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Is Your Pricing Model Killing Your Business?

> *"The moment you make a mistake in pricing, you're eating into your reputation or your profits." (Katharine Paine, founder and CEO of KDPaine & Partners)*

Sometimes in business you can see the end coming from a mile away. Losing your biggest client, conceding market share to a new competitor, or having your product become obsolete are all obvious signs that tough times are on the way. Some killing blows are a lot harder to detect. Perhaps one of the least noticed and most difficult to see coming, even if you are looking for it, is death by your pricing model and it's easy to understand why.

Some companies accept their pricing models as part of the furniture. They create the prices early on and stick to the models they believe are working for them, all the while potentially missing the tiny signs that bad business is being done and bankruptcy is just over the horizon. We look at why accurate pricing is such a critical part of any business's success and tell you what to look for to detect that there might be something wrong.

It may seem a simple concept but getting your pricing right is an integral part of any business's true sustainable success and can be a critical part of its failure too. Bad pricing leads to missed deals if you are too expensive, and lost profits if it you are too cheap. It also leads to painful brand damage as high prices can make your business seem aloof and out of touch, while low prices can make good products seem to be of poorer quality than they really are.

Harvard Business Review says that a 1% improvement in a company's pricing can make an enormous difference to a company's bottom line.

"For a company with average economics, improving unit volume by 1% yields a 3.3% increase in operating profit, assuming no decrease in price. But, as Exhibit 1 shows, a 1% improvement in price, assuming no loss of volume, increases operating profit by 11.1%," says McKinsey & Company pricing expert Michael V. Marn in "Managing Price, Gaining Profit" here.

One study by OpenView of over 400 business pricing strategies, revealed that 84% of respondents reported at least a 10% increase in annual recurring revenue (ARR) after a pricing change and even more dramatically, 25% reported an increase of at least 50%.

How do you know if your pricing model is wrong?

It is clear to see that pricing strategies can have a huge impact and that quite often a lot of money is either being left on the table, or deals are missed because of incorrect pricing. But how do you know if your products have been priced badly? Here are a few of the critical signs to look out for if you don't want to become a victim of your models.

- **You aren't covering costs**

  The most obvious sign you have not priced your product correctly is a simple one. You are struggling to make costs. If you have a significant sales book and are still struggling to make ends meet the chances are your pricing model is wrong.

  Pricing needs to take into account all expenses and then add a profit on top of that. Making sure you include all your costs in this expense calculation is critical to being able to build a thriving business. While most people will remember to include staff costs, advertising, property costs and the cost of raw goods, there are numerous other costs that must not be forgotten such as licensing costs, shrinkage, employee discounts and seasonal fluctuations in raw product costs. If you are struggling to realise your true financial situation approaching your accountant will be absolutely key to your efforts going forward.

- **Pricing by competitor**

  When it comes time to price your product you should be aware of what your competitor is charging, but do not let it be the be-all and end-all. What happens if you are copying them, and they are pricing themselves out of the market? Work out what your costs are, what a fair profit is and stick to that. Remember, if there is a price difference it may come down to you adding extra value, having a better-quality product or going to places they can't service. You need to be true to your own unique situation if you want to be sure your prices aren't going to land you in hot water.

- **You don't know the value of your product**

  Value and price are two different things. You may know every inch of your product and understand why it's better than the competitors, but that's useless if you don't know what your product is worth in cold hard cash to your customers. If you build an amazing product that's best in its class but it can only save the customer R100 a month, you are going to struggle to sell that product for R10 000. Likewise, if your product saves a customer R25 000 a month, why are you selling it to them at R1 000? Under-pricing on that scale can lead to the customer mistakenly believing that your product won't do what you say it will or thinking it's likely poor quality. Understanding the value your product brings to the consumers goes a long way to knowing exactly what you can charge for it.

- **What do you want from sales?**

Immediate profit may be only one of the reasons why you price a product low. Initially, your aim may be to claim market share and as such you price your product competitively to ensure you can grab a stake in a tough industry, before moving the pricing to better reflect your costs and profits. Perhaps you need a certain amount of market share to reach economies of scale in which case your current low price may be justified? Or perhaps you benefit from a network effect in which the value of your product increases with the more people that use it? The point here is that you need to understand your motivation for pricing before you can price accurately. If you don't, then your pricing is probably inaccurate.

