

Small Business Basics

(This article is mainly Australian focused but there are ideas here that can apply to any country.)

Is Small Business for You?

- ✓ Check out courses at TAFE / UNSW.
- ✓ Business is about timing, timing, and timing.
- ✓ If you have a long lead time for your project, research it well.
- ✓ The business environment - be alert for changes to your industry that may affect its viability, keep abreast of tax reform, interest rates, and recessions.
- ✓ When you can be cleaner, manager, salesperson and bookkeeper all in one day, and stay calm and collected, you are on your way to success.
- ✓ You need to have a unique blend of imagination, cautiousness, optimism, and prudence.
- ✓ Remember to put money aside when things are going well.

What works for YOU?

In a niche business, you can start off on a small scale. This means low risk, and low expense. A great way to promote a niche business is often through Web advertising. Established businesses or entrepreneur type businesses carry different risks.

Capitalize on your natural abilities and your previous experience.

RESEARCH - check out the Australian Bureau of Statistics at www.abs.gov.au

Study your area's demographics, consider environmental, housing and industry trends.

Research financial benchmarks for industries similar to your own.

CHECK OUT THE COMPETITION - Search the Yellow Pages and the Web to get a feeling of who your competitors are and what they're doing. Pretend to be a perspective customer and find out their rates. Phone or visit some competitors. Try to find out how long they have been around. Check out www.fmrbenchmarking.com.au

Visit Google and type the name of your industry then the words "industry association" to find a relevant association for you.

STARTING YOUR OWN BUSINESS - is cheaper because you don't have to pay for goodwill, you can capitalize on your own ideas and creativity, and you can get off to a fresh start and build up slowly.

Planning for Profit

Incorporate a bit of strategy, plenty of marketing, and some sensible money stuff into your plan. The three main elements of your business plan are the mission statement, the business profile, and an outline of your goals and objectives. Encapsulate your **mission statement** in a few well-chosen words while keeping the bigger picture in mind. If it is more than two sentences long, ditch it and begin again. Try searching Google with the words mission statement and a word to cover whatever line of business you're in. Put your mission statement on your website, make it part of your advertising, or include it on all your business documents. Your **business profile** should include how long your business has been running, the kind of service you provide, the kind of industry you belong to, and your key strengths or focus. Your **goal** should be what you want to achieve, and your **objectives** are the way you intend to achieve your goals. Include objectives on profits, sales, service, products, and marketing. Don't forget to do a SWOT analysis to identify Strengths, Weaknesses, Opportunities and Trends.

If you are working in a team, consider the personnel aspect as well; roles and responsibilities, existing skills, desirable skills, recruitment policies.

Different ways to promote your business include direct mail advertising, web site promotion, leaflet drops, press releases, radio advertising, seminars and Yellow Pages.

Your business plan should also include a Profit & Loss projection for each month, and up to three years forward.

- List the months of the year along row A starting at Column B
- List your income and expense categories in Column A
- Complete dollar estimates for income and expenses month by month
- Insert or add rows for Total Expenses and Total Income
- Create a row at the bottom called Net Profit

www.bplans.com is a good place to start.

The MAUS Masterplan is a good business planning software - www.maus.com

Cutting Through the Red Tape

BUSINESS NAMES - if you are a sole trader, you have to register a business name with the relevant department in your state. If you incorporate as a company you have to register a company name with ASIC. If you want your business name as part of a web site address you need to register a domain name at www.ausregistry.com.au

If you want to buy exclusive rights to your business name or logo throughout Australia, you must register a trademark with IP Australia at www.ipaustralia.gov.au

Remember to:

- check that the name you want is available at www.search.asic.gov.au
- that there aren't any conflicting trademarks at www.ipaustralia.gov.au
- and to register it in every state you intend to operate.

Avoid names that are too similar to another name or names that are offensive or misleading.

Apply for an ABN electronically at www.business.gov.au

As a **sole trader**, it means that the business is an extension of you. If you intend your turnover will be more than \$50,000 a year, you need to register for GST.

A private company has limited liability and can help minimize tax. If you have a personal services business, you also need to determine if your business is a *business* or an *entity*. Talk to your accountant. www.smallbiz.nsw.gov.au is a great resource.

www.business.gov.au also has good information.

