



# better BUSINESS

September 2006

## Don's Comments

### Dear Friends

Aren't the changes of seasons wonderful to behold? I am writing this on a beautiful spring day with the sun shining and the birds singing!! Too often we have our head down working hard and our view of the world is coloured by that perspective.

The new buzz words seem to be "work/life balance". It is important for us all to try and keep this in mind when we have never ending demands from customers, clients and patients!! Sometimes we have to learn to say "NO" loudly and clearly!!

Our office is working well. In my view our present people are the best I have ever had. They are fun to be with, show passion for what they do and are always trying to meet deadlines that mostly come from you!! We all think that our jobs are most important, but we have a constant juggling act to prioritise and reprioritise as different demands are made on us.

One of the criticisms that is often levelled at our profession is that we produce 20 pages of annual accounts which are long, boring and you don't understand them any way!! Richard went to a Bank seminar and this was the constant complaint from those business people attending.

So we have put our thinking caps on to try and think of ways that we can overcome this lack of

understanding and we have thought of several ways to do this. One is to run a series of seminars on what these accounts actually mean so keep watching this space!!

Our Profit Optimser software is starting to be used a lot and is getting a lot of clients to think through their business with more clarity. We think that you should see what effect any major decision that you are contemplating will have on your business BEFORE you make it. That makes real sense doesn't it??

We continue to be asked by a stream of new clients to help them. You all know that we rely on existing clients for these referrals so we thank all of you who have spoken well about us! In relation to this, have you visited our web site recently?? There are some new features which I am sure that you will be impressed with!

Finally, have you had a holiday yet this year?? As business owners, we are often the last to go, either through cash flow, failure to delegate to staff, or thinking that we are indispensable!!

These are not valid reasons for not taking a break and recharging your batteries!!

Keep smiling, be healthy and enjoy life

**Don, Cheryl, Anna, Richard, Sally, Heather and Jeanette**

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## BUSINESS A LITTLE TOUGH? *Can We Help?*

Because we have such a diverse range of business clients, we get a diverse range of business results when we try and gauge what the business community is experiencing right now. Some of our clients are bullish and trading well, others are feeling the impact of the high oil prices and the downstream effects. If I can help you with anything that could assist your business from growth ideas, marketing, finance, increasing

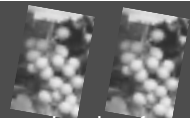
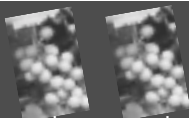
profits, debtor and creditor management, please let me know. Whenever possible, I try to provide this service without charge so that you don't have to worry about a large bill arriving. If there are fees involved because of the time required or because other staff members are involved, I'll make sure you know the costs before we start. If you want to meet, just give me a call or send an email.

## NAME YOUR FAVOURITE GRAPE

*How we say thank you for referrals*

If you have any business friends or associates who may need business advice or they are looking for a new accountant, please let me know. I am happy to spend an hour or two with them - without cost - and

if they become a client, I'll send you a bottle of good quality New Zealand wine from a client. You just need to name your favorite grape variety and I'll do my best to send you a fine example.



# Find The Hidden Treasure

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When you are talking to a potential client, if you find the hidden treasure, you will dramatically increase your chances of gaining a client. What on earth do I mean by that? This hidden treasure all sounds so mysterious.

I would go so far as to say that the majority of people selling never ever find this treasure. In fact, the majority do not even go looking for this treasure. They don't even know it exists and they have no idea how "golden" it is.

The hidden treasure is the "reason why" It is the reason why your potential client wants their problem solved (desire fulfilled) and the reason why they want it solved now. The real reason why is not initially obvious and requires you to go digging for it.

You go digging for the hidden treasure – the reason why – by asking questions. You will probably have to ask several questions to find it. Your potential client may not even know their reason why until you ask questions to uncover it.

