

Talking Business

with PETER SWITZER



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John Symond

is the founder and CEO of Aussie Home Loans, the largest retail lender outside the four biggest banks in Australia. He is with us to discuss the alternative to bank lending and his forecast for the credit industry, including where interest rates are headed and what we can do in order to prepare for the hard times ahead.

www.aussie.com.au

PS My first guest on *Talking Business* is John Symond from Aussie Home Loans, and he's had a fantastic year, and a very challenging year.

Thanks for joining us on *Talking Business* John.

JS Great to be here, Peter.

PS Okay, so this is about a really unusual time for everyone in the mortgage industry, but you've come away with an unusual, but positive outcome. You've sold a third of your business to the Commonwealth Bank and you've also picked up your rival of all those years, Wizard Home Loans, as well. Tell us how it came about John?

JS Well, first of all, with Commonwealth Bank Peter, they approached me in early 2008 and I had never ever gone out looking to sell Aussie, part or all, I've been very independent. We've built a very strong team over the years and we've proved to be a very viable alternative to consumers, taking competition up. However, the market, because of global events, has impacted every sector, and of course the non-banks don't have big balance sheets so that sector has been pretty hard hit. I considered the Commonwealth Bank opportunity because they recognise that Aussie was going to be one of the winners in a non-bank sector, and they wanted to have in on that sector. I guess they worked out that Aussie was a great vehicle and I was happy to talk to them on the basis that they could help turbo charge our business by providing wholesale funding, access to a balance sheet if a good opportunity came up, but the under-riding rule was we maintain total independence, they have no involvement on the operational side and I'm still in charge. So we subsequently agreed on those terms and, to the credit of Commonwealth Bank, they've stuck by that. And very late in 2008 we had a hard look at Wizard because National Bank had been in there negotiating for seven or eight months and it became apparent that there was a stalemate, and I've been of the belief that Australians need a strong alternative to the banks and notwithstanding the success of Aussie and the fact

**John
Symond**

that we've been travelling against the trend, it gave us an opportunity to really achieve scale by taking in the Wizard brand that had been built as a very good operation. Mark Bouris did a good job, he sold it four years ago to GE. GE, like most offshore financial institutions, has been absolutely smashed, and GE had to liquidate assets around the world and in Australia. An asset of Wizard, they had funded up to 11 or 12 billion dollars in home loans and they need to liquidate that into cash, and that gave a great opportunity for us to achieve scale by taking on 150 to 160 franchises, 300 odd experienced mortgage writers, fold that into Aussie to provide 800 or 900 hundred experienced mortgage writers and 200 shop fronts which really makes Aussie the largest retailer of financial services outside the big four banks. I'm very excited about it because it really does ensure that consumers will have a stronger non-bank presence in Aussie, and it's absolutely critical because the banks, notwithstanding Commbank, have got a minority interest, but banks in Australia, fortunately for Australians, are in a much, much, better solid, safer position than global banks. But it's also enabled the big four banks in Australia to get a bigger strangle hold, enforcing consumers to deal with them. So I do believe that this is absolutely critical for the Australian public, not just for Aussie, not just ensuring that the experience is it, Wizard people have a great career rather than getting out of the career because they've done it tough the last two months. So it's been a good partnership, so far, in a short period of time between Commbank and Aussie and hopefully it will prove to be a good move for the Australian public.

PS Okay, one of your smartest decisions, looking back, must have been to get out of just being non-bank lending and becoming a mortgage broker as well where your business can actually look around for the best loans in the market and provide it to a much wider audience?

JS Yes, back about seven and a half years ago, Peter, we changed dramatically our business model, even though we were the largest non-bank lender – and probably performing better than the dozens and dozens of non-banks – it was

John Symond

becoming apparent to me that consumers were wanting choice. Consumers wanted trust and I felt then that being an originator exposed a lot of risk going forward, and I certainly wasn't clever enough to see what would unfold in 2007/2008 but I look back now and look on that decision as being a really critical decision, as you say, because it took us from exposure to the global credit markets, to a very miniscule exposure, and we changed the business to a big supermarket of mortgage broking where we offer a couple of thousands of different configured loans to consumers. We've since even diversified our business model further. We've got a very successful Aussie Mastercard, we've got other financial products, car loans, personal loans, and now we're rolling it into insurances. So Aussie became a very diversified financial services provider, and with the Wizard shop fronts – we've got 200 shop fronts, 800 odd mortgage writers and a bigger say to negotiate better deals on behalf of our consumers.

PS Now, what about the Aussie economy John? Do you think we can come out of this either avoiding a recession or just having a mild recession?

JS Well, one thing's for certain, Peter, we're in the best part of the world to combat this global fallout. Now, not for a minute do I think that we will avoid it unscathed, we will cop some black eyes, we might even cop a few broken bones, but we're not going to get run over. If we do end up in recession it will be, if I can use the term, light recession, I'm very confident of that because we've been in great shape for 10 or 12 years, we're very fortunate to have China, Indian and countries buying up big with our resources and commodities, and we're in great shape. We will cop a few hits but I'm very, very, confident that we won't go into deep recession. Yes, we'll see some unemployment rise, we don't like that, but, all said and done, we are in the best part of the world for doing this.

PS Okay, let's go to the credit markets... Which is the core of the problems that we're suffering under? How do you see those things developing here?

**John
Symond**

JS Well, the credit markets' are still virtually shut down because the cost of raising credit through the global market is prohibitive. We are fortunate that our big banks here have a huge deposit base, they probably fund 50% of their requirements to provide funding to customers, big and small, including home loan customers. However, it is an absolutely critical problem for all of us in Australia, as well as globally, because its basically shut down the non-bank lending – and let's remember, the competition in home loans came from outside the banking sector and I'm proud to say we started that in 1992. You can't go out and raise money through the credit markets and lend them to consumers at a competitive interest rate because the big banks have that huge advantage in Australia where they take on deposits, they get a lot of deposits where they'll pay very little or no interest and, you know, that's playing into the banks corner. But they will open up eventually, nothing goes forever, Peter, for all businesses, not just the credit markets. Today it's all about survival and anything above that is a bonus. There will be organisations, hopefully Aussie will be one of them, who can seize some opportunities and ensure that their business comes out of this far better than when we were going into it. So I guess I'm someone who always looks at the glass being half full, there are opportunities there, you've got to be extremely carefully whatever business or industry you're in, but I still look at the future on the bright side and I'm very, very, happy to be a proud Australian. Australia offers some fantastic opportunities for us and we've got to be positive, because it's all doom and gloom that headlines read, people talking negativity, but I still look on a very positive future.

PS One last question John. Over the years you've built a great business and you've always built a wonderful brand name around Aussie... Was that part of the plan? Was this your entrepreneurial plan, to get a character that people actually related to which then would help the growth and the development of this Aussie Home Loans brand?

**John
Symond**

JS It was a bit of a fluke Peter – you know, having a friendly face in a faceless cold industry such as banking – but the reality was when I started Aussie Home Loans, and coincidentally that was also in a recessionary period but I was broke, I was facing bankruptcy, I came out of a failed joint venture with the State Bank of South Australia and I was naive in those days. Who would have thought that a State Government bank would go belly up, and I had all my eggs in one basket, the impact broke my marriage and everything else, but you know what? It gave a great opportunity, it led to the whole creation of the non-bank industry, and during that course, because I was broke and had no money, I couldn't employ anyone, I couldn't go and book marketing costs, I couldn't employ people to deliver the message. I often joke when people ask, 'how come you do your own ads?' and I say to people, 'well look, I really couldn't afford actors' and they have a chuckle thinking I'm joking, but the reality was I had no money and I was passionate. I had a strong team around me and a small team then, we were passionate about trying to give Australians a fair go, and the banks were getting away with blue murder in those years. Fortunately, they've changed a hell of a lot for the better, and I guess during that period my profile rose because I was very outspoken, I was a straight shooter. Consumers heard from me things they were already thinking, and I guess I developed the brand, and I'm very proud to have played a very important role.

PS And we're very proud to have you on the show. Thanks for joining us on Talking Business.

JS Thank you Peter.

Leanne Pilkington

is the GM and highest-placed woman within of residential real estate group, Laing+Simmons. With over 25 years experience in the industry, Leanne has developed an extensive knowledge of real estate services. She talks to us about all things real estate, including the effects of the lower interest rate environment, first homeowners grants, emerging opportunities in the market, and what the economic downturn means for renters.

www.laingsimmons.com.au

PS My next guest on *Talking Business* is Leanne Pilkington, General Manager of New South Wales residential real estate group Laing+Simmons. Leanne is the only female General Manager in real estate franchising in New South Wales, and one of only a handful in Australia. Leanne has been in the industry for over 25 years and today we're going to discuss how the market has changed since lower interest rates and the increased first home owner grants.

Welcome to *Talking Business* Leanne.

LP Thanks very much for having me Peter.

PS Okay, so everybody cares about real estate – you can't go to a dinner part without talking about real estate– so what's happening to the market right now?

LP The market has changed so much in such a short period of time, but I guess the whole world's changed in a short period of time hasn't it? So we have seen a huge increase in the number of first homebuyers coming into the market, they're now making up just a shade over 25% of the market in New South Wales, anything around about \$750,000 is selling very strongly, so the people in the Western suburbs are doing very well, but also apartments in the Eastern Suburbs are selling really well.

PS I guess this is the important thing, while the stock market was zooming over 2005 to 2007, real estate has sort of been stumbling around for a few years, hasn't it?

LP It certainly has. The market has been... *hatchy* is probably the best way to describe it. There's been no clear trends across Sydney as a whole, it's very varied comparing area to area. A lot of the Eastern Suburbs, places with the beautiful water views, they've still been selling strongly, up until of course the stock market crash, and all of those people that were buying and selling those properties don't have the incomes that they once had, so that higher end of the market has really stalled in the last six months.

**Leanne
Pilkington**

PS Look, that's a sad story for me, but let's just move on to other people. The important thing, I guess, is that we've seen an enormous cut in interest rates since September...

LP It's huge.

PS And that's been a real fill up to the real estate market right across the country?

LP Absolutely, because not everybody is actually struggling, there are a lot of people that have got stable jobs, interest rates are down significantly, petrol prices are down significantly, so there's a lot of people who actually have quite a bit of money to spend. I had one of my agents on the weekend who had a two bedroom apartment open for inspection, he had 109 people through, now there's just so much interest in certain parts of the market, so it's great to see.