Financing Your Business

Checklist for Startup Costs

Complete the items relevant to your business

<u>Startup Expense</u>	<u>Minimum Budget</u>	<u>Maximum Budget</u>
Accounting Fees	\$0.00	\$0.00
Computer, printer, software etc	\$0.00	\$0.00
Consultant Fees	\$0.00	\$0.00
Council Fees	\$0.00	\$0.00
Shop Fit-out	\$0.00	\$0.00
Franchise Fees	\$0.00	\$0.00
Insurances	\$0.00	\$0.00
Internet connection	\$0.00	\$0.00
Lease	\$0.00	\$0.00
Legal Fees	\$0.00	\$0.00
Letterhead & Stationery	\$0.00	\$0.00
License Fees	\$0.00	\$0.00
Furnishings	\$0.00	\$0.00
Registration of business name or company	\$0.00	\$0.00
Other Equipment / Tools	\$0.00	\$0.00
Bonds	\$0.00	\$0.00
Signs and Marketing	\$0.00	\$0.00
Stock	\$0.00	\$0.00
Phone Connection	\$0.00	\$0.00
Training	\$0.00	\$0.00
Web site design and construction	\$0.00	\$0.00

If your business is growing too fast, remember:

Don't use up cash buying new assets. Use business loans or lines of credit, rather than overdrafts or credit cards. Slow down growth - steady growth is easier on the cashflow. Keep vehicle running costs down. Buy a smaller car that's almost new, hold on to it for five years, and then sell it when it starts costing money to maintain.

www.infochoice.com.au or www.brw.com.au are good sites to review business loans available.

Marketing with Flair

Five questions you need to answer in order to sell something:

- What's the product?
- What's the market?
- What's your message?
- What does advertising cost?
- What's the most effective way to advertise?

Think of your business as having its own identity, personality and image.

What is it YOU sell? Think about what customers want, and then how YOU can give it to them. Analyze the market for your product or service. You need to have a USP - a Unique Selling point.

Ask for feedback from existing customers, but remember you have to be prepared to listen! Work out a good system of keeping contact details for customers (use Outlook, or software such as "ACT!")

TIP - take 15 minutes a day to make FOUR contacts, either by phone, by mail, or in person by giving someone your business card.

Expand your customer base by asking local shops or retailers if they could display your business cards or brochures. Work with other professionals in related industries such as yours, and suggest that you refer clients to one another. Offer *introduce a friend* discounts, and be active in the community.

Sell by asking questions. For example, if someone contacts you asking what you charge, say “My rates vary, depending on what kind of assistance you require. Tell me a little about what you’re looking for...” Be genuine in your interest in your customers, and remember their details.

Marketing isn’t just about generating new customers - it’s about keeping the ones you’ve got. In **advertising**, consider local rags (affordable and good for a niche market), national newspapers (more costly and less effective), Magazines (have a longer shelf life), Internet, and Yellow pages, or even a press release. In newspapers and magazines, it’s best to book ads on the right-hand page. Remember, anything you write must comply with the Fair Trading Act.

Don’t forget to ask new customers how they heard about your business so they know how effective your advertising strategies are.

Other public relations examples include sending Christmas cards to key customers and suppliers, providing some free information about your products and their benefits, remembering key customer’s birthdays, sponsoring events, or business lunches, or offering free presentations.

Set realistic goals for your business by being specific, comparing budgets to actuals from previous periods, and building up gradually.

Tips on Employees and Team Building

Remember to give plenty of training, fix problems for ever by drawing up policies and procedures. Encourage positive attitudes, encourage pride in your business, and share decision-making.

In communicating with your team, be honest, don’t put up with grouchy staff. Share a little of yourself, communicate early and often, and invest time with people. Offer more training to help your staff grow. Keep providing opportunities for growth and set goals with your employees. Most people can do much more than you would think them capable of, but delegating a job doesn’t mean you abdicate all responsibility.

Remember different things motivate different people. For every time you criticize an employee, don’t forget to praise them twice.

Don’t be afraid to get someone more experienced to give you a hand.

For a cash-strapped small business, there are alternatives to paying larger salaries or bonuses. Offer flexible working hours, be nice, give positive feedback, offer discounts, let people work from home, offer flexible pay conditions.

Don’t forget to look after yourself! Put family life high on the list, keep an eye on your health, work on relationships, create regular thinking time, and allow for personal development and exercise.

Keep an eye on the time! Start every day with a to-do list, be realistic, manage distractions, set goals, get a PIM (such as outlook), and be prepared to stay up late sometimes.

Networking

Two key players in your business are your accountant and your lawyer. In choosing an **accountant**, ask friends for recommendations. Try to find a practice that has small business as its focus. Ask about rates and fees and what accounting software they support. Make sure they focus on financial management and that they have small business experience.

