

# Set out to succeed

**According to international business information service Bloomberg, eight out of 10 new businesses fail in the first 18 months.**

If you want to be one of the two out of 10 who succeed, there's plenty of useful advice from experts. A web search will throw out lots of tips, but some consistent messages come through.

One of the most consistent is the importance of building a relationship with clients. You might be lucky enough to be setting up a business selling a product or service no one else has seen before. But that's very rare.

Most likely you'll be doing something others have done before, but you want to do it differently, or you're filling what you see as a gap in the market. So how do you succeed where others fail?

The answer: Establish a relationship with clients that makes them feel special. Earn their trust, which is the number one attribute clients look for. You can have the best product in the market, but if your client doesn't trust you, well, you know the answer.

Web pages and email are wonderful tools, but work hard to see potential and current clients face-to-face. When you do, be careful not to oversell or over-promise.

Deliver on your promises and build trust. Return the phone call, send the quote or deliver the goods you promised. Then add some – put a bonus in for their faith in you. You'll soon find you have repeat business and on-going income.

## Vehicle purchase decisions never been trickier

It has never been trickier to analyse the costs and benefits of buying a new car, especially because of the claims about electric and hybrids cars saving you money. But will they in the long run? It's worth comparing costs for equivalent petrol or diesel cars. List them, and include the loss in value of your car each year and calculate the annual cost of ownership. The things you need to consider include:



**Obsolescence:** Electric and hybrid cars are new to the market. They will improve. For example, electric cars in the future are likely to have a longer range than at present. There's a similar problem with petrol cars. With the trend towards electric cars one might expect less demand for second-hand petrol cars in the future. Depreciation of petrol cars might be rapid. Will the hybrid be superseded by the fully electric car? If you think yes, how long might it be till this happens? Deciding on the cost of ownership has never been trickier.

**Road user charges:** There are no road user charges on hybrid and electric cars at present. However, it's a reasonable bet the Government will eventually introduce them once there are plenty of electric cars on the road.

If you have a fleet you will constantly need to update your decisions on what to purchase.



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## Follow up, systematically

### Do you ever send an email with a request and never hear back?

One way to keep control is to transfer a copy from your sent file into a follow-up folder on your desktop. You could have a folder for each week. Then once a week go through this folder to see who has not responded to your emails.

Similarly, you could cover items which need to be reviewed less often by creating a folder for each month of the year.

When you send emails from website forms, you don't usually get to see the email address (for security reasons), so copy your email before sending it off the form, noting the business or person it's going to, and the date. Paste it into a text document for follow-up if necessary.

No doubt there are many other practical ways of ensuring you follow up. Another easy one is to take a hard copy of everything you want to keep an eye on and put it in a concertina folder which is divided to give you all the days in the month. One thing to avoid is rewriting messages to yourself.

Two of the most important activities to follow up are outstanding debts (see "Avoid the bad payers", opposite page) and quotes you have issued. If you've got the potential customer's email address, it doesn't take much to send a standard worded, but personalised, follow-up. You'll get more successful quotes by following up than by doing nothing.

If you've had a complaint, and it has been put right, build a follow-up into your system. Nothing impresses a customer more than the firm which calls to check everything is right.

Persistence will win you more customers in the long run. Make sure you get your system right so you can renew contacts when you should.

Remember, when someone doesn't want to buy from you they don't really mean a permanent no. Your translation should be: "I'm not ready to buy from you at the moment but this doesn't mean never."

## Service 'for' and 'of': know the difference

An employee enters into a contract "of" service but a contractor enters into a contract "for" services.

These words can matter. When writing an agreement with a contractor, use the words "for services" in your agreement.

If Inland Revenue checks to see whether the person working for you is an employee or a self-employed person, it may ask to see your agreement. The department will, of course, consider all the factors available. If the case is borderline, the wording of your contract could make the difference between having an employee and engaging a contractor.

If the person should have been an employee, you should have deducted PAYE from your payments and the employee should not have claimed any expenses. Inland Revenue has listed tests it uses to decide whether PAYE should be deducted. These can be found on its website.

If you have a borderline case, consult us. It's not safe just to agree that someone working for you does so as a contractor.

## Take time out to 'think'

If you're reading this, you're most likely a small business owner with all the stresses of the business on your shoulders. There are never enough hours in the day to complete the jobs that need doing.

What if you did less "work" to help fix the problem? Unlikely as it sounds, this might be the answer, especially for small business owners.

Andrew Griffiths, a US author and consultant for small business, suggests taking the best hour of the day to "think". He suggests taking the first hour of the work day to consider ways of making the business better. Then, each Friday, he finds a quiet place to think about how the week has been and how it was better than the week before.



## Avoid the bad payers

The first rule about debts is to try and avoid customers who don't pay what they owe you. If the amount is going to be large, get a deposit first, get a credit report, or both.

When you get a bad payer:

- Get onto the customer quickly.
- Follow up on a planned basis and minimise the time between each follow-up.
- When ringing the customer, get a commitment of how much will be paid and when.
- When following up by phone, write notes of the commitment made and preferably the actual words used by the customer.
- If you still have trouble collecting the debt, confront the customer with each of the promises and what was said.
- If you still can't get paid, warn the customer you are going to take debt recovery action. If this does not produce results, carry out the threat promptly.
- If you're dealing with a company, the threat of winding it up can be very effective for those who are first in.
- That's why it pays to act quickly. You don't want to be last in line when the money runs out.
- The second rule is to avoid having your business dominated by one firm. If you possibly can, diversify your customer base as quickly as you can.
- What if the company is too big to be concerned about your threats? There is little you can do other than reread rule 2. If the bad-paying corporate is only a small customer, some people load their bills to them to allow for bad payment practices.