- **Can you predict the future?**

  The best business leaders can sometimes seem like clairvoyants who can see into the future. If you understand where your industry is headed and what challenges it may face in the future you will be better able to position your product. Depending on your industry these factors can include changing energy needs, climate considerations, weather patterns or general lifestyle changes. Understanding these challenges will help you foresee which of your products may be likely to lose money in the future and which may grow in demand allowing you to adjust the prices to match. The more intelligence you have on the factors that affect your industry the more you will be capable of weathering any challenges and selling your products.

- **You rely on cost-plus pricing**

  If your business relies on cost-plus pricing, in which the selling price is determined simply by adding a specific fixed percentage to the product's unit cost, then chances are you are leaving cash on the table. Even a simple corner store owner can make more money from milk if he is the only one in the suburb that sells it. Being aware of your market and your customer's needs and demands will ensure you take advantage of your strengths to maximise profit.

  According to Bain & Company there are three main behaviours in pricing that pinpoint the top achieving businesses. Those companies that make the most profit do so by:

  - Aggressively "employing tailored pricing at an individual customer and product level,"
  - "Aligning incentives for frontline sales staff with the pricing strategy" and
  - "Investing in ongoing development of sales and pricing teams through the use of training and tools."

What is clear is that in this space there is no call for cost-plus pricing.

The savvy business owner does not leave their pricing to chance. The rands and cents that you let leak away through missed deals or profits not taken could one day be the difference between a booming organisation and bankruptcy.

9 Key Metrics Every Business Should Track

"If you can't measure it, you can't improve it." (Peter Drucker)

Metrics allow businesses to track the growth and performance of various aspects of the business, enabling owners and managers to monitor a company's progress toward its goals, identify and manage proactively potential problems, and make well-informed intelligent decisions.

Many business metrics can be tracked by a company, and those selected will ultimately depend on your business's unique goals. However, 9 key metrics should be tracked on a regular and ongoing basis by every business that aims to increase profits and maximise growth.

In this article, we find out what these 9 key metrics are, how they are measured, what they tell you about the business, and how they might be improved.

Metrics are defined as a set of numbers that give information about a particular process or activity. In a business context, a metric is a quantifiable measure used to track, monitor and assess the performance of various business processes.
Also known as key performance indicators or KPIs, business metrics allow you to track the growth and performance of a business, so potential problems can be identified and effective solutions developed, and well-informed decisions can be made.

There is a range of metrics that a business can track in terms of sales, financial results, human resources, customers and work progress. In the complex world of business today, using just one or two metrics will not provide a complete overview of the business performance. For example, focussing only on the sales revenue metric may create the impression that the company's performance is on target, when adding the net profit and gross margin metrics will reveal a more accurate picture.

To truly gauge your business's performance, you need to measure your growth in a multitude of ways, tracking the relevant metrics together for a big-picture understanding of performance across the various functions.

The 9 key metrics

The selection for your specific business should be based on your own business's unique goals. However, where the aim is to increase profits and maximise growth, 9 key metrics will enable you to track, monitor and assess the performance of various business processes.

1. **Sales revenue and growth**

   Sales revenue or income is the key metric every business uses to measure its financial performance.

   It is measured by adding up the income from sales, less any costs associated with returned products and/or refunds. A further, related metric that is more indicative of your business's financial performance is year-on-year revenue growth.

   These metrics allow businesses to evaluate the company's sales, how the products or services are performing in the marketplace, and how successful the business's marketing efforts are, compared to previous years.

   Sales income can be increased through price increases, or through boosting sales by finding new customers or selling more to existing customers.

2. **Net profit margin**

   The next crucial metric every business should track is the net profit margin.

   This metric determines how much profit was made by deducting all the expenses incurred from the income generated, including the cost of goods sold, interest, taxes and operating expenses.

   The net profit margin compares the income generated to the costs associated with generating that revenue, effectively evaluating the company's ability to deliver a profit. As such, the net profit margin can predict a business's sustainability and potential for long-term growth.

   The net profit margin can be increased by increasing income and / or lowering the costs of generating that revenue.

