BUSINESS & TAXATION BULLETIN

SPRING 2021

REPORTS NEWS ANALYSIS

LEADING ACCOUNTANTS AND BUSINESS ADVISERS

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Director CA
Trusted Auditor & Accountant

Colin Grady is a trusted auditor and accountant drawing upon over forty years of extensive experience in Australia across a variety of industries. Colin builds strong working relationships with clients and prides himself on his professional, down-to-earth approach to achieving the best outcomes for our clients.

TONY Nguyen
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Tony Nguyen is a natural-born leader, with a strategic, perceptive and methodical approach to providing effective accounting and tax solutions for a wide range of clients, including small to large businesses and high net worth families

FAIZAL Ajmat
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Trusted Auditor & Accountant

Faizal Ajmat has more than two decades worth of experience across Australia and the globe. With wide-ranging audit experience, from ASX-listed companies to small clubs, independent schools and government departments, Faizal easily adapts to client needs and produces exceptional results

IN THIS ISSUE

Single Touch Payroll and Closely Held Employees

From 1 July 2021, all wages paid by any employer are required to be reported through Single Touch Payroll (STP) which includes payments to 'closely held employees', which had previously been exempt from STP reporting requirements.

A closely held employee is an individual directly related to the entity from which they receive payment. For example:

- Family members of a family business
- Directors or shareholders of a company
- Beneficiaries of a trust

All non-arm's length employees are required to have their wages reports on or before each payday, however the reporting requirements for closely held employees are different. Please note that payment of dividends, loan payments or trust distributions are not reported through STP.

The reporting options for closely held employees are as follows:

1. Report actual payments on or before the date of payment (same as arm's length employees)
2. Report actual payments each quarter, by the date each activity statement is due
3. Report a reasonable estimate quarterly, which can be based on prior year payments

Please note that Superannuation Guarantee payments are due on any estimated amount as per the normal quarterly payment requirements.
If there is an error or update required to any estimated amounts, an Update Event can be lodged through STP before year-end. The annual STP finalisation of wages to closely held employees is required by 30 September each year, while all other arms-length employees are required to be finalised by 14 July each year.

Director ID

A director identification number (director ID) will now be required for all company directors including directors of corporate trustees of self-managed superannuation funds (SMSF). A director ID will be a 15 digit number and will remain with the individual for life regardless of any change in name, residency or ceasing to be a director.

The following individuals are required to apply for a director ID if they are director of a:

- Company
- Corporate Trustee of Trust or SMSF
- Charity or not-for-profit organisation that is a company
- Registered Australian body eg. Incorporated association
- Foreign company registered with ASIC

Individuals who are a company secretary or an external administrator are not required to have a Director ID.

Applications for a Director ID can be made from November 2021 with the deadline dependent upon when an individual became a director:

Date you became a Director	Date you must apply
On or before 31 October 2021	By November 2022
Between 1 November 2021 and 4 April 2022	Within 28 days of appointment
From 5 April 2022	Before appointment

The application for a Director ID must be completed by the individual and cannot be done by a tax agent on your behalf. The process is completed online. If you require assistance, your DFK ANZ contact can guide you through the online process.

The steps to applying for a Director ID are as follows:

Step 1 – Set up a myGovID

The myGovID app is installed on your smartphone and verifies your identity when logging into Australian government online services. This is different to myGov online services.

Step 2 – Gather Documents

You will need some information the ATO knows about you when you apply for a Director ID being:

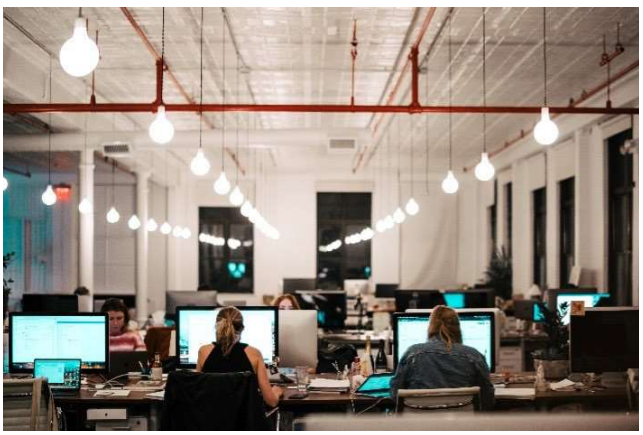
- Your Tax File Number
- Residential address as held by the ATO
- Information from two documents to verify your identity such as bank statement, ATO notice of assessment, PAYG payment summary or dividend statement