## Family trust dividends

When distributing dividends to beneficiaries of a family trust, you must do so in proportion to the total distribution to each beneficiary. You cannot pick and choose who gets the dividends.

The same rule does not apply to other forms of income. For example, you can elect who gets the interest and who gets the rent. You do not have to distribute these in any set proportions.

The imputation credits must be distributed in the same ratio to dividends that the trust received them.

Here is an illustration:

If you decide trust income is to be distributed in the following proportions: A is to get 20% of the income, B is to get 30% and C is to get 50% and the income comprises dividends of \$100, rent of \$200 and interest of \$300. You must allocate the dividends to A, B and C as follows: A: \$20, B: \$30 and C: \$50. However, if you want to do so, you could choose to allocate most of the rent to say C and then top up the remainder of the distributions from the interest.

## Trusts with only a family home

If you have a family trust, which only owns your home, you should remember, if you have been paying off the mortgage principal, the trust owes you the money you have paid on its behalf. If you overlook this, you may be defeating the main purpose of the trust, which is to protect your wealth. In the event you can't pay your debts, your creditors can call on the debt owing to you by the trust and make the trust pay. Your solution is to periodically forgive the debt.

### Seismic Assessment - quake repairs

Do you need to strengthen your building to cope with the risk of a big earthquake? Generally, the cost of upgrading your building, for this purpose, is not tax deductible. Perhaps it ought to be. Inland Revenue considers most detailed seismic assessments are tax deductible. The notable exception is where this is obtained as part of a capital project such as seismic strengthening or improving a building. Clearly, you need to separate the assessment from the strengthening.

### Send a reminder

You may already be sending reminders to customers. If you're not, perhaps you should. Have you noticed dentists, motels and others send out an email reminder of your appointment or booking. We noticed a restaurant which went one step further. It asked the customer to "Click here" on its website to confirm the reservation.

### Setting targets

Recently we were told about a sales manager who had commanded his sales force to achieve certain targets. This has prompted us to comment on how you should go about getting your sales team to bring in more customers. First, involve the people who are going to have to do the job. Get them to tell you what they can achieve. Some are likely to be cautious, so work with them to get a commitment to a reasonable figure. If someone is committed, they can be expected to take ownership of the task and responsibility for achieving the target.

## Finding the best app



With the huge number of organisations offering apps to help you run your business better, it's easy to be confused about what to invest in.

Where there's confusion, there's usually someone ready to simplify. One place where you can find the app you might be looking for is [getapp.com](http://getapp.com)

It's a site that says it enables you to "enhance your productivity and your business success".

It has a whole bunch of useful apps for small business, many of them free. It lists the apps in helpful software categories (and sub-categories) such as customer management, human resources, marketing, sales, IT management and more.

The site has at least 5000 apps to choose from, and about 170,000 reviews so you can see how others have rated them. Star ratings on each app give a fair indication of how well they've worked. There's also a "compare app" button so you can compare its features, rating and pricing with other similar apps. The "top apps" button is also worth a look, just to see what's most popular.



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## The importance of backups

Tim, who works from home, spent all day working on a document. In the late afternoon he and his wife went out for a walk. When he came home the document was no longer visible on his computer. He called in some technical assistance and after trying everything to recover the typing, it could not be found. Something had wiped it off the screen. There did not seem to have been a power surge. In any event the computer is protected by an uninterrupted power supply. It just happened.

If you're working for some time on a document, press the save button regularly or you might regret it, too.

Fortunately, Tim did at least have a daily backup which, while it did not recover the work done for the day in question, it did get him back to where he was at the beginning of the day. Two hours later he had reconstructed the work for the previous day.

## Help customers contact you

Do you find, when you visit a website, it's difficult to find out how to get in touch with the business owners?

Even finding "Contact us" can be difficult.

When designing a website, make it as easy as possible for customers to buy. That means they need to contact you, so don't make it difficult for them.

If they want to respond by ringing a cell phone, provide that facility as well as email, landline phone, et cetera.

You should have a "call to action" **on every page** of your website. If you have a potential customer interested in your product, help them to contact you quickly.

Don't make them scratch through your website to find the "Contact us" section. It needs to be right there on each page ready to click on.

## Choosing your insurance firm

Many of us shop based on price. When it comes to insurance, you should also think about how the insurer treats its customers when claims are made.

Consumer New Zealand recently did a satisfaction survey and ranked the insurance companies. To find out which performed the best, Consumer New Zealand is the place to go.

If you get a bad deal from an insurance company, you can contact the Insurance and Financial Services ombudsman. The website is [www.ifso.nz](http://www.ifso.nz) where you will find discussions on case studies arising from common complaints. These could be useful.

## TAX CALENDAR

### August 28

1st instalment of 2018 Provisional Tax for those with March balance dates who pay provisional tax three times a year.

### September 28

2nd instalment of 2018 Provisional Tax (December balance dates)

### October 30

First instalment of 2018 Provisional Tax for those with March balance dates, who pay GST twice a year.

### November 28

1st instalment of 2018 Provisional Tax for those with June balance dates.