3. **Leads and lead conversion rates**

   Increasing income requires more sales, which means finding new clients, and this requires access to new business leads, as well as the ability to turn those leads into customers.

   This metric helps businesses establish how many new leads it gets, and from where, and how many of these leads become new customers.

Lead conversion rates can be calculated by dividing the number of new leads per month by the number of new customers per month.

This metric can be increased by, for example, extending marketing and advertising efforts to generate more leads, or by investing in factors known to increase lead conversions such as quality products and services, professional salespeople and processes, and excellent customer service.

4. Gross margin

A company's gross margin measures the percentage of income that goes toward costs of producing your goods and services, but excluding other operating expenses, interest and taxes.

It is calculated by subtracting the cost of goods from the total sales revenue and then dividing that by the total sales revenue (multiply that result by 100 to get gross margin as a percentage). Other metrics in this regard include average fixed costs per month or unit of production, as well as average variable costs per unit of production, which depend on the number of sales, such as sales commissions and raw materials.

To calculate your average variable cost, add all total variable costs of the product or service together and divide by the total number of units delivered.

This metric reflects the efficiency of the business processes and basically states overall productivity in numbers.

This number can be increased by improving the efficiency of processes and productivity, thus reducing costs which will improve cash flow.

5. Cash flow

Cash flow is a key metric, particularly for smaller businesses where cash is crucial.

It is measured through carefully managing accounts receivable and accounts payable, as well as tracking and forecasting your operating cash flow based on the sales revenue and gross margin metrics.

Essentially, this metric shows which areas of the business are generating and using the most cash; reveals how readily a company can meet its debt and interest payments; enables informed budgeting and spending decisions; and allows potential cash flow problems to be identified and managed in time.

Tracking and forecasting your cash flow allows the business to manage this crucial aspect better, while using credit lines responsibly can help during inevitable pinch periods.

6. Customer acquisition cost and lifetime value

Acquiring new customers involves various costs, such as advertising or marketing, as well as the time and administrative costs of onboarding a new customer. However, these costs must be evaluated in terms of the lifetime value of a customer.

Customer acquisition costs are calculated by dividing the costs of acquiring and onboarding during a specific period by the number of clients acquired during that same time.

This metric is even more insightful when compared to the lifetime value of the average customer, which reveals how much revenue the business can expect to earn from a typical customer.

It can be calculated by multiplying the value for an average sale by the retention time for a typical customer and the number of transactions a typical customer usually generates in that time frame.

This metric highlights what is affordable in terms of acquisition costs per customer and can help distinguish higher-profit customers from those who are too expensive or difficult to convert.

One of the ways in which to improve this metric is to focus on customer satisfaction and retention.

7. **Customer satisfaction and retention**

   This metric reveals how satisfied your customers are and thus how likely you are to retain their business. Satisfied customers are easily retained over the long term, make repeat purchases, and tell others about your business, generating both leads and conversions.

   It can be measured through customer satisfaction surveys, or even by simply making regular calls to your top customers.

   This metric can be vastly improved with a focus on quality services and/or products, and excellent customer service relationships, and this is in great part achieved through satisfied and loyal employees.

8. **Employee satisfaction**

   This metric measures how satisfied your employees are at your company.

   It can be measured through feedback and surveys.

   By regularly measuring employee satisfaction, you can address any issues timeously.

   This metric can be greatly improved by treating employees fairly and creating a positive company culture they feel proud to belong to. Employees determine the overall success of the business because satisfied employees are more productive and will enhance your progress towards the achievement of the business's goals.

   Top managers need to be accessible to employees at all levels and encourage open and safe communication. Opportunities and problems with customers need to be communicated immediately to enable positive responses and action.

9. **Progress toward goals and deadlines**

   This metric provides insight into the company's capacity for production and its performance in this respect, and flags potential issues. Performance measurements and performance accountability are key.

   Every business has goals and deadlines, which are achieved in milestones. This means you can track progress through the number of milestones that are met, on target and/or overdue.

   The company's overall efficiency in meeting the milestones and deadlines can be improved by developing effective solutions to identified issues such as unrealistic expectations, insufficient resources and low productivity.