TAX UPDATES

Step 3 – Complete application

Once your myGov ID is standard or strong identity strength and you have identity documents ready, the online application is done through the Australian Business Registry Services (ABRS) website. The online application should take around 5 minutes to complete.

If it is not possible to compete an online application, the process can be completed over the phone or on a paper application form. The paper form will take longer to process and requires certified copies of all documents lodged.



New Stapled Superannuation Fund Rules

From 1 November 2021, the new stapled superannuation fund rules commence. A stapled super fund is an existing super fund account that is 'stapled' to an individual, so it follows them as they change jobs. The aim of these rules is to reduce the number of individuals with multiple super fund accounts.

The impact of these new rules means that when a new employee commences at your organisation and they do not make a choice of superannuation fund, you are required to request their 'stapled super fund' details from the Australian Taxation Office.

Super Steps for employers when a new employee commences:

1. Offer new employee a choice of super fund (using the ATO form)
2. If the employee returns the form, pay their super into the advised fund within 2 months of commencement
3. If the employee does not return the form, you are required to request the new employee's stapled super fund from the ATO.

In order to receive an employee stapled super fund details, the employers must have submitted a TFN declaration or STP pay event which establishes the employment relationship with the individual.

Once the employment relationship is confirmed with the ATO, the employer can request stapled super fund details through ATO Online Services. If you have difficulties using ATO Online Services, DFK ANZ can also access this service thorough ATO tax agent services

Your Super Comparison Tool

The ATO has launched a new superannuation comparison tool which allows you to compare "MySuper" products and assist you in choosing super fund that best suits your needs.
The comparison tool also has financial performance information to 31 August 2021 and the APRA assessment rating.

Access to the YourSuper Comparison Tool can be done through your myGov portal for a personalised version or the ATO website for a non-personalised version.

GIC and SIC Rates

The ATO has published General Interest Charge (GIC) and Shortfall Interest Charge (SIC) rates for the second quarter of the 2021-22 income year.

The GIC annual rate for October – December 2021 is 7.01% and the SIC rate is 3.01%.

KEY DATES

22 Nov 2021	October 2021 Monthly Activity Statement due for lodgement and payment
25 Nov 2021	July - Sept 2021 Business Activity Statement due for electronic lodgement and payment
1 Dec 2021	2021 Income Tax Payment required for Large and Medium taxpayers (lodgement is due 15 January 2022)
1 Dec 2021	2021 Income Tax Payment due for head companies of a large or medium consolidated group (lodgement due 15 January 2022)
1 Dec 2021	2021 Income Tax Payment due for companies and super funds when lodgement of the return was required on 31 Oct 2021
21 Dec 2021	November 2021 Monthly Activity Statement due for lodgement and payment
15 Jan 2022	Lodgement of tax return for large/medium entities
21 Jan 2022	December 2021 Monthly Activity Statement due for lodgement and payment
28 Jan 2022	Super Guarantee Contributions for Dec 2021 quarter must be paid by this date
21 Feb 2022	January 2022 Monthly Activity Statement due for lodgement and payment
28 Feb 2022	Lodgement and payment of 2021 Income Tax Returns for non-taxable large and medium entities
28 Feb 2022	Lodgement and payment of 2021 Income Tax Returns for new registrants who are large or medium entities
28 Feb 2022	Lodgement and payment of 2021 Income Tax Returns for new Self-Managed Superannuation Fund registrants
28 Feb 2022	Oct – Dec 2021 Business Activity Statement due for lodgement and payment
28 Feb 2022	Lodge and pay Annual GST Return if taxpayer does not have an Annual Income Tax Return requirement
21 Mar 2022	February 2022 Monthly Activity Statement due for lodgement and payment
31 Mar 2022	2021 Income Tax Return due for individuals and trusts whose latest return resulted in a $20,000 or greater tax liability
31 Mar 2022	2021 Income Tax Return due for lodgement and payment for companies and super funds with a turnover of greater than $2 million unless required to lodge earlier
31 Mar 2022	End of 2022 Fringe Benefits Tax Year

MARKET UPDATE

In this update we examine the recently completed quarter and reporting season, the Reserve Bank outlook, and focus on the longer-term post pandemic cycle.

