

# Business Matters

STRATEGIES FOR MANAGING YOUR BUSINESS



Chartered Accountants

## What is in a name?

**M**any entrepreneurs deliberate and spend too much effort trying to come up with an appropriate business or product name. In many cases it can stall the progression of a business. The truth is that no business name is critical to success, regardless of how memorable or well-established it is.

A name is only as valuable as the marketing dollars and the business behind it. A business needs to be both well run *and* have a marketing budget to make a name or trademark meaningful. Otherwise, it is irrelevant how memorable or clever the name is.

Just consider some of the leading names in the world today – Google, Twitter, Amazon and Gloria Jean's. It is possible that some of the most successful names were conceived by teenagers at a university bar, not by some high powered marketing executive.

Keep in mind that many companies with great or even long-established business names have failed. Great names cannot make up for the lack of a good business model or adequate financing.

Every name – no matter how seemingly valuable – can be changed. It is easy to believe that customers know a name so well that it cannot be changed, but that is simply not true. Small companies often change names when

they change ownership, typically with positive rather than negative effects. Even very large companies change corporate names and are able to keep, or even expand, their customer base.

Here are some things for a business to keep in mind when deciding on a business name:

1. **Marketing beats a good name.** No matter how good a name is, a business has to be able to first reach customers. A lot of marketing exposure is a lot more powerful than the best name. If there is a choice between spending resources on obtaining a name, versus the opportunity to reach customers, the marketing path is normally the most effective. Do what has to be done to place your product in front of customers.

2. **There is no 'must-have' business name, product name or trademark.** No matter how great the name conceived, there is always another name out there that will work just as well.

3. **Many businesses use similar names.** It is easy to lose sleep over the fact that other businesses use names that are similar. Do the marketing and customers will find you.

4. **A simple name may prove more effective than a clever one.** A company with a straightforward name, such as 'Highlands Dental Clinic,' may develop a better business than a company with a seemingly memorable or clever name. Do not underestimate the obvious names.

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# Investment allowance deadline looming

**B**usinesses have limited time if they wish to take advantage of the additional tax deduction for eligible, new, depreciating assets.

Small businesses (which include businesses with an annual turnover of less than \$2 million) can claim a 50 percent tax deduction on the cost of eligible assets that they buy between 13 December 2008 and 31 December 2009, and first use or install by 31 December 2010.

Businesses turning over more than \$2 million may be eligible for a 30 percent tax deduction for assets they bought by 30 June 2009. A 10 percent deduction may be available, depending on when they buy and first use or install the assets.

The tax break is an additional benefit – clients can still claim a deduction for the decline in value of eligible assets.

To receive the deduction, small businesses must spend at least \$1,000 on an eligible asset. For all other businesses (where annual turnover is above \$2 million) it's \$10,000. Businesses can combine the cost of assets that form part of a set or are identical or substantially identical, in order to help reach these thresholds.

The end of the calendar year is quickly approaching. With the economy slowly growing and profits forecast on the rise, claiming the additional tax deduction may be a useful tax planning strategy for the coming year.



## Cost effective marketing strategies

**I**magine you were looking for ideas on how to improve your photography skills. You could search the internet and sign up for one of many online newsletters. If you wanted to avoid missing out on sales with a favourite retailer, chances are they'd have an e-mail newsletter too. It has become easier and cheaper to send e-mail newsletters due to an increasing number of internet based e-mail newsletter services.

As a result, small businesses in every industry have launched their own regular newsletters. These are an effective, low cost and relatively simple way for small companies to regularly stay in touch with customers and prospects.

These automated e-mail newsletter services handle many of the functions for users. They normally carry out all

the technical aspects of sending out a newsletter, so users do not have to deal with software – all they need is an Internet connection. Email marketing systems also help to clean up mailing lists by automatically removing contacts that have decided to unsubscribe, evaluating any 'bounce backs.' It is also a relatively simple exercise to put links on a business website so that businesses can invite visitors to sign up for newsletters and promotional offers, to gather and maintain a mailing list.

As well as the technical aspects, these online services provide newsletter templates, making it fast and easy to customise a newsletter. In addition, these online services generally provide a great deal of information about how well your newsletter is doing, who is opening it, how many people are clicking on which links and so on. This provides a useful insight into customer interests and allows for experimenting to continually improve the effectiveness of a newsletter.

Here are some handy tips to keep in mind for those considering using an email marketing system:

- **Provide readers with a reason to open it.** That includes meaningful, useful content, such as discounts or notices of sales.
- **Send e-mails regularly.** Once a month or every two weeks is ideal. More than that is probably overkill, and any less, you run the risk of being forgotten.
- **Keep newsletters relatively short.** People have limited time. The recipient must be able to get something valuable from a newsletter immediately.

