Sanlam

The Business Plan Book

Insurance | Financial Planning | Retirement | Investments | Wealth

Contents

Intro: Plan to succeed

Thorough planning is the key to success

1. Opening a business without a business plan is like setting out into the middle of nowhere with no map or supplies and trying to find a specific location you've never been to. You have an idea where you want to go but you have no idea of which direction to take or what supplies you will need. How can you possibly hope to get there?

2. The matter of the fact is that most entrepreneurs do exactly that. They have a brilliant idea and the courage to go after it. But that's not enough. There are thousands upon thousands of small businesses that failed, despite that initial great idea and their owner's courage to go after it.

3. Why do they fail? Lack of funding, ignoring the competition, ineffective marketing, poor location, not understanding customer needs, cash flow problems... there are a multitude of reasons why businesses fail.

4. However, all these reasons have one crucial factor in common – they could have been avoided if the business owners had compiled a comprehensive business plan *before* they opened their doors for business.

5. The primary purpose of the business plan is to guide you in successfully setting up and operating your business. Preparing the plan forces you to consider all aspects of your business and to confront *any* problems the plan highlights. . . while your business is still on paper.

6. The fact is: Your business plan is literally your roadmap to your success. Any road will take your business somewhere, but only a well-executed business plan will help you take your business where you want it to go.

No matter how small or how large your business,
you've got to aggressively plan the work —
and then aggressively work the plan!

How to use this journal

1. **Plan first, implement second**

   It is vital to work your way through the *entire* planning process before you begin to put your business ideas into action. For example, if you sign a lease or a location before you complete your planning, you may find that you are stuck with a location that is completely inappropriate for your business.

2. **The journal is your planning tool**

   The journal will help you plan your business venture from beginning to end. It provides space to write down ideas, notes, plans and details of your business venture.

3. **The journal is divided into 23 sections**

   Each section has explanatory notes and space where you can customise the material to suit your business venture. The emphasis you put on each section depends entirely on the nature of the business you're starting.

4. **Each section has an *Action Plan***

   Convenient and well thought-out Action Plans help make things happen! At the end of each section is an Action Plan on which to write down *everything* you need to do to complete that section.

5. **The big pictures.**

   You need a visual picture of your business as you plan it. This will make the actual writing of your business plan a lot easier. The journal includes three big pictures in Part 24. As you work through your journal, you will be alerted when to add details to each of your big pictures.

6. **Part 23 - *Your 12-Week Planner.***

   This section is a 3-month diary, divided into twelve weekly segments. By transferring the chores and tasks from the Action Plans to a daily/weekly/monthly planner, you can be assured that your plans will come to fruition in an efficient and timely fashion.

Above all else, enjoy yourself!

Planning your business should be an enjoyable and fulfilling process, not a stressful and frustrating one!

Part 1: Planning to plan

There is no more productive use of time than planning ahead. The more time you spend in planning of a project, the less total time is required for it.

Planning your planning

1. You need to spend a lot of time and effort on the planning process. It is essential if you are both to focus your ideas *and* bring together all the essential components, such as your business team, your financial needs, your goals, the day-to-day running of your business, etc.

2. However, *before* you even begin to plan your business you need to organise a physical "planning space" where you can work on your planning. You also need to organise dedicated "planning time" so that you can take the time to get it right. Having dedicated planning space and time is the only way of accomplishing accurate planning.

Contents Part 1

Making time to plan your business

1. Effective time management is one of the most over-looked – yet essential – tools when it comes to planning a new business venture. It is all too easy to underestimate the amount of time it takes to plan a sustainable business.

2. Most people plan their new venture while still maintaining their original full time employment. So time management is even more critical.

3. Just as a well-run business follows a budget in spending money – so an effective entrepreneur needs to follow a budget (or schedule) in spending time.

4. This means being systematic and rigorous in managing your time. Set your time frames. Then schedule "blocks of time" that you set aside specifically for working on your business plan. Free up extra time by establishing where all your spare time goes – and then using it for working on your business plan.

My time frames:

This is where all my free time goes:

This is when I can schedule my "blocks" of planning time:

A place to work on your business plan

1. You need to set up an efficient and workable home office in which to plan your business venture. The more professional your planning space, the more productive and efficient you will be.

2. Set up your home office as a business environment that helps you concentrate solely on your business plans. This is your best long-term investment for your new venture right now.

3. Careful planning is the key to an efficient home office. Get some solutions for setting up your home office so that it works precisely how you need it to work. Think about space, privacy, noise, lighting, comfort and personal working style.

4. Make sure it is adequately equipped for your needs. You shouldn't skimp on the things that you know you will need, but take some time to think about whether you really need some of the less frequently-used high-cost equipment.

5. Get your whole family to support you in keeping your area

What I need out of my home office space:

What I must do to make an efficient and workable home office:

Making a vision board

1. Motivation works! So make a BIG vision board and pin up everything that will inspire and motivate you. Write down great ideas on brightly coloured paper and pin them up. Pin up pictures from magazines, photographs, and quotations.

2. Make it VISUAL and COLOURUL and BRIGHT.

3. The power of visualisation cannot be exaggerated. Most people who achieve great things have the clearest picture in their mind of what they want. (When Olympic sprinters are asked what they're thinking about when they stare down the track seconds before the starting gun, without exception they say that it is seeing themselves bursting through the tape and winning the gold medal.)

4. A collage of your "vision" will not only help you when you are putting together your project but, hung in a prominent place, it will serve to keep you focused.

5. When it comes to vision, don't short-change yourself right at the start by thinking:
   - *"I can't. . ."*
   - *"What if. . ."*
   - *"It's impossible. . ."*

6. With determination and hard work you have the means within you to make every idea come alive!

This is what I need to do to get my vision board up:

Turning "To Do" lists into "Action Plans"

1. Most of us know we need to make "To Do" lists! However, not many of us know we need to turn our "To Do" lists into action plans. An action plan converts a "To Do" list into a step-by-step approach for action.

2. Action plans bring order to your life because once you've formulated a sound plan, you are free to stop worrying because everything you have to do is planned out with the correct deadlines.

3. They also reduces huge tasks to manageable levels. Think about a loaf of bread. Before it has been cut, it is big and represents a lot of eating! But cut it into thin slices and it takes on a different aspect. Now you have something manageable.

4. Getting your venture up and running successfully may look like that loaf of bread right now—too big to manage! But if you slice it into as many small, manageable actions as possible, it becomes easier to achieve.

5. A "To Do" list and action plan accompanies each section of this journal. Here is how to turn each unmanageable "To Do" list into a manageable action plan:

   - **Brainstorm a "To Do" list**
     Write down *every single* action you need to do in order to complete a particular section of this journal. Remember: no action is too small to write down.

   - **Cross out all the unnecessary items**
     Ask yourself: "Does this action *clearly* contribute to my business?" If it doesn't, cross it out. It's that simple!

   - **Prioritise your list**
     Number the items on your list in the order you must do them, according to:

     a. their importance

     b. the time needed to complete the task.

   - **Assign responsibility**
     Each action has to be *someone's* responsibility. Things won't get done if they are just *something* that *someone* must do.

   - **Assign a deadline**
     Actions must have a deadline. Write down exactly when each task will be done—then stick to that deadline, no compromises!

“To Do” list — Part 1

1. Write down everything you must do in order to complete Part 1 of your business planning:

2. Now turn this “To Do” list into an “Action Plan”.
3. Write it down on the next page.

Action Plan—Part 1

	What must be done:	Who will do it:	When it'll be done:
1.			
2.			
3.			
4.			
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8.			
9.			
10.			
11.			
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The Recipe for Success!

Making your business a success lies in opening your mind to –

- Reaching beyond what worked in the past for you.
- Breaking yesterday's limits of what you thought was possible.
- Thinking positively *about* yourself and *for* yourself.
- Making learning a habit for life.
- Allowing your natural talents to develop and using them as tools for achievement.
- Focusing on *possibilities* – not on problems and what everybody "knows" won't work.
- Remembering. . . *you* are in control of all this!

Part 2: The big picture

Your big pictures will paint a picture of your venture as you work through the journal. You will be able to monitor how your planning is going and see how your business is coming along.

A strategy is more than luck

1. Any business—even the smallest—must be run according to a strategy and guiding set of goals. A great idea, tons of enthusiasm and relying on luck is a strategy—but not a very good one. Here are three key points to keep in mind:

- Focus: You don't have resources to squander, so it is vital you concentrate your efforts where you can achieve your most important goals. All this means is: *stick with what you are best at doing.*
- Personalise: This is the greatest strength your business can possess. You can infuse your business with your personality. The "feel" or personality of a business is an important asset.
- Specialise: Businesses that specialise will do better than ones that offer a little of everything. Specialising is the best way of focusing on people's needs.

Contents Part 2

Your big picture

1. Business plans are written documents, averaging from just a few pages to hundreds of pages long. Composing nothing but text does not give you a clear and simple picture of your business.

2. You need a visual picture of your business as you plan it. This will make the actual writing of your business plan a lot easier. The journal includes three BIG Pictures in Part 24. They are:

   a. My "General big picture"
   This big picture contains an overview of your business. It describes your purpose, location, equipment, product/service, team, networking, etc

   b. My "Marketing big picture"
   This big picture details your marketing strategy by summarising your marketing strengths, promotion, marketing message, sales management, target market, etc.

   c. My "Financial big picture"
   This big picture details your financial overview by summarising your start-up costs, your projected monthly budgets, your financing options, etc.

3. It also includes a *"My vision and mission statement"* page.

4. As you work through this journal, fill in the boxes on your BIG Pictures. (There is a note on every page that needs to be detailing on a Big Picture)

5. Your BIG Pictures are overviews. Be specific and concise—and include only the major details. The small details are clarified in your journal..

6. Even though some of the boxes look very obvious and easy to fill in now, only complete them as you cover that topic in the journal. You will be surprised how sequential planning reveals details you had no idea existed!

7. An excellent idea is to ask someone to study your BIG pictures objectively and point out weaknesses or gaps you might have missed.

Sustainability

Your business *must* be *sustainable*. Sustainable means that it *must*:

1. be easy to run and fund
2. be able to endure for a long time
3. be able to stand up to problems.

Here are some general guidelines on making your project sustainable as you start out:

Start small:

Starting small means:

- You can make mistakes without risking everything.
- It'll be easier to manage until you get into the swing of things.
- It will be easier to fund the start-up costs.
- It'll be fun and fulfilling.

Uncomplicated:

Keep your business and your strategy simple at first. Nothing causes more problems faster than trying to do too many complicated and difficult things in the beginning.

Specific:

It is only by concentrating on specific needs (be it a product or a service) that a business venture can succeed—and grow and achieve its potential. You must be absolutely clear on what you want your business to achieve. If you are vague about what you want to achieve, you'll never achieve it.

Total commitment:

You need complete faith in your business. You also need committed energy, hard work and single-mindedness to get it going and keep it going.

Ably managed:

Many, if not most, small businesses *start* from the heart but need to be *run* from the head. They need to be managed just as effectively as any large business.

Income-based:

A sound financing plan spells the difference between success and failure. Your service or product may be urgently needed but if your income doesn't exceed your "outgo" you're going to end up in dire financial straits. A business that needs constant financing to keep it going won't last. It has to be relatively easy to fund every month.

Needed:

Be sure that there is a *real need* for your business and your products or services. Fad, fashion, and luxury products or services frequently run into financial difficulties. You'll have a bigger market if you have products or services that are viewed as essential.

Your business name and logo

Giving your business a name and logo is one of the most important things you'll do. When you choose a name and logo for your business you are also choosing an identity.

Get your family, friends and/or colleagues together for a business name brainstorming session!

1. **Your business name must be memorable—but easy to pronounce and spell:**
Your potential customers need to be able to remember your business name. They also need to be able to find it easily in a phone book, directory or online.

2. **It has to have a positive connotation:**
A word's connotation can be positive, neutral or negative, depending on the emotional associations that
people generally make. Consider the connotations of any word you use in your business name. You don't want a name that sounds great, but which has a weak or negative connotation.

3. **It should include what your business does:**
Your business name should give people some clues about what you actually do. That's why hair styling businesses include words such as "salon" or "hair designs" in their names. Including information about what your business does in your business name also makes it easier for potential customers to find your business in phone books and directories (both off and online).

4. **It has to be fairly short:**
You want people to be able to remember your business name. It's also important for promotional purposes. You want a business name that will fit well on a business card, look good displayed on a sign or in an ad, and even serve well as a domain name and show up well in searches online. So keep it as short as possible.

5. **Your logo—the visual element:**
We all recognise the most well-known brands by their logo alone. Our brains are wired to "see" images when we read or hear language. Your logo can be a powerful aid to customers' memories (and a powerful advertising tool) Using a logo also helps give your advertising continuity.

* **Take a few days:**

- Come up with as many name and logo possibilities as you can.
- A day or two later, cut them down to a shortlist of two or three.
- And a couple of days after that—pick the right one!

Your business name and logo

Some names for my business:

The shortlist:

My business' name:

My logo:

Write your business name on your General Big Picture

The purpose of your business

1. Describing the purpose of your business will give you a clear and concise vision of your business. A written statement of its purpose on your BIG picture will help you maintain the vision of your business.

2. There is always more to your business's purpose that simply the surface one. Dig deep and unearth its precise purpose.

3. Establishing your real purpose also works like a road map. Once you have defined your purpose you can plan your journey towards its fulfilment with more accuracy.

This is the purpose of my business:

Write the key points of your business purpose on your General Big Picture

Your product/service

Define your product or service. You need to define it from two different points of view:

1. **How *you* see your product/service:**
   Describe *everything* in connection with it from your point of view—what it is, how it's manufactured, what it does, who it benefits, why people need or want it, how it is used, size, quantity, colour—all the specifics, down to the smallest!

2. **How *your customers* will see your product/service:**
   When customers think about using a product or service, they consider its benefits to them, its value (real and perceived), its advantages and disadvantages. They weigh it up against your competition. Therefore, it is not enough for you to define your product from just your point of view - you must define it from the customer's point of view. Ask yourself questions such as

   - How would a customer describe our product or service?
   - What image does it have in the market?
   - What are its features and benefits?

Describe your product/service down to its smallest detail:

____

Write the key points of your product/service on your General Big Picture

Defining your business goals

1\. The next step in your planning process is to establish the goals you want to achieve with your business. This is a vital step because your goals:

- map out exactly *where you are going* and *how to get there.*
- make you think about what you *really want* from your business.
- force you to make the decisions on how to get what you want.
- give you direction.
- keep your priorities straight.
- tell you if you're moving in the *right* direction.
- help you overcome obstacles along the way.
- help you plan and map out the future.

2\. While you are setting your goals it is important to understand why people fail in achieving their goals (so you can avoid the pitfalls). The three main reasons are:

- They don't set *achievable* goals. If you don't set realistic goals in the beginning, it is impossible to achieve them, no matter how hard you try.
- They don't establish why they really want to achieve those goals.
- They put together their goals—then put them away and forget about them!

3\. You can help avoid these pitfalls by taking these three actions:

a. Define your goals carefully:
The way to define your goals is to ask yourself:

- What would I like to achieve with my business?
- When would I like to achieve these goals? (Both your short-term and your long-term goals.)

b. Turn them into S.M.A.R.T goals:
See the next page!

c. Take your time:
Take your time over setting your goals because it's your future you're planning! You need to *think* about what you're doing, *talk* to family and friends and *revise* your goals until they're just right!

S.M.A.R.T. goals

If you want to achieve your goals, you have to make them S.M.A.R.T. goals. There are no two ways about it, S.M.A.R.T. goals are attainable goals!

This is what S.M.A.R.T. means:

Specific:

Vague business goals can't be reached. A vague goal is: "To make lots of money" or "To have a successful business." What do you mean by "lots of money" or "success"? The clearer you can make your goals, the better. Clear goals make the whole planning process a lot easier than vague, fuzzy aims.

Measurable:

There is a saying: "What gets measured gets done". Nothing is truer than when it comes to achieving your goals. There has to be some way to measure your progress. Basically, all this means is a way of answering the question: "How are we doing?" Most often goals are measurable in rands or units.

Achievable:

Business goals have to be achievable because if they aren't achievable given the resources and the conditions, then those responsible for achieving them will be frustrated no matter how hard they try and eventually your goals will be ignored.

Responsibility:

Goals have to be someone's responsibility. They're not likely to be achieved if they are just a vague "something" that "everyone" must "somehow" do. Unless you are a solo act, they should be the collective or the individual responsibility of other people. They can't all be your responsibility. This is a good time to delegate... which means trusting people to do the job!

Time-based:

Goals have to have a deadline. Not only must you know what you have to *do* to achieve each goal, you must know *when* you are will do it. However, keep in mind that your deadlines must be flexible. This means they must be able to shrink and expand according to how things are going. But beware of deadlines so flexible that they disappear altogether!

Step 1—Your goals

Keeping in mind the *purpose* of your business, brainstorm your goals. Write down *everything* you'd like to achieve. Don't worry about S.M.A.R.T. goals at this point—just get all your goals down, as well as possible deadlines.

STEP 2 — S.M.A.R.T. goals

Go through your goals one by one and check them against the S.M.A.R.T. definitions:

S Specific goal	M How I'll measure it	A Achievable?	R Person responsible	T Deadline

Write your goals on your General Big Picture

Your strengths and weaknesses

1. As an entrepreneur, it is critical that you know your strengths and weaknesses. It allows you to focus on the advantages you bring to your business while identifying areas where you will need extra resources and support.

2. Bear in mind that not all personal strengths and weaknesses are equal contributors to business success. For example, if you are planning to be a sole proprietor who works alone for the most part, the ability to manage staff isn't going to mean much, whereas being highly self-motivated is absolutely essential.

3. Think about how you are going to compensate for personal weaknesses. For example, if you are hopeless at all the small day-to-day details, you may need to think about hiring a personal assistant who can tie up all the loose ends

My strengths:

My weaknesses: How I can deal with them:

Write your strengths on your General Big Picture

Your skills and knowledge

1. What background skills and knowledge are you personally bringing to your new business venture?

2. We often think only of our professional skills and knowledge. But what about all those personal skills, knowledge and experience that you take for granted? You will be astonished important they are when it comes to building your business.
   For example:
   - Maths skills
   - Attentive to the smallest detail
   - Language skills
   - Being good with personal finance
   - Being a great organiser
   - Being creative
   - Working well with people
   - Knowing how to motivate people.