Just suppose you sold a weight loss program, and Mrs Smith contacts you and says she wants to lose weight and is interested in your program. It would be VERY tempting to immediately start telling Mrs Smith all about your program and the price. Mrs Smith would probably say thank you for the information and then ring up your competition and ask them about their program and their price too. Why shouldn't she? Wouldn't you?

In fact, telling Mrs Smith about your weight loss program is what most (90%+) people would do. After all that is what Mrs Smith has said she is interested in. Yes, but.

Yes, Mrs Smith is interested in a weight loss program but WHY? What is Mrs Smith's reason why?

If you go looking for Mrs Smith's reason why – the hidden treasure – you will not only increase your chances of gaining Mrs Smith as a client, but you might find more treasure. Let me show you what I mean by continuing with this example.

Suppose that instead of telling Mrs Smith about your weight loss program, you instead ask: "Mrs Smith, why is it important for you to loose weight right now?" It may well take a few more questions, as Mrs Smith may not have thought this through herself, but then Mrs Smith finally explains that her daughter is getting married in six weeks time and she wants to look great for the wedding photos.

Hence, although Mrs Smith said she wanted to lose weight, what she really wanted was to look great for the wedding photos. Loosing weight is just the vehicle/ solution Mrs Smith has worked out for looking great for the photos.

Now that you have uncovered Mrs Smith's reason why - the hidden treasure - you can now tailor a solution to meet Mrs Smith's reason why she needs your program.

I mentioned before that when you find the hidden treasure, you might even find more treasure as well. By tailoring a solution for Mrs Smith's to look great for the wedding photos – you now open up all sorts of other possibilities. Originally it was all about weight loss but weight loss may now only be part of the solution. Your solution could include other services that you offer or that your associates offer eg. an exercise program, a stress reduction program, hair styling, etc, etc.

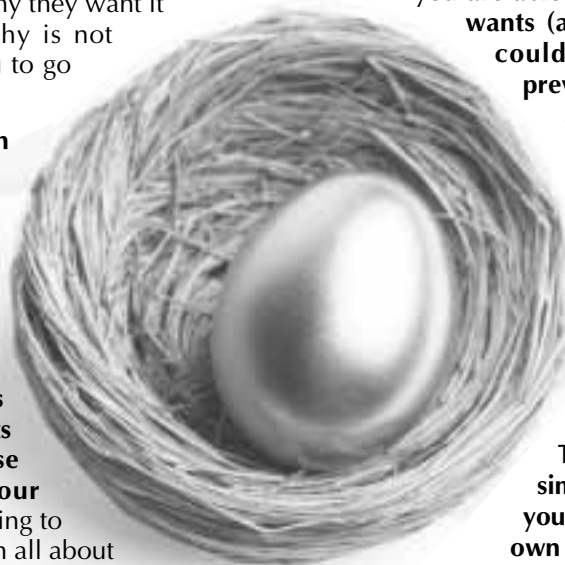
So by finding the hidden treasure – the reason why – you are able to give Mrs Smith what she really wants (and it wasn't weight loss). And it could be a lot more than what she previously asked for.

What if there is no hidden treasure to be found? The beauty of going in search of the hidden treasure is that if you can't find it, then chances are the person you're talking with would never become your client at this point in time anyway. So the sooner you can determine this, the better it is for both of you.

The example with Mrs Smith was a simple example but I guarantee that you can apply this principle with your own clients. Go in search of their reasons why. You may well uncover that you can help them in far more ways than both of you thought possible. Plus if you go in search of the hidden treasure, you will build an even stronger relationship with your clients.

Have fun finding the hidden treasure.

Tessa Stowe works with Coaches, Consultants and Service Professionals who are resisting selling their services as they don't want to be seen as pushy or sales-y. Her FREE monthly Sales Conversation newsletter is full of tips on how to sell your services by just being yourself. Sign up now at: [www.salesconversation.com](http://www.salesconversation.com).