Tracking all these business metrics may seem challenging and time-consuming, but for improved profitability and business growth, it is crucial to do so. Your accountant will be able to assist you in tracking many of the metrics discussed and provide advice in respect of tracking non-financial metrics, allowing you to monitor and assess the performance of the most crucial business processes and to make informed business decisions.

Are You Claiming Your Full Tax Relief for Disability-Related Medical Expenses?

> *"South Africa is aligned with the practice in many other countries of granting tax relief for medical expenditure." (SARS)*

If you are a non-provisional taxpayer, you have only a few more days to ensure you have claimed all the permissible rebates before the submission deadline of 24 October.

Among the most useful tax rebates in this regard is the medical expense credit, and it applies to a broad selection of taxpayers. While many taxpayers do claim the medical scheme fees tax credit *(MTC)*, very few know how to claim the *additional medical expenses tax credit (AMTC)* for qualifying medical expenses, including those related to a disability or physical impairment.

In this article, we look at how SARS defines disability and physical impairment, which expenses qualify, how much tax relief is provided, and what the requirements for a successful claim are.

In South Africa, tax relief for medical expenses is provided through a medical tax credit system. This means the tax relief is provided as a tax rebate - a reduction in tax payable.

If you are a non-provisional taxpayer, you have only a few more days to ensure you have claimed all these rebates.

SARS allows two types of medical tax credits.

1. *Medical scheme fees tax credit (MTC)* for contributions to a registered medical scheme. This is normally applied through a company's payroll system and reduces the monthly income tax due. Otherwise, it is claimed on the annual ITR12 income tax return.
2. *Additional medical expenses tax credit (AMTC)* for other qualifying medical expenses, including those related to a disability or physical impairment. This tax relief is often under-utilised, and is explained in greater detail below.

How SARS defines disability

It is important to note that the definitions used by SARS to define a disability for the purposes of the tax rebate are not the same as the definitions used in general.

For tax purposes, a disability is defined as a moderate to severe limitation of any person's ability to function or perform daily activities, **as a result of a physical or sensory or communication or intellectual or mental impairment**.

For a disability - whether physical, sensory, communication, intellectual or mental - to qualify for a SARS tax rebate, it must be diagnosed by a duly registered medical practitioner trained to diagnose the applicable disability or to express an opinion thereon and must also last, or have a prognosis of lasting, for more than a year.

However, a diagnosis alone is not sufficient. For each type of disability - physical, sensory, communication, intellectual or mental - listed in SARS' definition of a "disability," there are prescribed diagnostic criteria that assess the functional impact thereof on a person's ability to perform daily activities.

In real life – with a practical example

An example will help to clarify. Let's say a taxpayer's dependent has been diagnosed by a medical practitioner with a mental disability such as autism spectrum disorder, which includes among others autism, Asperger's syndrome, and childhood disintegrative disorder.

SARS will use the prescribed diagnostic criteria below to determine if the dependent's condition qualifies as a mental disability for the purposes of claiming a tax rebate.

"With the exclusion of intellectual disability, a person is regarded as having a mental disability if that person has been diagnosed (in accordance with accepted diagnostic criteria as prescribed in the Diagnostic and Statistical Manual DSM-V) by a mental health care practitioner who is authorised to make such diagnosis, and such diagnosis indicates a mental impairment that disrupts daily functioning and which moderately or severely interferes or limits the performance of major life activities, such as learning, thinking, communicating and sleeping, amongst others. A moderate impairment means a Global Assessment Functioning Score (GAF-Score) of 31 to 60. A severe impairment means a GAF-Score of 30 and below." (SARS)

Similarly, physical, sensory, communication and intellectual disabilities have their own prescribed diagnostic criteria.

This means that whether or not a certain disability - whether physical, sensory, communication, intellectual or mental – will qualify for the medical tax credits, can only be determined on a case-by-case basis.

Tax credits for other physical impairments and brain dysfunctions

In cases where a condition does not meet the prescribed diagnostic criteria to qualify as a disability (and is therefore "less constraining" than a disability as defined), the taxpayer may still be able to claim some medical tax credits for expenses for physical impairments related to the condition. These include, for example, poor eyesight, hearing problems, paralysis and brain dysfunctions such as dyslexia, hyperactivity or lack of concentration, but excludes medical conditions such as diabetes and asthma.