September quarter and Reporting Season

While the market indices were generally flat for the quarter, this in no way reflected the high volatility across stocks and sectors. In the case of Australia, the Energy sector increased 9.3% as Materials declined 9.9%. It was a similar story in commodities where the CRB index increased 7% over the quarter as Natural Gas and Thermal coal increased 63% & 43.5% respectively while Precious Metals and Iron Ore declined by 14.6% & 50% respectively.

Some of the key contributors to increased volatility included

- Further disruption and dislocation from COVID-19 Delta strain, including shutdowns in NSW & Vic for most of the quarter
- Major disruption in global supply chains in sectors such as semiconductors, autos, transportation, and energy
- Growing uncertainty over key policy settings in China bringing concerns over longer term growth prospects
- Increased prospects of the short-term spike in inflation lasting longer than first anticipated.

The August reporting season saw companies report results for the period to June 30. By historical standards, it was one of the strongest on record. Around 30% of companies reported results that exceeded expectations. Sadly, since June 30, the Delta strain of Covid-19 has slowed the pace of recovery globally.

Key drivers of growth in earnings were the major resource stocks, (BHP, RIO, and Fortescue), where record high iron ore prices were driven by strong demand from China. This was followed by Banks. Key highlights included,

- Bank earnings benefitted from writing back into earnings some of the provisions taken at the onset of COVID. Bad debts, business failures, declining property prices and unemployment assumptions proved overly pessimistic.

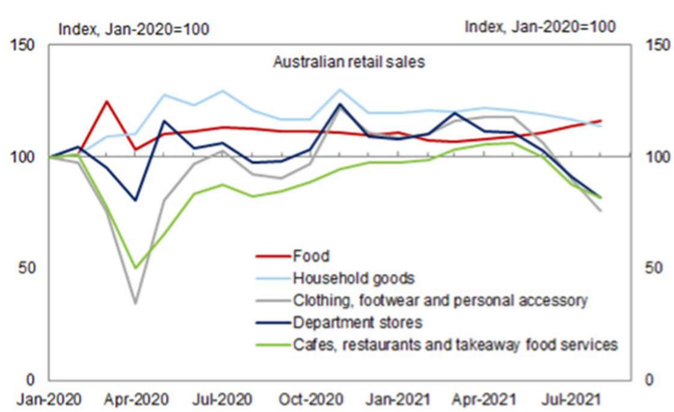
- One consequence of the cautious approach to dealing with the pandemic last year was the reduction of dividends and raising of additional capital. Much of this has resulted in excess capital on company balance sheets.

- It is estimated that following the reporting season, there is more than $40bn of ordinary and special dividends along with share buybacks and capital returned to shareholders during September and October. Complementing dividends may be large cash payments from takeovers such as Sydney Airport.

- Lastly, we were reminded again of the importance of investing in R&D. Year after year the best performing companies re-invest at least 8% to 12% of revenue back into their businesses. Examples include – CSL, Resmed, CBA, Microsoft, and Carsales.

During the quarter Australian retail sales provided an important insight into how the Australian economy is performing during lockdown. Sales fell 1.7% month on month in August. The decline was somewhat smaller than expected. Relative to lockdowns in 2020 key categories such as cafes, takeaway food, clothing, and footwear have held up much better.

Chart 1 – August retail sales dropped 1.7 % month on month (-0.7 % y/ y); but more resilient than expected given lockdowns, and significantly better than prior lockdowns in 2020.