These are the skills and knowledge I possess that will make my business a success:

Write your skills and knowledge on your General Big Picture

“To Do” list — Part 2

1. Write down everything you must do in order to complete Part 2 of your business planning:

2. Now turn this “To Do” list into an “Action Plan”.
3. Write it down on the next page.

Action Plan — Part 2

	What must be done:	Who will do it:	When it'll be done:
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The Power of Positive Thinking

Keep your thoughts positive . . .
because your thoughts become your
words.

Keep your words positive . . .
because your words become your
actions.

Keep your actions positive . . .
because your actions become your
habits.

Keep your habits positive . . .
because your habits become your
values.

Keep your values positive . . .
because your values become your
destiny.

Part 3: Planning the basics

Now you're planning to spend money—big money! You're planning all the material goods you may possibly need—from a pencil to your premises—and everything in between.

The time to be conservative

1. Start-up expenses for a business can add up quickly, and almost always exceed projections. This is the time to be conservative. Wildly extravagant expenditures on everything from office leases to the latest and most expensive IT toy is clearly a potential disaster in the making.

2. Minimise your costs - and your risk - by making a hard, cold analysis of what you really need and being ruthless when it comes to crossing things off your list. You can always upgrade when your new business has started to make a profit.

Contents Part 3

Your location

1. Your location should be your number one priority. Signing a lease and paying rent is a financial burden - but a part of doing business. Signing a lease and paying rent on the wrong location is a financial disaster - and can signal the end of doing business.

2. There are certain criteria to consider when you are selecting a location. Ask yourself:
   - What exactly does your business require from its location?
   - Are you convenient for your customers? Can they get to you easily? It's no good being located in a place that is cheap to rent but inaccessible.
   - Parking is a vital consideration.
   - How about employees? Can they get there easily?
   - Have you room for inventory storage?
   - Does the location comply with laws such as zoning, safety or health, etc.?
   - How's the security - for your business, your customers and your employees?
   - What about future growth? Will the present location still be appropriate?

3. List any negative aspects of your location that can affect sales. Try to find solutions. Reconsider if you cannot resolve the negative aspects.

4. Resist the glamour of high-profile buildings and locations! In most cases it is better to rent less expensive premises in another area - then move up to more up-market premises when your business starts to turn a nice profit.

5. However, the opposite - getting too cheap a place - can also cause a problem. You might save money but find it doesn't suit your business image or appeal to customers.

6. If you are renting make sure you have a good, written contract lease agreement. It must specify all the details: length of the lease, rent increases, due date for rent, conditions, etc. it's well worth running it by a lawyer before you sign.

7. Also think about the length of your lease. The cost of having to move (both financially and with regards to losing customers) if you have to relocate at the end of a short lease may be enormous.

Your location

This is what my business needs from its location:

This is where I will locate my business:

These are the negatives and how I'll turn them positive:

This is what I need to do to get my location ready for business:

What needs to be done:	Who will do it:	When it will be done:

Write your location details on your General Big Picture

Equipment and supplies you need

1. It's time to think about all the equipment and supplies you need for your business. This means *everything* that you need to run your business—from a pencil upwards.
2. It is easy to overlook many of the supplies that will be needed for your business so take your time and list everything you will possibly need.
3. Even write down the supplies you already have, for example, a spare kettle that you are bringing from home.
4. Don't worry about cost or acquiring these supplies and equipment at this time. Right now just brainstorm all the supplies and equipment you need. You'll be refining your list in the next step.

These are ALL the supplies and equipment I need for my business:

Equipment and supplies you need

Obtaining the equipment and supplies

1. Now be creative about how you are going to get these supplies and equipment! The chances are you cannot simply go out and buy everything. You will be amazed at how much you can get without spending a lot of money.

2. If you are seeking funding, you will make a very favourable impression if you out in a lot of creative effort to obtain as much equipment as possible, rather than just ask for money to buy it.

3. Check out second-hand stores and auctions. often you can buy equipment that looks brand new. What about being creative and turning "junk" into unique and eye-catching items for your business? What supplies do you have at home you could use?

4. This is also the time to hone your list. You may find that some of the equipment is unobtainable - or that you don't really need it right now.

Here are the all the equipment and supplies that I can get creatively:

Obtaining the equipment and supplies

1. Now list all the supplies and equipment that you are going to have to buy. The more creative you've been, the shorter this list will be!

2. Don't guess at costs. Be 100% accurate. Continue to cut costs. If you are planning on buying something new—why not check out the second-hand stores and auctions again?

These are the supplies and equipment I will have to buy:	Cost:

Write your equipment & supplies details on your General Big Picture

12 People who can help you

1. We often don't think of all our local "people resources". But you will be amazed at the people you know who can and will help you!

2. Write down the names of 12 people you know (who could really be of great help to you. Dig deep—you'll be surprised at the number of people who will be able to help you!

3. Think specifically of how they can help you, rather than just listing names. Here are some ideas:
   - People who have skills you could use
   - People who can advise you
   - People who can introduce you to others
   - People who may be able to help you financially
   - People in the media
   - Creative people with creative ideas
   - Someone with an objective and critical eye who can examine your plans.

Here are the names of 12 people who can help my business:

	Name:	How they can help:
1.		
2.		
3.		
4.		
5.		
6.		
7.		
8.		
9.		
10.		
11.		
12.		

Write these 12 peoples' names on your General Big Picture

Getting these people involved

1. Now you need to get all these people together as a "mini team" to share info and ideas and get them excited about your business (and their role in helping you set it up).

2. People always relax and get along over food so here are a few ideas:
   - Invite them to tea at your new location.
   - Or how about a picnic at your location?
   - Or how about pizza at your new location?
   - Invite them to a braai on the weekend.
   - Invite them to an informal meal at home.

This is how I am going to get these people together:

This is what I need to do to make it a success:

What needs to be done:	Who will do it:	When it'll be done:

Your networking

1. Business networking is an invaluable tool - if it's done correctly. Many people think it is a case of shaking hands and exchanging business cards. It's not. True business networking is about establishing mutually beneficial relationships with other business people and potential customers.

2. Networking involves work. But with preparation, effort and enthusiasm, you'll get a great deal out of it. Here are some good tips:

- Always be prepared to network at events. Set yourself goals, such as making three good network contacts at an event.
- Never make assumptions about the person you are talking to. Everyone has friends, colleagues, relations and contacts. One of them might be just who you need to speak to.
- After meeting someone, jot down notes on the back of their business card to remind you of who they are and what you talked about.
- Always follow up on business cards, referrals and suggestions. They won't all work out for you, but the best networkers are those who pay attention to detail. Simply collecting business cards is a waste of time.
- Understand the difference between a referral and a lead. A lead is a "cold" contact (and can be pretty tough to follow up on). A referral is a "hot" contact – they know who you are and are expecting to speak to you.
- Make sure people understand precisely what you do. If they don't, how can they look for opportunities for you? Talk business, but talk briefly! Don't bore people!
- Remember that networking is not solely about increasing your own network. True networking is about introducing contacts who can help each other. It might not have any immediate benefit for you, but people remember these things and return favours. Also, the more you become known as a resource, the more people will come to you.

This is how I can get my networking system going:

Write your networking details on your General Big Picture

Staying informed

1. You need to cultivate your own methods for staying abreast of developments in your particular field. The following list of resources is a starting point to help you develop your own information resources:

- Subscribe to publications that focus on your type of business.
- Look for information on the Internet.
- Read newspapers—local and national—to track any trends that may affect you.
- Network with other people in similar businesses.
- Join an e-mail list related to your business.
- Talk to people. What do they think will affect them in the future? Ask yourself how it might affect your project.
- Invest in training. Attend conferences or seminars. Don't be a wallflower! Talk to other participants. Do you have information that might benefit other participants? Share it!
- Visit your local library.
- Use consultants or hire employees who can compensate for the gaps in your knowledge. Learn from them.
- The most important skill you can develop is not the ability to remember information, but the ability to find the information you need, when you need it, and then use it for the benefit of your business.

This is how I can stay abreast of information in my field:

Write your staying informed details on your General Big Picture

“To Do” list — Part 3

1. Write down everything you must do in order to complete Part 3 of your business planning:

2. Now turn this “To Do” list into an “Action Plan”.
3. Write it down on the next page.

Action Plan — Part 3

	What must be done:	Who will do it:	When it'll be done:
1.			
2.			
3.			
4.			
5.			
6.			
7.			
8.			
9.			
10.			
11.			
12.			
13.			
14.			
15.			
16.			
17.			
18.			
19.			
20.			
21.			
22.			
23.			
24.			
25.			

Managing Your Time

Time is one of our most precious commodities.
It's a non-renewable resource. If used poorly, it cannot be recovered.
Research shows that up to 30% of our workday is wasted due to poor time management. Here are some ways to manage your time to greater advantage.

Avoid over-commitment

Be realistic about what you can do in the time available to you. If you take on too much you end up wasting time by not finishing tasks.

Do one thing at a time and finish what you start

Avoid "butterfly behaviour" (flitting back and forth).

Establish a "quiet time"

Set aside some part of your day as your "think & plan" period.
Trying to plan your day when you're already trying to do three things at once is clearly a waste of time.

Organise your work area efficiently

Keep your work area cleared for action and put important tasks in the middle of your desk for your immediate attention.

Handle each piece of paper once

Don't shuffle papers from one pile to another without dealing with them. Make it a policy to handle a piece of paper *once* by doing whatever is necessary to finalise it.

Don't fret about what you haven't been able to do

Fretting resolves nothing. All it does is add to your stress levels.

Worse than fretting - don't worry

About 90% of our worries are unfounded. We can't do anything about a further 8%. That leaves 2% to genuinely worry about!

Part 4: Your business team

As a small business owner, a cohesive team of employees is imperative to your success.

The *right* people

1. The two essential ingredients for success in a business are *a good idea* and the *right planning* to turn that idea into a sustainable business.
2. However, no matter how good your idea, or how carefully your business is planned and put together, absolutely nothing can get *done* without people.
3. People are the most important element in your business. But they have to be the *right* people. One bad apple can have a devastating effect on your business.

Contents Part 4

Your job positions

1. When it comes to your business you must think of the "positions" you need—just like any other business.

2. You may need positions such as a manager, a bookkeeper, a cleaner, an assistant, a driver, a receptionist, and so forth.

3. It's important not only to decide upon all the positions you need, but also to write a job description for each role.

4. Your job description must be very detailed and cover all the important facts about the position—such as:

    - the purpose of the job
    - the responsibilities of the job
    - the individual tasks involved
    - the methods used to complete the tasks
    - the relationship of the job to other jobs
    - the qualifications needed for the job.

5. You may already have certain team members on board. It is important that there is a written job description for them, too.

6. You need your team to work together in a way that not only adds value to your business but also to their own lives (thus building employee loyalty). Here are some guidelines:

    - Balance everybody's skills, gifts, talents and passions. That way you will have a strong team.
    - Make sure that everyone on the team understands what everyone's divisions are all about. That way you'll have a harmonious team.
    - At first you may need to double up on some roles—divide them up equally. That way you'll have a happy team.

Your job positions

Team members already on board:	Job description:

The positions I need:	Job description:

Write your team members & job positions on your General Big Picture

Filling those positions

1.

If you have to recruit staff, here are some guidelines:

- Quality businesses require quality people working in them. So when it comes to hiring people, choose wisely. One person can destroy your business.
- No matter how qualified they may be, the number one thing is that they fit in with your business and your ideals.
- Check references and credentials carefully (there are a lot of fake qualifications out there).
- Don't hire anyone on the spur of the moment. It's tough to "un-hire" them. Always give yourself some time to think over your decision..

2.

If you need to recruit people, you need to think about the following:

- Do you really need them? Staff are an enormous financial burden—and they have to be paid whether or not you're making a profit.
- Is your job description detailed and specific for the job, so there will be fewer disagreements later?
- Determine how much you will pay them.
- Decide where and how to find qualified applicants.
- Decide how you are going to check references.

3.

Here are some guidelines for interviewing an applicant:

- Read the applicant's CV before the interview and make notes if necessary.
- Prepare a list of questions. Interviewing is not the time for chit chat.
- Set a business-like, but relaxed, atmosphere with free-flowing conversation.
- Ask questions that focus on the applicant's past performances.
- Ask specific questions about problems the applicant may have to deal with.
- Notice how well the applicant listens and responds to questions.
- Note the applicant's choice of words and body language.
- Listen carefully to the answers and ask for more information if you need it.
- Listen to the questions the applicant asks you about the job.
- Don't do all the talking yourself! (You should only do about 20% of the talking!)

Your job positions

These are the team members already onboard:

This is how I plan to recruit and select staff for the positions still vacant:

Pay, training and back-up

1. Be crystal clear about the remuneration when hiring people. Write it down in their work contract. Include pay, overtime, commission, holidays, leave and sick leave.
2. Job training is also a factor to be considered. Some staff may need specific skills training for their positions.
3. All new staff will need an "orientation" to help them fit in with your business ideals, business principles, customer service policy and the rest of the team. Leaving them to figure it out is very risky for your business.
4. Determine what back-up you have if you or any other key person is ill or absent for any reason. You can't leave critical parts of your business unmanned because of absent staff.

This is the pay for each job position:

Write your staff pay on your Financial Big Picture

Pay, training and back-up

This is the training and back-up for each position

Write your staff training and back-up on your General Big Picture

“To Do” list — Part 4

1. Write down everything you must do in order to complete Part 4 of your business planning:

2. Now turn this “To Do” list into an “Action Plan”.
3. Write it down on the next page.

Action Plan — Part 4

What must be done:	Who will do it:	When it'll be done:

Team Bones!

Teams are made up of four kinds of bones:

There are the wishbones. . .

. . . who wish someone else would do the work.

There are the jaw bones. . .

. . . who do all the talking, and little else.

Next come the knuckle bones. . .

. . . who knock anything that anyone tries to do.

And finally, there are the backbones. . .
. . . who get under the load and do everything!

Part 5: Your vision and mission

A vision and mission statement are your business' roadmap from here to where you want to be. No business can expect to be successful without this roadmap. It is central to *any* business' success.

Providing inspiration and momentum

1. Two of the most overused and misunderstood phrases in business planning are vision and mission statement. Yet most of us can relate to our mission in life and a personal vision, even if we don't express them in those words. They provide inspiration and momentum to our lives.

2. Used correctly, your business vision and mission can provide inspiration and momentum to your business.

3. Your vision and mission statement are completely different. Vision is the ideal future you envision for your business. Vision is incredibly powerful—it is what keeps us moving forward, even against discouraging odds. Vision is a powerful motivating tool because employees see themselves as "building a cathedral" rather than just "laying bricks"

4. Your mission is what you want to achieve by starting the business. Thus, your mission statement describes who you are, what you do, who you do it for, and how and why you do it. A well-written mission statement is a powerful guiding light for your business.

Contents Part 5

Your vision

1. Your vision is your ticket to success. To write your vision, you need to describe the ideal future you envision for your business in terms of growth, values, contributions to society, and the like.

2. Having a vision provides the inspiration for both your daily operations and your strategic decisions. It's what keeps you motivated to keep moving forward through the good times and the bad.

3. Without a vision, effective business planning is impossible. Your vision provides the destination for the journey. Without a destination, how can you plan the route and stay on course?

Here are two handy steps to help you formulate an inspiring and motivating vision:

Step 1: Dare to dream.

- Look up at the stars and dare to dream what you want for your business in the future.
- Form a mental picture of where your business is going to be five years from now.
- Envision the wonderful things it will have accomplished.

Step 2: Shape that dream into your vision statement

- You need to distil your vision into a usable form. Here is a very handy formula to shape your vision statement:

Five years from now, (my business name) will ______________________ *by* _______________.

- Using this formula will force you to choose what you consider to be the most important accomplishment of your business and give you a time frame for accomplishing it.
- For instance, here's a sample vision:

Within the next five years, Nature's Harvest will be a leading provider of safe and healthy fresh vegetable choices to South African consumers, while at the same time protecting our precious environment by leading the way to sustainable organic farming practices.

4. After you have established your vision you will be ready to write your mission statement. The mission statement fleshes out the "how" of your vision—i.e. "How am I going to achieve my vision?"

Worksheet—your vision

Dream, brainstorm, develop and write your vision:

Write your vision on your Vision and Mission Statement Sheet

Your mission statement

1. Your mission statement is a concise statement of business strategy developed from the customer's perspective and it should fit with your vision for the business. Your mission should answer these four questions:

   a. Who are we?

   b. What do we do?

   c. How do we do it?

   d. For whom do we do it?

Here is a handy formula to help you write your mission statement:

Step 1: Describe what your business does:

- Write down in as few words as possible what your business will do. For example:

Grow fresh vegetables.

Step 2: Describe how you do it:

- Don't write down a detailed description of your business' physical operations here—just give a general description of how your business will operate.
- This means incorporating one or more of your core values into your description, so list the core values that are important to you. For example:
  - *Provide high quality product*
  - *Protect the environment*
  - *Practice sustainable farming practices.*
- Focus on your business' core competencies when considering which values are worthy of being a part of your mission statement.
- Once you've decided which core values are most important, add one (or two at the most) to your description of what your business does.

Grow fresh vegetables using organic, sustainable farming practices.

Step 3: Add why:

- Why will your business do what it will do? What is the passion behind your business? Think about why you are starting this business. That's where the passion lies! For example:

Grow fresh vegetables using organic, sustainable farming practices to give people healthy food choices.

- Now put it all together:

At Nature's Harvest we grow fresh vegetables using organic, sustainable farming practices to give people healthy food choices.

- Finally, make sure you actually believe in your mission statement. It's no use developing a great mission statement just because it looks and sounds great. Be sure you live your mission statement!

Worksheet—your mission statement

Brainstorm, develop and write your mission statement:

Write your mission statement on your Vision and Mission Statement Sheet

The courtesy chain

This courtesy chain applies to every aspect of your business — your leadership, customer service, team management, employee relations, community relations,....everything.

Courtesy

leads to.. . .

respect

which leads to. . .

real conversation

which leads to. . .

trust

which leads to. . .

relationships

developing, thus enabling. . .

actions

to be agreed upon and. . .

solutions

to be delivered.

Remove one of these links in the chain and it all collapses.

Part 6: Market research:
What it's all about

The only way to have a successful marketing plan is to do market research – and do it thoroughly.

