

September 2012

## 7 Things Your Business Should Be Doing In 2013

Let's face it, most small business owners are time poor. It's no surprise given you need to juggle the management of staff, bookkeeping, invoicing, marketing and daily business operations. You also need to monitor the economy, industry trends and technological change.

With the speed of technological change accelerating, business owners need to adapt as a result of the rise of social media, the dominance of Google and the explosion of smart phones and cloud computing. In fact, the way we do business continues to change with business owners constantly searching for productivity gains to save time and improve their bottom line profits. For example, five years ago every business had a fax machine but courtesy of email and scanning technology they are almost redundant.

We have identified seven key technological changes that most business owners need to adopt to stay competitive:

### 1. Websites are a Marketing Magnet

Your website needs to be more than just a billboard that simply lists the who, what and where of your business. It should be your marketing hub that draws prospects to your business with social media links and information that targets your niche markets and ideal customer. It should be a marketing magnet and your virtual sales manager available 24/7. It should not only detail your business information, opening hours, products and prices but it should create sales and track visitors to your site so you can create a pipeline of prospects to contact.

Everybody looks for products and new suppliers on the web and if your website is not set up to capture prospects details in exchange for an e-booklet or newsletter, you could be missing out on sales opportunities. Of course, if you are capturing the contact details of the prospects who visit your site do you also have a follow up system in place to convert them to customers?

Consumers want to be able to complete their orders online and they are too busy and time poor to wait for the call back, email or personal visit. Their mission is to find what they want, pay for it and move on. If you sell products then a shopping cart is an essential part of your website because if your business can't satisfy them with a few clicks of the mouse, they will quickly move on to one of your competitors that offer instant purchase gratification.

Your website will always be a work in progress and remember, Rome wasn't built in a day. Don't feel overwhelmed with the need for instant change but create a wish list of features you want on your website. Make a commitment to read and research about search engine optimisation (SEO), blogging and software to integrate your contact management, payment processing and automated marketing campaigns.

### 2. Abandon the Cheque Book

The convenience and speed of online banking means there are very few reasons why you still need a cheque book. Online banking, Paypal, direct debit services and secure shopping carts mean the old cheque book is almost extinct.

If you are still paying your bills by cheque or don't accept electronic payments to your bank account then it's time for change. Everything is difficult until you do it the first time and there are other benefits with electronic banking. For example, most accounting software programs will let you import your electronic bank statement that could potentially slash your bookkeeping time and you might save bank fees as well.

**The greatest compliment we receive from our clients is the referral of their friends, family and business colleagues. Thank you for your support and trust.**



## 7 Things Your Business Should Be Doing In 2013 *Continued*

### 3. Search Engine Optimisation (SEO)

Very few people forecast the dominance of Google in Australia. Ten years ago Yellow Pages was the starting point in the purchasing process but today Google is the consumer's best friend.



Having a great website is a terrific start but if no one can find your business online it is a complete waste of time and money. It is crucial that your business appears on page one of Google searches. If you're a plumber, what happens if you Google 'Plumber in your Suburb'? You can access these statistics and the results are staggering. For example, there are close to 6,000 searches per annum for 'Plumber Richmond' and what if you could attract 5% of the traffic? Would an extra 300 calls a year help your business?

To optimise your website for Google you need fresh and relevant content plus make sure you also claim your inbound links from well credentialed websites like Hotfrog and True Local. This is just the tip of the iceberg but SEO must be on your radar in 2013 and beyond.

### 4. Using Web-Conferencing

Face to face meetings will always be the most effective way to do business and build relationships but the travel time, expense and inconvenience can be a big obstacle. Web-conferencing provides the next best thing to a face to face meeting and with free VOIP carrying voice, webcams and screen sharing for the visual, participants don't need to leave their own desk to do business.

### 5. On Line Training

There are a range of fantastic online training tools available for small business operators at surprisingly low cost. Again, like meetings, by receiving your training or conducting staff training online you have reduced the cost of bringing the trainee and trainer together. If you have Gen Y staff think about videoing all your systems and procedures because this demographic don't want to wade through massive procedure manuals when they can watch instructional videos. It will also make the staff induction process faster and simpler.

### 6. Paperless Office

Once upon a time each and every transaction required a piece of paper. Thanks to technology those days are nearly gone because we can now review and action almost everything online. Apart from the time saving there is less impact on the environment and going 'paper less' could also save expensive office space and even make your business more valuable.

### 7. Social Media

This is huge and if your target market is Gen X and Y customers then you need to have a social media presence. Social Media has changed the way people connect, discover and share information. It is the technology that connects people whether it's to share content or just to chat.