Before dealing with **lawyers**, get a costs agreement, compare hourly rates (and what is included), get an estimate of time, do some legwork yourself by drafting agreements in plain English, and prepare a list of questions before a consultation.

Choosing a good **business coach** or consultant means that you are able to do what you should be doing - working on your business, not in your business.

Networking is about building relationships, sharing and listening to people - not about doing the hard sell. Remember to have the attitude "what can I give?"

The NSW chamber of commerce has some good information: www.thechamber.com.au

Remember to have an abundance mentality, keep in contact with businesses that are similar to yours, and form strategic alliances.

Making Service Your Business

Customer service is about listening to your customers: about finding out what they expect, what they long for, what they experience. When you look after customers well, they remember. If it's superior to your competition, you can earn loyal customers who will stick by you for years. Excellent customer service means always doing the right things, in the way customers want it done. Figure out what's important to your customers and deliver it. Only when you understand what customers want from their relationship with you can you move forward. Aim to be the first choice, second time around.

Think of ways to make your customers feel special and important. Over-deliver on your promises, pay attention to small details. Don't let complaints go unresolved. Stay clear of mediocrity and communicate to keep customers informed.

On the phone, use comments such as "I appreciate how you feel", "I've done that sometimes", "Let me confirm what you just said", and "Is there anything else I can help you with?"

If you do receive a complaint, take it seriously. Listen, show understanding, respect, and suggest a practical solution for immediate action.

Keeping Your Books

Records and receipts you have to keep or maintain include:

- Record all the dollars that come through your door
- Comply with GST regulations if you earn more than \$50,000
- Keep receipts for all your spending
- Do a log book for your car if you use it for business
- Keep a practical filling system
- Take care of cheque stubs, bank and credit card statements
- Maintain employee records

Keep track of:

- All your income
- All your expenses (including the GST you pay)
- Totals for wages and tax
- Reconcile bank accounts
- Use bank and credit card statements as a reference source when doing your bookwork
- Keep cash receipts separate

Keeping your books up-to-date is also an important part of making sure you get paid on time. Be organized with your paperwork and methodical how you write things down or record entries in your accounting software. MYOB and Quick Books are the most popular in Australia. The best time to start with accounting software is the 1st July. (MYOB Business Basics is a good start - only about \$100.)

Microsoft Money is good software for personal accounting.

DON'T THROW MONEY OUT THE WINDOW - collect all receipts. Losing a receipt for \$100 is like throwing \$50 away. Make sure that the receipts you keep have enough information and include the words "Tax Invoice" at the top. An expense for less than \$10 can just be noted in an expense diary or log book. If you claim an expense in your tax, you must be able to substantiate it with receipts, detailed calculations or log books. Even if something is a legitimate tax deduction, you will still only get back up to 47 cents in the dollar (the top tax rate.)

When claiming **vehicle** expense, the 55 cents per kilometer method is the most simple if you keep a log book and do less than \$5,000 kilometers per year. You can also claim repairs, maintenance, registration and insurance, as well as up to 22.5% depreciation per year.

You can claim a **home office** if you have at least one room exclusively devoted to your business. Get your accountant to check your home office calculations. A portion of council rates, water, power, telephone, repairs etc can also be claimed, as can depreciation on office furniture.

In **personal tax**, don't forget to pay yourself at least the minimum, budget ahead, ask your accountant for help, get private hospital cover, superannuation, and consider negative gearing. DIY super funds are worth considering if you are self employed. www.hesta.com.au has a good retirement calculator.

Technology

You need speed (RAM of at least 512MB, and high processing speed - at least 2.4GB), reliability, At least an 80GB hard drive capacity, a good long guarantee, and great service and support.

Go with a good brand name such as Dell or HP, ask about after-sales service, and leave plenty of room for growth. You'll need a CD/DVD drive, broadband access, a UPS, and a reliable method for backing up. Various methods of backing up include removable hard drives, burning to CD, or e-mailing files to yourself. Ask your ISP what they offer, or www.mydocsonline.com is another alternative. Also consider a good quality laser printer / Copier / Scanner with low running costs.

A hard drive may represent more than 3,000 hours work, so if it dies you will also have to load your operating system again, all applications, printer drivers, internet connections and the rest.

KEY TIP: It is a good idea to keep a black book with handwritten records of all important serial numbers, registration numbers, IP addresses, and passwords.

Don't forget to use a good firewall to protect against viruses and spyware.

