

# BusinessPlus+ Newsletter



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## Issue – September 2020

### Surviving In Difficult Times Is Our Theme For This September 2020 Newsletter

Small businesses and medium-sized enterprises are experiencing very different and challenging conditions all over Australia. Obviously, some are in a worse predicament than others – primarily SME operators in Victoria, but in other States there are also significant problems that have been caused by COVID-19 Coronavirus. Business survival is just not one thing; it does require a business to review a whole range of activities and make small changes or introduce staff training or leadership development activities to improve responses to customers, monitor suppliers, supply the information that the Federal government requires for a continuation of payments such as JobKeeper and an awareness of government grants that have been offered by the Australian, State and Territory governments for which your business might be eligible to apply.

If you require any input from us on the financial, business, corporate governance matters, business plan, budget, cashflow forecasts, funding or business reconstruction, please do not hesitate to contact us.

### SME Fitness Review

Some of the activities that could be conducted to assist you to guide your business to survive these difficult times, include:

- Review costs – can any of the costs of your business be reduced or eliminated?
- Review labour productivity.
- Review shrinkage/waste control in your business.
- Review management of cashflow – are your invoices being processed promptly and emailed to your customers?
- What is your debtors' days outstanding? – If you are still producing debtors' statements, are they being promptly emailed to your customers in the first couple of days of the next month?
- What is the investment in Stock/Inventory within your business? Do you need to reduce this?
- Are your financial accounts up-to-date?
- Are you preparing Key Performance Indicators on all business operational areas within your business?
- Can you review your "unique selling proposition" – are there changes that you can make to improve this?
- What is happening in your industry? Can you write down the positive items and determine whether your business is fully prepared, based on what is happening within your industry?
- In difficult times, it is best to stick with your core business competencies. Have you prepared a Strengths, Weaknesses, Opportunities and Threats (SWOT) Analysis on your business?
- You may have some people, or most of your people, working at home at present. Are you conducting a daily "huddle" via Zoom to get input from people on the business issues that they are encountering in their dealings with customers and suppliers?

## Cost Review

You could undertake an analysis of the costing information relative to your business. Has there been any changes in the "prime cost" of the key items that you have to purchase for your business? Is there any opportunity of purchasing supplies from alternative suppliers?

## Charge Out Rates

We are basically in the first quarter of a new financial year and there is going to be significant changes in the operation of the JobKeeper Program in a few weeks' time. Now is an opportunity to review the basis for charge out rates, team member productivity, markup on material purchases and your overhead costs, if you are operating a trade business or manufacturing business. A change in any of these items can have a significant effect on the profit for the year.

If you would like some assistance in reviewing your charge out rates, please contact us.

## Retail Pricing

Some businesses in Australia are having extreme problems in making any sales at present because of lockdowns and government restrictions. Hopefully, a significant number of these restrictions and obstacles, relative to businesses being able to operate, will be removed in the coming weeks. For those businesses, now is an opportunity to undertake a review of your position relative to retail pricing, so that, when business activities are able to recommence on something akin to normal conditions, you will be able to operate effectively. If you are located in other parts of Australia, where retail sales are able to be conducted, now is the opportunity to undertake a review of your retail operations to assist you to get your pricing, in conjunction with the product/sales mix for your business and your labour and business overhead costs, into a position to ensure that your business will be able to operate efficiently.

We can assist you with the establishment of a system to coordinate retail pricing, product/sales mix, overhead costs to assist in planning to achieve your targeted profit.

## Team Members

Some of your team members will have high anxiety levels at present about their jobs and where your business is headed. This is a very challenging time for all of us.

Communication is one of the key aspects of maintaining team morale, especially if you have team members working from home. Many businesses have instigated the concept of a daily meeting with team members directly responsible for a business unit, with the meeting being conducted by Zoom or Skype, so that the leader can see that people are up and about and encourage input from the team members on the feedback that they're obtaining from customers and suppliers that relate to your business operations. Some businesses are conducting longer business review meetings, again using Zoom or Skype, to enable full participation in these discussions.