Social networks like Facebook and LinkedIn are the places where social interactions happen while Social Media Marketing is the way to use that technology to build relationships, drive repeat business and attract new customers through friends sharing with friends. In a sense, social media marketing is really just word of mouth referrals powered by technology.

Recent surveys suggest that 75% of people are somewhat or highly likely to share content online with friends, co-workers and family and 49% of users do this at least weekly. According to Constant Contact's 2011 Small Business Attitudes & Outlook Survey, 73% of small businesses and organizations have started using social media marketing and 62% of those not using it expect to start marketing through social media within the next 12 months.

Here are some ways you can use social media to promote your business:

- Build your brand by telling customers and prospects who you are and what you can do for them
- Drive Sales by giving customers offers that are so good they'll share them with their friends.
- Listen and respond to what your customers are saying about you online.
- Build deeper relationships and trust with your customers so they keep coming back for more.



Like the accounting profession, your industry probably has more innovation on the way. History tells us that the sooner you embrace change and adopt the technology the better. Invest some time to educate yourself as to how Twitter, Facebook and Pinterest could potentially grow your business.

## ATO Target Small Business



The ATO have released details of their Compliance Program that includes their intended audit targets for 2012/13. As expected, small to medium sized enterprises (SMEs) feature prominently with

cafes, restaurants, real estate businesses and carpenters firmly on the ATO radar.

Following the upgrade of the ATO's computer system several years ago they have reduced their old fashioned audit activity in favour of sophisticated data matching activity. They match information contained in tax returns and business activity statements (BAS's) with details of transactions reported to it by a wide range of third parties. Last year alone it gathered almost 600 million pieces of information from banks, Government agencies and other sources.

The ATO have also developed benchmarks for more than 900,000 small businesses in over 100 industries. They claim that approximately 90% of businesses in those industries fall within these financial guidelines and the ATO use profiling techniques to identify businesses operating outside these industry benchmarks. For example, if you operate a coffee shop the ATO would expect your business to meet a number of the financial ratios below. In particular, the key benchmark ratio for this industry is cost of sales to turnover. This ratio is likely to be the most accurate predictor of business turnover and if your sales fall outside that range, you may well be selected for a review.

Key Benchmark Ratio	Annual Turnover Range		
	\$65,000 - \$250,000	\$250,000 - \$600,000	More than \$600,000
<b>Income tax return</b>			
Cost of sales/turnover	37% - 45%	36% - 43%	33% - 39%
Average cost of sales	41%	40%	36%
Total expenses/turnover	80% - 89%	85% - 91%	88% - 93%
Average total expenses	85%	88%	90%
<b>Activity statement</b>			
Non-capital purchases /total sales	59% - 73%	55% - 67%	52% - 61%

Risk review candidates are generally selected based on the output from 'rules based engines' or computer programs. A smaller number are selected on the basis of qualitative intelligence obtained from various sources such as media reports, 'dob-ins', information from other tax administrations and other Government sources.

Over the coming year, the ATO says it will particularly focus on the following compliance risks:

- unrecorded and unreported cash transactions
- employer obligations, especially superannuation guarantee contributions
- GST refund integrity and GST evasion
- ensuring businesses are correctly registered in the tax system
- incorrect fuel tax credit claims following implementation of the clean energy measure
- payments to contractors especially the new building and construction industry reporting system.

In a fairly surprising move, the ATO have also launched a guide for SMEs that outlines the behaviour that raises a tax 'red flag'. Overseas deals and large one-off transactions are high on the list of triggers that include:

- Tax performance varying substantially from business performance
- Inconsistencies in activity statements or spikes in refund claims
- Large, one-off or unusual transactions
- Tax and economic performance varying significantly from similar businesses in the same industry
- Unexplained losses
- A history of aggressive tax planning by individuals or their advisers
- Weaknesses in compliance structures and processes
- Tax outcomes inconsistent with the intent of tax law
- Lifestyle not supported by after-tax income
- Treating private assets as business assets
- Accessing business assets for tax-free private use
- Not disclosing offshore dealings with overseas entities, especially low-tax jurisdictions and tax havens that allow banking secrecy
- Using complex structures and intra-group transactions to minimise tax
- Transactions where the tax and economic outcomes are inconsistent
- Poor governance and risk-management systems
- Distortions and inconsistencies in market valuations and apportionments
- Business performance falling outside small business benchmarks (for businesses with turnover of up to \$15 million)

### Cash Transactions

The ATO will be specifically targeting plasterers and cafés in relation to unrecorded or unreported cash transactions. For plasterers, the ATO will be comparing hardware store accounts against their purchases. Cafes will also be subject to similar treatment with comparisons between coffee supply purchases on trade accounts and sales.