Source – Goldman Sachs

MARKET UPDATE

Out of the lockdowns in June and July emerged a fundamental shift in community attitudes towards vaccinations. Following a slow start, Australia now finds itself back amongst international benchmarks with around 80% first vaccinated, and potentially near 90% double vaccinated by year end. Furthermore, mobility indicators in NSW and Victoria are seeing an upturn even as restrictions are gradually being unwound. Unsurprisingly, countries with around 80% of their total population fully vaccinated have seen much lower fatality rates and a faster recovery in mobility back to pre-pandemic levels.

Consumer sentiment also saw an uptick recently. UBS recently released a very positive consumer survey. The survey shows a large jump in households' financial outlook over the next year to a record high. This was underpinned by:

1. Rising house prices/wealth affect;
2. Favourable (Low) interest rates; and
3. Consumer's feeling more confident about the outlook for jobs and income

This suggests that consumers will be willing to get out and spend as restrictions are eased through the later part of 2021.

Further, household balance sheets remain strong. It is estimated that A$200bn of excess savings (~10% of GDP) are sitting on household balance sheets and should support the recovery. Interestingly economists are forecasting household income to rise during this quarter thanks to the Covid Disaster payments (post- tax these are more generous than JobKeeper was).

Overall, the data supports the positive view that in 2022 nominal consumption will rise strongly. UBS forecast real consumption to grow by 4.1% in 2022, and the Australian economy to grow by 3%.

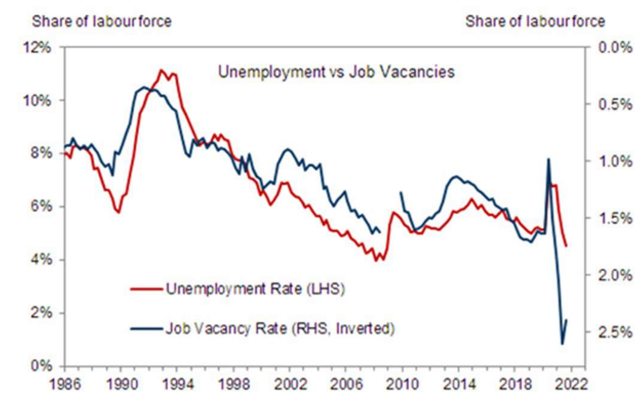
The RBA Outlook

The RBA kept the cash rate target unchanged at 0.1% at its October Board meeting, in line with expectations.

On the domestic economy the RBA maintained an optimistic tone, noting the "setback to the economic expansion in Australia is expected to be only temporary. As vaccination rates increase further and restrictions are eased, the economy is expected to bounce back." That said, the RBA continued to flag there was "uncertainty about the timing and pace of the bounce-back and it is likely to be slower than that earlier in the year."

On the labour market and inflation, the RBA noted that hours worked had declined sharply in August, but "many firms are seeking to hire workers ahead of the expected reopening in October and November."

Chart 2 – Job vacancies fell in the three months to August but remain near record highs as a share of the labour force. This augurs well for future employment growth.



Source: Goldman Sachs Global Investment Research, RBA

On housing, the RBA flagged some incremental concerns, noting the medium-term risks of rapid credit growth at a time ofhistorically low interest rates." Subsequently, APRA increased the minimum interest rate buffer it expects banks to use when assessing the serviceability of home loan applications. The new buffer on new borrowers' ability to meet their loan repayments will be at least 3.0% above the mortgage rate (previously it was a 2.5% buffer).

MARKET UPDATE

The Post Pandemic Cycle – Why technology wins

The wave of technologies that emerged with the commercialisation of the internet, and has followed a path that is like previous Industrial Revolutions. The increasingly dominant size of the Technology sector has followed a similar pattern to past periods in which a new technology has become a principal driver of economic activity.

Investors often look at the disruptive impact of technology, assuming it will displace existing industry, but often find that it is additive rather than disruptive. It is the digitisation of other industries, outside of the technology industry, which may create more opportunities for investors over time. Developments in GreenTech, MedTech, EdTech, AI and robotics will generate a host of new growth opportunities for companies outside of the technology sector, reshaping traditional business models in areas such as banking, retail, entertainment, education, transportation, and healthcare.

