

# Solutions



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## Keep An Eye On The Future!

The Reserve Bank has maintained interest rates at 3% and over the last 9 months there has been a very significant erosion of wealth amongst many Australians. In all of this gloom, some economists are forecasting an improvement in economic activity in late 2009. There are also forecasts that interest rates could go a little lower over the next few months, but are then likely to rise by late 2009 – early 2010 as market conditions start to improve and could be 1.5% to 2% higher by Easter 2010.

Business people need to factor all of this information into their planning, but at the same time keep 'one eye on the future'. What shape is your business going to be in at the end of the difficult times?

Actions to take so that your business will remain viable in the future, include:

- keep on marketing – try to increase your business share in the downturn; and
- test the market – take action now to retain your present customers and gain new customers.

Timing is critical – it might be too late when the recession has ended.



Concentrate on your current customers; treat them like friends. Communicate with them and tell them about all of the products and services you can offer. It is amazing how many times customers indicate that they did not know that one of their key suppliers had some additional products/services that they required.

Create a database so you can record all of your customer related information. Use a customer relationship management software package (CRM) to provide and track all communications with your customers. Do you include strategies to give customers a reason to come back? This might include the introduction of a loyalty card where your customer gets a discount or a rebate based on sales volume for business-to-business transactions.

The key is to plan, be positive and, whilst you are concentrating on the day-to-day activities, spend some time thinking about the future. Keep 'one eye on the future' of your business.

If you would like to have a discussion with us regarding the development of strategies to survive the difficult period, please contact us.

## Steps To Ensure Business Survival - Part 4

This month we are continuing with an overview of some of the checklists that are contained within **"Survival In Difficult Times For SMEs" Workbook** which we can use to analyse your business to assist your business' survival.

### Debtors' Review

Questions to consider:

- Do you obtain directors' guarantees before opening a debtor's account for a company?
- Are debtors' payment arrangements confirmed in writing?
- Do you monitor the Debtors' Aged Analysis?
- Do you follow-up debtors with outstanding balances outside your stipulated trading terms?
- Do you refer problem debtors promptly to a debt collection agency?
- Have you considered a debtors' financing facility to help improve your business' cashflow?

According to various debt collection agencies, it now takes close to 60 days on average for debtors to settle their accounts with small business. This is a substantial increase on debtors' days outstanding 12 months ago. All of this highlights that, for businesses to survive in the current economic circumstances, close attention should be given to the management of debtors. If you allow too many of your customers to trade outside your stipulated trading terms, it will quickly erode your profitability in a relatively short period of time. A blow-out in a business' debtors' ledger can precipitate financial problems within the business itself.



### Business Strategies / Culture

Questions to consider include:-

- Can you identify your business' unique selling proposition?
- Does your business deliver outstanding service to customers at all times?
- Have you considered the culture of your organisation?
- Do people communicate openly and effectively?
- Is the telephone answered in a professional manner?
- Are telephone calls replied to promptly?
- Are emails responded to promptly?
- Are products/services delivered on time?
- Are products/services produced at the required level of workmanship?
- Is quality an important item?
- Are your team members presentable?

### Insurance Review

Questions to consider include:

- If you are selling a large proportion of sales by credit, have you considered applying for a "credit insurance policy"?
- Has your business reviewed the adequacy of insurance covers based on current replacement values, including fire insurance on buildings & contents; storm & tempest; cyclones?
- Have you reviewed other insurance policies that may not reflect the current value required because of salaries and profits, including loss of profits insurance; key person insurance; business buyback insurance; sickness and accident insurance?

The end of June is an ideal time to review the adequacy of your insurances. Insurance reviews should be taken very seriously. You might choose to appoint an external adviser to assist in determining the adequacy of insurance covers, particularly relating to the indemnity period to be covered in a loss of profits insurance cover. This really asks you to answer:

- How long would it take to replace the office; shop or factory if it was destroyed?
- Which people would you retain during the re-building process?
- What expenses would still be incurred irrespective of turnover?