Which expenses may be claimed

SARS further publishes a prescribed list of physical impairment or disability expenses, which, in addition to other qualifying medical expenses including out-of-pocket expenses, can be claimed if you have paid for and not recovered such expenses.

The current list includes for example:

- Travel and transportation expenses
- Personal care attendant expenses
- Alterations or modifications to assets
- Insurance, maintenance, repairs and supplies
- Prosthetics
- Aids and devices such as orthopaedic shoes and mobility aids
- Prescription spectacles and contact lenses
- Services such as special education schools or rehabilitative therapy
- Service animals.

However, just because an expense is listed, it does not automatically qualify as a rebate. To qualify for the tax rebate, the expenditure must be "**necessarily incurred**," and paid by the person "**in consequence"** of a qualifying disability – whether physical, sensory, communication, intellectual or mental - or physical impairment that does not qualify as a disability according to SARS' definitions.

For example, if a person in a wheelchair who has no visual impairment buys a hand-held GPS, the cost of the hand-held GPS will not qualify as a deduction even though the expense appears on the list. This is because the hand-held GPS is not "**necessarily incurred**" in connection to this person's disability. In the case of a visually impaired person, the cost of the hand-held GPS may qualify as a deduction.

SARS says the guiding principle is to identify those additional expenses a person with a disability would incur, without which the person would not be able to perform the activities of daily living.

For example, part of the school fees paid by taxpayers whose children living with a disability attend a private special education needs school, can be claimed. The amount that can be claimed is currently the difference between the fees paid to a private special needs school and the closest fee-paying private school, or the difference between the fees paid to a public special needs school and the closest fee-paying public school.

How much tax relief can you get?

Because the AMTC is a rebate against taxes payable, it is limited to the tax payable before the offset of employees' tax and provisional tax, and does not create a refund, nor can the excess be carried forward to the next year of assessment.

How much you can claim also depends on whether it is you, your spouse or child that has a disability, or whether it is another dependent that has a disability, or if the claim is for physical impairment where the condition does not meet SARS' definition of disability.

If you, your spouse or child has a disability, you can claim 33,3% of the qualifying out-of-pocket medical expenses (which includes disability related expenses), paid by you (and not recoverable) during the relevant year of assessment, as well as 33,3% of the fees paid (if any) to a registered medical scheme or qualifying foreign fund that exceeds three times the amount of the medical scheme fees tax credit (MTC) to which you are entitled.

If a dependant other than your spouse or child (such as a parent or sibling) has a disability, *or if the claim is in respect of physical impairment (rather than a disability as defined by SARS),* qualifying medical expenses may still be claimed, subject to more limitations.

These include that AMTC is limited to 25% of the amount by which the sum of the amounts listed below exceeds 7,5% of the taxable income:

- all contributions made by the taxpayer to a registered medical scheme that exceeds four times the MTC; and
- actual qualifying medical expenses (including expenses for a physical impairment or for a disability that is mild and not moderate to severe) paid by the taxpayer and not recoverable from the medical scheme.

What are the requirements for a successful claim?

The tax rebates for qualifying medical expenses can only be claimed in the year of assessment during which they are actually paid.

You can claim the qualifying medical expenses when you submit the income tax return (ITR12) for the relevant year of assessment. The deadline for this year is 24 October.

For SARS to consider the deduction of qualifying expenses in respect of the disability you will need a completed "Confirmation of Diagnosis of Disability form" (ITR-DD form) as supporting evidence of the disability.

The ITR-DD form is completed partly by the taxpayer and partly by a duly registered medical practitioner who is trained to diagnose the applicable disability or to express an opinion on the disability.

You are not required to submit the ITR-DD form with your income tax return. However, in the event of an audit or inspection SARS will request a copy, which must then be produced.

As with any tax rebate, it is always advisable to check in with your accountant and rely on professional assistance to ensure you minimise your tax bill that is due before the end of the month if you are a non-provisional taxpayer.

