

## Major gains for moving with the times

Have you heard the old adage, if you're not moving forward you're standing still? Nothing is truer in this technological age. The introduction and swift adoption of new technologies such as high speed broadband has left a litany of traditional business models under threat where they have failed to recognise and capitalise on change while opening a series of opportunities for those swift enough to embrace change.

### *The internet's threat to telecommunications market leaders*

eBay recently paid US\$2.5 billion to purchase Skype. Skype is a pioneer of Voice over Internet Protocols (VoIP), or for the uninitiated, telephone and more recently video phone services delivered over the internet. They currently have over 74.7 million registered users (adding 150,000 customers per day) and at any one point, an average of 3 million users 'on the phone'. eBay intends to integrate the service into its highly successful business and in the process potentially convert some 3 million existing Australian eBay customers to internet based telephony. At present, Skype is free to consumers talking from one Skype customer to another regardless of where they are in the world. The internet does not differentiate between a Skype user in the next office or in London. To get started, all you need is a headset and to visit the Skype website and download the free software.

eBay, a company with a reputation for opportunistic acquisitions was clearly willing to pay for the prospect of being a part of a symbiotic internet business during its growth phase; Skype's forecast revenue is US\$60 million.

Telstra is maintaining a nonchalant public face about the emergence of Skype and the use of VoIP. This is despite the fact that Telstra earns around 50 percent of its profit margin from 'hard wired' services. Telstra has the capacity to offer its own VoIP services and is expected to release its technology to residential customers this year.

Generally, internet business models have targeted generation X and Y or the technologically savvy. VoIP however is more than a fad. Business will also benefit from the technological shift with major corporations such as Westpac embracing the service and moving its employees to VoIP this year through Telstra.

The impact of companies such as Skype is yet to be seen but regardless of the foothold that Skype makes in Australia the market has clearly moved and the major Telco's face a future that is anything but 'business as usual' when their core service is available free.

### *Online recruitment advertising*

Online recruitment advertising, such as Seek has had a major impact on the way businesses advertise for new employees. Last year, Seek posted a net profit of \$22 million. A pleasing result, particularly for the Packer's who bought a 25 percent share of the company through PBL back in 2003.

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## Crunch time: December BAS cashflow crisis

February is BAS month for all quarterly reporting entities. Most small businesses appreciate the extra time after Christmas to complete their December accounts and lodge their BAS, however it falls in typically the worst cash flow month for SMEs.

The February cash squeeze will affect almost every business. Those with reasonable levels of liquidity and cash reserves will manage it without too much pressure; but these businesses represent no more than 20 percent of the SME population. For the rest, the impact of the squeeze will range from going through a period of cash distress and in the worst cases, liquidation.

Managing this cash crunch should be a three part strategy.

(1) Planning. Have a look at your short term cash flow commitments. By now you should know how much your BAS commitment is and what other major payments will be due before month end. You also need to complete a realistic assessment of what funds you expect to collect during the month. With this information you can calculate how close to the line you will be.

(2) Collect your debtors as soon as possible. As the month progresses collections will become tougher as business conserves cash to meet the end of month tax commitment. For businesses under cash flow pressure, they are more likely to pay the creditors who are chasing them than the ones who are silent.

(3) Manage your expenditure. Don't over commit for the month, manage your stock levels and only use working capital for larger capital expenditure items if you are certain that you can manage all of your working capital demands.

## Major gains for moving with the times *continued*

Seek listed on the Australian Stock Exchange in April last year and boasts revenues of \$70 million (04/05), an increase of 74 percent on the previous year. At any one time they have an average of 80,000 jobs listed.

While the recruitment process remains relatively unchanged, newspaper recruitment advertising has dropped significantly. Fairfax moved to protect its advertising revenue with the creation of Mycareer, which integrates online and print advertising from the one portal. To consolidate its position Fairfax formed an alliance with Yahoo in October 2005 to distribute Mycareer in Australia and New Zealand, replacing Seek. News Ltd made a similar move to the online environment with Careerone.

The shift to online advertising is a logical progression for a time poor market. Online recruitment brings together a broader community of employers and candidates in a way that makes the process simple for both parties without having a regard for print deadlines or booking processes. It's real, tangible and immediate and your recruitment advertisement is unlikely to end up as a fish and chip wrapper.

While still the domain of Generation Y, online recruitment is increasingly a common part of the recruitment process for employers and candidates at all levels.

### *iPod challenges CDs*

The iPod and other Mp3 players stimulated a massive shift in consumer behaviour. With the advent of the iPod, computer companies currently have the capacity to sell music more successfully than any other retailer in history. While digital sales still only account for around 6 percent (around US\$1.5 billion) of record company sales, consumers have embraced the technology with both hands and are unlikely to revert to old habits.

The advent of the iPod means an alternative to buying CDs that might only have one song you like. Now, consumers pick and choose what they want, when they want it. It provides the consumer a choice of music beyond the stock management and distribution issues faced by retailers, and at a cheaper price.

For many years, illegal downloads and music 'sharing' was the primary method for the technologically savvy to broaden their musical horizons. With the release of Apple's iTunes and other similar sites, consumers have shown that they are willing to use commercial distribution channels. At present, Apple claims to sell 83 percent of the legal downloads on the web, estimated at some 420 million downloads last year.

Apple posted revenue of \$5.75 billion and a net quarterly profit of \$565 million in the December quarter. In the December quarter, Apple sold 14 million iPods (207 percent growth). Apple's chief executive has flagged that the next growth area is your living room.

### QUOTE OF THE MONTH

There are many ways of going forward, but only one way of standing still.

*Franklin D. Roosevelt*

But it's not just new companies monopolising technological shifts. Large companies are looking at emerging mobile phone technology with audio, video and data services as a method of reinforcing their brand and capitalising on the strength of their existing markets. They know that mobile phones are a staple of their market so why not use the new technology to their advantage? In the US, one of the major sports cable channels is launching a branded mobile phone. While more expensive than generic phone services, it offers sports fans the ability to see real time scores, customise buttons to deliver news and updates on favourite sports and teams, clip of the day highlights, sports team ring tones, statistics, expert analysis and fairly much anything any sports tragic wants to see and hear. In effect, it makes the cable service fully mobile and individualised so the brand never leaves the side of the consumer.

Imagine what your business's marketing and advertising is going to be like when the way consumers interact and the media they utilise has fundamentally changed. It's real, it's immediate and it's individualised.

The principles of business remain the same regardless of technology and consumer trends. It's the direction of the market that is important not the product because without a market, regardless of how brilliant the product is, it won't sell. As our customers change, and they invariably do, the way we interact with them, sell to them and what we sell must also change. Without the commitment to taking the time to see what is ahead for our market and by default our businesses, we're doing more than standing still, we're going backwards.

*Regardless of what type of business you are in or how long you have been in business, strategic planning is important. Talk to us today about how we can help your business capitalise on the future.*