



Committing to Paper - The Power of the Business Plan?

Some business owners have planned such a clear path for the future, they wonder why others are so hung up about writing a business plan.

After all they have it all in their head - their vision, objectives and goals - so isn't that enough?

The short answer is NO, it isn't enough. Even if you're so busy with your work, rigidly following that path for the future, you've still got to write a business plan.

In fact writing the business plan is one of the first things you need to do - *before* you set-up in business.

So, why is it so important? Let's look at some important reasons.



Good Thinking

One of the essential ingredients that goes into the planning process is good, critical thinking. Before you write anything you've got to think through what you intend to do in your business and how you intend to do it. If you're just sitting down to write your plan after several years in business, you need to think about what you are doing currently *and* what you intend to do.

Your accountant can provide a list of all the things you need to cover in your business plan, or you can find helpful books in the library. For example, you'll need to include information on industry and market analysis, customers, environmental factors, financials, competition, marketing, advertising, as well as plans for sales, distribution and staff development. And that's just the short list.

Writing a business plan is a big task, but because the plan encompasses everything about your business operations, it's a vital document. Operate without one and you may start taking some wrong turns along your pathway.

On the other hand, by committing all this thinking to paper you are setting a well-mapped course for the future of your business.

Monitor the Deviations

Once you have your plan in place you now have a tool to help you compare current performance against what you wrote in the plan.

Follow-up is important with your business plan. You haven't written it just to throw it into the filing cabinet and forget about it. You do need to check in with your business plan regularly, maybe monthly, to make sure your business is still on course to reach your planned goals.



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Securing a Loan

Banks and financiers love business plans. If you apply for financial support they will want to know you have a business plan and are operating to it.

A plan shows them you are serious about your business. It also states that you have planned your future direction and how this will be achieved, and, importantly, that you know how the loan is going to be repaid.

A properly-prepared loan application with supporting documentation is likely to be much more successful than a verbal or badly-prepared one.

Involve the Team

Several heads are better than one when writing, or updating, your business plan. You might be leading your organisation and have a vision about where it's going, but your employees probably have a wealth of great ideas. Don't overlook them. Your job is to bring the ideas to the table and give people an opportunity to discuss them.

Involving the team can often result in more effective implementation as they own the ideas and are more willing to implement the plan. The teamwork approach can also spark a lift in morale.

As well, the business planning process focuses the team on big issues, such as looking at future developments for the company or enhancing services to customers. By reviewing the "big picture", you are making decisions based on analysis of the business in its entirety, rather than a piece-meal approach of decision-making forced by crises.

Next Steps - Start Planning

- Start thinking - you need to try and set time aside for this frequently. Thinking is your job in the business!
- Get the team together - you don't have all the ideas but you can bring all the ideas to the table.
- Brainstorm ideas - anything goes, then work through the list and pinpoint the most important ones to focus on.
- Follow a business planning guide to make sure you cover all the relevant points - you can ask your accountant about this or locate a comprehensive, practical book on the subject.
- Set goals - you need to keep striving ahead and you need something by which to monitor business performance. If you don't reach your goals, find out why and get the business back on course.
- Start writing - by committing your plans and goals to paper, you have set the course ahead. It's harder to deviate from a written plan than if the thoughts are a jumble in your head.
- Make an action plan - give people tasks to have completed by an agreed time.
- Review monthly, or regularly enough to monitor any deviations from the proposed course. It's fine if you choose to change tack later on but keep charting the course ahead and identify goals to work towards.

Practical Suggestions for Business Planning

- Go through the planning process annually
- Involve your team
- Remove yourself and your team from your work environment - the retreat concept
- Ask everyone to prepare for the meeting by putting their thoughts down on paper beforehand
- Work to a list of questions or issues to guide the planning process
- Ask your accountant for more tips and advice



"...there are oodles of studies showing that businesses that write business plans have a much better chance of being lean, mean and successful, generating higher sales, more profit and better growth."

Small Business For Dummies. Veechi Curtis

Be sure to read each article with the mindset "How this could apply to our business". Thinking of it that way will guarantee that you get value. Also make copies for each team member. To really make sure something positive happens, work with your business development specialists to talk your team through ideas.



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The Pricing Puzzle - Where to Set Charge-out Rates for Trades

High, low or somewhere in the middle? Where to pitch realistic charge-out rates is a common conundrum faced by small trade businesses.

In fact it's probably one of the most difficult tasks. You have to be careful not to under price as this will reduce profits, but at the same time, overpricing for labour and material mark-ups could turn customers away.