The importance of research

1. If you want your business to succeed, you must attract and retain a growing base of satisfied customers.

2. All businesses have their own specific marketing strategies. Although they are widely varied, they are all aimed at convincing people to try out or keep using their particular products or services.

3. Marketing is based on the importance of attracting customers to a business and has two important principles:

   - All your business policies and activities should be directed toward satisfying customer needs.
   - *Profitable* sales volume is more important than *maximum* sales volume.

Contents Part 6

The what and why of market research

1. Market research is the process of learning what customers want or need and determining how your business can satisfy those wants or needs. It is the only effective way to learn about potential customers, their opinions, habits, trends and future plans.

2. Good market research makes the difference between the right and wrong decisions that affect sales. The wrong decisions can lead to wrong pricing, wrong marketing strategy and ultimately, business failure. Here's what market research can do for you:

- It tells you who your customers are and what they want.
- It tells you how to reach your customers.
- It develops a valuable information base for you.
- It helps you determine if your product or service meets customers' needs.
- It identifies potential target markets.
- It can reveal unfilled customer needs.
- It helps you determine a good market strategy.
- It identifies your competition's strengths and weaknesses.
- It helps prevent costly marketing mistakes.

3. Here are some questions to help you get the right information:

- Who are my customers and potential customers?
- What kind of people are they?
- Where do they live?
- Can and will they buy?
- Am I offering the kinds of products or services they want?
- Am I offering my product at the best place, at the best time and in the right amounts?
- Are my prices consistent with what buyers view as the product's or service's value?
- Will my promotions work with these customers?
- What do customers think of my business?
- How does my business compare with my competitors?

Market research sources

Here are some major sources of market research information. They can be used to get an enormous amount of information on your industry, your target market and your competition. Use as many sources as possible to ensure the most accurate data.

1. Internet

The Internet is an enormous treasure trove of information for market research. Almost all the sources in this list can be researched online. A Google search is rapid and comprehensive. But it's easy to bog down, so hone your search with precise and multiple keywords. You can even set up a chat room in which you conduct your own online focus group interviews.

2. Business chambers

They usually have a wealth of info about locations, sources of networking, community resources to help your business, etc. Check them out online – but more importantly, talk to them in person. Almost all towns, even the smallest, have a business chamber of some sort.

3. Tourism bureaux

If you are entering the tourism industry, this is an obvious source. However, even if you are not targeting the tourism trade, your local tourism bureau can be a rich source of information regarding location, demographics, lifestyles and trends.

4. Trade and professional associations

Almost all industries these days have a trade association or body of some sort. They have a wealth of specific information about your market sector. They often produce highly useful newsletters for members, along with services for networking, answering questions, etc.

5. Trade and professional publications

These have become much more useful as various trades become more specialised and member's expectations are increasing for timely and useful information.

6. Your competition

Visit their websites. Check out their advertisements, promotions, and any other business literature. Most importantly, conduct your own "mystery shopper" survey. Park across the street and count the customers that go into the store. Note how long they stay inside, and how many come out with purchases. Browse the store. Look at layout – prices – customer service – how their customers behave and react.

7. Talk to business owners on the opposite end of the country

Find similar businesses far enough away that you won't compete. Call the owner, explain your purpose truthfully, and ask about the business.

8. Other business owners in your area

Even if you are not in the same line of business, other business owners in your area should be a rich source of info about demographics, lifestyles, customer behaviour and trends.

9. Scan local newspapers for people selling a similar business

If you see a business similar to yours for sale, contact the broker and ask for as much info as possible. Why is the owner selling? Is there something wrong with the business? Has anything changed within the industry? The demographics? Lifestyles?

Market research sources

10. Department of Trade and Industry

Their website (thedti.gov.za) publishes a wide range of information about the South African economy – size, growth, sectors, prices, economic indicators, resources, etc.

11. Statistics South Africa

There is a lot of information available to you online (statsa.gov.za) regarding statistical publications, population statistics, key indicators, etc.

12. The newspaper

Not just the business section! The rest of the paper is a rich resource that can tell you more about the economy and your business than you might imagine. The style, arts, travel, health, entertainment, sports and real estate sections will give you a good idea of trends, tastes and lifestyles.

13. Community newspaper

Local community paper journalists are always interested in their community. They know what's going on in the community, local trends, and what and how people think.

14. Suppliers and distributors

They usually have the best "lowdown" on what's going on in your industry, and how trends and lifestyle are impacting business.

15. Concept testing

If possible, testing your product or service on your potential customers who will give you constructive feedback can help you determine if you will meet customer needs.

16. Local police station

Crime stats, undesirable elements, criminal trends and crime hot spots are an invaluable source of information regarding possible locations.

17. Finally, you can't beat TALKING to potential customers!

Talk to potential customers about their occupations, interests and buying habits. Listen to their requests for products and services. Listen to their complaints and criticisms.

Face-to-face interviews are best. They are personal. And you can get the info you want. Telephone interviews are often seen as intrusive as many people dislike being surveyed on the phone. Mail surveys have a very low response rate unless you offer rewards for completed questionnaires (small gifts).

It's all useless unless...

1. You must analyse your research data very carefully. Otherwise, it will simply become a bunch of useless facts lying in your journal. Careful analysis will turn your research data into useable information that will help define your marketing strategy.

2. You can only make sense of all your data once you have gathered it all. It is only then that you can begin to see patterns and how one facet impacts on another, which is what analysis is all about.

A "Think and Plan" period

- The power of planning your day cannot be over-estimated. If you plan your day in detail you will be productive and time efficient. If you are productive and time efficient, your day is more likely to be a success!

- If you *don't* plan your day you risk moving from task to task without really accomplishing much. If this happens, you lose sight of what you want to achieve that day. You end up wasting a great deal of precious time.

- If you plan your day you will not only do the important things first, you will do them in the right order.

- Planning your day allows you to monitor your time and move things along if you are falling behind. This allows you to upgrade and downgrade priorities.

- The secret of planning your day is to establish a quiet time. Set aside some part of your day as your "Think & Plan" period.

- This period shouldn't be any longer than 15 minutes. Obviously, the best time to do this is first thing in the morning!

Part 7: Market research: *Your industry*

You need to have a thorough and in-depth knowledge about the particular industry your business is in.

The big picture of your industry

1. Don't make the mistake of looking at your industry with a sort of "tunnel vision"—just looking at the small picture of where your business slots in.

2. The big picture—the characteristics, trends, growth patterns, etc. of the industry as a whole—will impact your business. You need a thorough overview of your industry if you want valuable and accurate evaluations.

Contents Part 7

Researching your industry

1. There are many common aspects between industries in the business environment. You need to identify these. Each one also has its own distinct features. You need to identify these.

2. The more you know, the better you will be able to exploit its advantages and manage its disadvantages.

3. You need to find the answers to these questions:
   - What is the current size of the industry?
   - What is its historic growth rates (how did it grow/stagnate/decline in the past)?
   - What are the trends within the industry?
   - What characteristics are related to the industry as a whole?
   - What characteristics are unique to the industry?
   - What life cycle stage is the industry in?
   - What is its projected growth rate?
   - Who are the major customer groups within the industry (i.e. consumers, small businesses, corporate, etc.)?
   - What is the general outlook of the industry?
   - What could cause a decline in the industry?
   - What could cause a boom in the industry?
   - Is the market for your product in the industry growing sufficiently so there are enough customers for all market players?
   - Who are your competitors in the industry?

Sources:

Use as many sources as possible from the list on pages 59 and 60.

Planning your research

This is specifically what I need to find out about:

Research data—my industry

This is ALL the research data on my industry:

Research data—my industry

Making sense of my industry data

1. You need to make sense of your data so that you can use it to its fullest advantage. The way to do this is go through it all and examine it in light of these questions:
    - What does this piece of information tell me?
    - Is it something that will *help me* or *hinder me?*
    - What have I learnt that I can do differently/better/faster/cheaper?
    - How can I use this?

2. Record ALL the changes that you need to make.

This is everything I have learnt from my research—and the changes I must make:

Making sense of my industry data

Group consensus!

Teams need to reach consensus on decisions.

However, 100% consensus in a group isn’t always possible!

A good definition of “Group Consensus” is:
Everyone is at least 80% comfortable with the decision and 100% committed to its implementation.

However, group consensus doesn’t mean caving in to what the rest of the group wants.

If there are differences, those concerns must be isolated and addressed.

When this is done, the solution is refined to the point where everyone can live with the recommendation and support it.

Part 8: Market research: *Your target market*

If you miss the target completely, your business may fail unless you have the financial resources for a second shot—but a second shot may also impact negatively on customers' perceptions of your business.

Aiming for the bull's eye

1. A well-organised business, a great team, a fabulous product and good pricing will gain you nothing if you don't have enough customers. In order to have enough customers, it is vital to define your target market.

2. Right now your business, like any small business, has a *potential* market consisting of a *vaguely defined* group of people who *might* buy your products. Even if you intend on selling a product or service only in your own town, you're not selling that service to everyone who lives there. You have to narrow that broad group down to those people most likely to buy from you.

3. You need to know exactly what the people who might be interested in buying your product or service are like, and how many of them there are.

4. Good research will ensure that you have sufficient information on customers so that your business is at least on the target, if not in the bull's eye itself.

Contents Part 8

Researching your target market

1. Successful entrepreneurs understand that only a limited number of people will buy their product or service. So they determine exactly who those people are and "target"their marketing directly at them.

2. Target marketing is also important because often prospective customers don't know about your business, or can't tell the difference between your business and others.

3. People purchase products or services for three basic reasons:

   - To satisfy basic needs
   - To solve problems
   - To make them feel good.

4. You need to determine which of those categories your product or service is the solution to, and be prepared to market it accordingly. But remember, your product or service may fit more than one category, too.

5. The first thing you'll need to do is research the "demographics" of your community:

   - *Age:* children, teens, young, middle, elderly
   - *Gender:* male, female
   - *Education:* high school, college, university
   - *Income:* low, medium, high
   - *Marital status:* single, married, divorced
   - *Ethnic and/or religious background*
   - *Family life:* with or without children.

6. Next, you need to segment the market as much as possible. Here is how:

   - *Lifestyle:* conservative, exciting, trendy, economical
   - *Social class:* lower, middle, upper
   - *Opinion:* easily led or opinionated
   - *Activities and interests:* sports, physical fitness, shopping, books
   - *Attitudes and beliefs:* environmentalist, security conscious, etc.

Researching your target market

7.

You need to make sure your product or service meets your potential customers' needs, wants and expectations. You must find out:

- What do they *need* from my product/service?
- What do they *want* from my product/service?
- What do they *expect* from my product/service?

Sources

Use as many sources as possible from the list on pages 59 and 60.

Getting the most out of talking to people

Here are some pointers to help you get the most out of talking to people:

- Plan what you want to ask in a series of questions.
- Speak to as many people as possible. Not just like-minded people—also talk to the realists and pessimists!
- Tell them what you want to do. Ask them what their experience has been. What advice they have to give. What pitfalls they foresee.
- Ask them what they—as customers—want and need from a business such as yours.
- Don't ask leading questions. You want to end up with what *they* think, not what you think or want to hear.
- Listen carefully to what people are saying. Read their body language.
- Ask them to back up what they say with concrete examples.
- If they say something you don't want to hear, don't argue or try to convince them. Discuss it! The point is not to convince people to your way of thinking, but to find out what they—as customers—want and need.

Planning your research

This is specifically what I need to find out about my target market:

Research data—my target market

This is ALL the research data on my target market:

Research data—my target market

Research data—my competitors

1. You need to make sense of your data so that you can use it to its fullest advantage. Go through it and examine it in light of these questions:
    - What does this piece of information tell me?
    - Is it something that will *help me* or *hinder me?*
    - What have I learnt that I can do differently/better/faster/cheaper?
    - How can I use this?

2. Be sure to record ALL the changes that you need to make.

This is everything I have learnt from my research—and the changes I must make:

Making sense of my target market data

Winners vs. Washouts!

When a Winner wants to understand, he says: "Let's find out!"
. . .The Washout says: "Why bother? Nobody knows."

When a Winner makes a mistake, he says: "I was wrong."
. . .The Washout says: "It wasn't my fault."

When a Winner needs help, he says: "I need help."
. . .The Washout tries to bluff his way through.

When a Winner doesn't know, he says: "I don't know. Let me ask!"
. . . The Washout guesses.

Winner works his way through a problem.
. . .The Washout sidles around it.

A Winner makes - and keeps - commitments.
. . .The Washout breaks promises.

A Winner says: "I'm not as good as I can be."
. . .The Washout says: "I'm not as bad as a lot of others."

A Winner has an "I'm here to listen to you - and help" attitude.
. . .The Washout has a "Let me tell you" attitude.

A Winner says: "There's a better way of doing it!"
. . .The Washout says: "That's how it's always been done."

A Winner says: "I know I can do it!"
. . .The Washout says: "Forget it. It won't work."

A Winner says: "There's always room for improvement."
. . .The Washout says: "Why bother?"

A Winner cares - and it shows!
. . .The Washout doesn't - and it shows.

Part 9: Market research: *Your competitors*

Business is a highly competitive environment.
To compete, you have to understand your competition.

It's competitive out there

1. You cannot compete if you don't know who your competitors are and whether their businesses are growing, steady or declining.
2. You need to know how their product or service differs from yours and what you can do be better, faster, or cheaper.
3. You need to know their strengths and weaknesses. You need to know as much as possible about their operations and promotions.

Contents Part 9

Analysing your competition

To analyse your competitors effectively, find out:

1. **Names of competitors:**
   List all your competitors and research any that might enter the market during the next year.

2. **Summary of each competitor's products/services:**
   This should include location, quality, advertising, staff, distribution methods, promotional strategies, customer service, etc.

3. **Competitors' strengths:**
   Analyse their strengths carefully. They may have competitive advantages which you, too, can provide. The most common strengths of your competitors may include:
   - An ability to satisfy customer needs.
   - A large share of the market and the consumer awareness that comes with it.
   - A good track record and reputation.
   - Key personnel.
   - Solid financial resources and the subsequent staying power which that provides.

4. **Competitors' weaknesses:**
   Analyse the same areas to determine your competitors' weaknesses. Also look for these answers:
   - Are they unable to satisfy their customers' needs?
   - Do they have poor market penetration?
   - Is their track record or reputation not up to par?
   - Do they have limited financial resources?
   - Can they not retain good people?

All of these can be red flags for any business. If you find weak areas in your competition, find out *why* they are having problems. This way, you can avoid the same mistakes they have made. How you can capitalise on their weaknesses?

Sources:

Use as many sources as possible from the list on pages 59 and 60.

Planning your research

This is specifically what I need to find out about my competitors:

Research data—my competitors

This is ALL the research data on my competitors:

Research data—my competitors

Making sense of my competitors' data

1. Go through your data. Examine it in light of these questions:
   - What does this piece of information tell me?
   - Is it something that will *help me* or *hinder me?*
   - What have I learnt that I can do differently/better/faster/cheaper?
   - How can I use this?

2. Record ALL the changes that you need to make.

This is everything I have learnt from my research—and the changes I must make:

Making sense of my competitors data

Comparing products/services

1. You need to identify those products/services that you think will be competing with yours. They may be similar—or they may be different but could be substituted for yours.

2. You need to know how you measure up! It may seriously affect you if your product or service aren't competitive. Being competitive means you're more likely to be successful.

3. Once you have identified competing products/services, compare them against yours. List the advantages and disadvantages of yours against theirs. After making the comparison, draw conclusions:

- If your product/service will compete effectively write down why it will in detail.
- If not, plan what you must do to do to make them competitive.

Competing products/services:	My advantages:	My disadvantages:

How my product/service measures up

Will your products/services compete effectively with your competitors?

YES! My products/services compete effectively! These are the competitive edges I have:

NO! My products/service will not compete effectively. This is exactly what must be done:

What must be done:	Who will do it:	When it'll be done:

Write your competitive edges on your Marketing Big Picture

Killer Phrases!

These are the top ten phrases guaranteed to kill any creative discussion stone dead. Avoid them when you are brainstorming ideas for your business!

"No."

"Yes, but. . . "

"It'll never work."

"We tried that before."

"If it ain't broke. . . "

"That's not how we do it."

"I'll get back to you on that idea."

"We've always done it this way."

"That's a good idea, but not for us."

"Do you realise how much paperwork that will create."

Part 10: Marketing: *Your target strategy*

Your target strategy tells you WHO to target – WHY to target them – WHEN to target them – and HOW to target them.

Aiming straight

1. When it comes to marketing many small businesses make the fundamental mistake of thinking that everyone is their customer. Thanks to your intensive research, you now know that your product/service doesn't have the same appeal to *everybody,* regardless of needs, wants, gender, status and finances.

2. By now your research will have shown you that you can't know too much about your customers—and that if you don't know your market you risk aiming the wrong sales strategy at the wrong customers at the wrong time.

3. Your research results will elevate your marketing plans from hopeful thinking to purposeful action plans and help you determine exactly:
    - WHO to target
    - WHY you must target them particularly
    - WHEN you must target them
    - HOW you must target them.

Contents Part 10

Determining your target strategy

1. The core of your marketing plan is your target strategy. You must make use of ALL your research data in order to determine it. Go back over all your research data and examine each piece of information in light of this question:

   Does this piece of information CLEARLY tell me WHO to target – or WHY to target them – or WHEN to target them – or HOW to target them?

2. When you've established exactly WHAT a piece of information tells you—write it down in the appropriate column.

3. Prioritise your 4 columns of information into useable information that will make your target marketing a success.

4. After you completed the above work, you should have a very clear picture of your target customer. Write a brief description of your customer—for example: *"My target customer is a middle-class woman in her 30s or 40s who is married and has children, and is environmentally conscious and physically fit."*

WHO To Target	WHY to target them	WHEN to target them	HOW to target them

Determining your target strategy

WHO To Target	WHY to target them	WHEN to target them	HOW to target them

This is a description of my customer:

Write your customer description and target strategy on your Marketing Big Picture

Your marketing message

1. Your marketing message is extremely important. It tells your customers about your business, your product/service and yourself.

2. One of the greats in the advertising business, David Oglivy, preached this philosophy: “Never run an ad unless you have a Unique Selling Proposition (USP).”