OTHER TIPS:

- Find clipart at the Microsoft Office site or www.barrysclipart.com,
- Your accounting software can be a convenient way of storing all your contacts.
- Some e-mail software lets you import customer details direct from databases and spreadsheets.
- Some shareware sites are www.shareware.com or www.jumbo.com,

E-MAIL:

- You can set up Microsoft Outlook so that it e-mails from various sources go into specific folders.
- Remember to back up your address list.
- Embed pictures or logos into your e-mail and use stylish fonts.
- Create a stylish signature to automatically include your contact details, skills, and web-site address at the end of each mail.

USING SEARCH ENGINES:

- Surround a search in quotes so that the exact words in a specific order are found.
- Use + or - to include or exclude words in searches.
- Use advanced searches. Or simply type exactly what you're looking for.
- Use lower case characters.

Building a Successful Web Site

Consider whether you want to employ a designer or do it yourself. (Type "templates DIY web site design" in to Google.) If employing a designer, shop around and look for someone who has good programming skills, an excellent sense of design, and some understanding of the nature of your business. Make sure you own the copyright of the design.

Look at the websites of companies offering similar services to your own, and communicate why your products are better. Consider creating a page of customer testimonials.

Sketch a mud map of the layout of your site, considering which information you want to put where, and what links to include. Ask, "Who is my audience, who is going to visit my site?"

For a look at what **not** to do, visit www.webpagesthatsuck.com

To avoid cost blow-out when choosing your design...

Plan the text you want to appear on each page. Be specific about colours and image. Start small and build up from there. Stick to your plan. Offer simple e-commerce facilities rather than shopping carts.

Use a good local designer or use sites such as www.elance.com or www.rentacoder.com

Before registering your site name, visit www.auda.org.au for a list of companies that offer domain name registration. Check for trademark conflicts at www.ipaustralia.gov.au

Consider how you're going to manage the content of your site. It needs to be fast and clear, so keep the file size of images small and low resolution (JPEG for images, GIF files for graphics.) Don't include sound as it can be annoying, or at least give visitors to your site the option of launching audio if they want to listen.

You can locate your site with your ISP, or consider using a service that specialises in hosting web sites. Offer freebies such as a PDF document of tips. Encourage contact by adding a place on every page where customers can interact. Ask for feedback and make yourself easy to contact. Make it easy for people to find their way around. Write important info near the top of the page, avoid more than a few images per page. Don't put too much text on one page, and keep your design consistent.

Promoting Your Web Site

Getting your website to rank high on the main search engines is an involved and ever-changing process. Search engines search for special tags attached to each page (meta tags.) Your meta tag displays the web site description, keywords, and revisit frequency.

In picking your meta tag keywords, remember to:

- Try to see yourself as others see you.
- Hone your keywords at a site such as www.wordtracker.com
- Identify your uniqueness.
- Don't include keywords just for the sake of it.
- Select different keywords for every page.
- Give adjectives a miss.

You need to lodge the details of your web site with as many search engines as possible.

There are many however. Simply go to the search engine and use the link called "submit your site." You can ask your web designer or host to submit your details, or just choose a select few such as Google, yahoo, and ODP (www.dmoz.org.)

One method to increase your rankings is to add links on your site to other suitable sites and get these sites to link back to you.

Google "adwords" is also a very effective means of increasing traffic.

Remember to print your web site address on all business cards, invoices and brochures. List your site with smaller or regional directories. Place ads in local newspapers. Consider press releases, or link your site with other businesses. List your web site address on every e-mail you send. Try to add something of value with every e-mail you send such as handy hints or newsletters. A web designer can help you set up a mailing list management system, or sign up with a mailbot service such as www.messagebot.com or www.yourmailinglistprovider.com. Keep adding new info and updating your website to keep it interesting and new. **Content is king.**

To see who has been visiting your site, subscribe to a web site tracking service, or ask your web host.

If Things Get Tough

Remember, winners never quit, quitters never win!

- Talk to your accountant or go to www.ipaa.com.au and do the warning signs quiz.
- Buy time with your creditors by phoning them and tell them the date you plan to pay them. Pay in installments, approach your bank, or apply for voluntary administration in a worse case scenario.
- Think laterally and re-invent yourself.
- Slash the budget - don't pay overtime, reduce rent, cut bank and interest charges, negotiate better mobile plans, or get rid of expensive vehicles.
- Chase up overdue accounts and run special offers.
- Examine your price and profit margins.

Source and recommended Reading: "Small Business for Dummies" by Veechi Curtis

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