Setting charge out rates is just as important as market awareness, product development and advertising. You can do all these things excellently and then undo the lot by setting charge out rates too low or too high.

Pricing is a complex strategy which should be carefully undertaken and reviewed.

Know Your Overheads

First of all you must know what it costs you to operate your business before you start to set a charge-out rate. Your accountant can help you prepare this information. In particular, you'll need to look at:

- Annual budget
- Budget for investment in stock, work in progress and debtors
- Cash-flow forecast.

It would also be a good idea to start producing periodic accounting reports, say monthly, so you can check how the business is going compared to the budget.

Customers Don't Choose on Price Alone

Once you've worked out your bottom line, don't simply jump in with the lowest rate. There is no doubt that charge-out rates are of concern to customers but contrary to what you might think, they are not the only thing customers take into account when choosing a tradesperson.

Far from it. In fact astute customers tend to choose tradespeople primarily for reliability. Other factors which enter into the buying decision include:

- Quality
- Technical and back-up services
- Reputation
- Punctuality - turning up on time!
- Tidiness
- Location
- Guarantees
- Refund policy



It would help to do some research on what goes into your customers' buying decisions before setting your rates. For example, looking at what your competitors do and how they charge could be one way of determining what customers in your area are looking for.

Do your competitors offer round-the-clock and/or prompt service, do they give guarantees or are they renowned for quality work? If they are flat-out busy yet charge a high rate, chances are customers care more about the service than the money they have to spend.

In the market place you'll find many businesses charging 5%, 10% and 20% higher than their competitors, yet still run very profitable businesses. In fact these businesses are often the most successful because they have achieved excellence in those areas listed above.

An important Message

While every effort has been made to provide valuable, useful information in this publication, this firm and any related suppliers or associated companies accept no responsibility or any form of liability from reliance upon or use of its contents. Any suggestions should be considered carefully within your own particular circumstances, as they are intended as general information only.

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Setting Prices Too Low

Clearly you need to base your pricing strategy on much more than price alone. So what does happen if you set charge-out rates at the lowest end of the market in the hope of attracting customers?

Some people advocate this is the only way to build market share in a competitive market. To increase profit margins you simply increase prices later once you've reached the desired market penetration. This strategy, however, comes with potential risks.

Once you've introduced a product or service at a low price, it creates a low price/value relationship in the customer's mind, and once there it's very difficult to remove. When you want to increase the price, you might have to spend a lot of money on advertising and promotion to change that image.

Understanding a customer's perception on pricing is one of the key elements in developing pricing strategies for tradespeople. Most importantly, the lowest price is not necessarily the best price. Customers ultimately look for the best service at a realistic price.

How Legal Advisors Can Help Your Business

As individuals some of us only need a lawyer for buying or selling a house, or maybe writing a will, but in business it's different.

No matter what you sell or how you sell it, your business is likely to be affected by some or several areas of law at some stage.

In fact there are a whole host of legal areas which may affect your business. Some of them include:

- Competition Law
- Consumer Protection
- Contracts - Buying and Selling Businesses
- Company Law
- Defamation
- Employment Law - Wrongful Dismissal, Length of Notice, Redundancy Payments, Sexual Harassment, Misconduct, Discrimination, an Employee leaves and sets up in competition
- Export Sales and Negotiations
- Franchises
- Guarantees
- Intellectual Property
- Landlord and Tenant
- Occupational Health and Safety Issues
- Partnership
- Product Liability
- Un-Incorporated Associations
- Professional Negligence
- Property Law (Real and Personal)
- Trade Secrets
- Trade Practices and Fair Trading
- Trusts, Wills, Probate and Family Provisions



You probably engaged a lawyer when you bought or established your business, but if for some reason you haven't got one, or you are looking to change, start thinking about what you want in your relationship with a legal advisor.

What to Look for in a Legal Firm

Like many things, word-of-mouth is often the best way to choose a legal firm. But whatever method you use for finding one, make sure you check out the following:

- Will your work be done promptly and efficiently?
- What is the standing and integrity of the firm in the community?
- Is the firm of a sufficient size to offer the breadth of services on legal matters that your business will require?
- Does the firm keep itself up-to-date with developments in the law?
- Do partners and employed solicitors regularly undertake professional development activities?
- Has the firm a reputation for a high standard of service?
- Will the firm keep you informed of progress on all of your legal matters?
- Will they advise you in advance about how fees will be calculated?
- Do they advise you the name of the partner or solicitor handling your legal matter?
- Have they got partners or solicitors with knowledge and skills in the area of law in which you require advice?