## TRIVIA

✍ Research in the USA reveals that amongst the 20 most recognisable smells, coffee and peanut butter come first and second, with the smell of Crayola crayons ranking 18 th because they take us back to our childhood. I guess for younger generations this will change as crayons disappear from child use.

✍ A cow gives nearly 200,000 glasses of milk in her lifetime.

✍ Brown eggs come from hens with red feathers and red ear lobes. White eggs come from hens with white feathers and white ear lobes. The shell colour is dependent on the breed of hen and has no effect on its nutrients or flavour.

## How to get better value from your accountant

1. Keep separate bank accounts for business, trusts and personal accounts.
2. Ensure your staff are skilled with your in-house accounting software. If they are not, invest in training.
3. Get familiar with your Chart of Accounts.
4. Enter the correct dates for transactions.
5. Understand what transactions are exempt from GST.
6. Lock periods after completing GST or bank reconciliations.
7. Re-read last year's annual accounts and get familiar with how they work so you ask the right questions this year.
8. Arrange to meet your accountant at least quarterly to review your profit and tax forecasts.
9. Carefully record all non-trading transactions such as asset purchases and sales, new HP, leases or any new finance. If you are not sure how to record these transactions ask your accountant as soon as they happen, don't wait until end of year.

*(These tips courtesy of MYOB)*

## Shareholder Agreements

I've said it before and I'll keep saying it. Don't start a company with anyone else unless you have a Shareholders' Agreement. Frequently I see shareholders fall out with each other and have no fundamental document to refer back to. Solicitors get involved and you end up with a legal battle and costs no one really wanted. Spend the money now with your solicitor and agree on all the rules before you get into the business bed with each other. Make sure your solicitor gets us involved to cover issues such as the distribution of profits and losses, share valuations, shareholders' current accounts, funds loaned or introduced etc. And as a solicitor put it succinctly to me last week - cover the three "Ds" namely, Death, Disability and Disenchantment.

## Finding the cheapest broadband

Have a look at this privately funded web site. The owner doesn't claim to list all plans but has done a good job getting almost all listed for comparison.

Go to [www.ISPfind.co.nz](http://www.ISPfind.co.nz)

## Great Quote

*"A board of directors is a collective consensus decision making entity where the whole is far greater than the sum of the individuals - OR - it is an incompetent group of competent individuals".*

Thank you to Rick Bettel, president of the Institute of Directors

## TAX TIPS

### The IRD are watching you, even in Australia

The IRD and the Australian Tax Office have full access to each other's records so make sure your trans-Tasman business and investment activities are not done in isolation from each other. They can be matched if either country's tax office requests info.

### Negotiating with the IRD

Don't undertake your own negotiations with the IRD if you fall behind with your tax. There are many traps to fall into, especially presenting a credible budget that also takes into account, not only arrears but meeting future tax liabilities. The IRD can appear to be very helpful but they are lending you money at 13.08% and penalties apply immediately if you fail to meet every instalment.

### Trustee Liability

Because of the personal liability that falls on all family trust trustees, fewer and fewer people willingly opt to be a trustee, even for family and best friends. To get a feel for the level of risk involved, go and get a quote from your insurance company for trustee liability protection. If you wish to resign from being a trustee beware of the on-going tax liabilities - especially GST. Once you resign, your liabilities should cease from the day of resignation forward (but not retrospectively). However, to absolve yourself of the trust's on-going GST liabilities, you must advise the IRD in writing of your resignation. If not, your personal GST liability continues on.

