md ACCOUNTANTS & AUDITORS

With Compliments

As we near the end of 2022, we would like to extend our heartfelt gratitude to you, our clients, for your support and collaboration in helping us make this year a success.

We have celebrated your and our team's successes during the year. We celebrated 25 years in Partnership with our team on 15 October. The day was a special milestone for us and we are very grateful to you, our clients, for making that possible. And as we look to 2023 and beyond, we ask you to consider referring your friends and colleagues to us so that we may continue to grow and provide the value-added services to more in our community.

We have always believed in sharing our appreciation with our clients and community, and we have made further donations during the year to several charitable organisations as we continue to work with and support those in need – all these details have been posted to our website at https://bit.ly/2OzJAhp.

We are all looking forward to some time to rest and recharge ahead of 2023 with renewed hope for a recovering economic climate and a more manageable year for us all.

Our offices are closing on 21st December 2022, and we will be returning on 3rd January 2023. We would like to take this opportunity to wish you and your loved ones a peaceful and restful holiday season and success, good health, and happiness in 2023.

Warmest wishes

Dave, Alexis, Juanita, Danie, Fatima and the whole MD Team

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The Why and the How of Annual Price Increases

"Pricing power is important in business. You want your business to have the ability to raise prices as needed, especially with regard to inflation." (Hendrith Vanlon Smith Jr)

It is imperative that businesses increase their fees, rates or product prices annually by at least the rate of inflation, just to keep pace with the ongoing increases in the cost of materials and production.

Inflation is the increase in the cost of goods and services in an economy. It ensures that, year after year, a business pays more and more for the same goods or services it uses in the production of its income. The higher the inflation rate, the higher the increase in your costs each year.

Without related annual price increases on goods or services provided by your business, the inflationary increases in the costs of production will result in lower profits, reduced product or service quality, or even market perceptions that your goods or services are cheap. In addition, the compounding impact of not increasing prices means your business falls progressively further behind in its ability to generate the appropriate and needed levels of profits.

Why do businesses neglect price increases?

There are many reasons why businesses do not increase their rates annually. Some may simply not have the business skills to set or maintain correct pricing. Many business owners are concerned that in a highly competitive market, a price increase will result in lost customers - a fear that was particularly heightened during the COVID years. Most businesses may simply not know how to increase their prices, especially if they have not done so for a few years, and then a substantial increase is required just to return to previous levels of profitability.

Why increases are crucial

In South Africa, the inflation rate is currently at a 13-year high of 7.5% - almost double the average inflation rate of 4.5% in 2021. This means that the cost of producing goods and services has increased by 12% over just two years, and without a related increase in sales prices, your business profits are being eroded at an alarming rate and with every sale.

Conversely, increasing prices correctly can have a substantial impact on a company's profitability. Studies quoted in The Harvard Business Review found that improvements in price typically have three to four times the effect on profitability as proportionate increases in volume. In fact, it was noted that a 1% improvement in price, assuming no loss of volume, increases operating profit by 11.1%.

Top tips for implementing price increases

- Speak to your accountant about the impact of various price increases on your company's income, profitability and tax liabilities.
- Remember to discuss the potential impact of price increases with all staff, from the production team to marketing, sales and the accounts teams.
- An easy place to start raising prices is to issue quotes for new business at the higher prices.
- Include an annual price increase clause in all new client contracts and in contracts that are being renewed.
- For existing clients, ensure that any price increase is communicated clearly, accurately and well in advance.
- Link the price increase to improving or at least maintaining the value your clients perceive, for example, the use of co-friendly materials, unique expertise in an industry or high-quality products.
- When implementing a price increase, consider adding extra value to a client, such as a free consultation, free deliveries or improved packaging or wrapping.
- Once a price increase has been finalised, update all relevant sales documents, website pages, POS systems and the like.

Simple Communication Tips to Boost Your Profitability

"Communication is a skill that you can learn. It's like riding a bicycle or typing. If you're willing to work at it, you can rapidly improve the quality of every part of your life." (American business speaker Brian Tracy)

Successful communication can be the difference between a profitable business and a failing one. Leaders who are unable to get across the needs of the company to their employees will very quickly close its doors. Likewise, people who are effectively able to communicate the things they need to be done will find their reward in a harmonious team and profitable enterprise.