These issues and more are discussed in a paper - "Survival in Difficult Times for SMEs". Please contact us if you would like a copy of this paper.

"When written in Chinese, the word 'crisis' is composed of two characters - one represents danger and the other represents opportunity."

-- John F. Kennedy, 35 President of the United States

## Dealing With Unfair Dismissal Rules

With the changes in unfair dismissal rules, businesses need to start looking at updating their employment documentation including:

- Employment Agreements;
- Terms Of Employment;
- Codes Of Conduct;
- Workplace Policies;
- Probation Periods;
- Performance Reviews; and
- Disciplinary Procedures.



It's a good business practice to manage people fairly by having well documented processes and procedures in place to assist with the critical people-management issues. Workforce Guardian are able to supply fully compliant employment contracts and independent contractor agreements, step-by-step employment processes, legally compliant document templates such as dismissal processes and termination letters; central and secure round-the-clock storage of sensitive employee information; and expert employment relations advice when required. [www.workforceguardian.com.au](http://www.workforceguardian.com.au)

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## Pandemic Risk – Are You Prepared?

Has your business prepared a risk management strategy for influenza pandemic? Some of the questions that you might consider are:



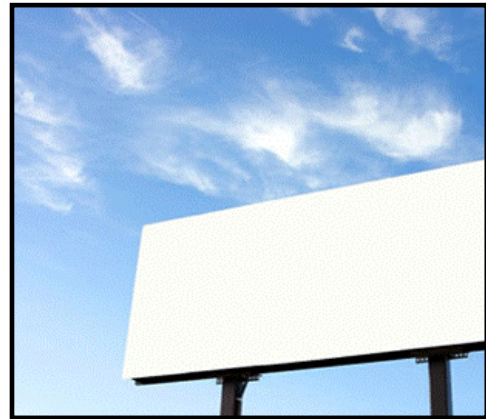
- Could some of the work be performed at home, away from business premises that may become affected by the crisis?
- Does the business have access to masks for all persons working at the business?
- Is there basic first aid equipment available?
- Have you had discussions with employees so everyone is aware of what the business' plan is in the event of the pandemic crisis affecting your business?
- Should you be encouraging all team members to receive an influenza injection (perhaps paid for by the employer)?
- If it is difficult to travel to and from work by public transport, how are essential employees going to travel during the pandemic crisis?
- What will the business' reaction be towards employees who do not turn up for work during the pandemic crisis?
- Will the business require doctors' certificates during a pandemic crisis, bearing in mind that it might be difficult to get access to a medical practitioner during such a period?

Thankfully a pandemic crisis does not come along very often and hopefully the current situation will be controlled before it develops into a full blown major crisis, however businesses should be considering the adequacy of their contingency plan for such an event.

## Business Plans – Some Questions To Consider – Part 11

### Advertising

- Have you developed an advertising strategy?
- What percentage of your turnover do you spend on advertising?
- How does your advertising expenditure percentage compare to others in your industry?
- Do you personally appear in advertisements?
- Have you developed an advertising strategy for special events during the year e.g. Christmas?
- Do you measure the results of various advertising campaigns?
- Do you enquire where new customers heard about your business?
- Do you use key words in your headlines, including "you", "easy", "love", "guarantee" and "free"?



To be continued. There are over 50 questionnaires relating to the preparation of a business plan. In the next issue we will consider Production, Process & Suppliers. If you would like a paper on Advertising, please contact us.

### What's It Mean?

**Shrinkage**... means a business' ability to control its margins and pricing. Strong stock management policies will reduce shrinkage. Factors effecting shrinkage include:

- discounts;
- stock wastage;
- theft;
- incorrect pricing; and
- loose stock management systems.



Any improvement in shrinkage influences the business' bottom-line.

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We also provide a wide range of **FINANCIAL PLANNING** services to individuals and families.

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### An Important Message

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