How The Gig Economy Is Changing Traditional Businesses

> *"If you're trying to create a company, it's like baking a cake. You have to have all the ingredients in the right proportion" (Elon Musk)*

The gig economy is here and it is becoming clear the world will never be going back to the way it was pre-pandemic. While once workers dreamt of corner offices and a PA to bring them coffees the modern move is towards working from bed with a coffee machine in the kitchen. Whereas once people were leaving companies to join others, a series of recent surveys have shown that people are now leaving their jobs to work for themselves and contract out to larger entities.

But what does all of this mean for companies that are used to running on the old 9-to-5 business model? Will they have to change and if so, how? Can they adjust to the more flexible models demanded by gig workers and do they really need to? The challenges posed by the new working system and demands from younger generations are not all immediately obvious either, and the ripple effect is going to affect way more than simple work hours and hiring policies. Here's what business managers and owners need to know.

The move to the gig economy has been in the works for years. Even before the pandemic people were leaving their jobs to "consult independently" from small towns around the big cities. Younger generations with in-demand skills found themselves capable of earning more money, and having more flexibility, while working at home, and this situation was only exacerbated by the huge retrenchments and wage cuts demanded by the pandemic.

Now, more than two years after the start of the Covid-19 crisis, gig workers and freelancers have become a common way of doing business. With greater control as to who they work for, and the ability to spread their time over multiple employers thereby lowering their risks regarding retrenchments or layoff, gig workers have more control than ever before when it comes to their day-to-day lives. The gig economy also allows its freelancers to work on new skills, while keeping up with the work necessary to pay the bills. There are, however, guaranteed downsides too. The gig economy is not as stable for those who work. Month-to-month employment is not guaranteed. Holidays are a rare commodity with client needs dictating time off rather than mental fatigue or family commitments.

Companies who hope to bring in the skills they need will have to be cognizant of both the positives and the negatives of freelance life in order to maximise the happiness of those they contract with, and so achieve the best delivery at the best prices for themselves.

Here are our tips for how the gig economy will impact businesses going forward and how best to weather the changes to benefit your brand -

1. *Is Corporate culture a dinosaur?*

With the Covid pandemic moving to endemic status many corporate managers are demanding their teams return to the office. The belief is that "Corporate Culture" is suffering and this will impact the quality of work done in the long term. Corporate culture is a term generally used to explain the sense of camaraderie and teamwork that employees are meant to feel toward their jobs. This sense of belonging and sense of loyalty toward the brand they work for has long been shown to impact the level of work employees are prepared to put into their positions and team leaders believe this is eroded by working from home, and non-existent in freelancers. This is however not necessarily so.

A recent study here has shown that the sense of corporate culture and commitment to a brand's long-term goals can in fact be felt by freelancers but cautions employers that they may have to change the way they have traditionally imposed this culture. In the traditional employment model commitment to a brand is driven in three ways:

- Employees stay and work hard because they feel affection towards the company and enjoy working there
- They fear the consequences of losing their work, and
- Over time they also develop a sense of duty and obligation to the company that has looked after them.

The study conducted by Stefan Süß and Markus Kleiner suggests that brand loyalty in freelancers is won only through "Affective commitment."

Affective commitment is that feeling of connection one feels to an organisation or group when they believe that their own personal goals and beliefs are aligned with those of the organisation or group and when they feel that they are an integral part of any team within that organisation. Freelancers tend to feel no obligation towards one employer and their fear of losing their job is significantly decreased by the presence of multiple employers.

2. *How can you inspire commitment in freelancers?*

Affective commitment has always been an important part of employee retention. For freelancers, however, affective commitment is the main reason they remain driven and invested in their work for that organisation. So how does a company inspire this kind of commitment?

Open and clear communication: If an employee is to believe they are personally aligned with a business, the brand's beliefs and messages must be strongly communicated. It must also be clear how the employee fits within these beliefs, what their role is and how they contribute, both now and in the future.

With freelancers, companies should communicate openly, sharing its struggles and achievements. In order to feel concern for a team, the freelancer must feel trusted and part of the team.

Make the job fun: Freelancers report greater attachment to brands when they enjoy their jobs and relationships. Allowing freelancers the opportunity to take on new challenges and roles within the company and expand their initial positions will give them the variety and mental stimulation they require.

Inclusivity: Everyone wants to feel like they are liked and part of a team. Including the freelancers in activities just as you would your full-time employees gives them that sense of belonging and more importantly of being valued that is difficult to find in the freelancing environment.