PS Tell us, when a real estate market starts to make a comeback after being down and the interest rates are low, is there any history of actually just recovering for just one or two years and then falling away? Or does it tend to build momentum over a few years, maybe a six to eight year cycle?

LP Well the investors were the ones who actually pushed the market up very quickly last time and at the moment the investors have not come back into the market. Now we are expecting that they will because interest rates are low, rents are high, demand is strong, so yields are good and all the signs are there, but at the moment the investors haven't come back into the market so I don't see anything dramatic happening in the short term. We also have to bear in mind that the first home buyer grant is due to expire at the end of the financial year, if that happens it would be interesting to see what happens to that market segment.

PS And I guess, in the case of investors, if they're worried about a recession they might think that a tenant they put in there could lose their job and it makes the whole equation just a little bit more complicated?

**Leanne
Pilkington**

LP Yeah, I guess that is true, so there're so much demand out there for rental stock at the moment, especially in the mid range levels. The high end of the market is of course not as popular, but where most of us are investing there's plenty of demand still.

PS You've been in the real estate game for quite some time?

LP I have.

PS What do you think are the big mistakes that people make during this time when there is a little bit of a rush to get in, because prices have been down, the interest rates are lower now, what are the kind of tips you would give people to be mindful of in a real estate market?

LP Interest rates are not always going to be this low. We do think there's probably another cut in the next two months but there shouldn't be too much more than that, so if you're borrowing over 20 or 25 years, factor in increased interest rates and make sure you can make your payments if you're paying eight, nine or even 10% in interest. So that's the biggest thing to remember when you're buying in a low interest rate environment.

PS Now, I don't want you to do any sort of free publicity for your wonderful company but there are good real estate agents and bad ones.

LP There are.

PS What are the kinds of things you look for in a good real estate agent?

LP Someone who's prepared to give you information, someone who knows what's going on in the market who can easily answer your questions about what's happening, market trends, what's selling, what's not, they should be able to give you good advice.

PS Do you think sometimes the problem with some real estate agents is that they are often operating for the buyer rather than the seller, because the seller ultimately is the client but often because they want to make the sale their interest goes with the buyer?

**Leanne
Pilkington**

LP I don't find that. I find that most of the agents do represent the vendor's interest very strongly. One of the problems that you do have when you're selling your house is that with a vendor you tend to think that your home is worth perhaps more than what it is.

PS More than what the real estate agents think for sure. [laughter]

LP Always, without doubt. And, you know, even real estate agents think that when they're selling their own homes. But it's very easy these days to verify the prices that the agents are giving you, you just have to go to someone like RP Data, have a look at the recent sales, and that's how you should value your own home – what is comparable, what has sold recently. No point in 2009 looking at something that sold early 2008 or 2007 because the market's very, very, different, so you need to do your research and don't pick an agent based on them giving you the cheapest commission and offering them to sell your home at the highest price because it won't work.

PS In fact, the information on the internet from the likes of RP Data and others is quite extraordinary. I think if people spend some time there they've got a really good idea of what their house should be worth?

LP Absolutely, and unfortunately you need to take the emotion out of it because it's your family home, but somebody else is not going to have that emotional connection to your home and they won't pay over the odds for it, especially in the current market conditions.

PS Okay, if people want to know more about Laing+Simmons – and I presume the site comes with tips and all that sort of stuff?

LP Absolutely. www.laingsimmons.com.au.

PS Thanks for joining us on *Talking Business*.

LP Thanks for having me.

Graham Foster

is the innovator of a financial system called Money Math and has been training top level business executives and organizations in profit improvement, business growth, and professional business skills for over 30 years. Graham has taken his unique mathematical approach to profit equation around the world, and he argues that profits can still be made in a recession.

www.pacificseminars.com

PS On *Talking Business* my next guest is Graham Foster. Graham developed a financial system called Money Math and has been training top level business executives and organisations in profit improvement, business growth, and professional business skills for over 30 years. Graham is also an author and presenter and has travelled around the world with his unique mathematical approach. He argues that profits can still be made in a recession.

Welcome to *Talking Business* Graham.

GF Hi Peter, how are you?

PS I'm very good mate. Why don't you tell us your background? You're not an old maths teacher turned business expert are you?

GF Ah no, I did do okay at maths at school and then I became a CEO at age 35, had three CEO positions, and one of the things I noticed is the people working for me didn't know how the business worked – good people but they didn't know. You'd say, how much margin we want to make on that 40 percent, okay we bought it for 100 dollars, what are you going to do? Sell it for \$140. No, no, no, \$166.70. So this ignorance of math bugged me and when I went to America in 2001 they said you've got to have a system, so I developed this system and put it all together into charts and software, and you can get through a recession by not making a mistake on math.

PS And I guess this kind of problem is exposed when people start cutting their prices, that's when they can really make a lot of mistakes which creates a. losses and b. cash flow problems as well?

GF Peter, that's the very first and worse mistake you can make. In recession the traditional wisdom is that you cut your cost not your prices. For example, if you're on 25% growth margin and you cut your price 10%, you've got to sell 66.7% more. How the hell are you going to do that in a recession, where's the blood going to come out of a rock? It ain't going to happen.

Graham Foster

PS But Graham, why don't people see this? Is it because their notion of maths is so simple they don't actually think it through?

GF The people who win the math prizes at university and in school are not Australians but they're usually our Asian migrant friends, and this is the problem. They understand that math is a life skilful success and so they'll work hard at math and not at football and they'll become much more successful.

PS A lot of my Asian mates, I always accuse them of having a calculator inbuilt inside their head, which they always thought was a pretty complement more than anything.

GF Yeah, it's in the DNA.

PS So you've written a book called *The Power Of...*?

GF *Positive Profit*.

PS Okay. Now what's the thinking behind it?

GF The book will get you through the recession and here's how it does it. When you ask people what are three things that are the most powerful for the bottom line, they have a choice and it's a mathematical question. You can sell more stuff, you can reduce the costs or you can change the prices, presumably up. Now when you ask that question 60% say sell more, 20% say cut the cost, and 20% say put the price up. So that means 80% of people in the business world potentially don't know which way to drive the business and they drive it in the wrong direction because they hear too many height merchants at conferences that say, 'we're going to teach you to sell, sell, sell' and you go out and do that thinking it's the right thing. In a recession you should be cutting your costs.

PS What's the easiest way to cut costs? It's a very easy thing for you to say, cut costs, but do you think a lot of businesses are afraid of cutting costs because of the impacts it might have in terms of the quality of the sales, the quality of the staff they have answering the phones? Is that a whole back factor do you think?

Graham Foster

GF It could be. I was in Auckland recently talking to a whole bunch of computer dealers and one guy put his hand up and said, 'does that mean I've got to get rid of the Friday afternoon free massage with the staff?' I said, 'how much is it costing you?' he said, '\$15,000 a year' and we're only talking a small business of a million dollars turn over and I said, 'yes, you're going to have to let it go'. Then being a younger man he said, 'well I'm not sure I can do that, they're going to hate me if I do that'. So a lot of people under 40 have never seen a recession and are therefore going to follow advertising on television and cut prices rather than cut costs, and you start in your fixed costs area, you get rid of your corporate jet for example, or you get rid of your magazine subscriptions or some of the things that you do that you can do with less for a time.

PS So what you're basically saying is...?

GF Cut costs on people last.

PS Yeah, and what you're saying is get all your costs out and go line by line by line, and see what is really essential and what's not. What other little mathematic revelations can you share with us that people don't think about?

GF Well having done that, then you've got to rebalance the company, normally you should be growing your sales at the market rate, so if the market rate's gone backwards by a few percentage points then you're going to have that reflecting in sales. If you want to retain market share you should go and buy another company, not discount to get somebody else's market share from them, that will only start a price war and then your bottom line will evaporate. The second thing, as far as costs are concerned, in good time you should run the company at last year's fixed cost budget, but since you have to attack the fixed cost heavily in a recession or a downturn, which I'm not sure we've got in Australia...

PS We're a 50/50 case.

GF Yeah, we're marginal. I think you've then got to be quite radical and make your first cut your best cut, and as far as

Graham Foster

prices are concerned... Yesterday I asked a company to give me a price list and I turned over the back and it had out of date 2004 on it. Invariably everybody says, 'but Graham you don't understand how competitive our industry is', they just haven't moved on price, and you should put your prices up at the inflation rate just to keep up with the market place, even in a recession you've got to do that.

PS You know, looking at the history of the businesses you've looked at and developed in your system, what do you think are the big mistakes that companies have to, sort of, focus on to go forward?

GF The big mistake is to follow the right business model. The Toyota Motor Corporation is now the world business model to follow, not the harder General Motors Model, they are down the gurgler, and Toyota say put quality ahead of volume, so when your chasing after volume and all of that, your ego gets involved, you might start to feel that you're important in the business world, but the truth is, if you sack 100,000 people like the boss at GM has, you're not a success story, you're going to go down in the history books as something else. Watanabe, the Chairman of Toyota, he earns \$15,000 pounds a month, he's a champion of the shareholder, or the employee and of the customer, so if you put those people first you'll find then that you'll find a balance not only in your company but in your own life as well.

PS One last question, if someone picks up this book of yours, do you have to be a mathematician to feel comfortable reading it?

GF No, it's an easy read, everybody now picks it up, rings me later and says, 'when can you come over here?' and you should be able to get it at any Borders or airline bookstore, any of those places.

PS Any good, or bad, bookshop.

GF Around the world. It's published in all countries around the world, it's published in New York, so you should be able to pick it up, if not just phone me.

**Graham
Foster**

PS Okay, now if people want to know more about your work, what's your website?

GF Website's www.pacifcseminars.com, Graham Foster.

PS Thanks for joining us on *Talking Business*.

GF Thank you Peter, nice to talk to you.

Julian Persaud

is the head of online sales for Google. As a master of the web world, Julian will give us tips on how to advertise effectively in the current economic climate, and also ways for small and medium businesses to advertise effectively on the web.

www.google.com

PS Julian Persaud, Head of Online Sales for Google, is my next guest on *Talking Business*. Julian has spent a number of years working in the online marketing and advertising area and will give us five golden rules for launching a website, as well as tips for small and medium businesses, how to advertise effectively online, and its importance in the current economic climate.

