



STONE CONSULTING

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Welcome to another edition of the Stone Consulting Newsletter.



Track Your Trends – by Donna Stone

Operating a successful business involves demonstrating proficiency in a wide range of areas. Some will say marketing is critical, or advertising, or closing the sale. While these are all important, it's essential to track how you are performing. I've listed below some critical, but simple things to track, along with proven recommendations on how to do so.

Track Your Leads

This one is simple. Make a list of your lead generation categories. Some of those categories might be:

- Clients/associates
- Advertising
- White/Yellow Pages
- Networking
- A specific marketing campaign
- Website
- Friends/family.

Then absolutely every time someone new contacts you, ask them "How did you get onto me?" Write it down on a schedule. After a period of time, sit down and work out your percentages. It might be that most of your leads are generated from your website and the least from advertising. If this is the case, then it makes sense to improve and maintain your website and possibly cut back on the sources which don't work for you. Review the percentages regularly (at least every 3–6 months) so that you are always investing in the best source of lead generation. Just spending money on advertising and marketing doesn't necessarily mean you are spending wisely.

Track your Debtors

For those of you who offer credit, do you know how quickly your clients/customers are paying you? You should review your Receivables listing each week, and also track how quickly you are paid. Track it month by month and try to reduce the number of days clients take to pay, as you improve your debt-collection process. Take your closing Debtors/Receivables and divide them by your Monthly Sales, then multiply that figure by 30. The formula is (Debtors/Monthly Sales) x 30.

Example: Bob's Monthly Sales are \$200K and his closing Debtors are \$400K. Collection days are $(\$400,000/\$200,000) \times 30 = 60$ days.

Track your Enquiry Retention Rate

You should be tracking all your leads. Do you go back on each lead (say 2 months later) and note when you converted that lead to a sale/customer? This is fairly simple – just take your leads for that month (say it was 10) and note how many you successfully converted (say it was 7). Your conversion rate is therefore 7 divided by 10 multiplied by 100 = 70%.

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Track your Enquiry Conversion Cost

Do you know how much it costs you to get a new customer? We all know it costs more to get a new customer than keep an old one, but do you know the specific figure? Simply take your advertising cost for that particular month – this might include the costs of brainstorming ideas, designing ads, liaising with advertising professionals etc., running traditional advertising campaigns, the cost of maintaining your website and/or attending networking functions (remember your time is money too, so include your “wages”), buying/sending thank you gifts, mail outs etc. Say the total cost of all this is \$1,000 and you gain 2 clients that month; then your cost is \$500 per client. Having then worked that out (and satisfied yourself that the benefit of having those customers justifies the cost), look at how you might retain them once you gain them! This exercise may help you see that the little bit of extra customer service you’ve been holding back on because you thought it was a luxury may well in fact be a wise and cost-effective way to protect a worthwhile investment.

Track Clients You Know You’ve Lost

I know we do not like to focus on the negative, but aim to see the loss of a client or customer in a positive way. I appreciate for some businesses this can be hard. You may find it hard to gauge whether someone ever came back. For those who are in service-based businesses, particularly businesses which provide a regular service, it might be a little easier. If you do know you’ve lost someone, try to find out from them why they are leaving. In fact, by asking, you may even gain the opportunity to rectify the problem, if in fact it’s something within your control. But, if not, find out why the client is going and give careful thought to how you could have kept that client. Should your business change how it does things in order to make sure no more clients are lost because of such things? It’s not about laying blame, but about analysing and improving, in order to make your business better. Also, take the opportunity to thank the client (in a letter) for their business and assure them that they are most welcome to come back to you if the other option doesn’t work. It might be that another business has poached them with offers of fantastic prices, but they may not be able to live up to their promises, and if the ex-client has been left feeling confident you would warmly welcome them back, that may be exactly what happens.

Track your Accounting

There are some other ratios to track, as part of your financials, such as

- Percentage of debtors to sales
- Percentage of gross profit to sales
- Percentage of net profit to sales
- Sales per employee
- Percentage of gross wages + super to sales
- Percentage of direct costs (COGS) to sales.

Let’s look at percentage of net profit to sales. Let’s say your sales this month were \$50,000 and your net profit was \$5K. That means your net profit would be 10% of sales. Track this each month with a view to seeing the percentage (hopefully) increasing.



Email Etiquette – or Netiquette – by Dawn Meldrum

With so much of our business communication now conducted via email, it is important to write a well-written, grammatically correct and spell checked document. You must remember that what you write will be read by another person, who might misread your comments if not carefully thought out.