Goldman Sach's economists expect three drivers of lasting productivity gains in the wake of the pandemic recession:

1. An accelerated demand shift to e-commerce and other higher productivity segments;
2. The digitisation of the workplace (cost- and time-savings from remote computing and virtual meetings); and
3. A boost from creative destruction, with some unprofitable firms shrinking or closing down.

Productivity is likely to rise over the next cycle, bringing with it higher real wages and support for consumer durables and services. Higher productivity should open growth options in new consumer markets and services.

Investment Strategy Remains Balanced

From a market cycle perspective, the longer the COVID pandemic has dragged on so too has the amount of stimulus embedded within the financial system in the form of debt and liquidity. The backdrop today is very different to a decade ago, where we have:

- Official cash rates still anchored at or near zero
- Equity valuations are at or near record highs
- Record high margins and strong corporate earnings are more likely to weaken than strengthen

These points don't suggest we are about to experience a severe market downturn, but they do suggest there are a few headwinds that equity markets face. While we think overall returns from equities, bonds and property are likely to be lower over the next ten years compared to the last ten, history has shown good businesses still deliver great returns. In the 2000 the NASDAQ fell around 80%, but by 2005, Apple was setting new all-time highs.

Identifying sustainable trends and companies exposed to them are likely to deliver superior investment returns. The most attractive investment prospects are based around long term, secular growth trends. These include growth in infrastructure, digitisation, robotics, e-commerce, logistics, and healthcare.

We retain our portfolio strategy based around holding companies that provide exposure to these secular growth trends and have reasonable earnings predictability, sustainable cashflows, and strong balance sheets. Our focus is on sectors with attractive, sustainable growth prospects including healthcare (CSL, and ResMed), e-commerce (Wesfarmers, Goodman Group, Coles), infrastructure (Sydney Airport), and technology (Microsoft, Apple).

REVISITING YOUR BUSINESS MODEL UNDER COVID

Utilising strategic management tools such as the Business Model Canvas (BMC)

Under the COVID situation, this tool can be useful to help you revisit your business model again to help you map and develop how your business should operate to get the most out of a unique and uncertain time.

What is the Business Model Canvas?

The BMC is a strategic management template used for developing new and/or documenting existing business models. This visual chart can help you evaluate your current business values, proposition, infrastructure, customers, and finances and help assist you in exploring alternatives for your business operations.

How to use the BMC under COVID

The BMC targets the key elements that harness a successful business model. The right side of this visual chart focusses on your customer base, while the left side focusses on the infrastructure and categorises the processes and internal activities of a business into 9 separate categories:

1. Value Proposition
The key foundation to any business. It refers to the benefits that your business brings to your customers, i.e., "why should customers buy from us?"

2. Customer Segments
This refers to your target market - the different groups of people or organisations your business aims to reach and serve. Some things to consider could be how can you help your existing customers – is there an existing service or product you can offer, or can it be offered in new ways to help them?

3. Customer Relationships
This is defined as how a business interacts with its customers. How do you incentivise customers to make their first purchase? How do you keep repeat customers? How do you upgrade your customers?

4. Channels
The means you use to sell your produces or services. Are there opportunities to develop new channels to connect with your customers with the ongoing changes to regulations?

5. Key Activities
What activities can you and your team undertake to keep your business on top of the ever-changing COVID environment? This sector is important to review regularly, not just in a COVID environment.

6. Key Resources
These are assets of the organisation fundamental to how it provides value to its customers. You can look at what are the key fundamentals to keep the business operating as normal and what is not so important. Is there an opportunity here to cut costs or limit unnecessary activities?

7. Key Partners
These are your key partnerships such as your network of suppliers, strategic alliance between competitors, joint ventures and so forth. How can you leverage off your existing relationships to keep you operating? What are your competitors doing in the market? It is important to stay informed and understand your industry activity.

8. Revenue streams
One of the most important considerations under a changed business environment is to think about how to maintain revenue and generate income under COVID. Are there new markets available for your product/service that wasn't previously available? Can you move your product/service to a digital platform? What ways can your business keep providing value in new and different ways?

