

NEW REFERENCE SHEETS

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- Rudd's Labor
- Is your business sustainable?
- Direct Marketing
- Equipment Finance

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FEATURE STORY

Rudd's Labor Dollars and dangers for SMEs

By Mike Preston

The change of government means big changes to the way every small and medium sized business operates. There are dollars to be made, but there are also dangers to watch out for.

SMEs have good reason to be nervous about Kevin Rudd and the new Labor Federal Government – Rudd is untested in government, and many SME owners don't like [Labor's policies](#) in key areas such as industrial relations and tax.



But it would be a mistake to see only downside in Labor's decisive election win. Business will benefit from the many millions in new spending Rudd has promised for the environment, skills

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REGULAR

Business Outlook

BUSINESS SNAPSHOT

Overall Economy (GDP):	(Q3 +1.0%)	↑	4.3%
Inflation (CPI):	(Q4 +1.0%)	↑	3.4%
Unemployment:	(December)		4.3%
Retail Sales:	(December +0.5%)	↑	8.4%

Percentage is Annual Rate of Change.

Data are latest figures as published by Australian Bureau of Statistics 31/1/2008.

For more up to date Business and Market trends and analysis, visit your local Bendigo Bank branch and speak to your Branch Manager.

Interest rates are back in the spotlight, after the Reserve Bank released its quarterly Statement on Monetary Policy revealing their concerns about inflation. The market reacted by immediately pricing in a 70% chance of another hike in rates in March, with some analysts suggesting a second hike would follow soon after. When this outlook is placed in the context of the global credit meltdown we have a particularly volatile (and unpredictable) environment to discuss.

Offshore the news is almost universally negated by weak employment data in the US. Non-farm payrolls fell by 17,000 in January, the first monthly fall there in over four years. Other data from the States has also been weak- including soft construction activity and a plunge in the non-manufacturing (services sector) sentiment survey- although the US manufacturing sector is still showing some signs of life. The US Federal Reserve has lowered rates over 1% in the last month in an attempt to avoid recession, and further rate cuts are expected. In Europe and the UK the outlook is also pessimistic, with the Bank of England lowering rates this week and the ECB likely to do the same next quarter. Asia has been the exception to this global trend, with Japan appearing surprisingly positive, and China maintaining its extraordinary growth rate of above 10% GDP per annum.

Domestic data remains firm despite the volatility in financial markets, with a tight labour market combined with healthy retail trade figures and increases in house prices (although a fall in building approvals) appearing to support the RBA's assessment that inflationary concerns outweigh other risks- such as the risk that excessive tightening of monetary policy may see

a sharp contraction in our economy later this year. Equity markets are less confident- the All Ordinaries fell almost 25% from its November peak of 6873 last month, and continues to trade in wide ranges, mainly on the back of offshore bourses.

The Aussie Dollar has been a beneficiary of the widening interest rate differential with the US, trading at above 90 cents with good exporter demand seen between 85 and 87 cents. The diametrically opposite stances of the RBA and the US Federal Reserve make it difficult to predict anything other than a higher AUD/ USD rate.

In summary the Australian economy is weathering the overseas storm impressively at present, but while we may fare better than many other regions, we are by no means immune to the global downturn.

David Robertson
Senior Manager Financial Markets
Bendigo Bank

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and grants, as well as red-tape cuts and reform of government tendering.

For SMEs, it will define who will be the winners – cutting edge businesses in the green-tech, ICT, training and services sectors – and the losers – old-style manufacturers and high greenhouse gas emitting businesses.

A new government inevitably brings change, and where there is change there will be new opportunities and threats for business. For SMEs, moving nimbly to best take advantage of these new directions in government and society could be the key to success in the Rudd era.

The skills shortage

Labor has promised to create a new statutory body, to be called Skills Australia, to lead the effort. The effectiveness of this new body, and the extent to which it consults with business on what is required, will be central to Labor's success or failure on this issue.

Dollars: Labor has promised to create 450,000 new training places across Australia. The race will be on among Australia's industry sectors to lay claim to a fair share of these training places.

Dangers: Labor's system could take control over training out of business owners' hands. It will also mean good training outcomes will depend on the ability of the industry skills councils to consult effectively and make smart decisions on what training is needed where.

The environment

Dollars: With close to \$750 million on the table, there is plenty of money to go around for SMEs in a position to take advantage of Labor's green grants, including money for businesses in any sector that want to improve and reduce their environmental footprint.