3. It’s still the best marketing philosophy because your USP is what separates you from your competitors. After all, if you can substitute your competitor’s name in your marketing message, you are not going to stand out from your competitors in your customers’ minds.

4. Your marketing message should persuade your customers that they receive a benefit. There are many buying motives that may bring a customer to your business - and provide you with a USP::

- Pleasure
- Productivity
- Money saved
- Pride (vanity)
- Love
- Security
- Saved effort
- Comfort
- Want
- Conformity
- Fear
- Time saved
- Happiness
- Luxury
- Profit
- Health
- Need
- Economy
- Amusement
- Convenience.

5. It’s not easy to write a marketing message. But marketing is just about communicating. It’s using words, images, and ideas to inform and influence customers.

6. Good copy should be clear, crisp and concise. This means:

- Don’t use big words when small words will work.
- Use descriptive terms.
- Use the number of words necessary to make your meaning clear and no more - but also no less!
- Selecting the right words is critical to the success of your marketing message so be creative but avoid cuteness (unless you are marketing cute, of course).

7. When it comes to marketing, honesty is still the best policy. If your marketing message is not sincere, your customers will soon figure it out.

Your marketing message

This is my marketing message:

Write your marketing message on your Marketing Big Picture

“To Do” list — Part 10

1. Write down everything you must do in order to complete Part 10 of your business planning:

2. Now turn this “To Do” list into an “Action Plan”.
3. Write it down on the next page.

Action Plan — Part 10

	What must be done:	Who will do it:	When it'll be done:
1.			
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Making Ideas Work

People who generate new and innovative ideas, move ahead.
Those who rely on the mundane and the status quo,
get lost in the shuffle.

However, not all your ideas will work.

The secret is NOT TO GIVE UP but instead to . . .

try an idea . . .

test it out . . .

adjust it a little . . .

try it again . . .

modify it a little more . . .

scrap it if it isn't working . . .

. . . and start over with a new idea!

Part 11: Marketing: *Your product/service*

This is what your business is all about—the products or services you plan to market. Everything about them must appeal to your customers.

Re-defining your product/service

1. It's time to have a very careful re-look at the products or services you propose to market.
2. Your research has looked at your product/service in different ways—in light of your industry—from your point of view—from the customer's point of view—as compared to your competitors, etc.
3. It's inevitable that there are changes you need to make. Now you have to redefine your product/service and make those changes.
4. If you can't see any changes that need to be made, you need to go back to the beginning of market research and do it all over again. It's impossible to do such indepth research and not unearth changes that need to be made!

Contents Part 11

Making the changes

1. Some of the changes you need to make may be big, others small. Don't think the small details don't count. Often they are the deciding factor in a customer's mind whether to buy or not.

2. Everything about your product/service must appeal to your customers. Remember that in your customers' eyes your product/service is almost indistinguishable from its packaging, its presentation, your business image, your marketing message, its benefits, its value (real and perceived), your salesmanship, your customer service, your after-sales, your returns policy—and almost everything else to do with every aspect of your business!

3. Use your research to examine every facet of your product/service. Be ruthless—it'll pay off in the long-run.

4. It al l boils down to quality and compromise (on every facet of your product/service, not just the big stuff). Remember that if you compromise on quality, your business won't survive.

5. Once you have determined all the changes you must make, re-define your product in a brief description

Product/service	The changes I must make

Making the changes

Product/Service:	The changes I must make:

This is a brief re-defined description of my product/service:

Write your re-defined product/service on your General Big Picture

Pricing your product/service

1. Determining the price of your products or services is one of the trickiest decisions for a new business owner. Get it right, and your business can flourish. But mess it up and your business can end up in a financial disaster.

2. What's the magic pricing formula? The truth is, there isn't one. But there are different pricing strategies that provide a framework for making pricing decisions. However, before looking at strategies, determining your price's "floor and ceiling" will help you determine your business' correct pricing strategy.

Price "floor and ceiling"

1. Think of the costs of keeping your business afloat as the floor. Clearly, you must set prices above the floor to cover costs or you will quickly go out of business.

2. Think of customer "perceived value" as the ceiling. This is the maximum price they will pay based on what the product is worth to them. This is sometimes called "what the market will bear". Perceived value is created by your reputation, marketing messages, packaging, sales environments, service, customer perceptions, etc.

3. Somewhere between the floor and the ceiling is the right price for your product or service—a price that enables you to make a fair profit and seems fair to your customers.

4. Once you understand your cost floor and your value price ceiling, you can make an informed decision about how to price your product or service.

Pricing strategies

Here are some pricing strategies to help you develop the best pricing model for your business:

1. ### Mark-up pricing

Markup on cost is calculated by adding a pre-set profit margin, or percentage, to the cost of the merchandise. This implies that you understand <u>all</u> of your operating costs very well. Many business owners also fail to make the mark-up high enough to cover price reductions, discounts, shrinkage and other anticipated expenses, and still achieve a profit.

A disadvantage of this pricing strategy is that often the *value* of your product is greater then that its costs. Convenience, customer service, free or immediate shipping, location, brand name, and reputation all add to the value of your product and will effect how much a customer is willing to pay for it.

2. ### Manufacturer suggested retail price

Some suppliers have minimum advertised prices and also suggest the retail pricing. This is an easy pricing strategy to use, but it has one major shortcoming—it doesn't allow you to have an advantage over the competition.

Pricing your product/service

3. Competitive pricing

This means looking at how much the competition is charging and then pricing your product similarly. However, keep in mind that apart from price, there are any number of factors that influence a consumer's decision to buy from a certain business, including location, convenience and good service—so you may not have an accurate reflection of price.

Using a competitive pricing strategy means you will need to provide outstanding customer service to stand above the competition. Analyse your competitors' services to see what they do *not* offer, and offer that as part of your business, e.g. free delivery and pick up, estimates, discounts for referrals to other customers, the friendliest customer service in town, etc.

By the same token, if your competitors are offering more to customers than you are capable of, you may want to set your prices lower.

4. Pricing below competition

A common pricing strategy for small business, particularly new entrants into the market is to price low just to get the business. By pricing low, the aim is to penetrate the market and get as much repeat business. Your decision to compete with a lower price should not be made lightly. It can have serious adverse repercussions on your business:

- A low price may signal a low quality product and service.
- It may be difficult to raise prices once customers are accustomed to your low prices.
- Larger companies have all kinds of economies of scale that you don't have, and you won't be able to sustain a price advantage. You'd be advised to find a different advantage.
- It also exposes you to pricing wars. A competitor can match the lower price, leaving you out in the cold.

5. Prestige pricing (or above-market)

This is selling at a high price in order to create an aura of superior quality and social status. This strategy is possible when location, exclusivity or unique customer service can justify higher prices—and when price is not the customer's greatest concern.

Studies have shown that consumers believe price and quality are directly proportional. Expensive products are seen as higher quality than cheap ones, even if they aren't. As incomes rise and consumers become less price sensitive, the concepts of "quality" and "prestige" often assumes greater importance. Thus, the high price is itself an important motivation for consumers—and not only can a "prestige" price be sustained, it also becomes self-sustaining.

6. Odd—even pricing

This relates to pricing where customers perceive a significant difference in product price when pricing is slightly below a whole number value. For example, a product priced at R299.95 is often perceived as offering a lot more value-for-money than a product priced at R300.00.

7. Multiple pricing

This is a method which involves selling more than one product for one price, such as three items for R100.00. Consumers tend to purchase in larger amounts where the multiple pricing strategy is used, but it has limited application.

Pricing your product/service

8. Discount pricing

Discount pricing is a part of retailing. Businesses offer discounts for many reasons:

- discounts on products with vanishing opportunity (to move seasonal products or those with sell-by dates)
- discounts for cash payment (when cash flow is important)
- discounts on quantity (when volume is important)
- discounted price to a reseller (to expand volume through channels of distribution).

Many businesses use discount pricing to stimulate short-term sales or to match a competitor's price reductions. However, use promotional discounts with care. If a customer is more loyal to price than to your brand, your brand is vulnerable to pricing moves by your competition. You may be forced to cut your prices further in order to maintain your market position. You may end up discounting yourself out of business.

Other influences on price

There are many outside influences that affect your pricing structure. Here are four common influences that can affect your profitability and bottom line:

1. Location

Your geographic location has a big effect on your pricing strategy. If there are several other businesses in your area offering the same or similar products or service, the demand will probably be less because the supply is greater. Hence, you may have to charge less. On the other hand, say for example, you own a dry-cleaning service, and you are the only dry cleaner in town. You can charge higher prices than you could if there were several dry cleaners located very close to you.

Similarly, a small business in a city can probably charge more than one in a small rural town simply because people in metropolitan areas are more willing and able to pay a higher price than people living in rural areas.

2. Reputation

If you have a stellar reputation, people will most likely be willing to pay more for your service since their perception will be that they are getting more. For example, if you own a printing service, and you have a reputation as someone who can take on big jobs at the last minute, perform high quality work, and deliver on schedule, you will be able to charge premium prices.

3. Economic conditions

The overall economic conditions will have a bearing on your pricing strategy. In boom times, people are prepared to pay more for products and services than in lean times.

4. Markets evolving

As markets evolve and change, your business will have to evolve and change, too. You must constantly evaluate your pricing structure and position in the marketplace.

Pricing your product/service

This is how I will price my product/service:

Write your pricing on your Marketing Big Picture

“To Do” list — Part 11

1. Write down everything you must do in order to complete Part 11 of your business planning:

2. Now turn this “To Do” list into an “Action Plan”.
3. Write it down on the next page.

Action Plan — Part 11

	What must be done:	Who will do it:	When it'll be done:
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6 “No-break” rules for small business owners

Here are 6 rules successful business owners never break:

1. Never act on any advice without first investigating it thoroughly
   No matter who gives you the advice, you need to check if it is suitable for you, your business and your personality.

2. Never moan
   Never get stuck in the moaning mode. People react to moaning as it were an admission of failure - not an image any business owner wants to portray. If a customer starts moaning, never join in. Just sympathise and try to find a way to help.

3. Never think that cash-flow problems will take care of themselves
   Every business can face cash flow problems. This kind of crisis is not the end of the world—unless you ignore it, in which case it’s likely to be the end of your business Rather, cash flow problems indicate needs for rethinking, changing processes, adapting marketing strategies, etc.

4. Never procrastinate
   If you procrastinate, things tend to eventually explode in a crisis. If you just run from one crisis to another, you will never have any energy for development work and can’t catch the new opportunities.

5. Don’t neglect your health
   If you don’t take care of your health, your energy levels and the quality of your decisions and work will soon go below critical level. When customers start noticing, you are in big trouble.

6. Leave your work at work
   Lee Iacocca said that you’re not successful in business unless you’re home for dinner. And he was right—your family needs your attention. If you must work after hours, have your family time first.

Part 12: Marketing:
Your promotions

Sales are the lifeblood of a business. Therefore, if you want your business to succeed you have to have an effective sales promotion strategy.

It's all about ads and promos!

1. Promotion not only helps to boost sales, it also helps you to attract new customers while at the same time retaining existing ones.

2. Not only will a good promotion campaign tell people who you are and what you are doing, it may attract investors. If you are applying for a loan, lenders will look favourably on a business with a well thought-out promotions campaign.

Contents Part 12

Budgeting for promotions

1. If you don't have an advertising and promotion budget, you don't have a realistic marketing plan. Advertising and promotion is a cost of doing any kind of business. You have to let people know about you. Otherwise how will they even know your business exists?

2. Don't make the mistake of allocating to your advertising budget whatever money is left after you have worked out your budgets every month. Chances are, there won't be much left over. Rather, build it in with your other fixed costs.

3. Plan on promoting your business continuously. Don't have a huge campaign when you launch your business and then hope that you will stick in people's minds for the rest of the year. You won't. You will be forgotten as soon as you stop promoting yourself.

4. Good promotions budgeting calls for very careful allocation of your resources so that you get the best and the most for your money. In the next few pages you will be working out some ways to do a lot of promotion for a little money!

5. Do not cut your advertising when sales slow down. In fact, falling sales is the time to increase your advertising. Reducing it might save you some cash—but be assured it will accelerate an even bigger sales slump.

6. A sales slowdown means it is time to re-evaluate your advertising. Are sales slumping because your current advertising is no longer effective? Has it been the same for so long that no-one notices it any more?

7. Professional advertising agencies are extremely expensive, but also extremely effective. Why not take the time to see how they promote businesses and their products/services—and do the same yourself, thereby helping you to have a professional promotion strategy—and save big time!

Budgeting my promotions

As you work out in the next few pages what promotions you are planning to implement, record the cost details here.

Promotion:	Costs:

Write your promotions budget on your Financial Big Picture

Ads

Advertising is vital! Here are the most common media in which you can advertise:

1. **Newspapers:**
Newspapers are the most popular advertising medium because most they reach a large number of homes—and the size of the audience is known. Newspapers offer many advertising options. You can request special locations for ads, such as sports, business, food sections, etc. But there are limitations. Your ad must fight for readers' attention. And you miss customers who don't read the paper.

2. **Magazines:**
The advantage of magazines is that they have highly defined readerships that allow you to focus on specific market niches. For example, if you run an ad in a farming magazine, you can be fairly sure the people who subscribe are farmers.

3. **Brochures and flyers:**
For many small businesses, a printed brochure is the best way to establish credibility and tell your story in more detail. *(See page 114 for more details on brochures.)*

4. **Other local print media:**
Don't overlook ads in media such as booklets available free in high-traffic areas such as convenience stores, airports, etc. Evaluate each booklet on its ability to provide enough value to justify using it.

5. **Internet Website:**
Almost everyone has a website these days but, although millions use the Internet daily, it doesn't mean millions will visit your website. So don't make the mistake of making this your sole advertising medium. (*See page 116 for more details on websites.)*

6. **Radio:**
Only radio takes your advertising message to people as they drive their cars, walk their dog, go hiking! Radio brings a sense of urgency to its listeners second to none. Most stations are positioned to reach a selective market . This can help you reach your target market or expand it. Effective radio ads are best compiled by the experts, so if you've got the budget, talk to the stations.

7. **TV:**
Watching TV is the most common leisure activity. TV advertising has the potential to reach an enormous number of viewers. TV has always been a popular medium for large retailers but it is usually too expensive for small businesses.

Ads

This is how and where I intend to place my ads:

Write your Ads details on your Marketing Big Picture

Brochures and flyers

1. Brochures and flyers offer an effective way of giving people in-depth information about your business, product, or service. They don't have to be expensive glossy colour affairs. Black and white ones, if creative, can have a huge impact.

2. A brochure may provide a general overview of your entire business, or it may focus on one particular product/service. A flyer provides less detailed information, usually focused on one or two aspects.

3. When you are planning your brochure or flyer, ask yourself the following:

   - What information do you want this brochure or flyer to cover?
   - How much information are you going to provide?
   - What kind of impression do you want your brochure or flyer to make? Casual? Caring? Trendy? Value-oriented?

4. Your brochure or flyer should be interesting as well as informative. Include some visual graphics or pictures or drawings. If you must use text only, use different font types and sizes to offer some visual interest.

5. They can be distributed in many ways: mailed, included with deliveries, handed out at meetings, shows or workshops, or placed in help-yourself racks in various locations.

6. However, because of their expense, brochures should generally be given to people who have already expressed an interest in the subject of the brochure. (It's a huge waste of money to just dish them out to anyone and everyone.)

7. Work out the costs carefully. You can produce simple ones on your computer and photocopy them, or you may need to get them printed professionally. You may find a printer who will be willing to produce your brochure in exchange for a solid punt on it about their own business.

8. Don't guess on costs. Get written quotations from a number of printers.

Brochures and flyers

This is what I plan for my brochure/flyer. (Don't forget to write down accurate costs.)

Write your brochures and flyers details on your Marketing Big Picture

A website—10 reasons to have one

These days a website is absolutely necessary in the business world. Here are ten very good reasons why a website will help your business prosper and succeed:

1. **Generate a professional image**
A good website can give the best and most complete image of your business to a potential customer. A good design and functional layout will set you apart from your competition and gives customers the impression that they are dealing with a company they can trust. It will generate a sense of respectability with your product/service.

2. **Level the playing field**
A small business with limited funds can produce a highly effective website that can be very visible on the web and can easily compete with larger companies. A website can make your company look bigger than it is!

3. **It's a 24/7 service. . . and you don't have to pay overtime!**
A website is the only form of advertising that works for you 24 hours a day, 7 days a week, and doesn't have peaks and valleys like print advertising. The website is always fresh, always inviting, and always ready to serve.

4. **Customer education**
Many potential customers are looking on the Internet to get the information they need to make educated buying decisions. When you step in and give them all the info they want, they see you as an expert and trust your opinion.

5. **Repeat Customers**
There's no better way to keep customers coming back than keeping in touch with them. Through a website you can interact with customers via online newsletters, polls, forums and special deals. When you keep in contact, it shows customers you care.

6. **FAQs**
You can answer customer questions before they are asked. It saves you and your customer time and instills confidence in your customer.

7. **Automation**
You can automate parts of your business online, such as ordering and paying online, or booking appointments.

8. **Customers expect it**
In today's business environment, businesses are expected to have an online presence. This expectation will only increase in the future.

9. **Accurately track the traffic on your website**
Using analytical tools, you can find out exactly how many visitors come through, how long they spend on your website, and which pages they are reading. Can you say the same about your newspaper and magazine ads, flyers, and radio ads?

10. **Competitive pressure**
Your competition has websites. Do they know something you don't?

A website—build and maintain your own

1. Never before has it been so easy to get a professional quality, custom website for your business. . . without expensive website designers, hosting fees, paying every time you want to update your site, costly delays, and other frustrating hassles.

2. Now you can build your own website using a website builder. It's easy—and it's free!

3. A website builder is the easy way to create a professional website—even if you have no web design knowledge at all.

4. A website builder allows you to get your website up and running very quickly. You can build anything from an informational type site to a full-blown e-commerce website.

5. The reality of a business website is that it needs to get the job done—not be over-the-top with music, flashing animation and glitzy gimmicks. Customers want appropriate info presented clearly and you don't need a designer to do that.

6. Most website builders operate like a Microsoft Word document. Adding text and images is very simple. . . just click a button. There is no need to learn complicated website design software or HTML or other complex programming stuff!

7. The beauty of this is that you can maintain the site yourself. If an expensive web designer is the only one who can change your website (for a fee), you won't keep it up to date. An out-of-date website can be worse than no website at all.