Welcome to *Talking Business*, Julian.

JP Thanks Peter, great to be here.

PS Why don't we get an idea of how you became the *Google Guy*, for Australia at least?

JP I actually use to be an advertiser and I found that I was spending lots of my money on search and online advertising. I thought, anywhere I'm spending that much of my budget and getting such a great return, it would be a great place to go in one of those companies that offer those services.

PS So you loved the company so much you had to work for it?

JP That's right.

PS You could have bought it but you couldn't buy it.

JP No, I couldn't buy it.

PS Alright, so let's get to the crunch. You've used Google, you work now for Google, and so what are these five tips for creating a website that might be the Google of tomorrow?

JP Well it really depends what stage you're at in terms of your evolution as a business. My job is primarily aimed at small businesses, and I think about 40% of businesses have websites, and about another 20% are actually developing them. Our goal, really, is to get strong web presence. Many of the websites that are available at the moment that people are using aren't really easy to navigate, don't have a clear value proposition for the user and it's not very clear what they're meant to be doing on the website. So the first tip

**Julian
Persaud**

really is to make sure you have clarity of what you want from the consumer.

PS How do you do that? *How do you do that!?*

JP Well, the most important thing is to think like a customer. Twelve million people in Australia use the web every month, and many of the businesses owners are actually customers themselves, so think like a user. When you go to a website you want it to be clear what you do next. I think the average time people spend on a website can be as little as eight seconds, so if you're not showing clearly what your business is about, what products and services you offer, you're going to lose customers.

PS I find with the ASIC website the information's fantastic, but it's so complicated and it's all over the place and by the end I get tired. What will normal people do?

JP That's another tip Peter, I think simplistic, make sure it's very clear and your website is easy to navigate. Is it easy to contact you, is it easy to see pricing, is it easy to fill in an application form if you're offering the ability for a test drive, say, a car dealership? Is it easy to book a session if you're a massage therapist, whatever the business you are, think like a customer and make sure that the customer conducts business easily on your website without having to trawl through too many pages because that frustrates people.

PS So don't annoy the customers... So that's two, we've got three more to go.

JP Well, some of this is really about some of the frustrations small businesses have because they often spend a large part of their budget on building a website. They can spend \$5,000, \$10,000, \$15,000 and then they sit and wait, they're kind of expecting customers to come to them, and that's really not going to happen. So probably the next big tip is to start thinking where you're ranking on the search engines, of course Google, Yahoo! and others. The most important thing is to ensure that you're using paid search advertising, and Google Ad Words is an example of that, and there are

**Julian
Persaud**

others. Google Ad Words allows you to setup a campaign and appear in front of consumers who are searching for your product or services, so let me give you an example. We have a company that uses us called Café in a Box and they offer mobile barista services. Now, until they built their website they weren't getting much business and then they started using paid services advertising. They chose a few keywords that relate to their business – *mobile barista*, *mobile coffee services* – and they started advertising and created a set of keywords that relate to their business, a few ads and within 15 minutes they were up on Google, and so they were able to increase their business by 90% in a very short time frame. So visibility is clear, Peter, and users being able to find your website is absolutely critical if you're actually going to get return on investment.

PS We're talking to Julian Persaud, who I've christened the *Google Guy* for this session. I'm sure he gets it amongst his friends and family. What else do we need to know about creating these websites that people turn up to?

JP One of the great things about the web overall is it's trackable and we offer, and other companies offer as well, online tools that allow you to track the success of your website and your advertising. Things like Google Analytics, and there are other analytics packages, and what analytics means for any business is they can see what's really happening on their website, they can login and they can see what they had, 200 visitors today and they went to X, Y and Z pages, they were looking for this product. You can even track down to the profit you make from your website. So another big tip is to take advantage of what's unique about online marketing and web business, it's all trackable.

PS Fantastic metrics that lets your site know how it's going and where the changes are needed to bump it up.

JP Yeah, and it's a level playing field really in that if you're heavily into it and you're a bit of a *techy* you can really dig deep and go into a lot of detail, whereas, if you need to be in and out and just get a snapshot of what's happening on

**Julian
Persaud**

your website you can do that as well. So I think that some of the services that are available are often for free, a lot of these analytics services are available for free, like Google Analytics, they give you tremendous insight into your website as a small business.

PS Okay, another tip? We've got four...

JP Another key one I think is many people listening to this would maybe be flying off to do some business somewhere else in the country. Google allows you to target customers anywhere in the world or within the geography. Another example, Flexicar which is a Melbourne based customer of ours who just target the Melbourne area and the Victoria area for their advertising, but if you're a business listing and a business owner and you're targeting the French market, or the English market around the world, within 15 minutes you could be targeting your website through Ad Words to customers in those countries. So think about who your audience is and where your customers are. The web offers a fantastic mechanism to actually target people in other geographies.

PS Could you also go regionally? Like I want to become the financial planner that always comes up in Tamworth before anyone else, can you do that?

JP We're working to get our targeting more granular, but at the moment it's by state, which offers great opportunity for making sure your advertising budget is spent well and is targeted to people who can actually use your service in the region.

PS Okay, for an average small business, the cost of doing everything that you've said then, can you give as an idea of how expensive it is to be Google smart and online savvy?

JP The great thing about it is that there are low barriers to entry so you don't need to pay huge upfront costs. You can have a budget of \$10 a day, if you want to spend \$10, and your ads will appear. It's an auction, so you actually bid to be in front of consumers. Probably the greatest thing for small business, especially those who are worried about budgets, is not only can you restrict your budget to a certain

**Julian
Persaud**

amount per day, you can also adjust your campaign as you need it. So if you've got a new product range coming you can almost, in real-time, change your ads and change you're bidding in accordance with that, and that seems to work very well for a lot of businesses.

PS Julian, one last question. Out there, there's an army of consultants who have kind of passed themselves off as being experts on the secrets of Google. How do you get to the top of Google, of course Google doesn't tell anybody, they keep it quite don't they? It's like the Coca-Cola secret, there's all these experts out there who are selling to small businesses the ability to get to the top, but if everybody knew it would be a tie, everybody would be at the top at the same time wouldn't they?

JP That's right, there's only one top place, Peter, as you know. It's important to make the distinction for the listeners that it's church and state really, the Google organic results or the natural search results and the paid advertising which we've talked about. As far as the organic results go, there are consultants out there who can help you make your site more visible to Google. Google also offer tools, their own free tools which Google.com/webmaster, if you go to that domain you can actually get a whole series of tools which will make sure that your sites available and visible by Google. Of course that doesn't guarantee which position you're going to be in, Peter. We'd encourage people to make sure their site is search engine friendly and that means not too many heavy graphics, make it lots of content, really describe what your business is doing, and then you've got a better chance of appearing high up on Google.

PS Because there are some tips and some warnings that should be taken on board that really do increase your chances of being at the top... like, a white background is better than a heavy flash coloured one isn't it?

JP Well, there are lots of tips.

PS You say yes or no there, mate. All the experts there tell me it's right. [laughter]

**Julian
Persaud**

JP [laughter] There are lots of experts out there, and I think the great thing about the web is you can try different things, so if you're seeing success using one particular method and it's working for you, then that's great.

PS Fantastic. Thank for joining us on *Talking Business*. And if people want to know more about getting the best out of Google, what's that website?

JP Well, they can go to Google and they can search Google Ad Words, which is a good start in terms of the advertising, and Google Analytics, which is the way of tracking their website success.

PS Julian, thanks for joining us on *Talking Business*.

JP Thanks very much.

Brian Mclean

is the Co-Founder of Tri-Nature, a company that produces a range of environmental cleaning and personal care products. As a pioneer of Gentle Chemistry, Brian discusses the importance of environmental products and what the future holds for the industry.

www.trinature.com

PS My next guest on *Talking Business* is Brian McLean, co-founder of Tri-Nature, a company that produces a range of environmental cleaning and personal care products and was launched back in 1989. Brian coined the phrase Gentle Chemistry and today we're going to discuss the importance of environmental products and what the future holds for the industry.

Welcome to *Talking Business* Brian.

BM Thank you Peter.

PS So why don't you tell us your background? How did you end up in cleaning products?

BM Well, I classed myself as a simple country chemist but one with passion, so I've always been in the chemical industry. Hamersley Chemicals, which is the parent company, started in 1972. During the 1980s we looked at specific areas where we were trying to get Gentle Chemistry, we heard that in America they'd taken phosphates out of laundry powders and we thought that would happen in Australia. I looked at developing a range of gentler products because I thought the rules would be changed in Australia. That didn't happen and we were left with all of this stuff and nothing to do with it because we couldn't sell it in the industrial market that we're in. So Tri-Nature was formed as a way of marketing this technology.

PS So, in a sense, you thought there would be legal changes that would force the industry to take better products, it didn't happen so made you think retail was the only way out? [laughter]

BM Well, how do we market it, yes? Can't go into a supermarket shelf, because it's more expensive to do without one to one, without proper explanation. It wouldn't sell that way.

PS So how long ago was that?

BM The development period was in the '80s, the start of this was in 1989.

**Brian
McLean**

PS Have laws now changed to catch up with you? [laughter]

BM No, we still let anyone do whatever they need to do.

PS That's scary stuff, mate, but I guess happily the market has changed, customers actually do want better products to be used, and I guess Tri-Nature has sort of fallen into a happy marketing development?

BM Yes, people are willing to look at new technology, it's a matter of getting to them and you can't get to them through supermarkets. Ours is a direct marketing company but it is a matter of education, and it's continuing education. There's a fair amount of scepticism out there still and the industry itself deserves that, but we're telling our troops gently and as often as we can and making headway.

PS We're talking to Brian McLean from Tri-Nature. How is the market responding now in this age where green and ethical issues are far more important than say in the 1980s?

BM There's still a fair amount of scepticism in the green marketing, and the industry has a lot of false profits, talking up products that really don't live up to the hype, and also talking about the dangers of not going in their particular direction. So there's a line of integrity to tread and we're doing that to the best of our ability, hoping that it will rub off on all the other people in the marketplace.

PS So what is your top product, the product that you think has the best market saleability?