9. Cost structure
This is a great opportunity to completely revisit the cost structure of your business and save money where possible.

Every business is impacted differently under the COVID environment, but utilising business tools such as the BMC can help you revisit your business model and help you paint a clear picture for where your business is headed and what alternative choices you can make that may open your business up to new opportunities.

The Business Model Canvas template can be found at the end of this Bulletin.

SHOULD YOU BUY OR LEASE YOUR BUSINESS ASSETS?

There are certain items of equipment, machinery and hardware that are essential to the operation of your business – whether it's the delivery van you use to run your home-delivery food service, or the high-end digital printer you use to run your print business. But when a critical business asset is required, should you buy this item outright, or should you lease the item and pay for it in handy monthly instalments?

To buy or to lease? That is the question.

Buying new pieces of business equipment, plant, machinery or vehicles can be an expensive investment. So, depending on your financial situation, it's important to weigh up the pros and cons of buying, or opting for a leasing option.

First of all, let's look at why you might decide to buy the item…

Buying: the pros and cons:

Pro:
It's a tangible asset – when you buy an item, you own the item outright and it will appear on your balance sheet as one your business assets. As such, by owning these assets outright you increase the perceived capital and value of your business. You can also claim the cost of the asset against your capital allowance for tax purposes.

Pro:
It's yours for the life of the asset – once you own the item, you have full use of the equipment for the duration of the life of the asset. Your use of the asset isn't reliant on you being able to keep up regular lease payments, and if your financial circumstances change then you can sell the asset to free up the capital.

Con:
It's an expensive outlay – paying for the item up-front is a large outlay for the business and will require you having the cash to cover this cost. Spending a large lump sum in this way may take cash away from other areas of the business, so you need to be 100% sure that this purchase is the right decision and a sound investment.

Con:
You may require extra funding – if you don't have the liquid cash available to buy the item outright, you may need to take out a loan. Asset finance is available from funding providers, but does tie you into a loan agreement that will add to your liabilities as a business – reducing your worth on the balance sheet.

Leasing: the pros and cons:

Pro:
Leasing has a cheaper entry point – if the item you need to purchase has a large price tag, leasing allows you to make use of the asset without the cost of buying it in full. For startups and smaller businesses with minimal capital behind them, this can make leasing a very attractive option. You may not own the asset, but you can make use of it - and this may be the difference between the success or failure of your business.

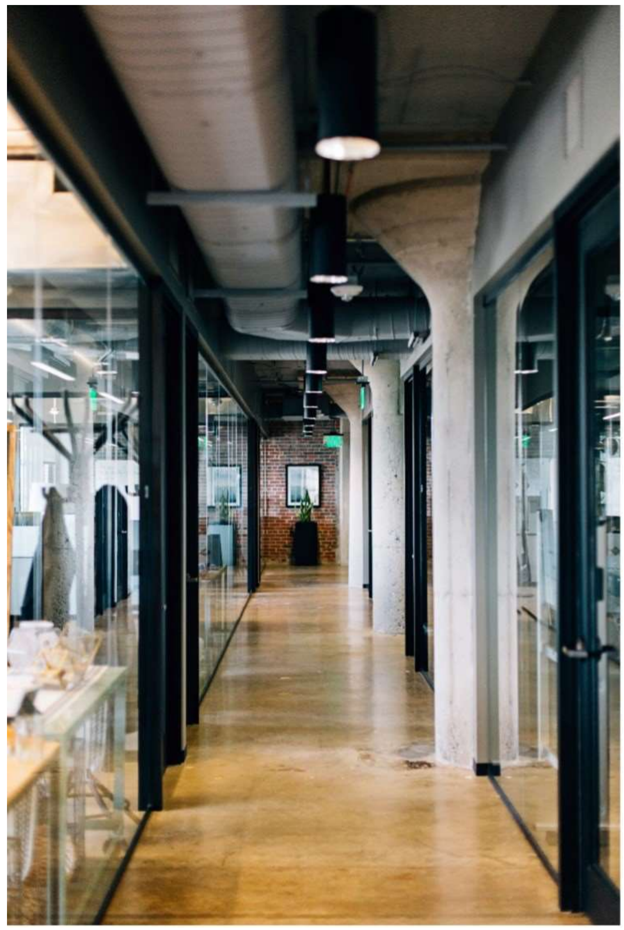
Pro:
You can spread the cost – there is still an associated cost of leasing, but you can spread the cost over a longer period, making it easier to find the necessary liquid cash to meet your lease payments. With this money saved, you can then invest in other areas of the business, helping you to expand, grow and bring in more customers and revenue.