## Wastage/Defects And Reworks

Have you consulted your team on suggestions on how to reduce wastage, defects and reworks? Waste is defined as anything within the process, people or structure that is wasteful, including space, time, parts, people's potential and more. Management needs to observe what is happening on the workshop floor, office, operating theatre, retail shop, farm or any other business environment to get a full understanding of the potential for waste reduction.

The cost of waste goes right to the bottom line. Why not raise the subject of "waste reduction" in your next team huddle?

## "5S" System Can Help

Many businesses have established procedures and practices with a view to reducing wastage in their business by utilising the "5S" system. The "5S" system is a structured systematic approach to housekeeping and a cornerstone of any world-class manufacturing operation which includes the following steps:

- **S**ort – sorting and removing unnecessary items.
- **S**et in order – a place for everything and everything in its place.
- **S**hine – cleaning the work area.
- **S**tandards – establishing the rules and standards.
- **S**ustain – maintaining the standards in a disciplined way.

Developing a culture within your business relative to the reduction of waste could be a significant contribution to assisting your business to survive during these difficult times.

## **Budgets, Cashflow Forecasts And Projected Balance Sheets**

There is certainly a lot of uncertainty at present in the Australian economy because of the problems caused by COVID-19. What can you do about it in your business? One of the key series of planning documentation that you can prepare for your business is taking some quality time to think through what is likely to occur in your business over the next 2 years (unfortunately some key small business advisors believe that the difficult trading conditions that we currently have will continue over the next 2 years).

Discuss with your leadership team the likely scenarios for your business and prepare some information for Budgets and contact us with the documentation of the various scenarios into Budgets so that you can review these forecasts to decide whether you can "live with them". The decisions that you have made in the Budgets can then be reflected into your Cashflow Forecasts. You need to be realistic in the development of your Cashflow Forecast to record your potential investment in debtors which is likely to increase because of the difficult business conditions and you will need to analyse how much money you need to tie up in Stock and Work in Progress for your business to operate.

Does the Cashflow Forecast indicate that you can continue to trade with or without JobKeeper support which, the government has indicated, will continue on a reduced basis to 31st March 2021?

If the Cashflow Forecast indicates that there is going to be a requirement to have an injection of external funding into your business, from where are you going to try to get that money?

Unfortunately, many financial commentators believe that it is going to be very difficult for small businesses and medium-sized enterprises to be able to raise loan funds from banks from October onwards.

If your bank is going to be unresponsive to your approaches for additional financial support to whom can you turn?

You could give consideration to seeking to raise capital as a Crowd Sourced Funding Equity Raising company if your turnover is under \$25 million per annum and annual gross assets are valued at less than \$25 million.

Now is the time for thinking about these items so that they can be reflected within your forward planning relative to Budgets and Cashflow Forecasts.

The planning process is completed by the preparation of a Projected Balance Sheet, which is an attempt to project what your Balance Sheet will look like at the end of the time period that you are considering, which we are suggesting would be 2 years.

If you would like to discuss with us any aspect of your forward planning, please don't hesitate to contact the accountant in our firm with whom you normally deal.

## **Insolvency Relief Extended Until the End of the Year**

The Australian government has extended the insolvent trading relief initiative, introduced as part of the COVID-19 Coronavirus strategies, until the end of the year in a bid to prevent further job losses and avoid another massive hit to the economy.

This decision enables the increased thresholds, at which creditors can issue a demand on a company and/or initiate bankruptcy proceedings, to be extended until 31st December 2020.

Relief for directors from personal liability when a company is trading whilst insolvent will also be maintained until 31st December 2020.

It has been reported that voluntary administrations across Australia have fallen 60% as compared to the same time last year due to the temporary insolvency protections that the government has introduced.

If you would like to clarify what these rules mean to your business, please do not hesitate to contact the accountant in our organisation with whom you normally deal.

## **Research And Development Activities**

Have you been involved in research and development activities? Have you registered your research and development activities for 2018/19 financial year with AusIndustry? This registration was originally required by 30th April 2020, but the government extended the registration date to 30th September 2020. If you need assistance with the preparation of the research and development registration (which is required each year if you are undertaking activities that you wish to claim under the Research and Development Incentive Offset), please contact us urgently.