Dangers: If you are a business that uses large amounts of power, prepare yourself for this reality – Labor's policy settings will almost certainly result in higher electricity prices.

Industrial relations

Opportunities (not dollars, but...):

If done well, Labor's proposed fair dismissal code could help guide SMEs through the dismissal minefield. All eyes will be on the business representatives that sit on the small



business consultation committee that will advise Labor on the content of the code.

Dangers: Once Labor's IR regime is in place, SMEs will lose a competitive advantage they currently hold over larger businesses. Larger firms, with dedicated HR staff, will be better placed. They will be to deal with unfair dismissal claims and collective agreements, which will both become more common under Labor. SME groups are also nervous about Labor's proposed central IR regulator, Fair Work Australia. Labor says the body will be flexible, decentralised and informal, but many in the business community fear that it will just mean interfering government officials without proper oversight.

Industry, R&D and grants

Dollars: SMEs should be looking to take advantage of two Labor promises – reform of the Export Markets Development Grants scheme, and a new grants program to support family friendly businesses.

Dangers: Labor is planning to cut mainstream funding to the popular Commercial Ready program.

Broadband

Labor promised to spend \$4.7 billion on a new fibre to the node broadband network. The pressure is now on to get the process of selecting a private sector partner and commencing roll-out of the network moving as quickly as possible.

Red tape

Rudd has promised a minister for red tape and a "one in, one out" rule to ensure regulation does not proliferate beyond current levels.

Dollars: By its very nature, cuts in red tape will tend to benefit those businesses that deal with government the most. Labor has also promised to make government tendering processes more accessible to SMEs. With \$26 billion in government work per year up for grabs.

Dangers: Labor has promised to initiate a plethora of reviews and inquiries into everything from grocery prices to the operation of the Commercial Ready program. Whether or not these measures are warranted, they will make it difficult for Labor to stick to its no new red-tape promise.

Tax

There was some disappointment that Labor chose not to deliver cuts to people paying the 45% top marginal tax rate, a cut many business owners would have seen as a just reward for effort.

Dollars: Rudd's cuts focused on making it more attractive for low income earners to enter or return to the workforce. For businesses with the flexibility to hire part-time workers, or who can make themselves attractive to mothers or retirees returning to the workforce, this could provide a partial fix for the skills shortage. **Dangers:** The threat represented by Rudd's tax cuts can be captured in one word: Inflation. Although the tax cuts will help support consumer spending, too much stimulus will push Australia's inflation rate into dangerous territory.

This is an extract of an article that first appeared in www.smartcompany.com.au and has been reprinted with their permission – the complete article is included as a reference sheet.

More in  **Rudd's Labor Reference Sheet.**

ARTICLE

Is your business sustainable?

By Richard Woods



There are many different definitions of sustainability a number of which are based on the concept of inter-generational equity. This suggests that sustainable activities are those that meet the needs of the present generation without compromising the ability of future generations to meet their needs.

Sustainability in business is often expressed as Corporate Social Responsibility (CSR). This has been defined as the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce, their families and the local community, environment and society at large (The World Business Council for Sustainable Development). This means a business taking responsibility for the social and environmental impacts of its activities in the same manner in which its financial activities are managed. Another commonly used term for this business approach to sustainability is the Triple Bottom Line (TBL).

Why Should Business Be Sustainable?

There is a growing expectation from employees, customers, shareholders, government and the wider community, for business to adopt a sustainable development approach. In addition to meeting these expectations, there is also a range of business related drivers for sustainable development. These are as follows:

Brand

Businesses that have embraced sustainable

development believe that by becoming early adopters, they will position themselves as leaders in a rapidly growing market. This is supported by various studies which suggest that the market for the products and services of sustainable industries and businesses is rapidly growing.

Employee Attraction/Retention

Being seen by employees as a responsible company as well as a fair employer is thought to help to attract and retain the best staff.

Business Value

Increasingly, businesses are trading not only on products or services but on intangible assets which include their reputations, brand value, goodwill, and intellectual capital. These "intangibles" can have an actual value on the company balance sheet.

Operational Efficiencies

A sustainability program will identify opportunities for more efficient use of resources by the business. As key resources such as energy and water continue to become more expensive in coming years, sustainability initiatives that streamline activities and ultimately reduce operational costs, will lead to financial savings for the business.

Meeting Regulatory Conditions

Governments are moving quickly toward more regulated systems for managing the environmental impact of their nations and the companies that operate within their jurisdiction. This is particularly true for greenhouse gas emissions and water.