BM The best product is our laundry powder. Our laundry powder is phosphate free, and this was the idea because they'd been banning phosphates in laundry powder in America and in Europe, but all of the results in America and in Europe showed that they produced a lesser product, a worse performing product and a higher price product. So we had to develop a product that was as good as the phosphate products. All of America and Europe went to Zeolites, which is a non-soluble chemical, and it's a very common and easy way out, but it doesn't make a good

**Brian
Mclean**

product. We went in a different direction, the direction we went in 1989 is still the right direction, still strong, we have a great product and that's the one we sell most of.

PS Have you attempted to make government have a look at what the Americans have done and say, well isn't it time, particularly as the environmental issues are becoming far more politically important than in the 1980s?

BM The Americans haven't done it very well.

PS They do stuff a few things up don't they?

BM [laughter] That's the problem. The problem is that they use baseline technology because they will have to sell in supermarkets, they still have to sell it for the lowest possible price and so their technology is not good.

PS So where do you think this industry of yours is going to go? Do you think along the line you might get a government who puts their hand up and says, 'look, we can't ignore the fact that this is the kind of stuff that's running into our waterways and effecting the productivity of the sea, the rivers and all that vegetation that goes with it'. Is it possible they're going to jump on board with this?

BM I think it's highly unlikely. I think that there'd have to be Paul Graham screaming down that pathway. I don't see a future there, I see a future in marketing this type of technology more effectively and getting a mainstream acceptance of it, and we're starting now to organise retail shops, themed shops, just Tri-Nature shops. It will be well decked out, it will be very sophisticated, we'll be able to talk to the people, we'll be in busy areas and we hope to roll those out around Australia.

PS So what you're going to say is that you know there's a small percentage of Australian consumers who really do want to do the right thing and buy the best possible product for the environment, and so you're going to target them, a bit like The Bodyshop did?

**Brian
Mclean**

BM Yeah, like The Bodyshop, but I don't think it's a small percentage, I think a lot of people want to do it but don't know how to do it.

PS They're not even aware of it.

BM They've been lead astray by people making false claims, making cheap products and considering naturals not good or it's all a lot of hocus-pocus. You know, we've got to really just take part in the education program.

PS Okay, how is the media responding, because obviously you're starting to talk to the media? Is the media taking up the issue, seeing it as something important and worth carrying?

BM Well, I think they're interested, I think they're interested because it's new, because it's different, and I think they're interested in talking about it. It's what we say then that will make them more interested and make them more willing to assist in getting that word out there.

PS Who actually owns the company? You mentioned Hamersley Chemicals didn't you?

BM Hamersley Chemicals is owned by myself and my partner.

PS It's an Australian owned company?

BM An Australian owned company, all Australian manufactured. We manufacture everything we sell, all of the development work, all of the technical development work is Australian as well, and we're pretty proud of it.

PS And until now it's been a direct sales mode?

BM Direct marketing, yeah.

PS And have you had people much like Amway who were flogging Tri-Nature?

BM Yeah, we have. We've got probably 5,000/6,000 people around Australia either buying it for themselves or creating little business for themselves. There's some website that

**Brian
Mclean**

people have worked on but we're looking at going a little bit more mainstream like The Bodyshop, these type of people who have themed their shops and who can tell the facts to anyone who comes past and wants to listen, if they're interested poke their head in, we'll talk to them.

PS Okay, I'm sure there are people listening now who are interested, so what's the website for your business?

BM The website is www.trinature.com and it's got a lot of information.

PS Great. We wish you luck and it's good seeing an Aussie company doing the right thing for the environment.

BM Thank you Peter, it's been a great joy.

Tim Shaw

is the CEO of Communiqué Television and an iconic TV salesman, but wait there's more! Tim is also known for his superb acting, presenting, and writing abilities and he joins us to discuss online and television solutions for businesses. How do you build a sales strategy during a world financial crisis?

www.timshaw.com.au

PS On *Talking Business* I'm now joined by iconic TV salesman and CEO of Communiqué Television, Tim Shaw. But wait! There's more! Tim is also an actor, presenter and author, and he joins us to discuss the online television solutions for businesses, as well as how to build a sales strategy during a world financial crisis.

Welcome to *Talking Business* Tim.

TS Hey Pete, it's great to be here.

PS Mate, what do you think is going on out there in the real business land?

TS For all of our listeners onboard today, I'm just so excited about the confidence of the people that I'm talking with. The boards that I sit on as an advisor (not as a director, just sitting there as an external advisor), the positive flow from a world financial crisis, in my view, particularly in Australia, is that it just means we dig deeper, we dig harder for great new ideas to inspire our business and our sales teams. I've got clients that I work with and they are so excited with the opportunities for 2009 and 2010. Their competitors are, in some part, not looking at their customer base, not looking at how to improve that relationship with a customer. But the clients that I work with are, and they're finding what I call a *Direct Connect*, they're reinvigorating that relationship with a customer and revisiting them and asking those simple question which so many of us have forgotten to ask. You know, what's in it for me the customer, how can you make my business relationship better with your company? And the Australian companies that I'm working with are going gang busters. I'm feeling very confident, very positive about 2009 and 2010, and so are my clients.

PS Do you sometimes find that, at the big end of town that's accountable to a public via share price, they often respond the worse, but small and medium sized businesses say, 'well my customer base now has a 4% lower home loan interest rate'. The government's giving a lot of money out there, there's got to be potential in all that?

**Tim
Shaw**

TS Absolutely, nothings more clearly shown than with the Victorian bushfires, the fact that over \$80 million was raised in a four day period. When we need to do something and make a decision, we, as Australians, do it. In business, my small to medium enterprises, the ones that employ the largest amount of Australians – let's remind everyone that small to medium sized enterprises employ the largest number of Australians - they're the ones that are sitting there talking to their own people, to their customers. The big companies are bound by what they are reading about themselves in the *Fin Review* and in other publications, and what I'm seeing is that the good news stories aren't getting out there as best as they could, and we're starting to Direct Connect a lot of our good news stories in the small to medium sector directly to the media, and that's starting to have an effect. We're telling good stories, new stories, and stories about empowerment, particularly for women in business.

PS I got so annoyed about my colleagues in newspapers always writing the negatives. I actually put a *Good News Daily* window on my website showing that everyday I can find a good piece of news, either in America or Australia, to show that things aren't as bad as people are thinking.

TS The world financial crisis has made us think that today is the first day of the rest of our life in this business, and what the positive things are that we can do in a business. Some of the businesses that I'm dealing with are appointing external advisors that aren't so close to the businesses day to day, but are bringing a new feel to the business, and a new speciality. In my case it's sales, marketing and online technology, and I've got clients that have said, 'great Tim, we've got it tough here in the normal part of the business, but you're bringing us new revenues because we're looking outside of the square'.

PS Tim, is there ever a day in your life when someone doesn't say to you, "*But wait, there's more*"?

TS I love '*But wait, there's more*'. It has permanently altered the Australian vernacular, it's made people realise that there

Tim Shaw

is more that I can do today in the business, more that I can do for my customer, more than I can add to my website that tells a clearer and simpler story. So 'But wait, there's more' used to be a set of steak knives. And do you know what Peter? \$100 million worth of sales from 1992 to 1995, that's what we did at Demtel. During the recession, we had to have direct sales business, Direct Connect businesses in 2009/10 are going to grow. Not because you're cutting out the middle man, but because you're introducing a new audience to your customers that haven't seen your product before.

PS Did you take out the website, *But wait, there's more?*

TS I have everything registered so all you lawyers sitting there, you've got to pay me.

PS [laughter] Okay, fantastic. We're talking to Tim Shaw who is superfluous, everyone would know who I'm talking to. Tim, what are you doing now with Communiqué Television?

TS Communiqué, in its purest form, is to send a message. Now we have a number of outsourced suppliers, and this has been a great business model for us. Instead of having 50 or 100 odd staff, we outsource the best in their fields. Whether it be streaming video, whether it be web design, whether it be copywriting, whether it be marketing, graphics, we've got an entire outsource team. A lot of women work in our teams and they're running businesses from home or in collectives, and we find that is giving us a greater cost return to our customers, the investment's lower, and we're getting the timelines reduced, we can do it quicker and better than many. So our online strategy is being, let's find the best technology for online streaming and for communicating a message to as many broadband connected homes as possible. You know the debates out there about broadband, forget wireless at home, make sure you're cabled and you'd be able to see so much more from a wide environment and to be able to access the kind of information you need about companies and services.

PS Given the fact that this is where you're taking your business, obviously you see that the big future for business

**Tim
Shaw**

is to have rich media on their websites which effectively can translate customers into sales?

TS Correct, and I call it *Direct Connect*, used to be *Direct Sales*, I call it *Direct Connect*. Let your customers connect to you in their timeline 24/7, keep it rich, but keep it simple, keep changing it and updating it. You know, one client affectionately refers to me as Dr Business because I walk in there and I work out what the diagnosis is and I tell them what the remedy is as quickly as I can, and then they can look at that as a cost analysis. But keeping it simple, letting our customer connect and talk to us. I've got clients that are now building forums within their customer base, and I think their customers discuss the product and service within a forum environment, and, again, the women in teams are able to articulate that back to management and keep it simple. As you know, most Australian women make most of the financial decisions in our households right around the country.

PS That's because men are pretty well preoccupied with more important things like football and cricket, things like that.

TS Well, someone put to me recently that if the Leman Brothers were run by the Leman sisters maybe the world financial crisis wouldn't be as bad as it is. However, grasp the opportunity, employ the women in our networks because they make most of the financial decisions.

PS Do you think businesses that aren't embracing the new technologies are really putting themselves behind the eight ball game moving forward?

TS Absolutely. When I look at the Australian businesses that I work with who are, in many cases, exporting people, what they've done is they've found synergistic businesses in other countries, and they're finding that with the falling Australian dollar, our product and service regime is less expensive for our European and American partners. So we're seeing a lot of joining of the dots, you don't have to sell your business out, but if you're not joining up and merging and working with companies that are in a similar

**Tim
Shaw**

space to you, but not in a local competitive space, you're going to fall by the wayside. I want to say this to those who you borrow your money from. Don't ask your bank for more money unless you've got a sales strategy attached to that. If you lend us this extra money we're going to be able to show a sales upturn in this area within this measurable period, so start being creative. Banks are lending money, that's their product, but they're not there to run your business, so try and come up with a strategy that's going to show new revenues, merged revenues, reduce the backend cost and deliver more value through that Direct Connect model with your customer.

