

# BusinessPlus+ Newsletter



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## Issue No 94 – August 2013

*"Don't sell me products or services – sell me ideas, a better self-image, freedom from fear and want, and philosophy that will help me achieve my potential as a human being." – Author Unknown*

### Create A 'Service Profit Chain' To Help Performance In These Difficult Times

There is no doubt that the vast majority of Australian businesses are operating in difficult times. There are number of factors at play.

- Federal election uncertainty – now partly solved with the announcement of a definite election date.
- Extravagant promises and 'porkies' by political parties, and they have only just started the election campaign!
- Currency changes, which in the main, are benefiting exporters, but causing some problems for importers.
- Interest rate lowering to 2.5% – good if you are a borrower, but no good for depositors. The lowering of interest rates underlines the difficult economic circumstances in which businesses are operating. "A bit below trend over the past year" – RBA Governor Glenn Stevens – undoubtedly, most SME operators will agree with him!

To navigate through this 'maze' of uncertainties, businesses need to embrace strategies to develop a 'healthy and engaged workforce', which will encourage 'loyal customers', and should result in a healthy bottom line – a 'service profit chain' (a term originally coined by Harvard Business School in the 1990's).

The challenges that business owners need to face are:

- What experiences do you want your customers to have when they do business with you?
- What type of culture are your customers going to encounter when they do business with you?
- What are your business' goals?
- What's the philosophy of why you are in business?

This will undoubtedly lead you to the development of people. To be successful in business, you need to develop capable people. Attention to the development of capable people will lead to productivity improvements. Greater satisfaction and team loyalty will then contribute to the profitability of the business.

The other big benefit is, that this will lead to, greater customer service and customer satisfaction. An investment in people to deliver greater services will result in business improvement.

Where do you start?

- What do you want your customers to experience when they deal with your business?
- What type of culture exists within your business?
- From a team member's point of view, culture is about:
  - management style;
  - team work;
  - developing pride in what is achieved within your business; and
  - an appropriate behaviour must be experienced at every level (from the most junior team member to the most senior classification).
- Consideration needs to be given to rewards, but rewards are not all monetary. In many cases, an appropriate reward can be acknowledgement and recognition of a job well done and, ultimately, allowing the team members to participate in the fruits of the enterprise, thus creating an overall sharing in the benefits of the organisation's success.

## Create A 'Service Profit Chain' To Help Performance In These Difficult Times (cont'd...)

- How will these strategies show themselves?
  - Team members will solve problems.
  - Creating ideas should lead to greater innovation within the business.
  - Team members should not be scared to take the initiative and go the extra mile to solve customers' problems.

The effect of these activities will be shown in customer surveys, the business' results and, ultimately, in the bottom line. This will contribute to a better retention rate and a more inclusive culture within the business.

How should you go about implementing this?

- Empower front-line people to fix the problem without having to refer complaints or suggestions from customers further up the line.
- Why not have a policy of 'just fix it'?
- Some organisations are using technology to add value to their customers' experiences by creating activities, such as 'chat facilities', to hear about and solve customers' problems.
- Drive positive behaviour in team members by being absolutely clear on the purpose of the business.

What doesn't work?

- People not being appreciated.
- Insufficient communication, especially to the front-line team members.
- Inappropriate behaviour at various levels, senior levels in particular.

The 'service profit chain's' ultimate goal is customer loyalty. Loyal customers think differently about an organisation, because there is now commitment to a brand. This can lead to referrals to other potential customers. In many cases, loyal customers are easier to deal with, and price is not a factor to them. Loyal customers have already decided that they want your services, as long as the prices are reasonable. From a business' point of view, it's how you add value and how your customers enjoy doing business with you that leads to businesses gaining loyal customers.

What can you do to develop loyal customers?

- Have discussions within your organisation.
- What are the differences between your various customers?
- What do they complain about?
- How can the items, that they're complaining about, be fixed?
- Are there follow-up phone calls after a job is completed?
- Are customers encouraged to make comment?
- What internal goals need to be set relative to dealing with customers?
- Create key performance indicators and measure KPIs, as appropriate, on a daily, weekly and monthly basis.
- Encourage success by rewarding positive behaviours within the team.
- Encourage and lead the workforce to build customer loyalty.

Ultimately, all of these activities will benefit the business' overall performance and improve the bottom line profitability of the business. There is no doubt that there are tough economic times at present. In tough times, businesses need to utilise all of the resources they can gather to ensure that the business is successful. This will keep your team in jobs and provide a great service to your clients.

Now is the time for a complete review of your business activities to see where the improvements need to be made, with particular emphasis on these two key areas. Happy, engaged workforce and happy loyal customers lead to bottom line success.

If you would like us to undertake a business review of your business, utilising our 'Surviving in Difficult Times' system, please do not hesitate to contact us.

## Ask 'How' Questions

In many business situations, be it marketing, sales or a team meeting, 'how' can be a great word to start a question.

- How long has this been happening?
- How much longer is this going to happen?
- How does that make you feel?
- How does that impact on your family?
- How long has it been like this?
- How would you like your world to look in 12 months' time?
- How would you rate your business overall, out of 10?
- How many days, weeks or years can your business survive without you?
- How soon would you like to see the changes in your business?

## Marketing Hints

### Suggest Alternative Uses

There are times when customers buy things, a mobile phone for example, but they don't always understand all of its features. A good sales technique is to build rapport with customers, by letting them know all about the features and alternative uses of the product. This will add to their satisfaction, and hopefully encourages them to buy.