Risk Management

Sustainability management is increasingly recognised as a risk management tool that can be used to address the wider social and environmental impacts of a company's activities.

Securing Investment

Businesses that have developed sustainability programs are considered by the investment community to be better prospects for investment because they are seen to have identified potential risks (non-financial) and have strategies in place to mitigate those risks.

How Does Business Become More Sustainable?


Perhaps the most important factor in making a business more sustainable is how successfully a sustainability program can be integrated into its activities. Clearly, each business will have different requirements and opportunities for sustainability. However, there are a number of key elements that will form the basis of a sustainability program for most businesses. These are:

- Sustainability Policy
- Benchmarking
- Identification of Opportunities for Improvement
- Development of Action Plans
- Performance Indicators and Target Selection
- Monitoring and Reporting

What Are the First Steps?

How does a business get started on a sustainability program? The first step is to develop a company sustainability policy which will publicly state the organisation's broad goals and objectives to become more sustainable. The policy should have input from all levels of the organisation and receive final authorisation from the business owners/board. The next step is to undertake a sustainability audit of the organisation which will establish the business's current impacts and will indicate where improvements can be made and what actions need to be considered.

Richard Woods is a director of ES Link Services, a Melbourne based environmental and sustainability consultancy firm. ES Link Services is a partner with Bendigo Bank and Sustainability Victoria on the Generation Green program.

More in  [Is your business sustainable Reference Sheet.](#)

ARTICLE

Equipment Finance

By Brian Goody

Businesses looking to finance equipment face a range of options. Two of the primary financial considerations are cash flow and taxation. Businesses should also be aware that some finance products will have certain characteristics which prove more beneficial to them than others.

Remember, in all situations, what is best for your business will very much depend on your circumstances at the time.

Purchase - The simplest option is to purchase the equipment straight out. This, however, may not be the best use of your working capital and may take advantage of some taxation benefits.



Finance Lease - Leasing involves you identifying the equipment you wish to use in your business and negotiating a commercial purchase price. The equipment is then purchased by the lease provider (for e.g., Bendigo Bank) and leased to you for an agreed term, commonly two to five years. One of the things that has made leases so attractive in the past is that lease rentals are usually tax deductible as long as the equipment is used to generate assessable income.

Asset Purchase - or commercial hire purchase as this is sometimes called is similar to the Finance Lease facility in that the finance

provider. However, once the final payment is made your business immediately assumes ownership of the equipment.

Chattel Mortgage - may be attractive to businesses that use cash accounting in their business, because these businesses may be able to claim the GST component of the purchase price of the equipment. In simple terms, this type of finance is structured in the same manner as a property mortgage, with the equipment owned by the business, but allocated as security against the loan.

Brian Goody is Manager Equipment Finance Department, N.S.W., ACT & QLD for Bendigo Bank Ltd.

More in  **Equipment Finance** Reference Sheet.

ARTICLE

Direct Marketing - make it relevant

By Tim Stroh



Direct marketing is something we are all familiar with. Junk mail of the printed and electronic varieties is often what springs to mind when the topic is mentioned. This is unfortunate, because direct marketing done well is like a game well umpired – it is done

so seamlessly you don't even notice it is happening.

The essence of doing direct marketing well is delivering the right message to the right person at the right time. Unfortunately many organisations take a shotgun approach to direct marketing; sending the same message to as many people as possible and accepting a tiny fraction of a response as a positive outcome. So what does it take to do it right?

- 1. Build your database** - It is near impossible to send the right message to the right person if you don't have the relevant profile information about your customer.
- 2. Understand your customers** - The key to successfully implementing a direct marketing campaign is to treat everyone as an individual, rather than one homogeneous group.
- 3. Get the message right** - The absolute key to this is making it relevant.

- 4. Build momentum** - With every message you send each customer make sure it is something they are interested in and that you have given them sufficient incentive to respond appropriately.

With the tools available now, direct marketing is accessible to every organisation from the local sports club or community group and small businesses through to large corporate organisations. We live in a highly segmented society of diverse socio-cultural groups and individual interests that make mass marketing decreasingly relevant. But before you send your customers an SMS, email or brochure ask yourself; do I know if this is relevant to them? If you don't, then find out. When done well, direct marketing cuts through clutter to establish an ongoing dialogue with consumers.

Tim Stroh is Managing Director of Impact Data an organisation that provides data driven communication. www.impactdata.com.au

More in  **Direct Marketing** Reference Sheet.

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