Some common Dos and Don'ts

Do:

- Include a clear subject line to indicate the purpose of the email (make sure the wording of this is “Junk Filter” proof)
- Always check spelling, punctuation and grammar
- Reread before sending – does it clearly convey what you want to say? Will the reader understand what you are saying? Is it relevant? Is it concise enough?
- Remember your manners
- Try to reply within 24 hours (at least an interim response if not able to reply in full straight away)
- Be patient when waiting for a reply
- Beware of what you write; it could be read by the wrong person
- Be careful with large attachments, graphics etc. This can slow down e-mail traffic.

Don't:

- Be hasty with what you write; email is not a confidential tool
- Put multiple recipients' addresses in the “To” field – respect their privacy by making use of the bcc option
- “Shout” – the use of capitals in an email can come across as though you are shouting
- Answer an email when angry or emotional.

Remember, email is a fabulous tool. Enjoy using it but use it wisely.

Negatively Geared – by Julie Smith

Did you know that property investors need not wait for their tax return to claim their tax benefit? “Negatively geared” is a term commonly used where interest and other related expenses (rates, insurance) exceed rental income from an investment property, thus incurring a loss for income tax purposes. This loss can be used to offset other taxable income, thereby reducing the amount of tax payable.

The annual costs of owning an investment property are usually funded by:

1. The rental income
2. The tax benefit associated with the investment
3. The balance contributed by the owner.

To claim the tax benefit, the investor does not necessarily have to wait until they submit their tax return at the end of the financial year; they can bring this benefit forward by:

1. Salary sacrificing interest payments – this will need to be paid by arrangement with their employer. This reduces tax instalments that would otherwise be withheld by the employer from salary or wages (FBT needs to be considered in this case).
2. Submitting a PAYG Income Tax Withholding Variation (ITWV) to the ATO requesting a reduction in the amount required to be paid via income tax instalments deducted from wages or salary. This application form can be lodged on paper or electronically over the internet. The main purpose of varying the rate of withholding is to ensure that the amount withheld during the income year best meets your end-of-year liability.

By owning a negatively geared property, you can bring forward this tax benefit and improve cash flow at the time most needed. More information on this is available on the ATO website: www.ato.gov.au.



Federal Budget – Supporting Australian Small Business – by Barbara Coleman

The Federal Government recognises the vital contribution made by small businesses to the economy. Around four million private sector jobs in Australia are in small businesses. To support small businesses feeling the effects of the downturn, the Government will introduce measures to help with business investment, managing cash flows and improving online capabilities.

Small Business Tax Break – Small businesses will be able to claim a bonus tax deduction of 50 per cent of the cost of eligible assets ordered between 13 December 2008 and 31 December 2009 and installed by 31 December 2010. This will give a small business spending \$30,000 an extra \$6,000 upfront tax deduction. The 30 per cent rate announced earlier this year can still be accessed by all other businesses that acquire eligible assets before 30 June 2009, as well as the rate of 10 per cent applying for eligible assets acquired before 31 December 2009.

Small Business Assistance – The Government will provide \$10 million over two years to establish a Small Business Support Line, which will link to Business Enterprise Centres and provide initial advice and referral services for small business on matters such as obtaining finance and cash flow management. The ATO will also receive \$168 million to assist small businesses and help them remain viable. Small businesses will benefit from the Government's investment in a company to build and operate the National Broadband Network. The project will support up to 37,000 jobs at its peak. To enable small businesses to access the benefits of the digital economy, the Government will provide \$10 million to eligible organisations to help businesses improve their e-commerce capabilities.

Improving Business Cash Flow – The Government has also provided cash flow relief to small businesses by announcing reduced PAYG instalments in 2008-09 and 2009-10. This complements the Government's earlier guarantee of on-time payment for small business contracts as well as planned changes to business regulation, which will help to reduce compliance costs.

Fresh Ideas for Work and Family Grants – Amanda Chan

The Australian Government has introduced the Fresh Ideas for Work and Family grants program to help small businesses put in flexible work arrangements. The program provides grants of \$5,000 to \$15,000 to successful small businesses to put in place family-friendly arrangements that suit the individual needs of their business. Family-friendly work arrangements are practices or resources that make the workplace more flexible and help employees have a better work/life balance. They are designed to support employees in balancing their work and family responsibilities, including looking after dependent children and family members with disabilities or those who are elderly. The advantages, for employers, of using family-friendly and flexible work arrangements include increased staff retention, improved staff productivity, better health and safety outcomes. The advantages for employees include increased job satisfaction, reduced health issues and better work/life balance. Some examples of family-friendly work arrangements include:

- providing facilities such as family rooms for employees with young children
- establishing quality part time work or job sharing opportunities
- establishing rosters based on school terms and alternative core hours.

Further information on the grant, including application forms, terms and conditions and ideas for effective family friendly work agreements, can be found at www.deewr.gov.au/freshideas.



If you have any issues or questions which you would like answered in the next newsletter, please email your question to Donna directly. Should you need any assistance with this, or any of the above matters, feel free to contact us:

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