PS Last question. On this program we've already had John Symond, a man who built his brand in the '90s, you did the same thing?

TS *At Aussie, we'll save you.* I love Johnny Symond.

PS [laughter] Did you actually set out to create the Tim Shaw brand?

TS Thank you for asking! The real strategy behind that was keeping true to what I believe in, and if I could best describe the Tim Shaw brand, it's always represented value but it's the Honestly, the Integrity, the Personality and the Passion (Tim Shaw's HIPP) in the business that gets you ahead. But building the brand Tim Shaw, it's synonymous with '*wait there's more*' and there's a 100%, no questions asked, money back guarantee. I'm proud of where we've come from and I'm excited about where we're going to.

PS One thing the great Doug Mulray once taught me about radio was that you had to be over the top because people never listened to normal people, and that's one thing you've never been, Tim, is normal, and that's why we've listened to you. Thanks for joining us on *Talking Business*.

TS Thanks Peter.

David Thodey

is the MD for Telstra Enterprise and Government and is responsible for large corporate and government customers in Australia and New Zealand. Telstra has recently released a productivity survey and David will take us through the vital steps we need to take in order to realise our true productivity potential.

www.telstra.com/productivity

PS My next guest on *Talking Business* is Managing Director for Telstra Enterprise and Government, David Thodey. Telstra's recently released a productivity survey of Australian directors, senior executives and managers in medium to large public and private sector organisations. Many large organisations claim that improving productivity is a high priority for them but they don't have the knowledge or systems in place to make it happen. We're going to talk about the steps needed in order to realise their true productivity potential.

Welcome to *Talking Business* David.

DT Thanks Peter, nice to be here.

PS David, why don't you tell us about this survey that you guys recently made looking at the current economic climate?

DT Yeah Peter, obviously Telstra's a technology company and we spend a lot of time trying to understand what impact technology has on businesses. As you said, I run the enterprising government division, so I deal with a lot of large corporate, both public and private sectors, and often we get asked, 'does technology really make a difference to the way I run a business? Am I really getting value from it?'. Of course, as you said, in this economic climate a lot of us are thinking, how can I get costs out, how can I continue to run the business and do it at a lower cost? So we started on this about 18 months ago and we felt that there was a need for some impractical views of this to look at how large organisations think about productivity. Number one; try to relate it to the use of technology, and it was a fascinating result. We had independent survey do it, Sweeny Group, and we surveyed about 300 senior executives who say, 'well, what do you think about productivity?', and of course they said it's in the top three priorities. But then he said, 'well tell me how you measure it?', and very interestingly, only about 50% said they do actually measure it, which we found quite astounding.

**David
Thodey**

PS So let's presume they make the innovation, whether it be a labour decision or a new technology decision, and they presume the benefits follow.

DT Yeah exactly, so there wasn't this follow up of all the good management you put in – you manage it, and you measure it, and you expect it. It's things like the use of Blackberrys. These are productivity tools, and you see them around with executives and we all know intuitively that they change the way you work, change the way you interact. But actually measuring the productivity was just not high on the list. The other fascinating thing we found when we dug down and asked more questions, there was a very strong correlation between those who were driving high productivity and those with investment in technology. The ones who really took it seriously were about re-engineering their businesses and really getting the value out of technology and seeing quite significant improvements in their productivity.

PS How do you measure the productivity of a Blackberry? It's all very well you talking about it, and I'm sitting on the plane listening to you saying, 'yeah I'm using a blackberry, I figure I'm doing a lot better in business', and I'm personally in exactly that situation, but how do you measure it?

DT [laughter] Well, we all know we work hard at it, we don't actually know we're more productive. Look, I think you're on to a very good point and I'd like to expand a little bit further. One of the things we found that productivity measures are different by every industry, by every company, and different in other parts of the business, so there isn't one panacea. When we started the study we wanted to come out with what we would call a Productivity Index, talk to the economists and come out with something that was vigorous and dynamic. But we've found that it was just too hard so it was better to get down to the real nitty-gritty. Interesting (probably not surprising) that the industries that were best at driving and measuring productivity were manufacturing, which inherent quality circles, process improvement. The

**David
Thodey**

ones that were probably the least good at it were actually in the social services and probably more down into the public sector, but I think we've got to be very careful in drawing conclusions out of that. That says that those measuring are not really caring about it because if we can deliver or enable a nurse in the field, say, in the health sector deliver a better outcome for a patient, well productivity is not metric, is it? It's more about quality of healthcare, quality of service. So I think there is no panacea here. Back to your question about personal productivity, I think that's a different set of metrics you've got to look at. It is about responsiveness, customer satisfaction and just how much we can get through in a day, and we're starting to get more information in these areas, but it's still a developing size.

PS Yeah I've got to say in my own business that the more I've invested in the likes of websites and mobile phone technology, it has coincided with a much better and more profitable business – but I'm not sure whether I'm just actually getting better because I'm just a better entrepreneur...

DT Right. Well I think that's probably an experience we've all had. Then of course you turn it the other way and you say, 'well, if we took it away from you, could you do your business the same way?', and of course we all say 'no, I just couldn't do it'.

PS Looking at the current economic environment, a company like yours, I guess the last thing you want to believe is that businesses would be pulled ahead and not invest in new technology. I know from what I've read before Christmas, mobile phones, Blackberrys, iPhones were all doing very well. Do you think it's a good barometer that business may be not as negative as some of the newspaper headlines have been saying?

DT I personally think so. We are still seeing tremendous uptake of new technology but people, at the same time, think they've got to take cost out, do things more effectively and efficiently. I think that in these times it is the true leaders and those that are brave who really say, 'okay, I understand

David Thodey

the markets a bit soft, but what can we do?', and they take leadership, they continue to invest in a consulted way, just like that report said, and then they really measure the benefits coming out of that. I think this is what we're really focused on. I do want to say though, there's this personal productivity element we're talking about, but a lot of the benefits we're seeing from the application of technology is in re-engineering supply chains. Maybe let me give you a couple of examples. Let's say Telstra is the best example because I live it every day. One of the big parts of Telstra is our field technicians who come out and, as you know, they always come out on top.

PS Are never late.

DT [laughter] Never late. And of course for us that's a big, big, consideration, and also the number of times they've got to come back, because you're always there when we turn up right, that's the other big thing for us. We've completely changed the dynamics there, but we enabled our technicians with laptops, with wireless connectivity, GPS, and so when the technician leaves home in the morning and gets his job schedule for the day through the GPS capability, we actually know where they are, and during the day the schedule changes because jobs go on a bit longer or whatever. We've got 50% productivity in two years out of just doing that, and more importantly, customer satisfaction has gone up. Now, that's in a tough environment, and our payback on that was about nine months. Look, all of us have got stories like that, and I think that is the real life gutsy reality of how you re-engineer your businesses.

PS And I guess in tough times at least not turning your back on those productivity gains that could be there for a slight investment, makes a lot of sense.

DT Look, that's our view, Peter, and we're trying not to do the normal sales presentation of an investment technology, but really doing it with facts about real hard data, and I would encourage everybody who's listening that that's what makes a difference. You can't take this technology for

**David
Thodey**

granted, you've got to say, 'okay, do your planning, think about it and when you implement it manage and measure it', and that's what the survey said. We called it the productivity gap, there's a great desire to be more productivity but I don't manage and measure it, so that's what we've got to do.

PS Is the survey on your website?

DT Yes, it is. It's on the Telstra website and it's featured there, www.telstra.com, and also we're very happy to talk to people about it.

PS Great. Thanks for joining us on *Talking Business* David.

DT Thank you Peter.

Rebecca Davies

is a Senior Partner at legal firm Freehills, a company that focuses on commercial law. Rebecca's experience in both litigation and corporate spheres places her in a unique position to advise public and private sector organisations facing major challenges, whether it is major litigation, or managing the changing commercial and legal environment.

www.freehills.com

PS On *Talking Business* I'm now speaking with Rebecca Davies who is a Senior Partner at Freehills, a legal firm that focuses on commercial law. Rebecca has had experience in both litigation and corporate spheres. This places her in a unique position of being able to advise private and public sector organisations that face major challenges, whether it be major litigation or managing the changing commercial and legal environment.

Welcome to *Talking Business* Rebecca.

RD Hi Peter.

PS Why don't you tell us a bit about your background?

RD Well, if I think back on almost 30 years of advising all sorts of organisations in times of change, I guess one thing is the case that we see cycles move, and there are good times and there are bad times. Litigation is a feature, particularly one would have to say of the bad times.

PS So you're starting to see more litigation?

RD Yes definitely. There's certainly an upswing in litigation. At the moment most of those things haven't reached the public domain, so you wouldn't necessarily know from reading the papers that that's happening, but certainly we're seeing it on the ground very much.

PS Can you give us a classic case of why an economic slowdown would then generate the need to figure out litigation?

RD Well it happens in a range of spheres I suppose. It can be sometimes that when times are tough everybody's watching out for every dollar, and so some of the things that maybe people let slide in good times they won't when times are tough. So, perhaps people are more conscious of their contractual rights, for example, and that's one sort of thing that tends to happen. The other thing that happens of course is that organisations that fail, usually somebody, maybe quite a lot of people, have lost a lot of money and so they look around to see who can I take action against to recover some of that.

**Rebecca
Davies**

PS Do you see a lot of this in terms of public companies and shareholders or key partners to public listed companies where a CEO makes a big mistake or misrepresents the potential of a company?

RD Certainly that misrepresentation allegation is one that's been made quite a lot at the moment because shareholders are looking at companies profit announcements, for example, and making certain assumptions about the value of the organisation. Then, maybe a few weeks later, things are not as good as they might have seemed and the allegations, I suppose, in those circumstances is fairly easy to make, that people should have known that the problems were there already. Now, the litigation will sometimes show that that was right and sometimes it will show that that was not the case.

PS The interesting thing, and I guess you must be thinking about this because this is an economic slump or downturn, that lots of people missed out. And I know I did a road show for a major bank in this country that's done very well during the downturn, but the chief economist and I were asked to use the economics of the Chief Economist and he totally got it wrong. And when I wrote a story in *The Australian* and talked to all the chief economists of all banks, only Shane Oliver from AMP was prepared to answer the question, how and why he missed it. So will some CEOs hide behind the fact that most fantastic economist missed this slump?