## ATO Target Small Business *Continued*

### Employer Obligations

The ATO expects to review at least 20,000 businesses regarding reporting of their PAYG withholding. They will conduct training to assist the building industry with their new reporting of payments to contractors. The ATO will also be conducting enterprise reviews to ensure businesses register for PAYG withholding when they employ their first staff member and register for GST when their turnover exceeds the \$75,000 threshold.

### GST Refunds & Evasion

The Tax Commissioner now has power to retain 'high risk refunds' and may stop BAS's for investigation where there are discrepancies, anomalies or unusual changes in patterns. To minimise the delay of refunds they might check refunds after they have already been paid. The ATO will also be investigating taxpayers disposing of real property who fail to report or mis-classify the transaction on their BAS.

### Expense Claims for Individuals

Also published at the same time was the ATO's focus on data matching techniques to pursue taxpayers with:

- incorrect or fraudulent over claims for refunds
- occupations with high levels of claims for work-related expenses
- tax avoidance schemes
- omitted income such as dividends, interest, capital gains or foreign source income.

The ATO intends to specifically focus on plumbers, IT managers and defence force commissioned officers. Through the use of third party information they can detect omitted income from a range of sources.

High income earners investing in financial products,

particularly those products that promise substantial tax benefits will also be targeted. The ATO is planning 'particular focus' on investments made by medical practitioners and other high income individuals.



### Employee vs Contractor

The ATO has heightened its focus on contractor arrangements, particularly on businesses trying to present employees as contractors by simply having them supply an invoice and quote their ABN. An underlying employment relationship is not overridden by simply generating invoices and calling employees contractors. Some key guidelines for the distinction between an employee and a contractor include:

- The business cannot have control over the *manner* in which the contractor undertakes their work on a daily basis.
- A full time employee that provides services that would allow them to be in business for themselves would be more likely to be considered a contractor, not an employee.

In 2011/12 the ATO audited 1100 businesses where it suspected the businesses may have incorrectly treated employees as contractors. The audits revealed 48% of these businesses were incorrectly treating individuals as contractors. SME's should also be aware that Fair Work Australia would also scrutinise businesses in these circumstances.

Employers should ensure they have sought advice or researched the legal tests that determine whether a worker is an employee or independent contractor and understand the 'sham' contracting provisions of the Fair Work Act.

## Google - Your Best Friend In Business

While there are a number of different search engines including Bing and Yahoo, Google dominates the market in Australia at around 87%. This means that 7 out of every 8 searches done in Australia on the internet are done using Google.

However, Google is more than just a search engine and in future editions of On The Money we will explore some of their services and why Google should be your best friend in business. In this edition we will look at 'Google Places'.

Google Places has replaced Google Maps and millions of people search Google Places every day on the internet. It is a free listing that makes it easy for your customers to find your business.

If you are a local business you should create your free listing in Google Places so when potential customers search Maps for local information, they'll find your business details including your address, trading hours and even photos of your shopfront or products. Most importantly, you can build a link back to your website that will boost your website ranking.

Google places is particularly relevant if you have a 'traditional business' such as 'Solicitor in Richmond'. Your Google Places listing will show up in these local searches. Visit <http://www.google.com.au/places> to claim your business listing today.

## 7 Common Business Start Up Mistakes

The business start up phase can be exciting but it can also be challenging and incredibly stressful. It involves lots of planning and the stakes are high with your money and career on the line. The rewards are commensurate with the risk and while the failure rates remain high, there are some preventative measures you should have in place including:



### 1. Avoid Friendly Market Research

A lot of business start ups turn to their friends and family for advice but the fact that a mate loves your business idea doesn't guarantee there is a market for your product or service. Before you start spending money you need to invest some time researching the industry, your likely competitors, the demographic of the customers you are targeting and if the demand is big enough to warrant the risk.

If you don't identify your customer needs, where they live and how to access them you are really asking for trouble. The old adage, "Failing to plan is planning to fail" does apply and you need to do your homework. A business plan is really important because it provides a road map of the business concept and addresses issues like competitors, your point of difference, the financial aspects including budgets and of course the marketing plan. If you are looking for a business plan template there are a number on the internet including one at <http://www.business.gov.au/Documents/BusinessPlanTemplate.doc>

### 2. Adapt to the Market

Most established business owners will tell you that the product or service they are currently offering is quite different to the original product they designed. Technological change, trends and customer demands mean you can't be inflexible. You need one eye on the future, so as you see opportunities develop you can adapt your product to suit the market. Listen to what your clients are asking for and be quick to adapt to their needs.