- **Maintain branding.** Make sure the newsletter clearly displays the company name and logo. Use the same colours, fonts and taglines that are used in your company branding.
- **Make sure your subject line promises value to the reader.** The value can be a financial incentive (\$25 cash back) or, more often, it can be information that a reader might find useful (e.g. seven weight-loss tips). Studies have shown that subject lines with fewer than 50 characters are best.
- **Avoid subject and text that will get blocked.** Spam filters block subject lines with words like 'free' or dollar signs (\$\$\$).
- **Use inviting headlines.** It is not particularly exciting to just read 'Monthly News'. Instead, try using headlines to indicate what readers will find in each edition, for example, 'This Month's Special – 50 Percent Off All Outdoor Furniture.'
- **Only send it to people who have agreed to receive it.** This is called 'Opt-In' and most e-mail newsletter services will only send to your e-mail list if people have signed up to receive it or have given their business card.

- **Provide an 'unsubscribe' option.** Once again, this is required by most e-mail services – and it's the law. Otherwise, people are just going to block you as a sender.

E-mail newsletters are an easy and inexpensive way to keep in touch with customers and prospects. At a time when businesses are looking for ways to stretch their marketing dollar, e-mail marketing can be a useful tool to build a business without a big budget.



# Hidden costs of tax breaks

Companies that have taken advantage of the ATO's tax relief opportunities may find that whilst one problem has been solved another has been created for them down the track.

Companies that take advantage of the ATO's downturn-busting tax breaks, including deferral of tax and interest-free arrangements, may find it more difficult to borrow money in the future.

Many business owners have adopted the view that tax arrangements are a practical solution to aid short term cash flow shortage. The view that arrangements are acceptable provided the terms of repayment are being met is not necessarily one shared by bank and other finance providers.

A company that has taken advantage of deferring its tax debt is highlighting

for lenders that it is having cash flow difficulties by recording the debt as an outstanding liability on their balance sheet.

From a cash flow and business point of view, being able to defer a tax liability and not having to pay interest charges with the blessing of the ATO may sound like a perfect opportunity.

However, a tax deferral that is recorded on the balance sheet will remain on the company financial records for a number of years. Any lender reviewing the company's financials during this time period may consider the deferral of payments to the ATO a negative, and form the view that the business is not being run effectively. This has become more important with increasing lender scrutiny.

Businesses that have taken advantage of these tax deferral arrangements with the ATO should attempt to clean these up well before they plan to seek new funding

to grow. Those businesses considering entering such an arrangement should be aware of the impact that such an arrangement will have on future financing and potential growth.



## Why people buy

Many business owners are so busy concentrating on their products and services and running the day-to-day operations of their companies, that they gradually lose touch with the real needs, desires, and choices of their customers.

To increase sales and grow a business, it is essential to get inside the head of the customer. What are their needs and wants? Not just the obvious ones, but the deeper needs and desires that compel them to make a purchase?

What makes your customers buy?

Customers may think they need or want one thing, but sometimes they actually need or want something very different. There is a saying that a customer looking to buy a drill doesn't actually want a drill, but a hole.

When developing advertising, marketing, and sales pitches, consider these four kinds of needs and desires that drive customers to buy:

**1. Actual immediate need:** short-term needs that customers must respond to immediately: "I'm hungry on a 30-minute lunch break", "My phone system crashed and I can't do business". This type of customer will do little comparison shopping before buying.

For customers like this:

- Advertise constantly. That means being there in front of them exactly when they need something. Good places to advertise are your local newspaper, yellow pages, and buying key words on search engines.
- In your ads and sales pitches, emphasise fast service, convenience, and price.

**2. Actual long-term need:** real needs and wants that MUST be responded to, but not necessarily right away: "My car needs constant repair and has to be replaced". This type of prospect will do lots of comparison shopping before making a decision. If customers are like this:

- Advertise often. Customers that are going to spend need to know that a business is out there.
- Keep in touch with previous satisfied customers: this prospect relies heavily on word-of-mouth recommendation and repeat purchases.
- Ensure positive reviews are shown on any website that reviews products or services such as yours.

**3. Perceived need/desire:** needs which a person believes they have, but are not, in reality, an absolute need: "I need brighter, whiter teeth". Customers like these respond to:

- Advertising highlighting the enhanced personal or business status or benefits from purchasing that product or service.
- Testimonials from high profile clients displayed in marketing materials which add status to a supplier.