Con:
You don't own the asset - there are different types of leasing agreement. Under a capital lease, you do own the asset (once you've paid if off). But if you opt for an operating lease, this is a more short-term lease and you won't own the asset at the end of the contract. Ownership does have its advantages (including being able to sell off the asset if required) so it's important to consider what kind of leasing agreement you're entering into and what the advantages/disadvantages may be.

Con:
You may pay more in the long run – most leasing agreements will attract additional costs and interest on your agreement, so you may well end up paying more than the market price for your asset in the long term. If you can cope with the higher cost, this is fine, but bear in mind that buying outright may have offered greater value.

SHOULD YOU BUY OR LEASE YOUR BUSINESS ASSETS?

Con:
You may lose the use of the asset – if you can't keep up your lease payments (due to poor cashflow for example) then the owner of the lease agreement may recall the asset. If this item is crucial to your business model, losing this key asset can have a profound impact on your ability to operate. In this respect, leasing is a more risky prospect, but also an easier option for businesses with less cash to splash.



Talk to us about whether buying or leasing is the best way forward

Whether you opt to buy or lease your equipment isn't always a straightforward decision to make – so it's a good idea to consult with your accountant early on in the decision-making process.
We'll help you review your current financial position, assess your available cashflow and look at your regular cost base to decide whether buying or leasing is the right thing for the business.

CHOOSING THE RIGHT APPS FOR YOUR BUSINESS

Software technology has evolved massively in the past decade, with cloud-based apps now fundamental to many of the internal and external processes in your business. To ensure you're getting the best from the available tech, it's important to choose the right apps and to create the ideal 'app stack' for a business in your specific sector

But how do you know if the latest 'must-have app' is really going to be an asset or just an additional software cost? The Xero app store is a good place to start so that your apps integrate with your accounting system.

Building the perfect app stack

Before you dive headfirst into the Xero app store, it's important to do your homework and give yourself some firm foundations on which to base your app purchase decisions.

For example:

- **Decide on the main aims of your software systems** – Look at the specific aims of the business and tie each app into the various operations within your business model. A construction company, for example, will need a site management tool, staffing solutions, health & safety tools and an inventory app, to mention just a few.

- **Make sure your apps integrate with Xero** – Xero's open API (application programming interface) allows all the apps in the app store to connect directly with Xero. This means that data and financial information can flow seamlessly between your apps and Xero, helping you keep all your management information up to date.

- **Look for opportunities to automate manual processes** – if there's a low-level manual process in your business, try to find a way for your apps to automate this. For example, a credit control app, like Chaser, will send out automatic payment reminders to your customers if their invoice becomes overdue. And a bookkeeping app, like Receipt Bank, will snap photos of your receipts and automatically digitise and code the contents.

- **Research the app market in depth** – Look at online reviews, talk to your industry network and find out which apps your peers trust and would recommend. Where possible, try out free trials and demos, so you have had some hands-on experience of the apps in your shortlist. The more user time you have, the easier your purchasing decisions will be.

- **Look for an excellent user interface (UI)** – if you and your team are going to be using an app every day, it needs to be easy to use, with a small learning curve. Choose apps that have a great UI and offer a quality user experience. The sooner you can get up and running with your solution, the more value this app will add for the business.

- **Partner with apps who offer excellent customer support** – the functionality and ease-of-use of your app are obviously important considerations when you're looking to buy. But don't underestimate the importance of solid, helpful and personalised customer support. Look for apps with phone support, good customer service ratings and a happy and satisfied user base - check app forums to get the lowdown on this.