RD I'm sure they will and they'll also be saying that there was no blame to be attributed to the way they operate their business, that they operate properly, they're taken account of the circumstances as they see them at the time. I mean, what tends to happen in litigation, particularly where there's a lot of money at stake, is that all of those factors will be explored in what outsiders might see as excruciating detail. Now, will we ever know what really goes on? Well, we'll see.

PS We're talking to Rebecca Davies from Freehills, and we are talking about litigation, particularly in the economic environment. Are there any cases that you can recall where it was just an open and shut case of a CEO actually misleading the market?

**Rebecca
Davies**

RD Look, I don't think there's ever, or never say never, but it's very, very, rare that a case is open and shut, and litigation normally happens because there are two sides to the story. If it was crystal clear, then people wouldn't fight about it because everyone would know. But the reality of life is that we all see things through our own perspective, and so CEOs, if they are being attacked in litigation or in the press or wherever, are going to have justifications of the way they behaved and the decisions that they took.

PS Do you think that Australia is moving down the American inclination to jump to litigation? You're smiling a lot, I figure you're making a lot of money? [laughter]

RD I mean, commercial law firms, I suppose, are beneficiaries in a sense of that kind of downturn. Obviously in a business like ours there are some areas that are not as busy as they were in the positive times, but we kind of have different parts of the business, some which will do better in bad times, and visa versa. But are we becoming like America? I think in this downturn the litigation explosion that is likely to happen is impacting significantly by one thing that didn't apply before, and that's class actions and litigation funding.

PS This is an interesting thing, they have been publicly listed companies that are actually in the business of helping people go after companies that mislead them.

RD Exactly, and I was involved in a case in the last downturn where there were some rules in Victoria, which were kind of class actions, and some people who had lost money in some property trusts tried to band together but the rules at that time – this is going back say 15 years or so – didn't really work, and so that class action failed, that, sort of, died at birth. Now these days that kind of action would have proceeded.

PS This development of the organisation geared up to do class action, do you think it's been a good thing for the sake, not just for your emailing, but for the sake of people who couldn't take on people because of their deep pockets?

**Rebecca
Davies**

RD Well, you know certainly if you're looking at it from that side of the equation, yes it does enable people to seek recompense when they might otherwise not be able to. The thing that worries me a little bit, and I think maybe we need to be careful about, is whether people who might feel that they may be on the receiving end of class actions become almost paralysed, and it's something that I guess organisations need to watch out for, that they don't become so fixated by the doom and gloom that everyone's talking about, that they forget that they have a business to run, that there are opportunities to take advantage of. So, you know, there's a little bit of balancing that needs to be done I think.

PS One last question, and I'm sure from one point of view as a lawyer you don't mind if a client wants to take litigation, but have you ever advised family members or friends to think carefully about going off to litigation?

RD Oh, I've advised many, many, clients about exactly that, because the thing about litigation is that you very rarely, at the end of it, be friends with the person that you've been suing, or that is suing you.

PS And I presume a court case could come up with some very surprising results?

RD Absolutely, and so I think, almost in every instance, you explore as much as you can the possibility of resolving it outside the court system. Now, as it happens, probably 90% or more of the cases that we do resolve that way, they never get to a court.

PS Rebecca, it's always interesting to talk to someone like you. If you want to know more about what Freehills do, is there a website they can go to?

RD Sure, www.freehills.com.

PS Thanks for joining us on *Talking Business*.

RD Thanks.

Ian Harrison

is CEO of the not-for-profit organisation, Australian Made, which raises awareness of Australian goods through their well known label. Conceived in 1986, this logo is now recognised around the world. Ian will reveal how other countries respond to the symbol and also how the current economic climate is impacting Australian manufacturers.

www.australianmade.com.au

PS Ian Harrison, CEO of the not-for-profit organisation Australia Made, Australian Grown is my next guest on *Talking Business*. Australia Made, Australian Grown raises awareness of Australian goods through their well known label which sports a gold kangaroo on a green background. Conceived in 1986 this logo is now recognised around the world. Ian will reveal how other countries respond to the symbol and also how the current economic climate is impacting Australian manufacturers.

Welcome to *Talking Business* Ian.

IH Thank you Peter.

PS Why don't you tell us why the name Australia Made has now changed to Australia Made, Australian Grown?

IH Yes, I can do that. A couple of years ago the Federal Government introduced a new label called Australian Grown and it was to address concerns amongst producers that they wanted to make clear that their produce (so it relates to fresh and packaged vegetables, fruit, fish meat that type of stuff) was more clearly able to be recognised as Australian. Consumers at the same time were concerned about the imports coming into the country, largely unknown the origin of the produce.

PS Like Californian oranges and Thai tiger prawns, things like that?

IH They're the ones. And so Australian Grown was introduced and the government's working party was chaired by the then Minister for Agriculture, Peter McGauran. They decided to use the stylised kangaroo in the triangle, our symbol, and so we rewrote our rules because it needed to extend then to fresh and packaged produce, and changed the name of the logo after all those years from Australia Made to Australian Made, Australian Grown.

PS Can you fit that on the little logo? There's so many words!

IH Well no, the people use our symbol, we ask them to put one or the other, or it's required in Australia that they use

**Ian
Harrison**

Australia Made, Product Of Australia, or Australian Grown. They can then write other things. Some companies like ownerships so they write Australia Made and Owned, some might write Australian Grown, and you'll see the Coles supermarket group at the moment are using this extensively in their fresh produce area to help their packaged grocery lines, as well to give a regional aspect to their labelling. They'll have Australian Made in Riverina, or Australian Grown in Goulburn Valley, and of course people throughout Australia have seen this now in the Coles supermarkets.

PS Yeah, fantastic. How successful has the whole initiative been?

IH Well the campaign of the logo itself of course was back in 1986, as you mentioned in the introduction, and it was an initiative of the then Hawk Labour government of '86. I think it was very strong for the first 10 years, the government in those days put in a couple of million bucks or there about, sometimes more into the advertising campaign. That's why 98% of Australians today recognise this symbol. I think it probably waned a little bit after the Advance Australia Foundation, they promoted the campaign for the first 10 years and they stopped operating in the mid '90s. They used to do the logos as well as some Australia Day awards and that, and when the coalition government was elected back in '96 and there was a big problem with the governments deficit, they cut expenditure in a range of areas including the money that's been set aside for the promotion campaign for the old Advance Australia Foundation, so they stopped. The logo referred to the Federal Government that owned it, the Federal Government then talked to the Australian Chamber of Commerce and its major state and territory members, and out of that came a new organisation, Australian Made Campaign Limited, which is the corporate entity that I'm with, and the campaign was re-launched in '99. So the government has signed the logo across to this new body. I think then there was a struggle with resources and in the early 2000s, with the government having help to re-launch it, it didn't actually provide any financial assistance at all,

**Ian
Harrison**

none. So I think there was a struggle with resources, it was based in Canberra which I don't think was the right place for it, because if you're in Canberra shroud settles down over the organisation and everyone looks at the house on the hill. So not long after I became involved in the middle of 2004, we shifted the office out of Canberra to Melbourne, we worked hard to reposition the campaign so that it's more about branding, it's more about giving consumers advice that the product or produce that's carrying this symbol is good produce. What we've seen of the last four years are our numbers of licences, they're the companies that use the symbol, they've grown by nearly 65%. So we've had a fantastic resurgence of the campaign, and one of the major contributing factors to that – and it's one of my predecessors, not me, Peter – applied for a grant of the Federal Government to do some export promotion, and so we've worked very hard to position this symbol as a global symbol for the Australian industry, Australian export industry, and we've said that the Australian market is merely one of the markets in that global network.

PS We're talking to Ian Harrison, the CEO of Australian Made, Australian Grown. Do you ever get some negative feedback, the fact that some foreign companies that make stuff here and, I guess, employ people here, are also able to carry the Australian Made, Australian Grown logo?

IH We do, yes. I mean, there was a significant debate a few years ago, in fact, really before I joined the group, and I know that Dick Smith took a position for a while with an organisation he associates with.

PS It's unusual for Dick to have a controversial position, isn't it?

IH Our position is quite simple. We're interested in where the product is made, we're interested in where the produce is grown. The question of ownership is an important issue for Australians generally, but it's not, in our assessment, as important as those issues of where the location of growing or production is. So whether it's a multinational company or whether it's an Australian owned company that's producing

Ian
Harrison

or manufacturing a product here, that's what we're focused on. Question of ownership is difficult to track, certainly in public companies. I mean, it's not an easy concept and, in fact, the organisations have put a bit more focus on that, they get a little bit wobbly in terms of the way it's actually defined, so we're clear about our priority. At the same time, as I mentioned earlier, companies who want to stress ownership, we're all for that, can put Australian Made and Owned, they can put Australian Owned and Grown under the symbol so they can have the best of both worlds, they can pick up the power of this symbol, and its market standing is enormous. I mentioned earlier that 98% of Australians recognise it. I think even more significantly, Peter, that 96% of Australians trust it more than any other country of origin symbol. Things like a flag, maps and pictures of animals and so forth, they trust this symbol implicitly, and so it's a powerful marketing tool for Australia.

PS Well, given its powerful marketing pulling power, is it important for companies during this challenging economic times to think about whether they should actually have this associated with their product?

IH One of the things that will emerge globally... actually, we saw that with the steel matter that Obama raised recently in the US, we've seen it repeatedly with the rural lobby groups in Europe, and what they're doing with the milk industry, and so forth. There'll be a re-emergence of nationalism, look after your own patch, invest in your own community, that type of thing. So I think that the campaign that I said earlier, we sort of work hard to reposition as a global symbol, the domestic element of that will probably increase irrespective of whether we pursue that or not. One of the sides of that question though is globally we keep a close eye, because we're running a very interesting campaign in the US, in Asia, and we were in a tradeshow in Dubai recently. Looking to China right now, into Shanghai, one of the issues is whether we run up against that in some of the foreign markets that our companies are exporting to, so it's just something that we keep a close eye on and we do a lot of research where we conduct our activities. But the view that we have right at

**Ian
Harrison**

the moment is that Australia's international standing is very strong and it's a very marketable position that's available to our exporters. So the research that we did back in '04 to '07 with the first round of governments, we thought we had based primarily in the US and Thailand. We picked two markets that looked quite different and showed very clearly that identifying your product or produce as Australian will be a benefit in the market place. People have an inspirational view of Australia and it makes sense to build that into your marketing strategy. You don't just do that and nothing else, but when your product is sitting on a market shelf or a retail shelf in Los Angeles and people are looking for products, the point of difference is that yours is an Australian product, and the research we've done makes genuine sense to highlight that. So not only do we tell people it makes sense to use this symbol, but use it aggressively and boldly.