8. It's easy to maintain. Almost anything you want to do is one click away. Add a new service or product? One click. Change your tag line? One click. Edit a page? One click. Add formatting to your text? One click.

9. Another advantage to controlling your website is that you can use it to test new ideas and offerings. A summer special, a discount offer, a new service. . . just put it up and see what happens. Take it down if it doesn't work.

10. The most difficult thing to do is come up with a design. When using a website builder you don't have to worry about this. There are several web templates included with the builder that you can customise as your own to create your own unique website.

11. You also do not have to bother with purchasing web hosting as this is also included when using a website builder.

12. There are dozens of free web builders on the Internet that provide easy ways to design, build and publish a professional website.

A website—important design tips

Here are twelve useful tips to help you design a great website - and avoid the common mistakes:

1. A website must load quickly

When a user comes to your home page, there should be no wait. In fact, some experts claim that if your home page does not load within eight seconds, as many as a third of your site visitors will get frustrated and leave. Keep graphics and pictures minimised.

2. Easy navigation

Your website needs to be so easy to navigate that even an 8 year old can get around inside it. Good designers say that any info in your site should be only 3 clicks away from any page.

3. Content, content, content

Visitors don't come to your website to admire your colour and design—they come to buy something, or to find information. So you've got to have fresh original content. Make sure the user can scan the content. Use bullet points, headers, sub-headers, lists.

4. Get your home page right

The first page visitors visit is your home page. It must set out clearly and simply—what's on your site—where to find it—how to contact you—why they should explore further.

5. Avoid anything that may turn off your visitors

Avoid sparkly animation, blinking text, pop-ups, scrolling text, Flash intros, dazzling backgrounds and anything else that will distract your visitors from the info on they seek.

6. Keep scrolling short

Only 10% of users scroll beyond the information that is visible on the screen. Break long pages of text into several pages.

7. Consistency is key

Make sure all your web pages look the same.

8. Colour selection can make or break a site

Don't go neon or have too many colours. Always use dark text on a light background.

9. Be careful with fonts

Use non-serif fonts such as Arial or Verdana. Your page will look professional and be much easier for your visitor to read. Don't make text too small or too big.

10. No spelling, grammar or punctuation mistakes

This is one of the most important factors affecting the overall quality of a website.

11. ALWAYS include prices

Not including prices with items is one of the worst mistakes you can make.

12. Keep people flocking to your site

Remember—most people use the internet to get FREE information. Content is king so refresh your site regularly. People need a reason to return to your site. If they find nothing new, they may not give you a second chance. Diarise fortnightly changes.

Internet website

This is what I plan for my Internet website:

Write your website details on your Marketing Big Picture

Creative ways to promote your business

1. There are a multitude of creative ways to promote your business. All it takes is imagination. Here are a few ideas to start the imaginative flow:

- Create a personal nametag or pin with your business name on it.
- Publish a newsletter. (It doesn't have to be fancy or expensive.)
- Carry business cards with you (all day, every day). Remember, they aren't working for you if they're in the box. Pass them out. Give prospects two business cards—one to keep and one to pass along.
- Design a T-shirt with your business name on it and wear it.
- Print your marketing message on letterheads, fax cover sheets and invoices.
- Write an article for the local newspaper.
- Send timely and newsworthy press releases as often as needed.
- Publicise notable milestones.
- Create an annual award and publicise it.
- Have your name and logo on your car.
- Appear on a radio talk show.
- Submit "tip" articles to newsletters and newspapers.
- Hold a seminar at your business for like-minded people.
- Hold an open house.
- Get a booth at a fair.
- Print your business name and logo on pens or pencils and hand them out.

2. Don't forget your launch—it's a great way to get known and to attract interest, customers and help! So make a splash! It's also a great way to start networking! Here are some ideas:

- Make your launch an event to remember!
- Give it a party atmosphere. Make it a bright, colourful, fun event.
- Get some press coverage in your local newspaper.
- Cut costs by asking family and friends to donate time, or cakes, or champagne, or drinks, or umbrellas, or posters, or the ribbon to cut —or the scissors!
- Invite people who will make a positive impact on your business.
- Get a high-profile person to cut the ribbon.
- Invite the media—newspapers (especially a ommunity one) and TV—to your launch!

Creative ways to promote your business

What must be done:	Who will do it:	When it'll be done:

Write your creative promotions on your Marketing Big Picture

No. 1 promotion: great customer relations

1. Customers are the lifeblood of your business. You not only need a steady stream of customers, you also need their word-of-mouth promoting your business. It's one of the best promotions - and it's free!

2. You must offer unbeatable customer relations if you want to build a loyal following.

3. What is great customer relations? The "relations" in customer relations is all about relating - relating to people, relating to their feelings, relating to their needs and wants. It's all about treating your customers as though they are the most important thing in your business. . . because they are!

4. Here are some pointers:
   - Smile!
   - Say "Thank you". No words create more goodwill than these. And when you say it, mean it. Accompany it with a smile.
   - Speak pleasantly and cheerfully—put a smile in your voice. Talk to all customers as if they are respected guests.
   - Make friends with your customers. All things being equal, people would prefer to do business with friends!
   - Address each customer courteously, regardless of age, sex, race, dress, etc.
   - Show each customer that you really appreciate having them there.
   - Give customers your full attention. Don't try to deal with two people at once.
   - Don't keep customers waiting.
   - Don't make promises you can't—or won't—keep.
   - Give every customer the feeling that they are welcome, important, and wanted.

5. The single most important issue when it comes to customer relations is dealing with complaints. There is only one way to deal with complaints—the right way. Here are some tips:
   - Don't ignore complaints! Written complaints that go unanswered, phone calls regarding complaints that aren't returned and complaining customers being ignored until they go away are some of the most common and worst business practices.
   - If a customer complains deal with the complaint in the fastest, friendliest, most efficient way possible.
   - Don't argue. You may win the argument but you'll lose the customer.
   - Remain calm. Complaining customers are often irritated. Any show of temper from you may trigger a furious confrontation.
   - Remember this: studies have proven that a customer who has had a complaint agreeably resolved will become a very loyal customer.

Your customer relations policy

This is how my team and I will have the greatest customer relations policy:

This is how we will resolve customer complaints:

“To Do” list — Part 12

1. Write down everything you must do in order to complete Part 12 of your business planning:

2. Now turn this “To Do” list into an “Action Plan”.
3. Write it down on the next page.

Action Plan — Part 12

What must be done:	Who will do it:	When it'll be done:
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2.		
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Learning From Mistakes

As humans, we tend to learn more from our mistakes than from our achievements. It's important to recognise they're a powerful learning tool.

The best thing to do is learn to look at mistakes without embarrassment and feel easy saying, "I made a mistake."

The ability to recognise you've made a mistake is the only way you can rectify it, learn from it (and thus not repeat it), put it behind you, and get on with life.

It's important to figure out where you went wrong. But it's just as important to think about what you did right. Remember, not everything about a mistake was wrong. There was some point where you went wrong.

The way to rectify a mistake and learn from it is to look at the mistake and ask yourself:

1. What was my original intent?
2. What exactly went wrong?
3. Why did it go wrong?
4. What could I have done to change things?
5. Why didn't I do that in the first place?
6. How can I prevent this type of mistake happening again?
7. What else have I learnt from that particular mistake?

Part 13: Sales management

It is vital that you have a very firm grip on your sales management. And this means more than simply planning how you will sell your product.

There is more to it than selling!

1.

Sales management means carefully planning following:

- How you plan on selling your product.
- Who will sell it.
- Who will monitor your sales.
- How the sellers' efforts will be tracked (a poor seller's efforts may lead you to think it's the product at fault).
- What sales training you will need to do.
- What follow-up and returns policy you intend having.

Contents
Part 13

Your selling methods

The following notes and questions are to help you think about your selling. Address each of the following questions. (You can use the next page as a worksheet.)

1. How do you plan on selling your product? Are you going to use sales representatives or sell direct, face to face with your customers at your location?

2. Either way, what changes would result in better sales? Don't be complacent. There's no selling practice that can't be improved.

3. Think about when you're a customer. There's a lot to be learnt from the customer experiences you have. Ask yourself:
    - What turns you on as a customer?
    - What turns you off?

4. How can you apply these answers to your business and sales strategy?

5. What follow-up will you have after-sales? If you don't have adequate after-sales service for customers, they'll go elsewhere.

6. What's your return policy?

7. What point-of-sale selling aids will you have—the things that will encourage the browsers to become purchasers?

Your selling methods

Here are my answers to the questions on the previous page:

Write your selling methods on your Marketing Big Picture

Sales training

1. Sales training is an excellent investment in your business's future. Here are some of the benefits of good sales training:

- It has a very fast pay-back.
- It keeps morale high.
- It puts money in your pocket.
- Customers expect well-trained sales staff— you'll have fewer complaints.

2. Most customers complain of discourteous or poorly informed salespersons. This means you should concentrate your training in two areas:

- Product knowledge—sales staff can't know too much about your product.
- Customer service—they can't know too much about this, either!

3. Sales training is a specialised field. There are literally hundreds of books and websites devoted to selling. Check them out.

WHAT I need to train:	HOW I'll do it:

Write your sales training on your Marketing Big Picture

Monitoring your sales

1. You need to monitor your sales very closely because if a problem arises you need to be able to address it immediately. You cannot allow sales to slump. Answering these questions will help you decide how to monitor your sales:

   - *Who* will monitor your sales? (And what skills and experience do they have?)
   - *How* will they monitor your sales?
   - How will they track the efforts of your sales people? (Remember: a poor effort from a sales person can be misinterpreted as a fault of the product.)

2. Work out the answers to these vital questions and record your answers below.

This is how I'll monitor my sales:

Write your selling monitoring on your Marketing Big Picture

“To Do” list — Part 13

1. Write down everything you must do in order to complete Part 13 of your business planning:

2. Now turn this “To Do” list into an “Action Plan”.
3. Write it down on the next page.

Action Plan — Part 13

	What must be done:	Who will do it:	When it'll be done:
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Catch the Enthusiasm Bug!

The philosopher, Ralph Waldo Emerson, once said:
"Nothing great was ever accomplished without enthusiasm."
Enthusiasm is a vital ingredient in building a successful business:

Enthusiasm makes you energetic and full of life!

Enthusiasm shines through in everything you do!

If you think enthusiastically about yourself, it'll work!

Enthusiasm breathes freshness into staleness!

If you're enthusiastic – those around you will be!

To be enthusiastic about something – learn more about it!

Enthusiasm is highly contagious!

The symptoms are: energy, zest and pizzazz!

So expose yourself to someone who is highly enthusiastic . . .

. . . and catch the enthusiasm bug!

Part 14: Focus on financials: Start-up costs

You need to plan your start-up costs very carefully. Underestimating the cost of starting up can be a mistake you never recover from.

The biggest stumbling block

1. Money is probably the biggest stumbling block for people getting their businesses up and running—and keeping them up and running.

2. The long-term financial side of your business *must* be well thought-out and organised. Inadequate or ill-timed financing are likely to spell doom for your business before you even have a chance to get going.

3. However, adequate financing isn't the end of the story. You need knowledge and planning to manage it well. This will help you prevent making costly mistakes.

Contents Part 14

Your start-up costs

1. There is no universal way of estimating start-up costs. Each business is different and has its own specific cash needs at the various stages of its development. Some businesses can be started on a shoestring, while others may require considerable investment. Either way, you need to know that you will have enough to launch your business.

2. You need to budget every single cost incurred with starting your business. This means identifying ALL the expenses you will incur in order to open your doors for business, down to the cost of a pencil. Start-up expenses add up quickly - and almost always exceed projections.

3. You have already worked out the cost of the equipment and supplies you will need. Now revisit Page 33 (Part 3) and go through the list. Be ruthless and constantly ask yourself: Is there a cheaper alternative? A realistic start-up budget should only include those things that are necessary to start the business. Don't make the mistake of having such high start-up costs that you never recover from them.

4. You also need to budget on-going expenses, such as rent, electricity, insurance, etc. On-going expenses must be divided into two categories: fixed costs and variable costs. Basically, they are:

    - **Fixed costs**
      Every business has certain fixed costs that must be paid every month, whether or not any sales take place. They include rent, electricity, telephone, car and equipment payments, insurance, administrative costs, etc.

      Your fixed costs remain steady. Even if you have no cash flow one month, your fixed costs remain the same. Keep your fixed costs as low as possible during start-up. Remember, most people's expectations of cash flow area bit optimistic! Avoid extravagant leases or big car payments. Be conservative. . . and then some.

    - **Variable costs:**
      Each product or service has variable costs that are incurred when the product/service is produced and sold.

      These include your marketing budget, inventory, shipping and packaging costs, sales commissions, and other costs associated with the direct sale of your product or service. These variable costs go up and down depending on the level of business activity.

Steps 1 and 2: Your start-up costs

STEP 1: Brainstorm ALL the costs you are going to incur in starting up.

Item:	Cost:

STEP 2: Go through your list and cross out all the optional or unnecessary costs.

Step 3: Your variable costs

Variable:	Cost:

Write your variable costs on your Financial Big Picture

Step 3: Your fixed costs

STEP 3: From your list of start-up costs, write down your fixed costs.

Fixed:	Cost:

Write your fixed costs on your Financial Big Picture

Projected monthly costs

1. You need to calculate the amount of money that you need to run your business *every month*. Not only is it important now (at start-up) but you must also accurately estimate your budget *every* month. Here's why:

- It puts *you in control* of your *money* and prevents you wasting it.
- You can plan your fund-raising effectively.
- You can plan your business activities each month.
- You can go back and trim costs, where possible.
- It relieves the stress of unnecessary worrying about money.
- It helps you plan the future of your business.

2. Once again, write down every cost, even if it's only a rand. These figures are not going to be 100% accurate. They're an approximate forecast to help you think ahead and develop a funding plan.

Items:	Cost/approx. cost:

Projected monthly costs

Items:	Cost/approx. cost:

Write your projected monthly costs on your Financial Big Picture

Budgeting your first 3 months' costs

1. Your first three months are going to be difficult. Not everything you've planned will work out as planned. You are going to experience all sorts of teething problems. You aren't likely to make a profit. Unless you have budgeted for the first three month's costs, they could end up an enormous stress— one that you can avoid by planning.

2. Forecast your first three month's costs. Your projected monthly (previous page) will help you.

Items:	Cost/approx. cost:

Budgeting your first 3 months' costs

Items:	Cost/approx. cost:

Write your first 3 months' costs on your Financial Big Picture

“To Do” list — Part 14

1. Write down everything you must do in order to complete Part 14 of your business planning:

2. Now turn this “To Do” list into an “Action Plan”.
3. Write it down on the next page.

Action Plan — Part 14

	What must be done:	Who will do it:	When it'll be done:
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Making Decisions

If you find it hard to make decisions, think about this: not making a decision is making a decision – the decision you are making is to leave things up to fate and circumstance. And let's face it, that's pretty risky! Here are some tips to help your decision-making skills:

Avoid making snap decisions.
Spur of the moment decisions are often merely guesses. If you make too many snap decisions, you may end up believing you are a "bad decision maker" because they turn out so often to be the wrong decision.

Resist making decisions under stress.
If you're angry, upset or under pressure, delay your decision because decisions made under stress are often faulty. If you *have to* make a decision, stand back from the problem, consider your situation and use all the time available to you.

Have all the facts before you make your decision.
Base your decision on all the information available to you at the time.

Write down the options that face you.
You are having to make a decision because you *have more than one course of action open to you* so write down *all* the options.

Evaluate the different options.

Mentally test each option by imagining it's already been decided on.
Consider the desirable and undesirable consequences of each.

Make your decision, then move on.
Don't dwell on your decision once you've made it. Give your full attention to the important needs of the present.

Part 15: Focus on financials: *Finding money*

Raising capital is the most basic of all business activities, but it is usually one of the most difficult. In fact, it is often a complex and frustrating process. However, if you plan effectively, raising money for your business will go as smoothly as possible

No second chances

1. .
When applying for financing, make sure you are presenting your best proposal and application because the chances are you won't get a second opportunity.

2. How do you know you're making your best presentation?

3. Easy. Have a thorough business plan, then do all your homework and ensure that you are applying for the right amount of financing from the right source.

Contents Part 15

The sources of your money

You need money to start up, buy supplies, pay employees, purchase assets, pay fees—you name it—you need money for it. Your need for money is a continuing one. Just staying in business, you need money. But where do you get it?

There are several sources to consider when looking for financing. It is important to explore all your options before making a decision.

From your own pocket:

1. The primary source of capital for most new businesses comes from savings and other personal resources, such as an inheritance, or a retrenchment package.

2. While credit cards are often used to finance business needs, there are usually better options available, even for very small loans.

Friends and family:

1. Many entrepreneurs look to private sources such as friends and family when starting out in a business venture. Often, money is loaned interest-free or at a low interest rate, which can be beneficial when getting started.

2. A friend or relative may be willing to lend you money on a handshake. This is a poor idea for both of you. It's always a better business practice to put the loan in writing and to state a specific interest rate and repayment plan. Otherwise, you open the door to unfortunate misunderstandings that can unnecessarily ruin your relationship.

Funding grants:

1. There are a lot of grant organisations for an enormous variety of funding purposes. Unfortunately, getting funded is becoming increasingly difficult these days because there are so many people wanting money for their small businesses.

2. In general, the less you need funding, the more fundable you are! Raising a good portion of the funds yourself will tell prospective funders that you are serious and committed.

3. You must write a grant proposal. There are very definite "do's and don'ts" when it comes to writing a grant proposal and you must do your homework and aim your grant proposals at the right funding organisation.

The sources of your money

Bank loan:

1. A bank will lend you money only if you can show that your business proposal is sound.

2. It goes without saying that a bank will be unwilling to lend you money if it looks like the money won't get repaid.

3. To keep the risk low, a bank will very likely ask for security for the loan.

4. No bank will even consider a loan without a professional and comprehensive business plan.

5. Your credit has to be 100%. No bank is going to take a risk if you have already demonstrated that you're a bad one. Check out the *"5 Cs of credit"* on the following page.

These are the sources I anticipate for my money:

Write the sources of your money on your Financial Big Picture

The “5 Cs” of credit

Your bank (or any other investor) is in business to make money. Consequently, when they lend money they want to ensure that it will be paid back. Making sure your “5 Cs of credit” are in line with what they will require, will improve your chances. As you probably won’t be given a second opportunity, it’s a worthwhile task.