Our job as your accountant isn't just to deal with your numbers. We can also help you review your operations, formulate the most efficient systems and choose the apps that can deliver the most effective and productive business performance.

If you're looking to create your perfect app stack, We'll help you navigate the Xero app store and create a perfectly connected and integrated Xero system.

The Business Model Canvas

Designed for:

Designed by:

Date:

Version:

Key Partners

Who are our Key Partners?
Who are our key suppliers?
Which Key Resources are we acquairing from partners?
Which Key Activities do partners perform?

MOTIVATIONS FOR PARTNERSHIPS
Optimization and economy
Reduction of risk and uncertainty
Acquisition of particular resources and activities

Key Activities

What Key Activities do our Value Propositions require?
Our Distribution Channels?
Customer Relationships?
Revenue streams?

CATERGORIES
Production
Problem Solving
Platform/Network

Key Resources

What Key Resources do our Value Propositions require?
Our Distribution Channels? Customer Relationships?
Revenue Streams?

TYPES OF RESOURCES
Physical
Intellectual (brand patents, copyrights, data)
Human
Financial

Value Propositions

What value do we deliver to the customer?
Which one of our customer's problems are we helping to solve?
What bundles of products and services are we offering to each Customer Segment?
Which customer needs are we satisfying?

CHARACTERISTICS
Newness
Performance
Customization
"Getting the Job Done"
Design
Brand/Status
Price
Cost Reduction
Risk Reduction
Accessibility
Convenience/Usability

Customer Relationships

What type of relationship does each of our Customer Segments expect us to establish and maintain with them?
Which ones have we established?
How are they integrated with the rest of our business model?
How costly are they?

EXAMPLES
Personal assistance
Dedicated Personal Assistance
Self-Service
Automated Services
Communities
Co-creation

Channels

Through which Channels do our Customer Segments want to be reached?
How are we reaching them now?
How are our Channels integrated?
Which ones work best?
Which ones are most cost-efficient?
How are we integrating them with customer routines?

CHANNEL PHASES
1. *Awareness*
   How do we raise awareness about our company's products and services?
2. *Evaluation*
   How do we help customers evaluate our organization's Value Proposition?
3. *Purchase*
   How do we allow customers to purchase specific products and services?
4. *Delivery*
   How do we deliver a Value Proposition to customers?
5. *After sales*
   How do we provide post-purchase customer support?

Customer Segments

For whom are we creating value?
Who are our most important customers?

Mass Market
Niche Market
Segmented
Diversified
Multi-sided Platform

Cost Structure

What are the most important costs inherent in our business model?
Which Key Resources are most expensive?
Which Key Activities are most expensive?

IS YOUR BUSINESS MORE
Cost Driven (leanest cost structure, low price value proposition, maximum automation, extensive outsourcing)
Value Driven (focused on value creation, premium value proposition)

SAMPLE CHARACTERISTICS
Fixed Costs (salaries, rents, utilities)
Variable costs
Economies of scale
Economies of scope

Revenue Streams

For what value are our customers really willing to pay?
For what do they currently pay?
How are they currently paying?
How would they prefer to pay?
How much does each Revenue Stream contribute to overall revenues?

TYPES
Asset sale
Usage fee
Subscription Fees
Lending/Renting/Leasing
Licensing
Brokerage fees
Advertising

FIXED PRICING
List Price
Product feature dependent
Customer segment dependent
Volume dependent

DYNAMIC PRICING
Negotiation (bargaining)
Yield Management
Real-time-Market

The Business Model Canvas

Designed for:	Designed by:	Date:	Version:

Key Partners	Key Activities / Key Resources	Value Propositions	Customer Relationships / Channels	Customer Segments

Cost Structure	Revenue Streams

DESIGNED BY: Strategyzer AG
The makers of Business Model Generation and Strategyzer

Strategyzer
strategyzer.com

dfk laurence varnay
LEADING ACCOUNTANTS AND BUSINESS ADVISERS

For further information or enquiries about any of the latest business and taxation topics discussed in this newsletter, please contact the Directors and team at DFK Laurence Varnay

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