## **Intellectual Property Development Can Be A Benefit In Difficult Times**

Perhaps you have been one of the many small business operators who have been utilising the work from home requirements over the last 6 months to think about your business and start the process of developing some new products, processes or services. This is basic research and development which could lead to bigger and better things.

In a recent webinar Terry Hurlock, Founder of Invention Pathways Pty Ltd ([www.inventionpathways.com.au](http://www.inventionpathways.com.au)) made the following comments which could be applicable to your business:

*"There is no doubt that the recent lock-up for most of the world will bring to the fore, in some people's minds, the thoughts of solving immediate problems they face.... Even in our office we have seen innovative thinking by clients who have provided some innovative and inventive thinking on sanitising rooms and shopping trolleys during the focus on sanitation".*

*"It is a factor during periods of economic downturn we see a bigger number of inventions arrive at our inbox and what is happening now is a phenomenon that we have seen before....."*

*"We think that a period of lack of usual activity drives individuals to see if there is any value in that idea they thought of some time ago".*

*"The basis of invention is the solving of problems that inventors are faced with in their daily work or lifestyle. In particular COVID-19 has brought about thinking along the lines of solving problems that we did not have prior to this epidemic".*

You can link to the complete recording (which also contains the presentation of Peter Towers on Crowd Sourced Funding) of the webinar by [clicking here](#).

## Private Companies Can Raise Capital To Solve Funding Problems

The difficult economic circumstances currently prevailing in Australia and indeed the whole World, have really brought Crowd Sourced Funding Equity Raising to the fore in discussions relating to how are businesses going to access funding once the special support programs (JobKeeper/JobSeeker) from the Australian government and the insolvency relief that has recently been extended to 31st December 2020, has been terminated.

There are opportunities for small businesses and medium-sized enterprises to be able to raise up to \$5 million in a 12 month period from the public as a Crowd Sourced Funding Equity Raising company which is available to virtually any private company in Australia.

The company does not have to have any special status, nor does it have to be registered on the Australian Stock Exchange.

Since Crowd Sourced Funding Equity Raising commenced in Australia about 2 years ago, the number of companies utilising this funding tool to raise capital has slowly increased each month. There is an expectation in the marketplace that there will be a significant increase in the number of companies wishing to utilise Crowd Sourced Funding Equity Raising from 1st October onwards.

The real benefit for company directors looking at the fund raising landscape at present is that, if you utilise Crowd Sourced Funding Equity Raising to raise the funds as your business requires, there is:

- No security required.
- No personal guarantees required.
- No monthly repayment of principal and interest required.

If you would like to have a discussion relative to your business considering the use of Crowd Sourced Funding Equity Raising, why not make an appointment with the accountant in our organisation who you normally deal with and we will be able to give you an overview and an introduction to a Crowd Sourced Funding Intermediary.

If you want to know more about Crowd Sourced Funding Equity Raising, ESS Small Business is presenting a special webinar on Wednesday 16th September 2020 at 12-noon AEST, featuring Matt Vitale, Joint Founder and Managing Director of Birchall, a Crowd Sourced Funding Intermediary from Melbourne who will be commenting on "Crowd Sourced Funding Issues And How This Funding Concept Can Assist Businesses Trade Out Of COVID-19". To register for this **free** webinar, please go to the [ESS Small Business](#) > [Webinars](#).

The other speaker at this free webinar is one of Australia's leading Mentors for small businesses and medium-sized enterprises, Andrew Geddes who, for 9 years was the Chair of Greencross Ltd, a company that he first advised the directors on their strategies 35 years ago. The company has now grown from a one veterinary surgery in Townsville to be a Top 200 ASX company, with hundreds of veterinary surgeries and pet stores across Australia. Andrew Geddes will be making some practical suggestions on how businesses can organise themselves to assist the business to commence a "scaling up process" which should be the aim of every business to ensure survival.