This article is for those people who believe themselves to be among the latter. Those who have managed to traverse the minefield of communication and who find themselves surrounded by a largely effective team. In this position, it is possible you may still be making communication errors that are chipping away at your profitability and leading to a team that isn't as effective as it possibly could be. They are common errors that anyone could make and everyone has seen at some point, but they definitely impact the bottom line. Here is how to cut them out and take your company to a brand-new level.

Avoid these communication errors

1. **Not answering the question**

   No matter how well you explain things, being a leader sometimes requires you to answer follow-up questions from your team. While most of the time these questions are simple enough to answer, there may be occasions in which a manager may not be able to answer the question. Perhaps they don't know the answer or simply didn't take time to understand the question or misunderstood the question.

   When it comes to the effectiveness of your employee who is asking the question though, purposefully avoiding a response is as bad as mistakenly answering it incorrectly or ambiguously.

   For example, imagine your employee has sent you an email asking, “Did you say you wanted that report today, or next week?”

   A distracted communicator may see the first half of the message and rush to reply “Absolutely” or “Yes.” This ambiguous reply now wastes time and further confuses the employee. Does this mean the deadline has been pushed out or that it's still due today? The employee may then be forced to follow up, or worse, assume an extension has been granted when it has not. Either situation wastes that employee's time and can even lose a client.

   Avoid this simple error by ensuring you automatically read the full email and understand it before responding. Then make sure you make it clear which answer is to which question. Don't assume the employee will be able to infer what is meant each step of the way.

2. **Too much information**

   There is a very clear difference between providing your employee with the context and information they need to do their jobs and live up to expectations and giving them too much information. Giving an order with the right amount of information and the proper context will save time and make that employee better at their job.

   This error creeps in due to the manager's assumption either that the employee needs more information than they do, or that extra information will help them to contextualize and make their own decisions. In the worst-case scenarios, it comes from the manager themselves not being sure what information the employee needs and simply giving them everything in the hope that this may cover it.

   The problem here is that having too much information can lead to time-wasting and analysis paralysis.

   For example, why share all the product information with your sales rep, when at the end of the day there are only three key points that separate your product from the competition and help to make the sale? Sending your sales reps a manual and expecting them to work out for themselves what aspects of your product will help them sell it to clients is as unhelpful as giving them no information at all. The time they waste reading the manual could rather be spent perfecting their sales techniques or working on their pitch documents.

   This also extends to bombarding your employees with opinions or reasoning that they may not need. Sometimes, in order to err on the side of caution, or to seem smarter than they need to be, managers can lean towards being verbose. As a manager you should avoid sending long paragraphs or speeches packed with thoughts, reasoning and explanations when a simple email explaining what needs to be done will remove wasted time and confusion.

   At the end of the day, conciseness is the key to good communication. Managers who impart all the necessary information and no more will find their teams perform more effectively and more profitably.

3. **Too little context**

   Just as bad as too much information is when managers share information assuming the context is known by everyone in the organisation. Context gives meaning to orders and conversation in general, and not including it puts the person at the receiving end of the communication at a disadvantage. Without the proper context, they may think they have been left out of the loop or have forgotten something important and may never bring it up, instead choosing to muddle through and therefore doing a worse job.

To avoid all this, communication should give a quick background to the new information, a short description of the client and what they like and how they like it to be done and an explanation for why any deadlines have been set. Once people understand why they are doing something and how it should be done and by when, they are much more likely to deliver on the task itself in the way you want it to be done.

4. **Emotional communications**

   There are few places where emotional emails or other communications (WhatsApp or Teams messages and the like) are wanted, and the workplace is not one. Corporate culture places a lot of constraints on human behaviour and as such an emotional communication is definitely going to be not only career limiting, but also cause a lot of discomfort to all who are unlucky enough to be tagged in.

   The problem with emotional communications is that they cause so much discomfort that the issues they are discussing can often become more difficult to deal with. The delays in resolving these issues will lead to poor performance and an uncomfortable work environment.

   These kinds of constraints can also lead to the other kind of bad communication – passive-aggressive emails and communiques. In many cases these cause hurt feelings and divide teams without resolving issues because they claim not to be calling attention to any issue to begin with.

   This issue is fixed by encouraging an open and honest communication policy in your business. Allowing people to speak their minds respectfully and then genuinely listening allows people who have noticed problems to bring them to your attention and for those problems to be resolved. Do not let them linger in the shadow of hurt feelings.

What is the Metaverse and How Will It Impact Your Business?