### Past Customer Event

Why not invite customers to an event. This could be a sporting event, movie night or party. This could be a great way to network their business or ideas.

The intent is nothing more than a way of saying 'thank you for their business and an opportunity to network, and don't forget us next time you, or someone you know, is looking to buy a product that we can supply'.

You could organise this type of event, in conjunction with other businesses, so you get to meet potential new customers, and your past customers could get the opportunity to network with other business people.

### Free Upgrade

Free upgrades are a great enticement for more sales. You can offer a free upgrade on any product or service that you are selling. Think long term, and think about the 'lifetime value of your customers'. In most cases, it would be viable to offer some incentives at the beginning of the relationship, to attract a customer's loyalty for a long time.

## Government Grants For SMEs

### Are You Planning To Export?

If you are planning to commence export operations, the Australian government has an Export Market Development Grant, at which many SMEs, who are exporting, avail themselves.

If you spend more than \$20,000 in the financial year on eligible export development activities, you can claim a grant of 50% of the eligible expenditure, up to a maximum grant of \$150,000.

For first time claimants, you can combine two consecutive years of expenses to achieve the \$20,000 of eligible export expenses. For example, in the first year, the business spends \$11,000 on eligible export expenses, and spends \$17,000 on the second year. With the total of \$28,000, you would be able to claim as the 'first year's' eligible expenditure. This would be a grant of \$14,000.

Eligible expenses for export market expenditure can include:

- overseas representation;
- marketing consultants;
- overseas market visitations;
- communication costs;
- supply of free samples;
- trade fairs and promotional events;
- promotional literature and advertising being sent to overseas market;
- overseas buyers to Australia; and
- registration and/or insurance of eligible intellectual property.

There are some limits to expenditure that you are able to claim under some of these items.

The export market development grant is available to businesses with turnovers of under \$50M.

If you would like to have a discussion relative to your exporting activities, or proposed exporting activities, please do not hesitate to contact us.

## Do I Need A Power Of Attorney?

Every business owner should consider what would happen to their affairs if they were unable to manage their affairs personally. Before you find it difficult to deal with your own affairs, you should consider the appointment of a person to handle those affairs. A Power of Attorney is a legal document, by which you can authorise another person, or a number of people together, to act on your behalf.

- General Power of Attorney - This is where you appoint someone, usually for a specific period of time, to make financial or legal decisions for you.
- Enduring Power of Attorney - This is where you appoint someone to make financial, legal and/or medical decisions for you in the event of you losing, at some time in the future, the capacity to make those decisions for yourself.

## Characteristics Of A Well Run Business – Part 1

There are many characteristics for successful businesses. Many businesses have specific characteristics that relate to their industry or geographical location.

Generally, the key areas that business owners should be monitoring, to achieve a well-run business, incorporate:

- personal capacity development;
- drive and energy;
- high levels of self-confidence;
- ability to solve problems;
- willingness to take advice;
- ability to see the big picture;
- excellent customer knowledge and service.;
- know your target market;
- do your homework on your customers;
- can you walk in their shoes?
- do you have empathy with your customers?
- treat your customers differently from what everyone else does.
- communicate with your customers.
- let your customers know how much you appreciate their custom.
- offer better and more personalised services than big business.

For small business to effectively compete, specialist and always be certain to have the product on hand, or always be able to deliver that service.

### Product/Industry Knowledge

You need to develop a team that have excellent product knowledge. Think about replacement team members for holidays, sick days, long service leave and training days. This means that, on any particular day, the business can still present excellent product knowledge.

Understand what is happening in your industry, know what the key players are doing, and be alert to industry trends and fashion.

If you have any questions on any of these items, please contact us.

## Motor Vehicle Fringe Benefits Tax Changes

The proposed change, recently announced by the current government, takes effect from the 16<sup>th</sup> July 2013 with the immediate removal of the 'Statutory Method' to calculate the fringe benefit on motor vehicles. The statutory method will only be available to contracts entered into before this date. All new contracts entered into on this date and after will require the use of the 'log book' method. This method is more complex and difficult in that it requires an employer to track costs relating to each separate car, and relies on the employees, who drive each vehicle, to adequately complete a log book for 12 weeks every four years, or whenever there is a significant change in the driving usage of the vehicle.

One of the largest areas to be affected will be to employees who 'salary package' cars with the benefits of the statutory method, which has given rise to a huge take up of the vehicle salary packaging in recent years.

This will obviously have a large effect on employees who get the greatest benefit from the double combination of the Motor Vehicle FBT statutory concession and the further concessions available to those who work for charities and public benevolent institutions, which have the highest take up of motor vehicle salary packaging.

At this time, there is very little factual evidence, advice or legislation regarding these changes, other than the initial announcement. However, the change and its effect are quite simple and effective, with, likely, little change to what was announced if the legislation is passed.

If you have any concerns of how this change will affect your business, please do not hesitate to contact us.

### WANT TO KNOW MORE?

Additional information on the articles contained within this issue of **Business Plus+** is available by contacting our office on 1300 35 22 35 or email Christie at [christie@lewistaxation.com.au](mailto:christie@lewistaxation.com.au). You might be interested in the following additional papers:

- *Paper 006-080 Characteristics Of A Well Run Business*
- *Paper 006-085 Business Evaluation For SMEs*
- *Paper 008-040 Marketing For Small Business*
- *Paper 012-025 Fringe Benefits Tax*
- *Paper 014-030 Export Market Development Grant*
- *Paper 016-001 What Legal Advisers Can Do For You*
- *Paper 050-050 Succession Planning – Why It Is Necessary*

### 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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