PS Well, Ian, as I always argue, everybody wants to call Australia home. Thanks for joining us on Talking Business. What is your website before we wind up?

IH We've got www.australianmade.com.au, we've got www.australiangrown.com.au, and in the US we actually use www.australianmade.us, which is an exciting little website for the products that are featuring in our current displays.

PS Thanks again for joining us on *Talking Business*.

IH Thank you very much.

Paul Griffiths

is a public speaking expert who has founded the company Reasontospeak.com. The company is built around an online learning program for people who have to speak in public and want to increase their confidence and motivation.

www.reasontospeak.com

PS My next guest on *Talking Business* is Paul Griffiths, a public speaking expert who founded www.reasontospeak.com. Public speaking can be a daunting and nerve racking experience for many people and Reasontospeak.com assists people who want to speak in public and is built around an online learning program to help increase your confidence and motivational ability.

Welcome to *Talking Business* Paul.

PG Thank you Peter.

PS Now, I know your background, but I think it's worthwhile for people on the plane to know where you came from. Where did you get that wonderful voice of yours?

PG [laughter] Well, thank you for the compliment, Peter. Way back in my youth, and your childhood, I was a reporter, presenter and producer on *This Day Tonight* on ABC television. Before that I was working on the BBC television's *Money* program, Channel Ten Network, and prior to that in Adelaide, Excitement Television Wagga Wagga, etc, etc. So, like you, a classic product of the Australian media, in those days by apprenticeship, but most country radio, city radio, country telly, and then off to London.

PS I think I recall when I was a 6 year old watching the ABC saying to my father, one day I want to be Paul Griffiths. [laughter]

PG Thank you for that, very kind. A bit long in the tooth now, Peter, but still going strong with Reasontospeak.com, I'm happy to say.

PS You see, I would take your hairline any day. Now tell me, this Reasontospeak.com. Where did the idea come from?

PG Well the idea, the genius of it, was how do I pass on what I know having spent a life time looking at, working with, and studying people who speak professionally, or just speak in business, and needed to motivate other people. What am I going to do with this when I retire? I'm 65 now, so about

**Paul
Griffiths**

three years ago I suddenly put my thinking cap on and decided to innovate a way to put everything online in bite sized grabs, you know, four minute little topics if you will, or chapters, and put them together, not just write the book which gives everything to everybody, but create a device called a Knowledge Engine, which differentiates between what people need. So somebody gets on the site and they register for the program. It isn't just generic, you answer 15 questions and the questions have multiple selection answers. I can give you an example if you want?

PS Yeah go.

PG Okay, one of the questions – and I'm not saying it's absolutely right, but it's something close to this – when you are about to do an important presentation, which set of these words are you likely to consider beginning with? A) I want to tell you about?; B) It's important that we discuss; or C) there's great value for both you and me in us discussing so and so. You can answer two out of three. Now, depending on the way you answer those 15 questions, the algorithms, the rules within the knowledge engine determine what it is you need. So, you see, the person who answers A) Good morning, I'm going to tell you about this; is likely to be an *ego dump* based person, and Australians are very good at dumping information, they're not so good at motivating in general, Peter, and you would agree with me having seen as many business speakers as you and I have i.e. getting people to think and act directly as a result of the information they're given, and that's what Reasontospeak.com is about. It's about helping people understand, at the top end of it, the ways and means to motivate people, not just to dump information.

PS And clearly over the years I've done lots of speeches, and the penny once dropped that I don't want to just entertain and educate, I want to change people, that's the whole point of the exercise and that's what you're trying to do.

PG Otherwise why try and stand up and say anything? If you're not seeking change, if you're not seeking to motivate people to think and act the way you want them to, then that

**Paul
Griffiths**

probably means change, and they're scared of changing – just your point – then why stand up and say anything at all?

PS Now, you've done some research on the fear factor of speaking, and what have you found?

PG Indeed, we did that last October with about 1200 Australians. We did an online survey with News Poll, so we could do it very well, and they did it very well for us. The basic thing which came out of that was that 23% of Australians, loosely a 5th of Australians, fear public speaking more than they fear dying. Now, when they put them together, 27% ranged death as their number one fear. So there are those people, but then the next big lot were about a 5th of people, who were all adults across sections of society. Now that updates the age old research years ago in North America that 51% fear public speaking more than death and spiders etc, but this is a very Australian one. We also discovered that people in the country are more fearful than people in the city, and that it doesn't necessarily go with your income – the more you're paid the less you're fearful. Very often people are more fearful the more they're paid because they have to justify that sort of increase in the pay packet, or whatever it might be. So it's very interesting, outcomes with young people that are less fearful, so as people get older they become more fearful, very interesting.

PS Paul, so given this information, given what you're trying to achieve, what are the starting points of breaking down the fear for someone who fears speaking in public?

PG Lovely question. Number one; breath better, it's amazing just what some good breathing will do because, as you know, what the fear factor does is it says to the adrenaline glands, *flush*, you know the pituitary says *flush glands because I'm under threat*, I'm likely to fall over and faint. And in fact, that makes you more inclined. I say this very loosely, but that's the big thing – to look after yourself physically and do better breathing, hold your breath for a few moments before you go up to speak, use the oxygen, put your breathing system under pressure. That's what breathing's all about, pressure

**Paul
Griffiths**

deferential and holding your breath and using the oxygen better by holding it, rather than short upper repertory panting. Get good volumes of air in, good volumes out, get rid of the mess you've turned it into and breath better. That's honestly the number one, Peter. The number two is psychology, and it's this; I'm going to ask you to think about this, and the people listening to this on Qantas aeroplane to think about it as well, which is why I'm slowing down. Only you know your own optimum. Too many people make judgements about themselves against their own optimum, against the way they know they can do it if everything went beautifully. Now that can be too tough, this is not a excuse for shoddy work, but if you measure yourself from within your own shoes while your speaking, you're highly subjective, the only honest objective measure can come from the people with whom your communicating – if I may, the bums on the seats rather than in your own shoes. So allowing yourself that conversion to say to yourself, 'how is this going from the audiences point of view, or my colleges point of view', whoever it is your speaking with. That is almost a factor of maturity, once you can get yourself to seeing yourself as other people see you, then that's value for you because you stop judging yourself against your own optimum.

PS So, in a sense, what you're saying is that if you had apprehension about your ability that would prevent you from seeing the fact that an audience may be enjoying what you're saying and how you actually communicate?

PG Absolutely correct. Do you see the difference? So, once you stop judging yourself against your own measure but have other people help you with good honest feedback, this is where a good camera is important, etc, and we offer that at the end of the Reasontospeak.com program. We offer a personal consultation about the next steps, and people can email it to me from their telephone, simply turn the movie part on from their phone and get somebody to video them whilst their doing a presentation, and I'll critic it for them.

PS Okay mate, well that's fantastic. I've got to say as I was listening to you talking about the fear of public speaking it

**Paul
Griffiths**

reminded me of Seinfeld's observation, because people fear public speaking more than death, the bloke that does the eulogy at funerals is going a lot harder than the person in the box. Now, Paul, if people want to check you out, what's your website?

PG Well it's www.reasonstospeak.com, and that's what it's about, giving people good reason to speak. And I'm paul@reasonstospeak.com, so if somebody wants to drop me an email that's the easiest way. I'm like you, I'm a constant traveller, I'm probably sitting beside the person listening to this on a Qantas aeroplane right now – so hello – but love to speak with anybody who would love to better themselves and feel far more comfortable as they go through life not having the irate about standing up and speaking in public, but really getting to enjoy it and enjoying motivating other people.

PS Thanks for joining us on *Talking Business*.

PG Great pleasure, thank you for the opportunity Peter.

Robert Projeski

is the Managing Director of Australian Mortgage Options, an innovative home loan provider - best known for introducing their revolutionary consumer benefit driven loan products. Robert is considered an expert in his field and predicts the path of interest rates in these tumultuous times.

www.amo.com.au

PS Joining me next on *Talking Business* is the Managing Director of Australian Mortgage Option, Robert Projeski. Australian Mortgage Options is an innovative home loan provider best known for introducing their consumer benefit driven loan products. Interest rates have been cut by enormous amounts since September of last year, and Robert is considered an expert in his field, and so we're going to discuss the path of interest rates in the future, and what's going to happen to the mortgage industry generally.

Thanks for joining us on *Talking Business* Robert.

RP Pleasure, Peter, thanks for having me.

PS Why don't you tell us a bit about the company? Like, it's a name we've heard but a lot of people don't know exactly what it does?

RP Okay, well going back probably about 20 years or so I use to work in the banking industry, and back then we, sort of, looked at providing some products to clients, and some of the directors and executives at the time didn't take those products onboard. So then, just over 10 years ago, we started AMO, Australian Mortgage Options, and it was built all around the fact of providing a free service to the consumer with options more than just walking into their bank. Back then the options of mortgage providers weren't around as they are today, and since then we've also seen some come and go, as I'm sure you're aware, so the focus on AMO has always been providing innovative products at the best possible rate to the consumer, and cutting out that middle man and passing the savings onto them.

PS Okay, so a lot of people don't understand the differences about mortgage managers and mortgage brokers, where does your company sit?

RP Okay, what we do is brokers also come to us so we access money on the wholesale markets.

PS So are you a mortgage manager?

**Robert
Projeski**

RP We are, yes. What that means is instead of doing one transaction of \$100,000 or \$500,000, or whatever it might be, we secure things like buckets of money going to the markets, generally it's wholesale and sometimes it's through banks, non-banks and wholesale funders, and then because of the margins that the big banks need to work on – they need to work on X amount of marginal rate to get a return on their investment, ultimately to their shareholder today – so because we don't need to do that and we're still independent we can pass those savings on to the consumer, and therefore offer the clients a lower rate. That's basically what we do.

PS But your life was a lot easier before the credit crunch, wasn't it, because there was lots of money to put in those buckets of yours. How have you coped?