### What is a Vehicle Operating Lease?

A true operating lease is essentially a car rental. You will never own the vehicle. You pay a monthly rental to drive the vehicle. It is easier to define what an operating lease is by stating when an operating lease becomes a finance lease which is a lease to buy - another form of hire purchase. A lease becomes a finance lease when one of the following apply:

- ➔ the lease is for a period greater than 75% of the estimated life of the vehicle
- ➔ the vehicle will be owned by the lessee at the end of the period
- ➔ the lessee has an option to purchase anytime at a value substantially lower than market value. Purchasing at market value is OK.
- ➔ there is a right of an associated person to purchase the vehicle

Operating leases are becoming more popular because the monthly rental is the total cost of driving the vehicle - other than consumables, insurance and registration. The vehicle is not an asset of the company and all costs are monthly expenses.

# Why Customers Go Elsewhere

Customers, clients and patients are the most important people in any business. They are not dependent on us, quite the reverse, we are dependent on them.

They are not an interruption of your work; they are the purpose of it. Your aim is to bring them back time and time again, and surveys show that the rewarded customer does come back. Look at these statistics showing why customers go elsewhere.

**A survey has indicated that the reasons customers quit a business were:**

- 1% dies
- 3% move away
- 5% develop other friendships
- 9% go to a competitor
- 14% are dissatisfied with the product or price
- 68% quit because of the **perceived** indifference of the owner/management/employee.

This means that nearly seven out of ten customers decided to shop elsewhere because they felt nobody cared about them or their custom. Notice the word **perceived**. You

may very well care deeply about your customers. BUT you must show the customer that you care.

How do you do this? You treat your customers as you would treat your friends!! How do friends treat each other?

**THEY KEEP IN TOUCH!!** How are we suggesting you keep in touch? By using your customer database!

**Some more key statistics relative to customers:**

- A typical dissatisfied customer will tell twenty one or twenty two others about their bad experience. A typical satisfied customer will only tell five to ten people.
- It takes 12 positive service incidents to make up for one negative.
- The average business spends six times more to attract new customers than it does to keep existing ones, yet customer loyalty is in most cases worth ten times the value of a single purchase.

How well you handle a complaint is crucial to the success of your business!!

So how do you handle complaints, concerns and niggles?

## Accounting Tips

### What's a Balance Sheet?

Now called a Statement of Financial Position: it is a list of your assets and liabilities on a particular day - usually 31 st March. The difference between the two figures is the owner's equity. If you've got a lot of assets and few liabilities, your position should be secure. If not you need to take advice on how to improve your position.

### What's a Profit and Loss Statement?

Now called a Statement of Financial Performance: it is a summary of the business performance for an accounting period - most often 12 months but can be for any period from one month upwards. It basically records your income, cost of sales and the expenses associated with getting the sales and running the business.

## Special Services

### Our Payroll Services

#### **INEXPENSIVE AND HASSLE FREE**

Many clients are concerned about the knowledge required to run their payrolls. Never ending legislation puts heat on knowing all your responsibilities as employers. Another factor is the knowledge that one payroll administrator may have about everyone's pay rates. Who pays the employees during that person's annual leave, sick leave or change of employer? To overcome these issues, we offer a complete payroll service including holiday and sick leave reports on demand and of course PAYE calculations and payments. The costs are low and we guarantee we pay your staff on time, every time. Call me to discuss the size of your payroll and the likely costs.

It's helpful but doesn't give your performance in perspective to others. We have access to a database of thousands of businesses throughout New Zealand that we can rate your performance against. Our report highlights where you are strong and where you are average or below. This gives you and us targets to aim for to improve your business. Please give me a call on (06) 833 6654 and I can tell you how it works and the costs involved.

We can provide this service to any business, anywhere in New Zealand - even if you are not currently an accounting client of Business Results Ltd.

### Benchmarking

If I said that I had just seen a great game of rugby and our team scored two excellent tries, two conversions and a penalty - and I left the conversation at that, what's missing? What did the other team score and who won? Running a business without Benchmarking your performance against other similar businesses is like hearing half a rugby score.

### DID YOU KNOW?

- ★ The only part of the human body that has no blood supply is the cornea in the eye. It takes in oxygen directly from the air.
- ★ The hummingbird is the only bird that can fly backwards.