## Industry Capability Network Can Help Many Businesses

The Industry Capability Network (ICN) is a business network that introduces Australian and New Zealand companies to projects both large and small.

ICN is an independent organisation, financially supported by Australian, State and Territory governments and the New Zealand government. Since starting more than 30 years ago, ICN has been helping find the suppliers and service providers who are best equipped to meet the requirements of thousands of projects across Australia and New Zealand. ICN works with local suppliers and project managers to help save valuable time and money in the procurement process.

ICN also helps to secure billions of dollars in contracts and jobs that may otherwise have gone overseas.

ICN will put major project developers in contact with the best suppliers. If you're a supplier, ICN will connect supplies with the best projects planned and already underway across Australia and New Zealand – and around the World.

You can find out more information at [www.icn.org.au](http://www.icn.org.au).

## Capability Statements

Many businesses are finding that it is very important for them to produce a Capability Statement which they can place onto their website and be able to send to potential new customers to alert them to the capabilities of their business.

A Capability Statement is a tool that will assist you to promote your business and, in lots of ways, is an enhanced business card.

A Capability Statement assists:

- In identifying the points of differentiation in your business – the differentiation from your competitors.
- You can outline your clearly defined competitive advantage.
- You can identify your unique selling proposition to articulate your company's competitive advantage.
- Part of the process is to conduct a competitors' SWOT (Strengths, Weaknesses, Opportunities and Threats) Analysis.
- You can identify the important services that you supply to your customers.
- The research for the development of the Capability Statement assists in the development of the value proposition for your business.

If you would like to have a discussion relative to the development of a Capability Statement for your business to assist you to promote your business during these difficult trading times, please do not hesitate to contact the accountant in our organisation with whom you normally deal for a chat.

## Exporting?

Did you promote export activities during 2019/20? If so, you could be eligible to apply for the Export Market Development Grant to recoup costs that you have incurred to develop export markets. The Export Market Development Grant application for 2019/20 has to be lodged with Austrade by 30th November 2020. If you would like our assistance in the preparation of this application please contact us.

## Survival in Difficult Times

Do you require assistance on any of these matters?

- |  |   |
|--|---|
| 1. 2020 Brings Many Challenges!  | 23. Banks/Lenders                                   |
| 2. Government Loans And Grants For Natural Disasters                       | 24. Marketing                                       |
| 3. COVID-19 (Coronavirus) Assistance                                       | 25. Social Media                                    |
| 4. Applying For Government Loans/Grants For Clients                        | 26. Selling   |
| 5. Business Monitoring/Benchmarking  | 27. Profitability                                   |
| 6. Steps To Ensure Peak SME Fitness  | 28. Property Investments                            |
| 7. Cost Review   | 29. Culture Is Important                            |
| 8. Team Members  | 30. Selling A Business                              |
| 9. Wastage/Defects And Reworks   | 31. Franchising                                     |
| 10. Shrinkage  | 32. Government                                      |
| 11. Theft Pilferage And Fraud  | 33. Capital   |
| 12. Cashflow Forecasts, Budgets And Projected Balance Sheets Are Important | 34. Leadership Is Vital For Success                 |
| 13. Cashflow Management  | 35. Benchmarking                                    |
| 14. Customers  | 36. Buying A Business                               |
| 15. Debtors' Management  | 37. Insurance                                       |
| 16. Debtor Finance (Factoring) Can Help                                    | 38. Succession In Difficult Times                   |
| 17. Credit/Debtor Insurance  | 39. Government Grants                               |
| 18. Work In Progress   | 40. Risk Management                                 |
| 19. Stock (Inventory)  | 41. Avoiding Problems                               |
| 20. Suppliers  | 42. The Big Picture                                 |
| 21. Importers  | 43. Workbook - Survival In Difficult Times For SMEs |
| 22. Exporters  |   |

### An Important Message

*While every effort has been made to provide valuable, useful information in this publication, this firm and any related suppliers or associated companies accept no responsibility or any form of liability from reliance upon or use of its contents. Any suggestions should be considered carefully within your own particular circumstances, as they are intended as general information only.*

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