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## November 2012

### Economic Conditions Are Gloomy

Some of the issues affecting the economy at present are:

- Sombre thoughts on China, Europe and some parts of Australia.
- The re-elected President Obama has a massive job to lead the American economy and the areas, devastated by the hurricane, back to prosperity.
- The Federal Treasurer has admitted that the Australian government cannot deliver on its small surplus commitment for 2012/13.
- Economic growth about 2% - not a recession, but not exciting.
- Many business operators are querying the viability of business.
- The Reserve Bank has left interest rates unchanged.
- Political "uncertainty" in Canberra.
- Interruptions/"pause" to government grant processing.

What can small/medium enterprise operators do?

- develop strategies to navigate through the "gloomy" conditions
- consider your interest rates - is it time to "lock in" a fixed rate

### New Government Grants Announced

The Australian government has announced some new government grants which could be of interest to some small/medium enterprise operators. The grants are:

- **Tourism Industry Regional Development Fund**

These grants are available for tourism projects which are located in regions outside the Sydney, Melbourne and Brisbane tourism regions. Grants may be provided for projects which improve the quality of tourism accommodation and tourist attractions in regional areas (other than Sydney, Melbourne & Brisbane). The projects have to be innovative to attract interstate and international visitors. The projects should aim to extend the length of stay by interstate and regional visitors. Grants are available from \$50,000 to \$250,000, on a 50% funding basis, for eligible applicants.

Eligible applicants include:

- a private company
- an Aboriginal & Torres Strait Islander Corporation
- an incorporated association
- local government body corporate
- corporate trustee on behalf of a trust
- non-profit corporation
- regional tourism or economic development corporation

Applications close at **5.00pm** on **14th December 2012**.

- **Clean Technology Investment Program**

This grant provides for projects which generate energy or carbon savings. An applicant must be a company or an incorporated trustee on behalf of a trust or a cooperative. The applicant must be undertaking manufacturing activities in Australia. The applicant must have a turnover of under \$100M.

Grants of up to \$500,000 are available, on a 50% funding basis. Applicants must be able to satisfy merit criteria including:

- demonstrate the extent of reduction in carbon emissions intensity that will be achieved by the proposed project
- demonstrate that they have the capacity and capability to undertake the proposed project
- demonstrate the extent to which the proposed project will maintain and improve the competitiveness of their manufacturing business

## **Government Grants Still Available**

There was some recent publicity which indicated that the Federal government had suspended government grants for small/medium enterprises.

What happened was that, in some grants, particularly Commercialisation Australia, there was a "pause" for a few weeks as part of the government's review of its financial position. Commercialisation Australia has indicated that, during that period, any business that had previously received a grant approval continued to receive their funding allocations.

All grants, including the principal grants targeted at small/medium enterprises, including:

- Enterprise Connect
- Commercialisation Australia; and
- the Research & Development Rebate

are now fully operational and accepting applications.

The government did announce that it was making some changes to a few grants. These included Export Market Development Grant - where the budget allocation has been reduced by \$25M in each of the next four years, including this year. There were also some funding changes announced for some of the Apprenticeship Grants.

## **Export Market Development Grant - Application Reminder**

If you expended more than \$20,000 on eligible export market development activities in the year ended 30th June 2012 and you wish to lodge an application for an Export Market Development Grant, please note that applications **must be lodged with Austrade by the 30th November 2012**. No extensions will be granted by Austrade.

## **Take A Fresh Look At Your Business - Part 1**

Successful business operators continually review their business operations and, most of them, undertake a detailed review of their businesses, at least, once every three to four years.

One way to have a fresh look at your business is to compare how you're operating with how a start-up company operates.

Successful start-up companies generally challenge pre-conceived ideas as to how businesses should operate. They search for market opportunities which have been overlooked by the established operators. They obviously don't do things the same way that they were done previously. They don't make comments like - *"this is how we've always done it around here"*.

Because they're new to business they cannot blame competitors, neighbours, the economy, staff or suppliers. One of the benefits of having a fresh look at your business every three to four years is that it requires you to carefully analyse what has happened in the market place. For example, have you identified the threat that the internet might make to your business and have you already taken steps to effectively compete with online selling? What other similar problems are emerging because of the significant changes in communication and technology?

In what phase of the business cycle is your business e.g.:

- start-up?
- rapid growth?
- maturity?
- or is about to enter rapid decline?

Can a rapid decline be overcome by a reinvention of how your business operates? How does your business address the problems to which the market place requires answers?

