



# BALANCE

1985 - 2005 Serving Australian Business for 20 years

A Cash Resources Australia Publication  
Edition No 21

## Gippsland Aeronautics Flies High with *Invoice Discounting*

Gippsland Aeronautics was established in the 1970s to provide aircraft maintenance and modification services. Based at the Latrobe Regional Airport in Morwell, it provided services to Esso, the National Safety Council and the local commercial operators.

Modifying agricultural aircraft to improve performance and safety became an integral part of the business and after nine modifications they decided to certify the new design and as a result, established a small manufacturing line for the GA200.

Since then, 45 GA200 aircrafts have been manufactured in the Latrobe Valley, 28 of which have been exported to countries around the world including China, New Zealand, USA, Canada, Brazil and South Africa.

In 1993, Gippsland Aeronautics commenced the manufacture of its second design, the GA8 Airvan, a utility transport aircraft to replace the Cessna 206/207 and DHC Beaver. The highwing, eight seater GA8 Airvan is now exported to Indonesia, New Zealand, South Africa, Botswana, Mozambique, Lesotho, USA, Canada, Belize in Central America as well as sales throughout Australia.

The company has experienced spectacular growth particularly over the past five years. However this growth needed to be funded and at times this has caused difficulties.

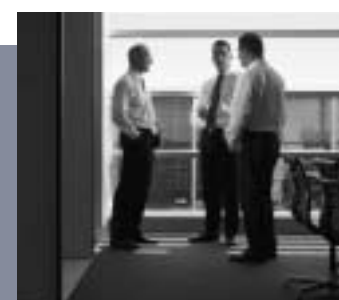
***“With the uncertainty of payments from the government the flexibility of invoice discounting was perfect for our needs.”***

As Director of Finance, Mark Burgin explained, “As our reputation has grown, more sales opportunities arise. One such opportunity was Civil Air Patrol, an auxiliary of the US Air Force”.

“The Civil Air Patrol is involved in search and rescue, disaster relief and communications as well as counterdrug and homeland security.”

“Civil Air Patrol ordered fifteen Airvans, however the contract insisted on terms so we had to find the funding for the project,” he said.

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# Why You Should Pay Your Invoices On Time?



***Paying on time keeps our economy moving, it enables companies to grow and be more productive.***

Unfortunately, these days it is commonplace for some companies to delay creditor payments for as long as they possibly can. There have been reported instances where high profiled companies instructed their accounts payable staff not to pay any invoice until they receive a telephone call requesting payment.

Apart from being unethical, the practice of deliberately delaying the payment of invoices can be extremely detrimental to your business in the following ways:

- It weakens your organisation because it harms your reputation.
- It damages your buying power and strains relations with your suppliers.
- It weakens the economy as a whole because it restricts growth.
- Late payment gives suppliers the indication that you are suffering financially. Smart suppliers will respond by tightening your credit terms thus compounding your problems.

Managing supplier relationships is just as important as managing customer relationships. A reliable competitive supplier, particularly a raw material supplier can make or break you. A prompt payment record can be a powerful factor in negotiating prices. It will certainly produce a closer, more mutually beneficial relationship.

In theory, large companies in particular have the best buying power, however, with that power comes responsibility. If these companies delay payment it has a flow on effect to smaller suppliers down the chain.

Paying on time keeps our economy moving, enables companies to grow and be more productive.

If your company is finding it difficult to pay your creditors on time, call your nearest Cash Resources Office. We have an instant solution.

## Continue the **Tsunami Support**

We have all seen the horrific television and newspaper images and accounts of the Tsunami that devastated Indonesia, Thailand, Sri Lanka and India on December 26th. The sheer enormity of the loss of life and destruction of homes and basic facilities is hard for us to comprehend.

While the generosity of the Australian Government, Corporate Australia and the general public has been overwhelming and has provided an

enormous kick start to rebuild basic infrastructure in the affected areas, aid agencies are going to need ongoing support to even provide the basic necessities.

Cash Resources Australia recently donated \$5000 to the Australian Red Cross Asia appeal which will be used to provide fresh water, relief goods, blankets, soap, water, containers, plastic, sheeting, matches, candles, plastic plates, cups, forks, and knives

and obviously food. These are only some of the activities carried out by the Red Cross to assist tsunami survivors.

Many of these people have lost families and homes and their livelihoods but they haven't lost their resilience and spirit to move on and start life again.

We urge other Australian companies and individuals to continue to help The Australian Red Cross and other recognised relief agencies to continue their great work.