RP Very much so. Well, quite a few years ago people were coming to us and saying, 'Robert, please sell our money', and we would look at it and say, 'okay, only if we could build products that do this, this, and this with the money', and therefore we can offer a point of differentiation with the money. We'll look at getting your funding line on our suit of products. As a result of the last 12 to 18 months, the world has changed, probably changed indefinitely, as we historically knew it as the funding lines that were generally available. Today, consumer confidence in investment isn't there, so a lot of the money that use to go into mortgage bank securities, which were all AAA rated and everything else with people, even superannuating companies used to invest in them, governments use to invest in everything else... The money is a lot tighter and people that only had one funding line, that funding line shrivelled up, they are no longer in existence today. We're pretty fortunate that we didn't mono-line our funding line, and we used several wholesale funding lines in addition to all the banks. So as a result of that, that's why we're still here today and some of those guys probably aren't.

PS We're talking to Robert Projeski from Australian Mortgage Options. So do you have products that banks also offer, or do you have unique products that banks don't offer?

**Robert
Projeski**

RP Both. We've got products that the banks offer, but in addition to those. When we started AMO we wanted to have a point of differentiation, over 10 years ago now.

PS As Jack Welsh said, 'if you haven't got a competitive advantage, don't do it'.

RP Exactly. Back then we looked at what people were wanting to do, like own their homes sooner, save money and pay the mortgage off as fast as possible. When we designed products and proposed those to the lenders, their mindset was, 'well if we do this we make less money'. Whereas my mentality was, if they do this and we educate them correctly, hopefully going forward they use that equity, buy more properties, and therefore go in for planting the seed for wealth creation, the strategy starts with our informed consumers.

PS And they give you referrals.

RP And because we haven't charged them anything for it they've come back to us. It just happens that we went out there, we built those products, and we built products along the lines of not just a line of credit, but a controlled line of credit which prevents people from getting into trouble, but it gives them all the bells and whistles and all the benefits of paying it off sooner.

PS Now people listening might remember that famous court case, was it Austral...?

RP It was the Hearts case. That particular case was in relation to capitalising interest on their loans, what their case was is, where people had a split account – let's just call it for this exercise account A and account B – if account A was their principle place of residence and they had all their cash flow going to account A, all the rental income going into account A, and any deductions they parked into account A. And on account B, no repayments whatsoever were made so interest, interest and interest, just pretty much capitalised.

PS And it was tax-deductible.

**Robert
Projeski**

RP And back then because the perception of it was that because it was deemed to be for investment purposes, any expenses incurred, such as interest, were deductible. When it went to the court I think they lost the first one. They went again and lost again. It went to the high court and I think it got to the stage where the product had to get changed, and as a result of that, now the products have changed slightly where interest only payments are still made on the investment property so the loan doesn't grow, but still the maximum cash flow is parked in the home loan.

PS And so what we're talking about here is that there are innovative products out there that people don't know about, you've got the, sort of, standard mortgage brokers of banks, and it's basically you guys that have specialised in it?

RP We've actually built five unique products that are not offered throughout the general banking precinct or circuit, and that first one was a control line of credit where they get all the benefits of paying it off sooner, but can't get into trouble. The other one that we built was a cash-flow, and that was around the time that property values started decreasing, interest rates started getting a bit higher, people had some equity in properties, but their cash flow wasn't quite there, so we could set up that facility against them so they would actually make no repayments, or very limited repayments, for that period of time, and would still see them through the peaks and troughs of whether it was their business, or whatever the case might have been.

PS Now, hang on a minute, Robert, we're going to run out of time, but I'm certain I can send them to your website to check out the other products. People on the plane would love to know what you think is going to happen to credit markets and the home loan interest rate scene in Australia.

RP From the Australian point of view, we're pretty fortunate that our model is very, very, sound. It is nothing like the US model or any models like that. Our loans are full recourse loans which to the average punter out there, what that means is, if anything was to go pear shaped the lender can

**Robert
Projeski**

ultimately still come back to you for any losses incurred in that transaction. In the States that is not the case.

PS They can throw the keys away.

RP They can throw the keys away and walk away, so that's a fundamental problem.

PS Fantastic. Now, if people want to know more, give us the website?

RP Okay, they can either go to www.amo.com.au, or phone 1233AMO, that's 1233266.

PS Mate, thanks for joining us on *Talking Business*.

RP Pleasure Peter, thank you very much.

Ajit Ponnambalam

is the MD of Snap-On Tools Australia and New Zealand, an innovative tool company that boasts a global network of 4800 franchises, with products distributed to 130 countries worldwide. With an annual turnover of approximately \$60 million, Ajit supervises profitably and growth, and tells us how targeting growth in adjacent markets can help a profit downturn.

www.snapontools.com.au

PS Ajit Ponnambalam is the MD of Snap-On Tools Australia and New Zealand. An innovative tool company that boasts a global network of 4,800 franchises, and products distributed to 130 countries worldwide. The company started in the US in 1920 with the introduction of the interchange socket. They opened their first office in Australia in 1988 and currently have 150 franchises. Ajit will be talking today about how the company is surviving in this tough economic environment.

Welcome to *Talking Business* Ajit,

AP Thank you Peter.

PS Now why don't you just basically give us an idea of Snap-On Tools and what they're doing in this country now?

AP Snap-On has been in Australia since 1988 and since that time we've grown into a profitable company with three separate divisions. Our major area is our franchise division and we've also grown into adjacent markets, we have a small niche industrial business and another equipment division. Let me talk first about the business as a whole. During 2008 we grew by 7% and early indications are that 2009 will follow a similar pattern.

PS Hang on, so you think you're going to grow by 7% in this tough economic environment?

AP I'm confident we will.

PS Now why is that?

AP Well lots of things. Snap-On Australia is privileged to have a strong parent. Snap-On Incorporated is a \$3 billion company and we spent something like \$55 million US on R&D. We have over 2000 patents pending or active at any point in time, so that means we have a steady stream of new and innovative products coming through and we are able, through our franchise network, to present this to our technician customers.

**Ajit
Ponnambalam**

PS Can I hold you there for second, because I'm sure people on the plane listening. What are the well known tools that we would see? Are they in hardware store?

AP They're not. We sell through the franchise network primarily to the automotive technician, so the DIY business we'll stay well clear of. Our tools are expensive, our tools are used by NASA, so the aircraft manufactures would use our tools and because NASA use our tools, we boast that our tools are out of this world.

PS Top quality, but the funny thing is when you hear Snap-On you think it's sort of like very convenient and all that sort of stuff. Where does the Snap-On come from?

AP Because it came from the interchangeable socket where the handle and the socket use to be one item, but when our founder, George Johnson, came up with the idea of it snapping on, that's where the name Snap-On came from.

PS So all those people, especially men, when they looked at tools as they grew older and their father gave them some tools, that beautiful stainless steel socket where you can put different little sockets onto, that came from your company?

AP That's right. It was developed, devised and developed by George Johnson back in 1920.

PS Okay so you must think then if your company is going to grow by 7% that the Aussie economy is not going to have a shocking recession, you must think it's going to be, at the worst, a mild recession?

AP Exactly Peter. I don't understand where all this doom and gloom's coming from. We've had no bank run on banks, we've had no foreclosures on houses on any large scale, I don't see any soup kitchens, I don't see mass unemployment. You know, we're talking about 6% unemployment, well 94% of people then have a job.

PS That's right. And, by the way, we recently saw unemployment go up only because more people were looking for jobs.

**Ajit
Ponnambalam**

AP Exactly, and they're talking about 4.8% and, you know, we're wringing our hands. I don't want to sound complacent, and that's not meant to denigrate anyone without a job, but I'm just saying things aren't as bad as people would have us believe, I don't see property prices crashing 30% or 40%.

PS And also a company like yours would do the research to see whether your key customers are going to be under stress, and obviously the kind of metrics you have been using for years doesn't change?

AP No, and let me give you this little bit of information. Snap-On started as I said in 1920, in 1939 we started paying quarterly dividends and we are one of the few, if not the only, listed company today which has a history of unbroken and unreduced dividends since 1939. Clearly they've been through recessions in that period, clearly they've been good times and bad times, and yet we have weathered it very well. So our business model is strong enough to weather that, and for a whole number of reasons, which I'm happy to go through with you, we're confident of our future prospects in Australia and New Zealand this year.

PS Ajit, one question I think you would have a good handle on and people on the plane listening to this would probably want to know; If you had to analyse why Snap-On had done so well, what is the core of its success, if you had to analyse? What do you think is the core, why this brand name has done so well over the years?

AP I think there are three or four reasons. One I mentioned was the R&D spent and the continuous stream of innovative products.

PS Investing in long term profit.

AP That's right, and making sure that we're able to get that to our customers. In fact, most of our franchisees couldn't possibly get all our new products to all their customers, so we have more customers than we can properly service today. The other reason for our success is the relationship that a franchisee builds up with the customer. The

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franchisee will call on the customer on a weekly cycle, so 11 o'clock on a Tuesday morning. Peter knows that Joe Blogs a franchisee's coming to see him.

PS It's a system of customer service.

AP It's a system of customer service and convenience. We visit the customer, Peter, selling the tools he wants, collect the money on easy payment terms for him, and we will take care of any warranty or service issues that he might have. The other reason for our success is that we started, as I said, in 1920 and we lived through The Great Depression. We learnt some lessons during that time, so our tools are expensive, they are as I said used by NASA, and it can get very expensive to pay for that straight up, so we came up with a system of paying for that on a revolving basis so the \$100 tool, Peter, says I can afford \$20 a week, we say, here you are, use it and give me \$20 a week.

PS That kind of innovative lending product to make people buy your stuff basically would have come from you researching your customers to know what their objections are and then finding a way to overcome the objections?

AP Actually that came from The Great Depression. Here's a quote that I found from our Founder and Chairman, I found this fascinating. 'We have intensified our sales training and territory coverage efforts, we had further improvements in manufacturing methods and productivity, and emphasised the importance of prompt and efficient customer service'. That was George Johnson back in 1949, 60 years ago.

PS But it still works today and a lot of businesses forget those very fundamental things, understanding what your customer needs and deliver on those.

AP Nothing's changed, has it?

PS No, without a doubt. Now if people want to know more about Snap-On Tools, what's the website they go to?

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AP www.snapon.com, and you can have a look at the US website and there's a link to the Australian website as well.

PS Ajit, I found it enormously interesting listening to the story. Thanks very much

AP Thank you Peter.