So what does a successful start-up do? (Obviously not all start-ups are successful. We're trying to look at the ones that are successful). They look for opportunities. They analyse the market to see what services are required which are not being supplied by the established operators. This requires an identification of:

- what are the market needs?
- are they being serviced?

They then analyse what they, as a start-up, could do to deliver a great service for which customers will be willing to pay premium rates rather than determining the lowest price the customer would pay. In other words... a successful start-up is closely evaluating the market and identifying market opportunities. Are you doing that regularly in your business?

Successful start-up operators are identifying commercial opportunities, preparing feasibility studies and business plans to enable them to successfully market their product/service or process to meet the market-identified requirements. This requires a fair amount of homework on the market opportunities. This will involve an analysis of competitors to ascertain who is successfully servicing the market and who is not and which areas are being fully serviced. They then focus on the delivery of good service, at high quality, at premium prices in an expectation that profits will follow.

Next month..... what can be learnt from "failure of start ups".

## Pricing Strategies - Do You Have Procedures? - Part 1

What happens when customers stop calling? Do you blame your marketing section, the economy or your competitors, or might the cause of your problems be your "pricing strategies"?

There is an art and science to getting pricing right, however many businesses see pricing as merely a "cost recovery" exercise. You are not limited to only charging what, you believe, the market will bear. To create an effective pricing strategy, businesses need to communicate the value they deliver. Some people believe pricing strategies are easily reversible in that, if their price point decreases, they think that they can easily raise prices later. This is a trap and causes many businesses a lot of problems.

At present there is a widespread discount philosophy, especially for consumer markets. This requires business operators, who are involved in the consumer markets, to look at strategies for price optimisation, but also to ensure that the business has a system of "discount management and containment" and that the business highlights, on an ongoing basis, its "non-price points of differentiation", such as:

- quality
- pre-sale service
- availability of product
- knowledge of product and services
- well informed staff
- good website
- guarantees
- after market service

These are the areas that a business can introduce so as to maximise its ability to implement a sound pricing strategy.

Next month..... what should be avoided?

## Ingredients For Business Success

Preparing a plan and then monitoring it on an ongoing basis is a very important ingredient for business success. The other key ingredients for business success include:

- being concerned about your staff
- communicating with your staff
- letting staff know your business plan
- having concern for customers
- establishing databases
- having an ongoing communication strategy to keep customers informed about developments within your business and having concern for suppliers, having open and frank discussions with suppliers in relation to your customers' demographics and preferences
- arranging to purchase products suitable for sale within your business
- supported by extraordinary service from your suppliers

The key is to keep on reviewing the plan. When you start in business, you should find a "difference" in your offerings. If you're already in business, why not adopt the strategy of having a fresh look at your business and identify what your "difference" is today. Have you still got one? Does your team know what it is? If you haven't already identified niche markets, identify niche markets for your business. Small businesses can't attempt to solve all of a market's problem.... it's too big. Therefore, concentrate on niche markets.

## Business Plans

Risk Management:

When you prepare a business plan you need to consider risks that might confront the business. These could include areas in which the business might be vulnerable, such as:

- key management
- quality assurance system
- buildings and plant and equipment
- media planning
- influenza pandemic
- board of directors
- shareholders
- insurance covers
- succession planning
- competitors
- suppliers
- intellectual property protection
- natural disasters
- compliance with laws, including:
  - Work Care
  - Workplace Health & Safety
  - Fair Work Australia

Does your business have a contingency plan for all risk areas that might confront the business?

## What's It Mean

Staff Profile - describes the factors affecting staffing costs, such as:

- full time staff
- part time staff
- casual staff

Staffing costs are normally the largest cost, other than direct material purchases, for most businesses. Staff structures and productivity should be monitored and geared to deliver the required standard of customer service. Factors affecting the staff profile include:

- customer market base
- customer demographics
- trading days and hours
- staff training
- staff experience
- mentoring and coaching by senior management
- employee turnover
- employee morale and productivity
- staff evaluation and feedback
- giving compliments for a job well done
- sharing the strategy of the business with staff

*This is not advice. Clients should not act solely on the basis of the material contained in this bulletin. Items herein are general comments only and do not constitute or convey advice per se. Also changes in legislation may occur quickly. We therefore recommend that our formal advice be sought before acting in any of the areas. This bulletin is issued as a helpful guide to clients and for their private information. Therefore it should be regarded as confidential*