

## TAXTALK

### Set out: to succeed

According to international business information service Bloomberg, eight out of 10 new businesses fail in the first 18 months.

If you want to be one of the two out of 10 who succeed, there's plenty of useful advice from experts. A web search will throw out lots of tips, but some consistent messages come through.

One of the most consistent is the importance of building a relationship with clients. You might be lucky enough to be setting up a business selling a product or service no one else has seen before. But that's very rare.

Most likely you'll be doing something others have done before, but you want to do it differently, or you're filling what you see as a gap in the market.

So how do you succeed where others fail?

The answer: Establish a relationship with clients that makes them feel special. Earn their trust, which is the number one attribute clients look for.

You can have the best product in the market, but if your client doesn't trust you, well, you know the answer.

Web pages and email are wonderful tools, but work hard to see potential and current clients face-to-face. When you do, be careful not to oversell or over-promise.

Deliver on your promises and build trust. Return the phone call, send the quote or deliver the goods you promised. Then add some – put a bonus in for their faith in you. You'll soon find you have repeat business and on-going income.

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# How to build customer loyalty

Loyal customers are good for your business. They keep the money coming in, and help spread the word about your products or services. Good customer service — including how you deal with complaints — helps turn new customers into repeat customers.

## Good customer service

"Providing outstanding customer service is key to business success," says Greg Harford, Retail NZ's general manager of public affairs. "It's important to look at the whole customer experience from marketing to sales to aftercare."

Offering great service includes:

- Dealing with customers in a friendly and efficient way.
- Knowing your products or services inside out.
- Handling any problems promptly and fairly.
- Knowing what consumer laws say you must do if someone complains.

It might feel like less hassle to always agree to refunds or returns, but it won't do your business — or your customer service — any favours. The same problems are likely to crop up again and again, and your customers won't like it. But if customers can see you take steps to improve, they are more likely to recommend your business to others. Good word-of-mouth is a great marketing tool.

Do use complaints to improve your customer service and your business as a whole. Complaints can be a valuable source of data. Use this data to identify problems — and see if your solutions are working.

## Ways to improve your service

Here are easy things you can do to show people you are keen to improve:

- Invite customer feedback, eg a suggestion box or after-sales check-ins.
- Display your returns policy.
- Keep a complaints log to help identify any recurring problems.

"It's important to deal with customer complaints promptly, smoothly and fairly to deal with the issue, comply with legal requirements, and most importantly to generate positive customer goodwill and loyalty," Harford says.

## Customer feedback

Don't just wait for customers to tell you what they like and don't like about what you sell and how you sell it. Ask them. After-sales follow-ups are a good way to gather feedback. Schedule a check-in to see if everything is running smoothly. Offer tips or tune-ups if needed.

You may want to offer incentives, eg discounts if they buy again or recommend you to someone else. Make sure you're aware of anti-spamming laws — this includes giving customers an easy way to stop receiving messages from your business.

If someone does make a complaint about your product or service, don't panic. Respond politely. Take the time to investigate fully before agreeing to a refund, repair or replacement.

## Fair returns policies

Clear information is an important part of customer service. If customers know which returns you'll accept and which you won't, they are less likely to get annoyed if you say no. This could mean a refunds sign:

- on your website
- by the till
- on receipts
- in sales agreements
- in packages delivered to customers.

It's a good idea to create a returns policy, even a one-pager of key points, and to share these key points with customers and any staff. Your policy might include:

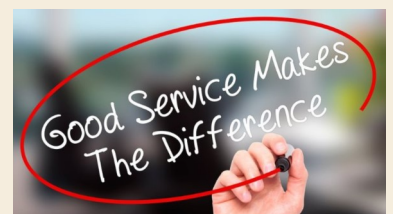
- if you offer the legal minimum or more generous terms
- how to return faulty products
- any costs involved in returns.

## Using complaints data

Collect details on what went wrong when a customer complains. This will help you identify any recurring problems, eg ingredients that spoil faster than expected. Once you know what's causing the problem, you can take steps to stop it happening again. This might mean:

- offering extra training, eg job skills or product familiarity
- trying a different product line
- switching to a new supplier or delivery company.

Tell your customer what you are doing to prevent future problems. This is a great way to improve customer service — and save you time and money.



## Q: Are fines deductible for tax purposes?

### A: No, read on below

A farmer was involved in a health and safety case before the courts involving an incident in which an outside contractor entered the farming property to repair a silo. The farmer did not know the contractor was on site and activated the silo, with the contractor inside it. The court found that the farmer and the employer of the contractor were liable to pay reparations to the individual. In addition to this, the judge imposed a fine of \$69,000 on the farmer.