"Metaverse isn't a thing a company builds. It's the next chapter of the internet overall" (Mark Zuckerberg, Meta)

Among businesses, one of the most misunderstood aspects at the moment is 'The Metaverse'. Businesses that do understand this new phase of the internet are currently seizing opportunities that their competition doesn't even know exist. This is beginning to change the face of business and social interaction around the world. But what is the Metaverse and why should you be paying attention?

What is the Metaverse?

Quite simply, the metaverse is an extension of the current internet. It is a virtual three-dimensional space where people can interact with one another by developing 3D avatars. This space can take on the ***appearance*** of numerous real-world places, such as meeting rooms or concerts, or even more fantastical spaces. It is a fully immersive space on the internet

A blend of virtual reality, second lifestyle online worlds and augmented reality, the Metaverse can be accessed using a simple smartphone or laptop. This makes it extremely accessible for everyone.

What will it be used for?

No one knows for sure just how wide the eventual use case will be, but it will no doubt be huge. Some diverse examples will help illustrate just how fundamentally this might affect our lives and businesses:

- Advertising and marketing – finding new customers and communicating with them;
- The average person in the street - who may use it as a virtual reality gaming platform, or a place to attend a concert by an artist they would otherwise never get to see;
- Businesses tapping into machine learning and AI to incorporate multiple, diverse data sets into a virtual space to improve presentations and decision making;
- Surgeons from around the world all interacting over a patient's scans;
- Classrooms exploring the James Webb telescope images in 3D projections they can fly through;
- Immersive in-depth product demonstrations;
- Interactive TV shows;
- Remote maintenance assistance to areas where technicians are usually unavailable; or
- News production that puts viewers seemingly on the spot.

At the moment, the opportunities seem unlimited.

Watch for example The Economist’s “How will businesses use the metaverse?” on **YouTube**.

How will this affect your business?

At the moment only a small percentage of businesses are using, or even aware of the Metaverse, but this is set to change. A recent Gartner Marketing Survey found that 35% of consumers have never heard of the Metaverse but as per projections, Gartner expects that by 2026, 25% of people will spend at least one hour a day in the Metaverse for work, shopping, education, social media, and entertainment etc. Be ready to adapt!

Here are just a few areas the rapidly developing Metaverse may impact your industry:

Remote work

Using the Metaverse for remote work will involve more than simply creating a virtual office to connect teams that may be working from home. Short, interactive virtual reality meet-ups could allow chats between colleagues and facilitate gatherings with, for example, a comedian or musician for entertainment.

Three-dimensional online shopping

Online shopping has the distinct downside of not allowing customers to interact with what they are buying. They are unable to visualise the object or get a sense of just what it may look like in their homes. Interactive 3D shopping will start narrowing this gap.

Manufacturing

Prototyping and product testing can be accelerated online. Factory layouts and warehousing can be tested for efficiency and raw materials can be sourced and shipped more easily and with fewer delays.

Streamlined workflows and cost optimisation

In a virtual world of in-depth, real and accurate simulators, employee training, onboarding and orientation need no longer take as much time as they once did. Everything from how to work your unique machinery to pitching the product to clients can be done in quantifiable virtual simulations.

Better sales

Advertising at the moment is all about connecting emotionally and drawing the consumer into the world of the brand. Imagine how much easier this will be when you can invite the customer into a virtual world to experience a tailor-made experience?

Global market for talent

Companies that operate out of countries with weaker currencies are going to find it increasingly difficult to source the staff they need. As the Metaverse draws the world together, those with talent and skills are going to be able to work remotely wherever they like and that will generally be in the places that pay them better. Everything from HR policies to salaries and benefits will need to change.

What is abundantly clear is that businesses that fail to adapt to the sea-change coming with the Metaverse will find themselves facing precarious times, as did those who failed to adapt to the internet.

The Metaverse is coming. Will you be ready?

Your Tax Deadlines for December 2022

- 7 December Monthly Pay-As-You-Earn (PAYE) submissions and payments
- 23 December Value-Added Tax (VAT) manual submissions and payments
- 29 December Excise Duty payments
- 30 December End of the 3rd Financial Quarter
- 30 December Value-Added Tax (VAT) electronic submissions and payments & CIT Provisional payments where applicable

Thank you for your support in 2022.

Have a Wonderful Festive Season, and a Happy and Prosperous 2023.

Enjoy the Break!