including:

- telephone calls
- telephone messages
- emails sent
- received emails
- correspondence
- stock ordering
- receipt of stock
- stock takes
- cash control
- electronic banking
- management planning
- meetings
- staff productivity
- payroll records
- work care
- research and development
- government grants for which the business might be eligible
- updating or preparation of the business plan
- budgets and cashflow forecasts
- planning for the launch of new products
- planning for marketing and professional selling activities
- staff training and professional development

Planning will give the business an excellent foundation, not only to plan for the future, but to compare actual progress to original targets.

If you require assistance in the establishment of written systems and planning procedures within your business, please don't hesitate to contact us.

Government Grants for SMEs

Export Market Development Grant (EMDG) – Reminder

If you are an exporter or proposing to export, Export Market Development Grant applications for the year ended 30 June 2014 must be lodged by midnight (Australian Eastern Standard Time) Monday 1 December 2014.

Further information regarding the submission of an EMDG application is available online at www.austrade.gov.au.

If you require any assistance on the preparation of the grant application, please contact us.

Accelerating Commercialisation

The Australian government has introduced the long-awaited replacement to the Commercialisation Australia program, with the release of the details of the Accelerating Commercialisation Grant.

Accelerating Commercialisation is the final component of the Entrepreneurs' Infrastructure Program, which also includes:

- Business Evaluation
- Business Growth Grant
- Research Connection

Accelerating Commercialisation will assist entrepreneurs, researchers, inventors, start-ups and small/medium enterprises address the challenges associated with commercialising novel intellectual property, in the form of new products, processes and/or services.

Eligible applicants include non-tax exempt company, an individual, researcher, partnership or unincorporated trustee, who agrees to form a non-tax exempt eligible corporation before signing a funding agreement.

The combined annual turnover of the eligible applicant and of each related body corporate (if any), for each of the three years prior to lodgement of the application, is less than \$20 million. The applicant has to have a novel product, process or service that they wish to commercialise and trade to customers, external to the state or territory of their place of business. The applicant has to have ownership, access to or the beneficial use of any intellectual property that is the subject of or is necessary to carry out the eligible project.

Grant funding of up to \$1million is available on a 50% contribution basis.

Eligible project aims to achieve at least one of the following:

- Complete development of a novel product, process or service.
- Prove commercial viability of a novel product, process or service to a customer, investor or strategic partner.
- Make the first sale of the novel product, process or service in Australia or overseas.
- Drive the business towards commercialisation of its novel product, process or service in the marketplace, by engaging an experienced executive.

If you're interested in submitting an expression of interest for Accelerating Commercialisation, you need to complete the EIP Accelerating Commercialisation Expression of Interest form, which can be accessed online at www.business.gov.au.

If you would like our assistance in completing the expression of interest form, please don't hesitate to contact us.

Important Dates

- 21 November** **Monthly Activity Statement** – October 2014. Due date for lodgement and payment.
- 25 November** **Quarterly Activity Statement** – Quarter 1, 2014-15 - Due date for lodgement and payment if lodging via one of the following:
- Electronic Commerce Interface (ECI)
 - Electronic Lodgement Service (ELS)
 - Tax Agent Portal
 - BAS Agent Portal
 - Standard Business Reporting (SBR)
- 28 November** **Superannuation guarantee charge statement** – Due date for lodging. Quarterly and paying the super guarantee charge for quarter 1, 2014–15, if the employer did not pay enough contributions on time.
- Employers who lodge a Superannuation guarantee charge statement – quarterly can choose to offset contributions they paid late to a fund against their super guarantee charge for the quarter. They will still have to pay the remaining super guarantee charge to us. *(Note: Super guarantee charge is not tax deductible).*
- 1 December** **Income tax** – Taxable large/medium taxpayers, companies and super funds – due date for payment. Lodgement of return due 15 January 2015.
- Income tax** – The taxable head company of a consolidated group with a member deemed to be a large/medium taxpayer in the latest year lodged – due date for payment. Lodgement of return due 15 January 2015.
- Income tax** – companies and super funds when lodgement of the tax return was due 31 October 2014 – due date for payment.
- 21 December** **Monthly Activity Statement** – November 2014. Due date for lodgement and payment.

An Important Message

While every effort has been made to provide valuable, useful information in this publication, this firm and any related suppliers or associated companies accept no responsibility or any form of liability from reliance upon or use of its contents. Any suggestions should be considered carefully within your own particular circumstances, as they are intended as general information only.

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We are a growing firm and do appreciate your referrals.

We consider it a compliment when you recommend us to your friends and business contacts.



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