In the Commissioner of Inland Revenue's view, no income tax deduction is available in New Zealand for any fine or penalty imposed on a person under a statute or regulation. This is irrespective of whether there is a nexus between the fine and penalty and the person's income or the carrying on of a business to derive a person's income. Fines and penalties are not deductible in New Zealand because of the application of public policy considerations. This is the case irrespective of whether:

- the infringement for which the fine or penalty is imposed forms part of criminal proceedings
- the fine is imposed by the court or another body
- the fine is imposed on the taxpayer, its employees, or a third party
- the taxpayer intended to break the law, or
- the fine is imposed for a strict liability offence.

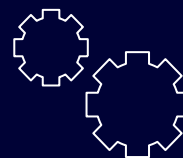
The fine imposed on the farmer will not be deductible.

#### References:

Income Tax Act 2007, ss DA 1, DA 2

Inland Revenue Interpretation Statement IS 09/01 Fines and Penalties - Income Tax Deductibility

Source: CCH/TEO Question & Answer Service



#### TAX SOLUTIONS

In an effort to improve their online experience, ACC have launched a new online service for business customers to manage their account and levies online, 24/7 from any device. Businesses are encouraged to register now. Once registered you can view invoices and transaction history, update business and contact details, invite others to view or manage your account, and pay any unpaid invoices. Making sure your details are all updated will help ensure you're charged the right amount of ACC levies to cover you and your employees. Just visit [acc.co.nz](http://acc.co.nz) register.



#### WEB SOLUTIONS

Finding the best app. With the huge number of organisations offering apps to help you run your business better, it's easy to be confused about what to invest in.

Where there's confusion, there's usually someone ready to simplify. One place where you can find the app you might be looking for is [getapp.com](http://getapp.com)

It's a site that says it enables you to "enhance your productivity and your business success".

It has a whole bunch of useful apps for small business, many of them free. It lists the apps in helpful software categories (and sub-categories) such as customer management, human resources, marketing, sales, IT management and more.

The site has at least 5000 apps to choose from, and about 170,000 reviews so you can see how others have rated them. Star ratings on each app give a fair indication of how well they've worked. There's also a "compare app" button so you can compare its features, rating and pricing with other similar apps. The "top apps" button is also worth a look, just to see what's most popular.

## Avoid the bad payers

The first rule about debts is to try and avoid customers who don't pay what they owe you. If the amount is going to be large, get a deposit first, get a credit report, or both. Of course best of all is to get paid in full up front before fulfilling their order.

When you do get a bad payer:

- Get onto the customer quickly.
- Follow up on a planned basis and minimise the time between each follow-up.
- When ringing the customer, get a commitment of how much will be paid and when.
- When following up by phone, write notes of the commitment made and preferably the actual words used by the customer.
- If you still have trouble collecting the debt, confront the customer with each of the promises and what was said.
- If you still can't get paid, warn the customer you are going to take debt recovery action. If this does not produce results, carry out the threat promptly.

If you're dealing with a company, the threat of winding it up can be very effective for those who are first in.

That's why it pays to act quickly. You don't want to be last in line when the money runs out.

The second rule is to avoid having your business dominated by one firm. If you possibly can, diversify your customer base as quickly as you can.

What if the company is too big to be concerned about your threats? There is little you can do other than re-read rule 2. If the bad-paying corporate is only a small customer, some people load their bills to them to allow for bad payment practices.



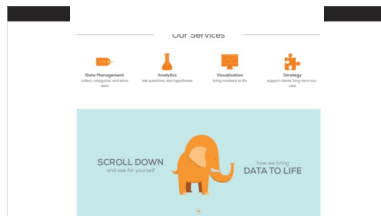
## Quick Quote

Tomorrow is fresh, with no mistakes in it. ~L.M. Montgomery

## Help customers contact you



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Do you find, when you visit a website, it's difficult to find out how to get in touch with the business owners? Even finding "Contact us" can be difficult.

When designing a website, make it as easy as possible for customers to buy. That means they need to contact you, so don't make it difficult for them. If they want to respond by ringing a cell phone, provide that facility as well as email, landline phone, et cetera.

You should have a "call to action" on every page of your website. If you have a potential customer interested in your product, help them to contact you quickly.

Don't make them scratch through your website to find the "Contact us" section. It needs to be right there on each page ready to click on.

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