1. Capacity:

Your capacity to repay the loan is the most critical of the five factors. The prospective lender will want to know exactly how you intend to repay the loan. The lender will consider the projected cash flow within your business, the timing of the repayment, and the probability of successful repayment. They will also want to know about your contingent sources of repayment. For example, do you have savings? A house you could sell? Credit history is considered an indicator of future payment performance. Check your personal credit situation. Too often, entrepreneurs think that their business credit and personal credit are separate. Not so. Your business credit is built upon your personal credit

2. Capital:

Capital is the money you personally have invested in the business. It indicates how much you stand to lose if the business fails. Lenders will expect you to contribute your own assets and to undertake personal financial risk to establish the business before asking them to lend you money. After all, if you have a significant personal investment in the business you are more likely to do everything in your power to make the business successful

3. Collateral:

Giving a lender collateral means that you pledge an asset you own, such as your home, to the lender with the agreement that it will be the repayment source in case you can’t repay the loan. Both business and personal assets can be sources of collateral for a loan. A guarantee is when someone else signs a document guaranteeing to repay the loan if you can’t. Some lenders may require a guarantee in addition to collateral for a loan.

4. Conditions:

Conditions focus on the intended purpose of the loan. Will the money be used for startup, working capital, equipment, inventory, or what? The lender will also consider the economic climate and conditions within your industry and in other industries that could affect your business.

5. Character:

Character is just that - the personal impression you make. The lender decides whether you are sufficiently trustworthy to repay the loan or generate a return on funds invested in your business. Your education and experience in both business and your industry will be reviewed.

My 5 Cs!

Write a brief, but thorough and insightful, analysis of your 5 Cs. This isn't the time to be hasty or careless. Your financing needs depend upon these all being up to scratch. There is a "To Do" List on the following page on which you can write down all the tasks you need to do to make sure your 5Cs are perfect!

1. Capacity: ____________________

2. Capital: ____________________

3. Collateral: ____________________

4. Conditions: ____________________

5. Character: ____________________

My “5 Cs” to do list

	What must be done:	Who will do it:	When it’ll be done:
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Being wise about personal finances

1. Do not even consider starting your own business unless your personal finances are in order. Starting a business can be a huge strain on your personal finances as it can take months before your business is profitable. You need to be sure you can pay your bills until your business can provide financial support for you and your family.

2. Review your personal finances. Be vigilant and don't ignore even the smallest detail. If there are any worrisome factors, resolve them before you launch your business. It is wise to ensure you have an adequate emergency fund in place to cover any unexpected personal bills.

Items:	Cost:

Write your personal budget details on your Financial Big Picture

"To Do" list — Part 15

1. Write down everything you must do in order to complete Part 15 of your business planning:

2. Now turn this "To Do" list into an "Action Plan".
3. Write it down on the next page.

Action Plan — Part 15

	What must be done:	Who will do it:	When it'll be done:
1.			
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The 3 Rs

At school our teachers taught us our “3 Rs”. These were:

- Reading
- ’Riting and
- ‘Rithmatic!

As adults our “3 Rs” mean something very different:

- Respect for self
- Respect for others
- Responsibility for our own actions.

Part 16: Focus on financials: *Financial statements*

Understanding financial statements is critically important to the success of a business. Most business owners don't realise they have a value that goes far beyond their use in preparing tax returns or making loan applications

Financial statements as roadmaps

1. Financial statements can be used as a roadmap on your business journey to economic success. Using numbers as navigation aids can steer you in the right direction and help you avoid costly breakdowns.

2. Together they will give you a “snapshot” of your business and help you determine whether or not your business idea really is viable—thus giving you time to make the necessary changes *now*—in the planning stage. The three primary financial statements are :

    - The “Profit and loss projection” (or “income statement”)
    - The “balance sheet”
    - The “cash flow projection”

3. The third statement - the “cash flow projection” - is explained in the next chapter: *Part 17: Cash management*.

Contents Part 16

Profit and loss projection

1. This financial statement summarises the income, costs and expenses incurred during a specific period of time - usually a fiscal quarter or year. (But you should prepare one monthly for the first year.) It provides information that shows the ability of your business to generate profit by increasing revenue and reducing costs. (It's also known as the income statement.)

2. It is not intended to be a detailed financial statement but to act as a guide to help you forecast sales and expenses. This will help you fine tune your venture for optimal performance. There are the four steps to creating a Profit and Loss Projection:

a. Forecast sales:

Sales forecasting is the process of analysing information in a way that allows you to estimate what your sales will be. (It's not a wildly optimistic guess.) When you forecast your sales remember that there are many factors that can affect your sales, such as:

External:
- Seasons / holidays
- Weather
- Special events
- Political events
- Competition
- External labour events
- Productivity changes
- Consumer earnings
- Fashions or styles
- Population changes

Internal:
- Product changes, style, quality
- Service changes, type, quality
- Shortages, production capability
- Promotional effort changes
- Sales motivation plans
- Price changes
- Credit policy changes
- Shortages/working capital
- Distribution methods used
- Labour problems

Avoid being too optimistic. A good idea is to forecast a "best case scenario" and a "worst case scenario". The most realistic figure will fall right in the middle!

b. Forecast expenses:

Identify all the expenses you'll incur to generate revenue under the sales projection you've made. Include both your fixed costs and your variable costs.

c. Look at your profit level:

Subtract the forecast expenses from the forecast sales. This will establish your profit before depreciation and taxes. Next, calculate the depreciation of your fixed assets.

d. Discover your net profit before taxes:

Subtract the depreciation from the profit before depreciation and taxes figure. This will give you your projected net profit before taxes.

Sample—profit and loss projection

Profit and loss projection

REVENUE:				
	Gross sales:		R0.00	
	Less sales returns and allowances:		R0.00	
	Net Sales		R0.00	
COST OF GOOD SOLD:				
	Beginning inventory:	0.00		
	Add: Purchases	0.00		
	Freight	0.00		
	Direct labour	0.00		
	Indirect expenses	0.00		
	Total		R0.00	
	Less: Ending inventory:	0.00		
	Cost of Good Sold		R0.00	
	Gross Profit (Loss)		R0.00	
EXPENSES:				
	Advertising:	0.00		
	Bad debts	0.00		
	Bank charges	0.00		
	Charitable contributions	0.00		
	Commissions	0.00		
	Contract labour	0.00		
	Credit card fees	0.00		
	Delivery expenses	0.00		
	Depreciation	0.00		
	Dues and subscriptions	0.00		
	Insurance	0.00		
	Interest	0.00		
	Maintenance	0.00		
	Miscellaneous	0.00		
	Office expenses	0.00		
	Operating supplies	0.00		
	Payroll taxes	0.00		
	Permits and licenses	0.00		
	Professional fees	0.00		
	Rent	0.00		
	Repairs	0.00		
	Telephone	0.00		
	Travel	0.00		
	Utilities	0.00		
	Vehicle expenses	0.00		
	Wages	0.00		
	Total Expenses		R0.00	
	Net Operating Income:			R0.00

Balance sheet

The balance sheet presents a picture of your business's net worth at a particular point in time. It shows the business's financial position, what it owns (assets) and what it owes (liabilities) and net worth.

Analysing how your balance sheet changes over time will reveal important information about your business trends. Normally a business prepares a balance sheet once a year. You need to prepare a pro forma balance sheet. *Pro Forma* means "forward looking" or projected. The following covers the essential elements of the balance sheet:

1. Assets:

Assets include anything of value that is owned or legally due the business:

a. Current assets:

Current assets are those that mature in less than one year. They include the following:

- *Cash:*
  Include all money on hand and in the bank—cheque accounts, money market and savings accounts.
- *Petty cash:*
  If your business has a fund for small expenditures, include the total.
- *Accounts receivable:*
  Accounts receivable are rands due from customers.
- *Inventory:*
  Inventory consists of the goods and materials a business purchases to re-sell at a profit.
- *Notes receivable:*
  This is amounts due the business, in the form of a promissory note, arising because the business made a loan.
- *Prepaid expenses:*
  Goods, benefits or services a business buys or rents in advance.

b. Long-term assets

These are holdings the business intends to keep for at least a year and that typically yield interest or dividends.

c. Fixed assets

Includes all resources a business owns or acquires for use in operations and not intended for resale. These may include: land (original purchase price without allowances for market value), buildings, improvements, equipment, furniture, vehicles, etc.

2. Liabilities:

Liabilities are all debts owed to creditors of the business.

a. Current liabilities:

Current liabilities are those obligations that will mature and must be paid within 12 months. These are liabilities that can create a businesses' insolvency if cash is inadequate. (A happy and satisfied set of current creditors is a healthy and important source of credit. An unhappy and dissatisfied set of current creditors can threaten the survival of the company.)

- *Accounts payable:*
  This is amounts owed to suppliers for goods and services purchased in connection with business operations. Suppliers generally offer terms and whenever possible you should take advantage of payment terms as this will help keep your costs down.

- *Notes payable:*
  The balance of principal due to pay off short-term debt for borrowed funds.

- *Interest payable:*
  Any accrued interest due for use of both short- and long-term borrowed capital and credit extended to the business.

- *Taxes payable:*
  Amounts estimated by an accountant to have been incurred during the accounting period.

- *Payroll accrual:*
  Salaries and wages currently owed.

b. Long-term liabilities:

Long-term liabilities are notes payable, contract payments or mortgage payments due over a period exceeding 12 months or one cycle of operation.

3. Net worth:

Net worth is represented by total assets minus total liabilities. It is an excellent "snapshot" of your business's financial health.

Sample—balance sheet

Balance sheet

Assets

Current assets:			
Cash	0.00		
Accounts receivable	0.00		
Less: reserve for bad debts	0.00		
		0.00	
Merchandise inventory	0.00		
Pre-paid expenses	0.00		
Notes receivable	0.00		
Total current assets			R0.00
Fixed assets:			
Vehicles	0.00		
Less: accumulated depreciation	0.00		
		0.00	
Furniture and fixtures	0.00		
Less: accumulated depreciation	0.00		
		0.00	
Equipment	0.00		
Less: accumulated depreciation	0.00		
		0.00	
Buildings	0.00		
Less: accumulated depreciation	0.00		
		0.00	
Land		0.00	
Total fixed assets			R0.00
Other assets:			
Goodwill		0.00	
Total other assets			R0.00
TOTAL ASSETS			R0.00

Liabilities

Current liabilities:			
Accounts payable	0.00		
Payroll taxes	0.00		
Short-term bank loan payable	0.00		
Total current liabilities			R0.00
Long-term liabilities:			
Long-term notes payable	0.00		
Total current liabilities			R0.00
TOTAL LIABILITIES			R0.00
Capital:			
Owner's equity	0.00		
Net profit	0.00		
TOTAL CAPITAL			R0.00
TOTAL LIABILITIES AND CAPITAL			R0.00

Innovation

Business is a creative activity.

Success in business today demands constant innovation.

Generating fresh solutions to problems, and the ability to invent new products or services for a changing market, are part of the intellectual capital that give a company its competitive edge.

In a world of change, success comes from looking for the next opportunity and having the ability to find hidden connections and insights into new products or services, desired by the customer.

Part 17: Focus on financials: *Cash management*

Inadequate or improperly managed cash is the most common reason for small businesses to become insolvent and be forced into bankruptcy.

Manage your cash, manage your business

1. Cash is the lifeblood of your business.
2. Cash pays bills and obligations.
3. Inventory, receivables, property, machinery and equipment do not pay bills. They can be sold for cash and then used to pay bills, but rarely in time to avert a cash crisis, Running out of cash can mean game over for your business.

Contents Part 17

There's more to cash than money!

Poor management is the main reason businesses fail.

1. Cash vs. Cash flow

Cash is critical. It pays for everything. Cash is what you must have on hand to keep your business running. Without cash you cannot survive. Cash is ready money in the bank or in your business. It is not stock. It is not accounts receivable. It is not property. These can, potentially, be turned into cash, but you can't use them to pay your rent or your employees.

Manage cash with the care and attention it deserves. It's very unforgiving if you don't. When you have your cash management under firm control, it frees you up to focus all your time and talents where you can make the most difference in your business.

2. Cash flow

Cash flow refers to the movement of cash into and out of your business. Cash inflow is the money coming in (e.g. sales). Cash outflow is the money going out (e.g. paying rent). If your cash outflow exceeds the inflow, your business has a negative cash flow. If you can't borrow additional cash at this point, your business may be in serious trouble.

Make watching your cash flows your most important task. Many businesses fail because the owner did not see a cash flow problem in time to do something about it. Always remember, cash flow problems don't "just happen".

3. Cash flow

You cannot manage your cash flows without developing cash flow projections. Shortterm (weekly, monthly) cash flow projections will help you manage daily cash. Long-term (annual) cash flow projections will help you develop the necessary capital strategy to meet your business needs. (See Cash Management Projections—page 165)

4. The worst cash management practice

The quickest way to go bankrupt is to assume that cash in your account at the end of the month is "profit" - and pay it out to yourself as such. Cash is not profit. Profit is a calculation on paper. Cash in your account at the end of the month is money available to your business and must be used in the running and growth of your business.

5. Cash management tips

Here are some excellent tips to help you manage your cash well:

Invoice promptly

Many small businesses invoice customers at the end of the month. This leaves your money sitting in their bank accounts improving their cash flow! Instead, invoice when the job is completed. If your business involves billing for hours of time, invoice twice a month instead of once.

Ask for partial payment upfront

Don't only invoice after a job is completed. Instead, ask for a percentage of the bill to be paid before the work starts. It's a common business practice. You could charge 40% of the bill as a retainer, with the remainder due on completion of the work. Or you could charge a third before work starts, a third while the project is ongoing and a third upon completion.

Reward quick payment

Many customers will pay immediately if you offer them a small discount if they pay within a certain time frame. This will give your cash flow a nice boost.

Have a super-tight credit policy

Check the financial health of a new customer before giving them credit. Ask a new customer for five business references and don't neglect to call them. Weed out unprofitable customers – those that cost more to maintain than they add to your bottom line. Remember that you do not have to extend credit to anyone. If a customer has a history of slow payment, changing the credit terms or even eliminating credit entirely may be necessary.

Chase up receivables

Ensure customers pay your invoices by the due date. If not, then make a phone call or send out a letter or e-mail requesting payment. Some customers just need reminding. And when reminding doesn't work, it's time to put a collections agency to work.

Pay bills only when they are due

Many people believe in staying ahead of bills and paying them as early as possible, but that's just poor cash management. Check your suppliers' payment terms. Pay on the due date. Timing your business' bill payments will help keep the cash in your business longer.

Write down exactly how you intend to manage your cash.

Write your cash management details on your General Big Picture

Cash flow projection

1. Cash Flow Projections shows how cash is expected to flow in and out of your business. It's impossible to run your business properly without them.

2. Develop both short-term (weekly, monthly) cash flow projections to help you manage daily cash. Develop long-term (annual) cash flow projections to help you develop the necessary strategy to meet business needs.

3. For a potential lender, your Cash Flow Projections offer evidence that your business is a good credit risk and that there will be enough cash on hand to make your business a good candidate for a line of credit or short-term loan.

4. You need to show Cash Flow Projections for each month for the next year. Remember, however, that the farther out in time you go, the less certain your figures will be, because of unexpected changes in interest rates, consumer tastes and habits, or other factors that can affect your business. Here is a brief description of how to prepare a Cash Flow Projection. (See example on page 166.)

- Beginning cash balance:
  This includes the starting available cash for the period of time to be considered.

- Projected cash income:
  This includes accounts receivable and other sources related to the business.

- Projected cash expenditure:
  This includes all costs of business operation (salaries, benefits, purchases, utilities, manufacturing costs, loan payments and expenses, marketing expenses, taxes, etc.)

- Projected net change:
  This is determined by subtracting the total of projected cash expenditure from the total of projected cash income. Note: the projected net change for a period may be negative. This would occur if projected cash uses was greater than projected cash sources.

- Ending cash balance:
  This is calculated by adding the projected net change to the beginning cash balance. The “ending cash balance” then becomes “beginning cash balance” for the next cash flow statement period.

Example—cash flow projection

Cash flow projection

	(Month)	(Month)	(Month)
Beginning cash balance:	R0.00	R0.00	R0.00
Cash inflows (income):			
Sales & receipts			
Accts. Rec. Collectables			
Loan proceeds			
Other			
Total cash inflows:	R0.00	R0.00	R0.00
Available cash balance:	R0.00	R0.00	R0.00
Cash outflows (expenses):			
Advertising			
Bank charges			
Credit card fees			
Delivery			
Insurance			
Inventory purchase			
Miscellaneous			
Office			
Payroll			
Professional fees			
Rent			
Subscription fees			
Supplies			
Taxes and licenses			
Telephone			
Utilities			
Other			
Subtotal:	R0.00	R0.00	R0.00
Other cash outflows:			
Capital purchases			
Loan principal			
Owner's draw			
Other			
Subtotal:	R0.00	R0.00	R0.00
Total cash outflows:	R0.00	R0.00	R0.00
Ending cash balance:	R0.00	R0.00	R0.00

Break-even point

1. One of the most important tools you can use to make better business decisions is the break-even analysis.

2. It enables you to determine with great accuracy whether or not your idea is a profitable one. Best of all, you can use this tool to evaluate every product or service you offer.

3. The break-even point is defined as the point where sales or revenues equal expenses. There is no profit made or loss incurred at the break-even point.

4. A break-even analysis is a simple way to determine how much of the product must be sold to generate a specific level of profitability.

5. Here's a simple example of the break-even model:

   - Just say the total costs of operating your business each month are R10,000.
   - Each product the company produces can be sold for R1,000.
   - Each product costs an average of R800 per unit to produce, sell and deliver.
   - The profit contribution per unit is therefore R200 each.
   - The amount R200 is divided into R10,000 to determine the break-even point.
   - R10,000 divided by R200 equals 50 units.
   - Your business must therefore sell 50 units per month to break even, or approximately two units per business day.
   - Only after the company has sold 50 units in one month does it begin to earn a profit of R200 per unit.

6. The dynamics of the break-even point is that it shows you the impact of your decisions:

   - In purchasing, costs can be lowered by bulk purchasing, negotiating price/terms or finding new suppliers.
   - Revenues can be improved by increasing value to the customer or offering non-price concessions. It must be remembered that increasing profits by simply increasing margins is a risky strategy. Unless the consumer perceives higher value, increased prices may negatively impact sales. The customer ultimately decides benefit, value and sales.