It is a mistake to assume all customers have the same motivations or that those motivations are the same as the business owner or their friends and family. Conduct some market research. Get feedback from customers. Start questioning customers to find out what really motivates them. It does not cost a great deal to do any of this and it is well within the reach of any business.



# FBT risks for employers

Employers should be aware of the risks of not understanding or trying to avoid Fringe Benefits Tax (FBT) obligations. A recent case at the Administrative Appeals Tribunal (AAT) highlights this risk.

The case involved a company employer and employee director. The employer did not lodge a fringe benefits tax (FBT) return for several years. An audit of the company revealed a car fringe benefit liability.

The employer was not aware that:

- an employer car that is garaged near an employee's home is available for the employee's private use.
- a logbook year commonly occurs when you use the operating cost method for the first time.

As a result of the audit the employer had to pay \$87,739 plus penalties and interest.

FBT law considers a car that is garaged at or near an employee's home, available for the employee's private use. It does

not matter whether the employee has permission to use the car privately. In addition, it is essential to maintain accurate and up-to-date log books.

The Australian Tax Office has found that when employer practices are reviewed with respect to FBT, the average liability per case is around \$77,000. General interest charges increase the liability by over \$19,000. When cases are escalated, assessments issued and penalties applied, additional penalties average over \$38,000 per case.

If employers do not satisfy their FBT obligations, they may receive a default assessment and associated penalties. This means that lodging a FBT return late is better than getting caught not correctly accounting for FBT. Employers who voluntarily disclose a FBT mistake before they are contacted by the ATO will normally receive minimum penalties, although the general interest charge (GIC) will normally apply. Any employer that is unsure about their FBT exposure should seek advice without delay.

## A Great Read

**Blink: The Power Of Thinking Without Thinking.**

Author: Malcolm Gladwell

Little, Brown and Company (2005)

Blink is about the first two seconds of looking - the decisive glance that knows in an instant. Gladwell, the best-selling author of 'The Tipping Point,' displays again an entertaining and illuminating look at how we make snap judgments about people's intentions, the authenticity of a work of art, even military strategy - he can resolve for general readers the intricacies of fascinating but little-known fields like professional food tasting (why does Coke taste different from Pepsi?) Gladwell's conclusion, after studying how people make instant decisions in a wide range of fields from psychology to police work, is that we can make better instant judgments by training our mind and senses to focus on the most relevant facts - and that less input (as long as it's the right input) is better than more.

Gladwell includes warnings about leaping to conclusions: marketers can manipulate our first impressions, focusing on the wrong cue leaves us vulnerable to "the Warren Harding Effect" (i.e. when America voted for a handsome but hapless president). In a provocative chapter that exposes the "dark side of blink," he illuminates the failure of rapid cognition in the tragic stakeout and murder of Amadou Diallo in the Bronx. He underlines studies about autism, facial reading and cardio uptick to urge training that enhances high-stakes decision-making. Each case study is satisfying, and Gladwell imparts his own evident pleasure in delving into a wide range of fields and seeking an underlying truth.

## WEB WATCH

### ESSENTIAL SITES FOR BUSINESS OWNERS

#### [www.hbr.com](http://www.hbr.com)

Harvard Business Review

Brings its readers original research and firsthand perspectives from leading business thinkers around the world. Free online executive summaries for the busy business owner.

#### [www.goalpro.com](http://www.goalpro.com)

Goal setting

If you need a bit more structure to your planning, there is a range of software-based goal setting systems available. This website highlights one of them.

## REMINDERS FOR YOUR DIARY

### NOVEMBER

- 11 Quarter 1 (July - September 2009) activity statements: final date for electronic lodgment and payment.
- 21 October 2009 monthly activity statements: final date for lodgment and payment.
- 28 Superannuation guarantee charge statement - quarterly (NAT 9599) (if required contributions were not made by the due date) for quarter 1 2009-10 (1 July - 30 September). The SGC is not tax deductible.

### DECEMBER

- 1 Income tax payment due date for companies and superannuation funds that were taxable large/medium business clients in the immediate prior year.
- 1 Income tax payment due date for companies and superannuation funds that were required to lodge by 31 October 2009.
- 1 Payment of income tax for superannuation funds where one or more prior-year income tax returns are outstanding as at 30 June 2009. (Lodgment of return was due 31 October 2009.)
- 21 November 2009 monthly activity statements: final date for lodgment and payment.

We are sometimes asked if we are able to help additional clients. We are a growing firm and do appreciate your referrals. We consider it a compliment when you recommend us to your friends and business contacts.