# Defining Your Target Market: How to Pick Your Mark

## Business Growth Tips



For the small to medium enterprise (SME), a strategy of trying to “be all things to all people” is usually impossible to maintain - particularly if any of your competitors are large corporations and have more resources at their disposal than you do.

Market segmentation then becomes imperative to keep the business focused. Market segmentation may be defined as “dividing a market into distinct groups of buyers with different needs, characteristics or behaviours

The most obvious way to segment a business market is on the basis of “firmographics” – the business equivalent of consumer “demographics”. Firmographics include industry, company size and geographic location.

An alternative to this approach is “Needs-Based Market Segmentation”. The first step in this method is to group customers into segments based on

common needs or benefits sought – in other words, groups who are looking to solve similar problems.

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The second step is to create profiles for these segments using firmographics and usage behaviour information.

These profiles are important because they tangibilise the needs based segments you created in step one thereby making them actionable.

The third step is to determine the attractiveness of each segment based on estimated segment size and how well you can tailor your offering (be it product or service) to stand out from the competition in the eyes of those customers in that segment.

The final step, and the underlying purpose to this whole exercise, is to tailor your marketing mix to make your offer to the target segment compelling. How should pricing, product offering, distribution and promotion be designed and delivered to competitively meet the needs of the target segment?

For example, you might be a contract manufacturer and you determine that one needs-based segment is those customers who need short production runs of products on a “last minute” basis. Your next step would be to profile the segment: What are the firmographics for this type of customer? Is there something these types of customers have in common when it comes to the way they use your products? Having profiled the segment, and determined it is big enough to be profitable and one in which you could compete effectively, your next step is to tailor your offering or “marketing mix”. This would involve determining the right pricing and product range as well as the right marketing communication message delivered by the most appropriate media.

Finding more creative and effective ways of segmenting your market may be the important difference between you and your competition that helps you compete more effectively, and ultimately, more profitably.



## Staff Profile **Brad Ryan**

Brad Ryan has joined Cash Resources Australia as State Manager WA. He attributes his considerable business finance knowledge to stints with NAB, ANZ and Esanda, and his customer service ethic to several years with United Credit Union. After several years studying part time he’s recently graduated with a Masters in Business Administration.

“I get a great sense of satisfaction working with my customers to overcome their financial challenges” he said recently when asked about his role.

Brad regularly takes advantage of Perth’s weather to play water polo and go scuba diving, and claims the rest of his spare time is taken up running around after his precocious 2-year-old daughter.

# Industry Focus

# Transport



Many companies in the transportation industry have suffered cash flow problems at one time or another. Whether you are running a large interstate operation or local courier business you face some unique challenges in keeping your fleet moving. While most companies strive for 7 or 14 day credit terms, the reality is that they often have to wait 30 or 60 days or more to get paid.

Cash Resources' Confidential Invoice Discounting facility brings peace of mind to transport companies who otherwise would be constantly concerned about paying for repair bills, fuel, drivers' pay, breakdowns and new equipment. With a good cash flow these are no problem. If there is plenty of money in the bank, your business thrives and unexpected problems are immediately taken care of.

## Gippsland Aeronautics Flies High with Invoice Discounting

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"The traditional sources of finance didn't want to know about us. They couldn't come to grips with the fact that we were exporting and the length of time taken to be paid."

"We were introduced to Cash Resources who suggested an Invoice Discounting solution. This facility enabled us to access funds normally tied up in our invoices, which has effectively funded the project," Mr Burgin said.

What if you only have a small fleet? This is your livelihood, and it has to keep going regardless of cash complications from customers who are slow to pay their bills. What Invoice Discounting does is enable you to keep your business going with sufficient cash to pay all the expenses involved in the transportation industry.

Basically how it works is that as you raise invoices as normal and you send a copy to Cash Resources who pays you up to 80% of the value of the invoices usually within 48 hours. As you collect payments they are remitted to Cash Resources. The 20%, less fees is returned when collections are made. It's completely confidential, flexible and very economical.

"With the uncertainty of payments from the government the flexibility of invoice discounting was perfect for our needs."

"Cash Resources are very responsive to our enquiries and we even speak regularly to their managing director Alan Kaye.

How often do you speak to the managing director of the major banks," he remarked.

Today the company manufactures 20 - 25 aircraft per year with 110 staff.

With increasing demand for its aircraft and suitable funding the company expects a continued growth pattern.

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