Taking Responsibility

We all know what "taking responsibility" means. . . but what does it really mean?

1. We accept *we* are in control of our own lives, our jobs, our communities, our world.

2. We are willing to take charge and make a difference!

3. We accept that *we* are accountable for what we do and the decisions we make.

Part 18: Focus on financials: *Keeping control*

It is important to stay focused on the basics of business success; and one of the most fundamental components of achieving business success is keeping good financial records. The importance of keeping good financial records cannot be overstated.

Do it well, or hire someone

1. No-one would argue with the statement that a business owner must keep good records.

2. However, when it comes to keeping your business's records, there are two choices: Learn to do it yourself, or hire someone who *really* knows how to do it. Don't make the mistake of doing this job badly or hiring the wrong person.

3. Right now you may not be able to afford someone, but once your business is solid, consider getting someone part-time or using a bookkeeping services. A small business shouldn't take much more than a few hours a month.

Contents Part 18

Keeping income records

1. Your business may take in money from one or many sources, depending on what you're doing .
2. For tax purposes, your records should account for all income and also show the source of each item, for example: "sales" or the details of a short-term loan.
3. This added step is necessary because money you put into your business's bank account may not always be taxable income, for example, a loan to your business from a relative. Or you may have sold a personal item and put the money into your business. So, record accurate notes.
4. There are several ways to record income. As you know, retail stores typically use cash registers that produce a printout receipt. If you are selling products, you will also need to issue some sort of receipt.
5. Keep track of income from bank deposit records if money is paid straight into your bank. Keep copies of deposit slips listing as well as the bank statements showing the deposits.

This is what I have to do to get my income records in place:

Keeping expense records

1. You need to record every cent that you spend.
2. You also need to keep some proof the expenditures were made, such as receipts, invoices, credit charge slips, canceled cheques, or lease agreements. An easy way to do this is to put paid bills and invoices into accordion folders or envelopes according to expense category (supplies, rent, and so on).
3. Canceled cheques and paid receipts are the standard ways to verify business expenses.
4. If you make electronic transfers you will need to get a statement from the bank showing the electronic funds transfer.
5. You may, for tax purposes, need to show how the expense was related to your business so note on the receipt the business purpose.

This is what I have to do to get my expense records in place:

Keeping assets records

1. Any asset that you buy for your business (for example, furniture, computers, etc.) must be categorised as an asset—and recorded separately from other business expenses.
2. Keep a separate file for each asset or category of assets your business acquires. Show the date of purchase and the type of asset: computer, furniture, machinery, etc. Unless it is obvious, write a short explanation of how the asset is used in the business.
3. Record when you started using the asset. Ordinarily, you start using an asset as soon as you get it (but not always), so note it in your asset records.
4. If you sell an asset you must record its sales price. Also list any costs you incurred selling the asset - for example, a newspaper advertisement. If it became worthless or obsolete, record the date you discarded it and how you discarded it (recycled, thrown away, donated to a charity, given to someone, etc.).

This is what I have to do to get my asset records in place:

Bookkeeping records

1. If you are going to do your own books, there is a wide range of accounting systems with preprinted forms and instruction books available from the better stationery stores.

2. If you have a computer and enjoy doing books, there is small-business software that makes record keeping almost enjoyable.

3. You can always get a pro to help you get started—whether with a manual system or a computerised one, which you can then run yourself.

4. However, neither of these systems will work unless it is kept up regularly, which means weekly at a minimum, and preferably daily. If you can't keep up with your bookkeeping get someone else to do.

5. If you get someone to do your books be careful about who you hire. Remember that you will be held responsible for your bookkeeper's actions. Check references carefully, and learn enough about your records so you can check to see that things are done right.

6. A good bookkeeping system ought to:

   - Be as simple and logical as possible.
   - Be inexpensive to set up.
   - Be easy to keep current.
   - Provide all your key financial information.
   - Be flexible enough to change as your business grows.

Consulting a Tax Pro

1. There is only one way to find out about taxes—and that's to ask a tax professional.

2. The complexity of the tax code and its provisions can be overwhelming, and most people running a small business don't have time to master all the rules. The tax code is growing more complex every year. Most businesses should consider using professional assistance to prepare their tax returns. Or, if you insist on doing your own tax return, have a tax pro review it before you file it.

Keeping financial control

Implementing and maintaining internal financial controls are important aspects of running a successful business. Once you have your financial controls in place, review the checklist below. Owners of well-managed business should answer "yes" to the following questions. If you answer "no" to any of the questions, work out the appropriate action to be taken on the following page.

1. General:

- Are you satisfied that all employees are competent and honest?
- Did you check job references?
- Is a good bookkeeping system used?
- Do you understand the form and contents of the bookkeeping system?
- Do you use budgets and cash projections?
- Are major discrepancies between projections and reality investigated?
- Are the books and records kept up-to-date and balanced?
- Is access to accounting records restricted when appropriate?

2. Income:

- Do you keep accurate records of all the money coming in?
- Are all accompanying documents kept?

3. Cash receipts:

- Do you have a method to ensure all cash is receipted and accounted for?
- Are cash sales controlled by cash registers or cash receipts?
- Are cash receipts deposited on a daily basis?
- Are cash receipts posted promptly to appropriate journals?

4. Cash disbursements:

- Are all disbursements, even petty cash, recorded?
- Does each cash disbursement have a supporting document?
- Are supporting documents properly cancelled to avoid duplicate payment?
- Are bank statements and cancelled cheques:
    - i) received directly by you?
    - ii) reviewed by you before they are given to the bookkeeper?
- Are bank reconciliations prepared:
    - i) monthly?
    - ii) reviewed and approved by you?
- Are all disbursements from petty cash funds supported by approved vouchers?
- Is there a maximum limit on the amounts of individual petty cash disbursements?
- Are petty cash funds:
    - i) kept in a safe place?
    - ii) controlled by one person?
    - iii) periodically counted by someone other than the custodian?

Keeping financial control

5. Accounts payable:

- Are all invoices reviewed for correctness of:
  - i) quantities received?
  - ii) prices charged?
  - iii) clerical accuracy?
- Are all available discounts taken?
- Is there evidence that invoices are properly processed before payment, e.g. stamped?
- Do you verify that the accounts payable accounts balance and are accurate?
- Are any expense reimbursement requests (such as petrol, for example):
  - i) submitted properly?
  - ii) adequately supported?
  - iii) approved before payment?

6. Receiving:

- When you receive any goods or products are they:
  - i) inspected for condition
  - ii) independently counted, measured, weighed (if applicable) when received?
  - iii) signed for by an appropriate person?
  - iv) approved by you?
- Are damaged goods/products returned promptly?
- Are damaged goods/products accurately documented?

7. Payroll:

- Are all employees hired by you?
- Are wages approved by you?
- Are adequate time records for employees paid by the hour?
- Do you keep piecework records for employees whose wages are based on production?
- Are you aware of the absence of any employee?
- Do you check the clerical accuracy of your payroll?
- Do you review payroll registers ?
- Do you approve, sign, and distribute the payroll cheques?
- If an employees is paid in cash, do you control this?

8. Systems:

- Do you regularily check up on all your financial systems, from petty cash to payroll?
- Do you understand all your systems?
- Do you regularily cjeck on the accuracy of all your records?
- Do you review your systems for loopholes?

Keeping financial control

This is what I have to do to keep strict financial control and manage my cash:

Keeping financial control

Write your financial controls and cash management on your Financial Big Picture

“To Do” list — Part 18

1. Write down everything you must do in order to complete Part 18 of your business planning:

2. Now turn this “To Do” list into an “Action Plan”.
3. Write it down on the next page.

Action Plan — Part 18

	What must be done:	Who will do it:	When it'll be done:
1.			
2.			
3.			
4.			
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8.			
9.			
10.			
11.			
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25.			

The Right Stuff

What does it take to be successful starting a business?
A number of personal qualities can help you to build a successful business.
If you pass muster on most of these traits, you're off and running.

You can delegate:
No matter how energetic you are, it's a mistake to try to attend to every detail yourself. Unless you're a solo act, you have to trust employees to do their jobs so you can run the business.

You are a teacher:
In order to delegate successfully, you will need people with appropriate skills and they may have to learn those skills from you.

You are self-motivated:
You have lots of get-up-and-go and don't need a boss to tell you when to get to work.

You can work with numbers:
You will spend a fair amount of time keeping track of money - expenses, revenues, taxes and the like.

You don't mind making mistakes:
You will make them; the trick is to learn from them and move on. Not everyone finds that easy to do.

You like to work:
You don't need to be a workaholic to start a successful business. Successful business owners establish a reasonable working pace - one that lets them strike a balance between work and their personal lives. That said, don't start a business unless you enjoy work. There's going to be plenty of it.

You don't quit easily:
You'll encounter obstacles that might overwhelm some people. You'll have more success if you are the type of person who relishes such challenges. A dash of optimism helps; it will help you handle the uncertainty that is part of every venture.

Part 19: S.W.O.T. analysis

A S.W.O.T. analysis helps you identify and focus on your business' key strategic issues.

Swotting your business

1. You need to S.W.O.T. your business! This means "profiling" it so that you can capitalise on the strengths, improve the weaknesses, grab the opportunities and defend yourself against the threats.

2. This may sound like a complex process, but it is fairly straightforward. It means examining your business analytically.

3. Get into a habit of analysing the strengths, weaknesses, opportunities, and threats of your business on a regular basis. It's well worth the effort as it will help you go from strength to strength.

4. Involve your business team in this analysis as they will help you see things in different ways.

Contents Part 19

Understanding S.W.O.T.

1. Now that your planning is basically completed you need to do a S.W.O.T. analysis.

2. Doing a S.W.O.T. analysis can give rise to some extremely important insights that will help you make your business a sustainable success (luckily, it's also relatively simple to do.)

3. This is what S.W.O.T. stands for:

Strengths:

- A strength is anything that adds to you, your business, and your product/service.
- By figuring out your strengths you can exploit them by concentrating all your energy in that direction.

Weaknesses:

- A weakness is anything that detracts from you, your business, and your product/service.
- By establishing a weaknesses you can minimise it by working around it.

Opportunities:

- Opportunities are just that—*opportunities!*
- Opportunists are people who can adapt their actions to *take advantage of an opportunity.*
- There is a saying: opportunity only knocks once. That's true—if you are relying upon sheer luck. But by *consciously looking* for the opportunities that exist you will find that opportunity knocks—and knocks—and knocks—and knocks!
- By identifying your opportunities you can take full advantage of them.

Threats:

- Threats are the pitfalls which, if you don't know exist, are likely to ambush you, your project, or your product/service.
- By identifying them you can take the necessary steps to avoid them.

Doing your S.W.O.T. analysis

1. To do a successful S.W.O.T. analysis you need to look at every aspect of your big pictures and establish all the strengths, weaknesses, opportunities and threats.

2. The way to do this is to lay all three big pictures out in front of you and ask yourself:

   - What are my business' strengths here? What is adding to us? What will keep us ahead of the competition? What will help us grow in the future and overcome adversity?
   - What are the weaknesses here? What will detract from us? What will hinder our growth and reduce our ability to overcome adversity?
   - What opportunities, large and small, are here? What can we grab at that will make us stand out?
   - What threats are here? What pitfalls are here? What can really have a seriously negative impact on us?

3. Once you have established all the strengths, weaknesses, opportunities, and threats, make use of the information by determining the following:

   - Strengths: How you can use them to your best advantage.
   - Weaknesses: How you can work around them.
   - Opportunities: The actions needed to take advantage of them.
   - Threats: The steps you must take to avoid them.

4. It is best if you involve your whole team in this analysis. They may have critical insights that you won't pick up on. (It also makes them feel they have a part to play in the growth of your business.)

S.W.O.T. Analysis—strengths

Strengths :	How I can use them to my best advantage:

S.W.O.T. Analysis—weaknesses

Weaknesses:	How I can work around them:

S.W.O.T. Analysis—opportunities

Opportunities :	Actions needed to take advantage of them:

S.W.O.T. Analysis—threats

Threats :	The steps I must take to avoid them:

“To Do” list — Part 19

1. Write down everything you must do in order to complete Part 19 of your business planning:

2. Now turn this “To Do” list into an “Action Plan”.
3. Write it down on the next page.

Action Plan — Part 19

	What must be done:	Who will do it:	When it'll be done:
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Solving Problems

Problems that are solved correctly remain solved. You can develop your ability to solve problems successfully through practice, effort, and by following these six logical steps:

Step 1: *Define the problem*

Pinpointing a problem is not easy but you can go no further until you have clearly defined the problem. Remember: *A problem well-stated is a problem half-solved*. Write the problem down.

Step 2: *Write down all the causes of the problem*

Write down all the possible causes of the problem. Unless you establish the root cause of a problem you cannot hope to solve it. Write down facts, not guesses and assumptions.

Step 3: *Work out some alternative solutions*

To find the best solution you must consider all possible solutions. If you come up with many options you will be less likely to overlook the best course of action.

Step 4: *Evaluate the possible solutions*

Test each possible solution by imagining that it has already been put into effect. Consider the consequences (both desirable and undesirable) of each. Weigh up the good points and the bad points.

Step 5: *Select the Best solution*

Select the best solution or combination of solutions. In making the final selection, call upon previous experience, advice from others, intuition and common sense. Write them down as clearly as possible, leaving no room for misunderstanding.

Step 6: *Implement the solution*

You must plan carefully how your decision is to be implemented. Think of *what, how, when* and *where.* Since most decisions affect or involve people, be sure to gain their understanding and support.

Part 20: Business continuity

Business continuity is all about ensuring your business remains a going concern after an unplanned event.

Planning for unplanned events

1. Business continuity is a vital planning step as it can help protect you, your business and your dependants against financial hardship.

2. For example, if you have stood surety in your personal capacity for the liabilities of your business, you will want to ensure that the loan will be repaid should you die or become disabled, without any adverse consequences for your business, your business partners and dependants.

3. And what would happen if a critical asset or piece of equipment reached the end of its productive lifespan, and you couldn't afford to replace it? It could potentially jeopardise your business. However, with a little careful planning now, you can build up a reserve for the replacement of equipment and assets over time.

4. This is not a time to ignore dire possibilities. The more financial safeguards you have available, the better off you will be should something completely unanticipated happen.

Contents Part 20

6 Significant risks to investigate

Your business is probably your most valuable asset. Protecting it from risks is vital to its continued existence. Although different businesses have different types of risks, it's well worth your time to investigate the following six common risks that can have a significant negative impact on any business. The accompanying solutions are a good starting point to help you make what could be some of the most important decisions to your company's survival.

1. Contingent liability

The creditors of a business often expect someone - usually the owner - to stand surety in his personal capacity for the liabilities of the business. Should that person die or become disabled, and the suretyship cannot be transferred to somebody else, the creditor may call in the loan immediately. If the business cannot repay the loan, that person's estate will be held liable for the debt.

A good solution to consider. . .

The business and the surety enter into an agreement in terms of which the business effects an insurance policy on the life of the surety. The business then cedes the policy to the bank to cover the liability.

When benefits become payable as a result of death or disability of the surety, the proceeds of the policy are paid out to the bank and the surety is then discharged.

The benefits of a contingent liability plan. . .

- The outstanding loan for which the guarantor stood surety will be settled on the death or disability of the guarantor.
- The business can pay debts without having to utilise valuable cash reserves, or relying on having to fall back on surety.
- A substitute guarantor is not required and the business can continue operations without delays caused by uncertainties about debts that might be called up by creditors, who in turn are unsure about the future of the business after the death of an owner.
- The executor of a deceased estate will not be required to utilise cash or assets to pay business debts. The full benefit can therefore be applied to the dependants and heirs, and the estate may be wound up speedily.

2. Business debt

A business often ends up with significant debt. The financial institutions and creditors often expect repayment of loans on the death or disability of the owner(s). The death or permanent disability of the owner could place severe strain on the cash resources of the company.

A good solution to consider. . .

The business effects assurance on the lives of the owner(s), which is ceded to the financial institution or the creditors as collateral security. The assurance could be structured to pay out at the first death.

3. Buy and sell agreement

This is a written agreement between the members of a business entity, obligating themselves —on their deaths or in the event of disability—to sell their interest to the survivors and likewise committing the survivors to purchase the deceased member's (s') interest. In most cases, the personal assets of the various partners are tied up in the business, as profits are often kept in the business.

A good solution to consider. . .

Life assurance is the only safe and sound way of creating the necessary funds in terms of the agreement. The members/partners/shareholders enter into a contract in terms of which they effect policies on each other's lives. The co-owners other than the assured pay the premiums. If a credit loan account exists, it can be included in the buy-and-sell agreement by including the loan account amount in the cover on the life of the creditor.

The benefits of a buy and sell agreement. . .

- In the absence of a bona fide agreement the surviving owner(s) may be faced with serious problems. Such an agreement, gives the surviving owners immediate, full and unhindered ownership of the business.
- Funded by insurance, it provides the ready cash the moment it is needed.
- The surviving owner(s) pay(s) a fair value for the acquired share of the business and hence the needs of the deceased owner's heirs are also met.
- It prevents the business from being drained of its capital resources.
- Instead of borrowing money and paying interest, a life policy is usually much cheaper and readily available.

4. Asset replacement

Businesses need to build up reserves for the replacement of equipment or assets over time. The loss of a critical asset or piece of equipment could spell financial disaster for the business if there is no money available to replace it.

A good solution to consider. . .

An endowment policy (funded by single or recurring premiums) is a sound way of pre-funding future expenses. The depreciation or wear and tear in respect of assets can be claimed as a tax deduction according to section 1(e) of the Income Tax Act. This income tax saving can be used as a contribution towards the endowment policy.

The benefits of an asset replacement plan. . .

It can fund future liabilities such as:

- the replacement of assets due to depreciation or wear and tear
- the payment of trade restraint agreements
- the compulsory refurbishing of franchises (two to five years).

6 Significant risks to investigate

5. Debit loan account protection

A business often makes considerable loans to shareholders, directors or employees for their own purposes, such as the purchase of a holiday home. This is reflected in the balance sheet as a debit loan account. If the borrower dies, the borrower's estate must pay the amount in the debit loan account back to the company. If the estate cannot repay the loan it could lead to bankruptcy of the business.

