



## **Polson Higgs Client Advice # XV – Wage subsidy change, Should I reduce my price? It's more than one lever and more . . .**

Queen's Birthday weekend was great, with many taking advantage of the long weekend and special deals to visit the likes of Queenstown and put some cash back into the economy. Next week should see a move to Level One, which will help to further boost the economy, and should help with business confidence.

In this newsletter we will cover:

- Wage subsidy changed
- It's never just one lever
- Should I reduce my price?
- It's not always a discount
- Golden rules of Level One
- Monthly newsletters
- Bit of a laugh

**Wage subsidy changed** – The scheme can now be accessed by businesses that can show a **40 percent drop in revenue**, for an eight-week extension in the subsidy. The previous threshold had been 50%, and this change is estimated to allow a further 40,000 businesses to be eligible.

As part of the same announcement the closing date for applications for the **Small Business Cashflow Loan Scheme** ([see the 1 May Newsletter](#)) was changed from 12 June to **24 July**.

If you require any assistance with applying for the Small Business Cashflow Loan Scheme or an extension of the wage subsidy please don't hesitate to [email](#) the team.

**It is never just one lever** - COVID-19 has been a steep learning curve for businesses as they adjust not only to changing levels, but also a changing world. What hasn't changed is the need to have an holistic approach to the challenge. The simple "pull one lever" solution does not exist. Because of this, at the start of lockdown Polson Higgs created a specialist COVID-19 team solely focused on ensuring our clients received the advice they needed to respond.

The team has changed over the past weeks with different areas of expertise being added, as we gained a greater understanding of the challenges and the government's response. The team has,

aside from providing information for the newsletters, as its prime function the provision of advice on all the different “levers” that clients can or should pull.

Whilst the team is backed by all the resources and experience of Polson Higgs, it currently consists of:

Jamie Reidie – Cashflow forecasting and modelling

Karen Philip – Human Resources

Donna Hall – Business planning and continuity

Dianne Wood – Wage subsidy and Government Policies

David Young – Marketing

Ryan Ehlers – Tax

Robin Hanson – IT

If you're thinking about pulling a lever in your business, before you do, it would be a good idea to check with our specialist team to ensure it isn't the wrong one or what other ones should be pulled as well. If you would like to chat phone 03 477 9923 or [email](#) the team.

**Should I reduce my price?** – We have spoken about the need to move inventory and / or raise cash, and the use of discounts to achieve those goals. However, those are temporary measures, and not the long-term solutions (they are a single lever!). It does raise the questions about what should happen to the price you charge; increase, decrease or stay the same?

Unfortunately, there is no one answer that fits all, rather it is a decision that should be made after consideration of a number of factors. It is a question you should be asking as part of your planning going forward. The five critical things you should consider are:

**COSTS** – What is your actual current cost structure? The key word here is "actual", as it will have changed from your pre-lockdown cost structure. If you don't understand fully your cost, then you can't determine what your profit point is, because without that you can't set or change your price.

**CUSTOMERS** – Who are your customers and how will the new normal have affected them? Will they have more or less buying power? Why do they buy from you, is it because of price, service or value? Understanding how your customers think and what motivates them is a vital part of the setting of your price.

**POSITIONING** – What position do you want to hold in the market? Low cost, high volume or high end but low value? Is your current position in the market the right one for your business post-lockdown?

**COMPETITORS** - Your entire market may have changed, what are your competitors doing with respect to price, are they looking to change their position? Are they reducing their price or increasing it?

**PROFIT** – How much profit do you want or need to make? Regardless of the reason you are in business and with the passion driving you, it is important that you get an appropriate return on your investment (time and money).

Once you have answered ALL those questions then you can look at your current pricing. Don't enter into a knee-jerk reaction and a race to the bottom by assuming you have to drop your prices. Also don't assume you can't increase your prices in the current environment. Once you have answered the questions you will have the understanding you need to make the decision. If you have any questions about setting your price contact your partner or manager at Polson Higgs or email [covid19@ph.co.nz](mailto:covid19@ph.co.nz).

**It's not always a discount** - Discounts and reductions are not the only answer if you are finding customers who are asking for a better price. An alternate tactic is to offer a "credit" on the customers account. For example, if a customer is asking for a reduction of \$75 on a \$500 purchase, say that you will place a credit of \$100 on their account for their next purchase. This has two effects, the customer hears the \$100 credit (which is more than \$75), and perceives they are getting a better deal than they asked for. In addition, they will come back for their next purchase to use the credit.

This "loyalty" focused, rather than "discount" focus will increase sales more than a straight discount and is less expensive. If you have any doubts, consider how many coffee loyalty cards do you have in your wallet?

**The Golden Rules for everyone at Alert Level 1** - Alert Level 1 will see everyone being able to return, without restriction, to work, school, sports and domestic travel, and you can get together with as many people as you want to. Controls at the borders remain for those entering New Zealand, including health screening, and testing for all arrivals, and mandatory 14-day managed quarantine or isolation.

**Remember:**

1. If you're sick, stay home. Don't go to work or school. Don't socialise.
2. If you have cold or flu symptoms call your doctor or Healthline and make sure you get tested.
3. Wash your hands. Wash your hands. Wash your hands.
4. Sneeze and cough into your elbow, and regularly disinfect shared surfaces.

5. If you are told by health authorities to self-isolate, you must do so immediately.
6. If you're concerned about your wellbeing, or have underlying health conditions, work with your GP to understand how best to stay healthy.
7. Keep track of where you've been and who you've seen to help contact tracing if needed. Use the NZ COVID Tracer app as a handy way of doing this.
8. Businesses should help people keep track of their movements by displaying the Ministry of Health QR Code for contact tracing.
9. Stay vigilant. There is still a global pandemic going on. People and businesses should be prepared to act fast to step up Alert Levels if we have to.
10. People will have had different experiences over the last couple of months. Whatever you're feeling — it's okay. Be kind to others. Be kind to yourself.

**Monthly newsletters** – We understand the importance of keeping you informed over the last 11 weeks, with regular newsletters. As the pace of new information has slowed, we have gradually reduced the frequency of our newsletters to reflect that. With the move to Level 1 imminent, we will now be changing to monthly. If however, there are major announcements or changes we will of course keep you informed.

**Bit of a Laugh** – Two clips from the classic Dad's Army, the first Lance Corporal Jones reminds us all of the need to not panic. [View here](#) . And the second is the all-time [favourite](#) .

**New Webpage** - we have added a new page to our website and are gathering different resources for you to use. Check out [Polson Higgs Covid-19](#)

If you have a question about anything please don't hesitate to [ask](#).

Stay safe and keep in touch.

Kind regards

**Polson Higgs Team**

**PolsonHiggs**  
*Business advisors*

Better  
business  
together.

---

139 Moray Place, Dunedin 9016  
PO Box 5346, Dunedin 9058. Phone 03 477 9923 [ph.co.nz](#)