Demonstrate commitment: One of the largest downsides for freelancers is the feeling that their work is always temporary or that if you hit trouble, they will be the last in line to be paid. Thinking about how you can improve freelancer wellbeing will therefore go a long way to building trust and belief in your company. This goes well beyond always paying your freelancers on time. Your freelancers are working from home and often at all hours, so consider sending them a gift basket upon completion of a job, arranging a discount for good coffee with a local coffee shop or regular check-ins with management at which they are able to offer feedback and make themselves heard.

Develop them: If you want to retain your freelancers long-term, then you need to think of their aspirations. Helping them to develop new skills and grow as people will benefit your brand in the long run in that it will position your company as being at the top of their list when it comes time to meeting deadlines and making space within their schedules.

3. Agile HR

One of the largest benefits for companies in the gig economy is that it gives them more flexibility to respond to changing situations. Companies can now scale their workforces up and down as needed to respond to new business opportunities or challenges and can also quickly assemble new teams for a single project or move people between teams to cope with staff shortages or leave. Why spend millions on recruitment when you aren't even sure the new project is going to last longer than a year?

Your HR team, therefore, needs to be trained and upskilled to take the gig economy into account when considering the employment needs of the company. They should be working directly with your accountant on a project-by-project basis to determine the most streamlined use of available resources. Your company can now work with freelancers from across the globe and those with the ultra-niche skills necessary to complete a particular task. Accordingly, HR needs to be up to the task of searching for talent wherever it may be, as well as things like international law regarding payments and tax.

In fact, your HR team may be about to become even more valuable than they have ever been in the past. Whereas once they were managing a limited team of employees, they may now be required to deal with hundreds of different people working in dozens of different locations, while keeping everyone happy, delivering proper communication and ensuring many different payment styles and preferences are adhered to and regulations complied with.

4. Empower flexibility

Freelancers and workers who generally work from home do so because it gives them more flexibility with their workdays. Dads are able to nip out to pick up their kids from school, and the plumber's visit doesn't have to be scheduled for a weekend. Employers, therefore, need to consider these benefits and lean into them. For example, it doesn't make sense having dedicated office space for everyone when 80% of the time those people are working at home.

This, together with the fact that your teams will be adjusting in size and purpose a lot more in future, makes creating agile workspaces critical. Building workspaces within your own office where multiple flexible workers can use the same general space will allow them to check in, grab a coffee, have meetings and fill a few work hours without hampering their desire to work where and how they like. There should be a variety of conference rooms to accommodate teams of various sizes and excellent connectivity throughout. Teams should be able to meet around a whiteboard while patching in workers from other countries on screen, or alternatively find small, comfortable corners to share a coffee.

As an added bonus, this flexibility will also save your company a huge amount in rental for dedicated workspace and equipment and allow freelancers to come in and meet the people they are working with in a way that strengthens team cohesion and doesn't interrupt the full-time employee's days.

Employers should also consider the mobile nature of work outside the office. Your employee who has to pick up their kids in the afternoon, would almost certainly love to work for the hour while they wait for their child to do karate so make sure they have the means to do so. Empowering them to work on-the-go will allow them to deliver more work, more consistently and get their jobs done well, wherever they may be. A good laptop and mobile connection are now vastly more important than an office chair.

5. It's cheaper

Done right, leaning into the gig economy can save costs that are far larger than simple office space. Recruitment is expensive and full-time employees come with issues like benefits, severance pay and even leave, whereas the freelancer is responsible for taking care of these issues themselves. If you really need someone to work over a specific period you can hire for availability rather than worry that an employee's sickness will keep them from delivering at a critical time.

It is clear that, while the gig economy may provide some short-term disruption, the long-term benefits of working with freelancers can vastly exceed the challenges. Companies need to accept that life has changed, and the days when they employed 100% of their staff to clock in from 9-to-5 are long gone. And for many businesses it's going to be for the best.

Your Tax Deadlines for October 2022

- 7 October – Monthly PAYE submissions and payments
- 25 October - VAT manual submissions and payments
- 28 October - Excise Duty payments
- 31 October - Value-Added Tax (VAT) electronic submissions and payments & CIT Provisional payments