A good solution to consider. . .

There are two ways to address this problem:

1. The borrower effects a policy with life cover on his life to ensure liquidity in his estate for the purpose of settling the outstanding debt. The policy is ceded to the business.
2. Bequeath shares in the business to a testamentary trust provided that the trust takes over the debit loan account.

6. Key person insurance

Your business may have an employee - apart from yourself - who fits the description "key person." For example, if you own a cheese factory, then the cheese maker—someone with a very specialised skill—is a key person in your business. You might not know the first thing about making cheese if you simply bought the business, because it was a good investment! The illness, disability, or death of the cheese maker could bring your business to a grinding halt.

A good solution to consider. . .

As the employer, you take out a policy on the life of the key person (usually a term assurance policy). In the event of the death or disablement of that key employee the proceeds are paid out to your business. This money may be used to compensate you for loss of profits as a result of the death or disablement of the employee and also for recruiting and training some other suitable substitute.

The benefits of key person insurance. . .

- Should there be any loss of business profits, the proceeds of the policy will compensate for this.
- Cash is available to finalise uncompleted projects.
- A new employee may be recruited and trained.
- The other employees are not affected because they perceive that the business is equipped and has a contingency plan to cater for setbacks.
- The credit standing of the business is not affected.

NB!
Unless you really do know your stuff about insurance, it's well worth consulting a qualified financial planner. They can help you analyse your insurance needs in relation to your overall financial circumstances and business goals.

My business continuity plans

This is what I plan for the continuity of my business:

“To Do” list — Part 20

1. Write down everything you must do in order to complete Part 21 of your business planning:

2. Now turn this “To Do” list into an “Action Plan”.
3. Write it down on the next page.

Action Plan — Part 20

	What must be done:	Who will do it:	When it'll be done:
1.			
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Keep your creative culture alive!

As your business grows in the future, it's important to ensure that what is starting as a creative enterprise doesn't become stagnant and resistant to change.

Share ideas anywhere and anytime

Often ideas with the greatest potential don't emerge in formal business meetings. Encourage informal meetings and conversations where ideas are shared anywhere and anytime.

Question the status quo

Encourage people to ask, "Why have we always done it this way?" and "Is there another approach or answer?" and "What if we. . .?"

Recognise persistence and diligent efforts even if they fail

Successful entrepreneurs succeed more rapidly by failing, learning from their mistakes, revising, and reinventing.

Use the good ideas out there

Bring in the good ideas you see other companies using, even if it's from an entirely different industry. How can you adapt their great ideas to your business?

Part 21: Your nest egg

A little careful planning now can help you build wealth faster as well as have a financial cushion for those tough times that may lie ahead.

Don’t overlook your nest egg

1. As a small business owner, you have a personal connection to your business that goes beyond a traditional nine-to-five commitment.

2. This connection extends to financial matters as well. Your business finances and your personal finances are closely intertwined.

3. Think of it this way: The financial success of your business and your own personal financial success are as closely linked as two people tied together in a three-legged race.

4. Unless you have an investment strategy beyond simply ploughing every cent you possess into your business (and then some), you may have trouble crossing the finish line, let alone winning the race.

Contents Part 21

Building a diversified investment portfolio

A diversified investment portfolio is a very important thing for any small business owner to have. Here is why:

1. Small business owners frequently focus all of their investment money, including for their retirement, on their new business.

2. The problem with investing everything solely in your own business is one of risk—for every successful business, dozens either fail or return only modestly.

3. It also doesn’t make good investment sense. Putting all your funds into your business is the same as owning shares in only one company—something that most investors know is plain foolhardy.

4. That’s why financial planners typically advise business owners to diversify some of their investment money. As any economist will tell you, diversification is the only sure way to create security in the long run. Your business is one stream of income. An investment portfolio that allows for other streams of income is what provides financial security in the longer term—especially in an uncertain environment.

5. And as your business develops and grows, use your diversified portfolio as a receptacle account for harvesting business profits from your business.

6. This is not meant to suggest that you shouldn't reinvest money back into your business to generate its long-term growth—or take advantage of business opportunities to further its success. After all, as a small business owner, you probably look to the continued success and growth of your business to generate a major part of your personal income. It certainly deserves priority when it comes to necessary working capital.

7. But building a strong investment portfolio is like growing a pot of gold outside of your business that will:

   - be your safety net for the tough times that can (and usually will) come with just about any business
   - build a cash cushion for your business and your family
   - keep your finances steady through rough times
   - facilitate you in meeting your life goals beyond your business, such as buying a home, saving for your child's education or planning for retirement.

8. And if your business is spectacularly successful. . . what a bonus your long-term investment portfolio will be!

Building a diversified investment portfolio

This is how I plan to diversify my investments:

Retirement for you and your employees

Retirement is probably the last thing on your mind at this point! But unless you plan on running your business until you drop, it's imperative that you consider retirement strategies. And what about your employees? These days, in order to compete with larger businesses to attract and retain the best employees, you have to offer a competitive benefits package. That means offering them a means to save for their future.

Your retirement plan

1. Many entrepreneurs assume their business will fund their retirement. They expect to sell the business when they're ready to stop working and live off the proceeds.

2. While every small business owner would like to believe that they will sell their business at retirement, this is in reality not the case for most. In fact, a very small majority of small business owners are able to sell their businesses at retirement.

3. Also, like any investment, putting all your "retirement eggs" into your "business basket" can be a risky proposition. You need to have an alternative plan.

4. A good alternative to look at is a retirement annuity, or RA, which is a savings plan specifically tailored to provide money for your retirement. RAs have many advantages:
    - They are one of the best tax strategies around when it comes to saving for retirement.
    - You can increase and decrease the amount you save.
    - Your RA cannot be attached, so your retirement is safe, even if your business goes bankrupt.

Retirement plan for employees

1. As an employer, you have an obligation to your employees to offer them opportunities to save for their futures. It would be miserable for employees to have to rely on a state pension, welfare and help from their families after decades of service to your business.

2. Two good alternatives to consider are:
    - **Pension fund**
      A retirement fund set up by an employer, consisting of money contributed by the employer and employees to provide pension fund benefits at retirement. Subject to tax, an employee may take up to one-third of the total retirement benefit as a cash lump sum. The remaining two-thirds must be used to provide a pension.
    - **Provident fund**
      A retirement fund set up by an employer, consisting of money contributed by the employer and employees to provide a one-off payment at retirement.

Retirement for you and your employees

This is what I plan for my eventual retirement:

This is the retirement planning I will offer to my employees:

Using a financial advisor

1. Do you need the services of a professional financial advisor? Well, the world of insurance and investments is extremely complicated. Expertise and specialised knowledge is often required to be able to make effective decisions.

2. And remember that just about every decision in both of these areas will impact your business—or your personal finances—or both. So, unless you know your stuff, it's probably a good idea to seek professional advice.

3. Not all financial advisors are created equal. So do your homework and hire someone good. A talented financial advisor is a great asset; but a bad or even mediocre advisor can create a mess for you, and even put your financial security at risk.

Choosing a financial advisor

Meet with potential financial advisors and interview them. This means asking questions. But which questions should you ask? Experts pinpoint four critical topics to look into:

1. Credentials

Anyone can claim to be a financial advisor. Make sure they are FSP (Financial Services Provider) licenced. Even if your advisor is FSP licenced, you're not home free. It generally takes years of experience and ongoing education (not to mention integrity and ethics) to become a truly good advisor. Find out what other formal training they have.

2. Experience

Experience matters a lot. How long have they been in business? Ten months, or ten years? You also need a financial advisor with experience with clients whose situations are comparable to yours. Ask for the names of clients in similar circumstances to yours. Then call and ask for a reference.

3. Payment method

How does the advisor get paid? Look carefully at how the financial advisor is paid and be sure you are confident he or she would put your interests first. Advisors can charge *commission only* (which includes trail fees on investments), *fee only* (includes hourly rate, rate per job or retainer) or a *combination of both*.

4. Personal chemistry

Gauge the advisor's personality. Do you feel comfortable talking with them? Do they listen to you or rush on to the next question? This may seem trivial; after all, you are hiring a financial advisor, not a best friend. But you will be discussing a lot of personal issues, along with business issues. Trust your instincts before making any hasty decisions.

Financial advisor checklist

Advisor details:	
Name	
Telephone No.	
Cell No.	
E-mail address	
Name of business	
Financial Services Provider Licence No.	

Do you have professional indemnity insurance?	NO	YES	Value:

FSP licensed to provide the following services			
Business assurance		Medical schemes	
Estate planning		Retirement planning	
Investment planning		Short term insurance	
Life and disability assurance			
Other services (specify)			
Areas of specialisation			
Other formal training			

Remuneration	
How are you paid?	
Commission only (includes trail fees on investments)	
Fee only (includes hourly rate, rate per job or retainer)	
Fee and Commission (combination of both above)	

Experience:	
How long have you been in business?	
References: clients in similar circumstances to mine (name and phone no.)	

“To Do” list — Part 21

1. Write down everything you must do in order to complete Part 22 of your business planning:

2. Now turn this “To Do” list into an “Action Plan”.
3. Write it down on the next page.

Action Plan — Part 21

	What must be done:	Who will do it:	When it'll be done:
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10 GREAT tips for success

1. Build a team
   Don’t hire an employee to fill a position. Employ a person to be part of a team to build your business.

2. Be fast
   Time is today’s most precious commodity. When delivery is expected on Wednesday, deliver on Tuesday afternoon. Return calls and e-mails.

3. Say “Thank You”
   A lot. Tell your customers and employees how much you appreciate them.

4. Be different
   If your competitors are doing it, don’t. Find ways to stand out from an over-crowded market where advertising and products look the same.

5. Be consistent
   A customer must get the same flavour from everyone in your business.

6. High optimism
   The glass must always be half full. Attitude always wins out in the end and infects all of those around you.

7. Sell soft
   Don’t ever hard sell. Instead - solve problems - satisfy wants - do what is truly best for your customer.

8. Leave your comfort zone
   If you look at change as an opportunity to grow, you will.

9. Deliver quality
   Quality is integral to success. Great marketing might bring in customers, but if the product you deliver fails to satisfy, they won’t return.

10. Live your brand
    You are the best possible PR for your business.

Part 22: Writing your business plan

You not only need a formal business plan for the bank or other investors if you are seeking finance, it is imperative to have one to guide you in the day-to-day running of your business.

Pen to paper

1. It's time to put pen to paper (or fingers to keyboard!) and write your formal business plan. A written business plan for starting and running your business successfully is essential.

2. You definitely need a written business plan if you are seeking bank financing or investors. Banks and people don't invest in small companies to lend a helping hand. They invest to make money. And they expect to make a lot of money. They won't even consider your business proposal without a written business plan.

3. A written business plan will also promote growth and provide an easy map for you to follow. In fact, your business plan should be a continuous "work in progress"—even when your business is successful and growing, you should maintain a current business plan.

4. The good news is—you have done all the hard work! By now you should have all the information and research you need to write a comprehensive business plan.

5. Don't get your information right—then fail to impress because of language and style. Your business plan needs to be clear and easy to read so your audience can concentrate on the message.

Contents Part 22

Writing your business plan

Your written business plan is a carefully thought-out document outlining everything that you have worked out in this Business Plan Book and your big pictures. Here is what must go into one:

1. Executive summary:

This is the most important section of your business plan. It summarises everything in the rest of the business plan in a compelling way. It's the first thing your readers see; therefore it is the thing that will either grab their interest and make them want to keep reading or make them want to put it down and forget about it. More than anything else, this section is important because it tells the reader why you think your business idea will be successful.

The executive summary should be the last section you write. After you've worked out all the details of your plan, you'll be in a better position to summarise it—and it must be a summary (i.e. no more than two pages).

2. Table of contents:

To assist the reader in locating specific sections in your business plan, include a table of contents directly following the executive summary. Keep the content titles very broad; i.e. avoid detailed descriptions in your table of contents.

3. Company description:

This section should include a high level look at how all of the different elements of your business fit together. This section should include information about the purpose of your business as well as list the primary factors that you believe will make your business a success.

When defining the purpose of your business, be sure to list the marketplace needs that you are trying to satisfy; include the ways in which you plan to satisfy these needs using your products or services. Finally, list the specific individuals and/or organizations that you have identified as having these needs.

Primary success factors might include a superior ability to satisfy your customers' needs, highly efficient methods of delivering your product or service, outstanding personnel, or a key location. Each of these would give your business a competitive advantage.

4. Market analysis:

This section should illustrate your knowledge about the particular industry your business is in. It should also present general highlights and conclusions of the marketing research data you have collected; however, the specific details of your marketing research studies should be moved to the appendix section of your business plan. This section should include

- An industry description and outlook. Describe the industry size, customers, etc.
- Your target market information.

- An evaluation of your competition. Describe who they are and how you compare—especially in the eyes of customers.
- The promotions you intend to use in order to meet your target market.
- Your pricing.

5. Management and ownership:

This section should include the legal structure of your business along with the subsequent ownership information it relates to.

Experts agree that one of the strongest factors for success in any growth business is the ability and track record of its owner/management, so let your reader know about the key people in your business and their backgrounds. Provide a brief resumé that includes the following information:

- Name
- Position (include brief position description along with primary duties)
- Primary responsibilities and authority
- Education
- Unique experience and skills
- Prior employment
- Special skills
- Past track record
- Industry recognition
- Community involvement.

Also highlight how the people surrounding you complement your own skills. Show how each person's unique experience will contribute to the success of your business.

6. Personnel:

This section must detail who does what in your business. Include their background and why you are bringing them into the business as employees. Detail their responsibilities and their salaries.

These may seem like unnecessary questions to answer in a one- or two-person organisation, but the people reading your business plan want to know who's in charge, so tell them.

7. Marketing and sales strategy:

Marketing is the process of creating customers, and customers are the lifeblood of your business so carefully define your marketing strategy in this section. Describe:

- Your marketing strategy.
- How you will focus on specific target markets.
- Your promotions/advertising/public relations (don't forget your launch).
- Sales appeals.
- Your sales strategy. Describe how you plan to actually sell your product.

8. Your product or service:

Describe your service or product, emphasizing the benefits to potential and current customers. Focus on the areas where you have a distinct advantage.

- Identify the problem in your target market for which your service or product provides a solution.
- Give the reader hard evidence that people are, or will be, willing to pay for your solution.
- List your business' services and products and attach any marketing/promotional materials.
- Provide details regarding suppliers, availability of products/services, and service or product costs.
- Also include information addressing new services or products which will soon be added to the company's line.

9. Funds required and their use:

In this section, you will request the amount of funding you will need to start or expand your business. Include the following in this section:

- Your current funding requirement.
- Your future funding requirements over the next three years.
- How you will use the funds you receive.
- Any long-range financial strategies that you are planning that would have any type of impact on your funding request.

How you will use your funds is very important to a creditor. Is the funding request for capital expenditures? Working capital? Acquisitions? Whatever it is, list it in this section.

10. Financial data:

Write a brief analysis of each of these three financial statements: the profit and loss projections, cash flow projections, and the pro forma balance sheet. When you're writing these analysis paragraphs, you want to keep them short and cover the highlights, rather than writing an in-depth analysis. The financial statements themselves will be placed in your business plan's Appendices.

For the first year, you should supply monthly or quarterly projections. After that, you can stretch it to quarterly and/or yearly projections for years 2 through 5.

Also write down a brief synopsis of your financial controls.

11. Appendices:

The appendix section is the additional material not be included in the main body of your business plan. It could include the following:

- Credit history (personal and business)
- CVs of key staff.

- Product pictures
- Letters of reference
- Details of market studies
- Relevant magazine articles or book references
- Licenses, permits, or patents
- Legal documents
- Copies of leases
- Building permits
- Contracts
- List of business consultants, including attorney and accountant.

Some helpful hints:

Length:

A business plan should not be long, boring or complicated. For a simple business idea, it could be between three and five pages. A more complicated plan might need 20 pages, with charts, graphs and detailed financial projections.

Keep the business plan tight:

Whatever the length, your main aim is to write "tightly" keeping to the relevant facts. Keep more detailed and non-essential information out of your plan or relegate it to an attachment.

Packaging is important:

These days, it is not difficult or expensive to insert color images or accent color to make the final product more appealing, distinguish your company, and improve content retention.

Plan to print your business plan on a good quality laser or color printer and bind the copies in attractive covers. While a business plan is not the place to test your fledgling graphic design talents, using a nice text layout and effective headlines will make the document look more professional. Do invest some time in the appearance of the finished product.

Review and editing:

Remember, you only have one shot at making a good impression. A well-written business plan that opens doors and wins the money is a plan that has been revised and reviewed. Do not forget this important step. Ask others for feedback. Make certain to proofread, proofread, and proofread. Careless typos, grammatical errors and spelling could cost you dearly.

Notes—business plan

Notes—business plan

Your Company Policy

While you are writing your business plan, think about what it is you want your company to stand for. Your company policy is a reflection of the values you deem important to the business.

Conduct:
This should outline specifically what is considered acceptable as well as unacceptable in terms of conduct in your business. (Remember, it comes from the top.)

Pride:
Pride builds dignity and self-respect. If employees are proud of where they work and what they are doing, they are more likely to act in an ethical manner.

Patience:
Focusing on long-term versus short-term results means you must develop a certain degree of patience. Without it, you may become frustrated and thus be more tempted to choose unethical alternatives.

Commitment:
If you are not committed to the policy you have outlined, then it becomes worthless. Stand by it.

Perspective:
These days it is hard to maintain perspective because there is never enough time to do everything we need and want to do. However, stopping and reflecting on where your business is headed, why you are headed that way, and how you are going to get there allows you to make the best decisions both in the short-term as well as the long-term.

Part 23: Your 12-week planner

Like any tool, a weekly planner is only as good as your use of it. So be sure to use it to its fullest advantage!

Making it happen

1. Your 12-Week Planner is a 3-month diary devoted solely to the tasks you need to accomplish in order to bring your business to life!

2. It's not hard to see the advantages of having a diary that is only for your business planning—as well as being part of your planning journal.

Contents

Part 23

Week 1

Date: ....

Monday

Tuesday

Wednesday

Thursday

Friday

Saturday

Sunday

Week 2

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Week 3

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Week 4

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Week 12

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Variable start-up costs

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My vision

My mission statement