### 3. Undervaluing your Product or Service

Avoid the temptation to under cut your competitors to win market share during the start up phase. Price your product by examining your competitors and compare quality, customer service, innovation and expertise. Understand where you fit in the market place and set your prices accordingly.

A lot of start up business owners lack the confidence to price their services at the top end because they are desperate for customers. If you discount or set the price point too low you will attract the bargain hunters and tyre kickers who will erode your confidence and profitability. Remember you can always drop your price but it is much harder to increase it once you've built a database of customers. Once you've set your prices tell everyone upfront and don't be shy because you know you are delivering quality and service.

### 4. All Customers are Good Customers

Growing a start up business is all about finding customers who will hopefully refer their friends, family and colleagues. You need to distinguish 'good customers' from 'bad customers' and in some cases, reject potential customers.

If you price yourself at the bottom of the food chain you are likely to win low end customers who will soak up your time and resources. From experience these jobs and customers are the ones you spend more time on than you budgeted or the client expectations are excessive. They say one man's trash is another man's treasure but you need to reject the rubbish because these 'energy vampires' can suck the life out of you.

### 5. Designing your own Brand

Branding is a really important part of your positioning in the market place. For example, if your target market is Gen Y you need to look modern and appeal to this generation. Colours can be important and remember your brand should out live you so it is important to send the right message. Have a positioning statement or tag line that talks to your ideal customers and a business name that resonates with your market or product.

Engage a professional or use the online resources of [www.logotournament.com](http://www.logotournament.com) that lets you tap into the creative minds of dozens of graphic designers for less than \$300. This is one of the foundation stones in your business and should not be delegated to a friend of a friend who has some artistic talent.



## 7 Common Business Start Up Mistakes *Continued*

### 6. Bookkeeping is a Priority

While the start up phase is often all about getting work in the door and generating revenue, record keeping and accounting software are other foundation stones in your business wall. Too many businesses fail because of poor record keeping and you need to make it a priority.

Legal obligations aside, your records will provide valuable information you can use to grow your business. Know your numbers and sales information. Identify seasonal trends, your best customers and their preferences. Calculate your average sale value and know your sales per product. This valuable data will help you make strategic business decisions.

Software selection is very important. The golden rule is match your business needs with your accounting skills. Don't buy sophisticated double entry accounting software if you don't understand debits and credits. Most importantly, consult with our office before you make the software decision.

### 7. Test and Measure Your Marketing Results

It's common for a business start up to rush out and spend money on advertising in the hope of winning some business. Unfortunately, hope is not a terribly successful business strategy.

You need to research what your ideal client looks like and think about the niche markets your business appeals to. Running general ads is really fishing but to be successful you need to have the right bait and tackle. You also need to position your business where the 'fish' are biting. As such, it might be more logical to advertise in specific trade magazines or exhibit at a trade show or possibly attend a networking event.

While advertising can be a great way to generate new business you need to have a clear strategy that includes getting your message to your target audience at precisely the right time. You also need to measure the performance of the ad because if it doesn't generate new business you need to either edit the content or look to spend your money elsewhere. Test your advertising and marketing content then measure the results because the definition of insanity in business is doing things the same way and expecting a different result.



## Thinking Of Buying A Business?

Buying a business is a real process and there are numerous issues to consider before you commit to the purchase. We have put together the following list of issues to consider but we urge you to consult with our office before you sign a contract or handover any funds:

- Understand exactly what is on offer and does the business match your needs, location, lifestyle and budget?
- Consider why the vendor is selling and the timeline and handover required.
- Obtain as much information about the business as possible before making an offer. Your offer should be subject to appropriate due diligence, finance approval and any regulatory approvals.
- Due diligence is an essential part of the process and should include a thorough review of the financials to verify the revenue figures. In addition, you need to inspect the various assets and equipment included in the sale and sight all documentation regarding any leases including the premises.
- If staff are involved you need details of their salary, next review and their skills.
- Evaluate the future potential for the business as well as any risks or threats.
- Obtain an independent valuation of the business.
- Obtain specialist advice regarding the most appropriate business structure to use taking into account asset protection, estate planning, stamp duty and taxation issues including eligibility for discount capital gains tax concessions.
- Seek professional assistance regarding finance well before purchase. Most financiers have specific policies regarding lending against goodwill, the need for collateral, the loan term, interest only periods and the fees and charges.
- Prepare detailed cash flows to establish if you can service the loan.
- Ensure you have all the necessary business registrations in place.

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