

From the author of the bestselling  
How to Organise and Operate a Small Business in Australia



# Going Solo in Your Own Small Business

**JOHN ENGLISH**

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ALLEN & UNWIN

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# PREFACE

Wouldn't it be great to get off the treadmill and leave wage slavery behind? Wouldn't it be fantastic to be your own boss and run your own business? No more long, boring and costly commutes. No more workplace hassles and office politics.

Perhaps now is the time for you to start pocketing the profits that you have been earning for someone else, and take a day off now and then simply because you want to. Are you dreaming? Or is it possible to turn your dream into reality if you put your mind to it, do your research, plan your work and work your plan?

*Going Solo in Your Own Small Business* is about getting into business on your own. It is not just a book about being self-employed and getting paid for what you do. It symbolises a set of values about how some people want to live and how they can be sustained by the work they want to do. *Going Solo* was written in response to suggestions for a book dedicated to people who go into business for themselves, by themselves.

*Going Solo* is intended to be read as a handy navigational tool that will enable the reader to cover the essentials of self-employment without having to wade through a large amount of detail. Readers who want greater detail may wish to refer to *How to Organise and Operate a Small Business in Australia* by the same author. Both books are aimed at people who want a practical, commonsense explanation about how to go about starting their own business and running it successfully.



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# 1 DECIDING TO GO SOLO

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Solo businesses are an emerging industry with an important role to play in the economic future of Australia. They represent new strategies for creating wealth and independence. The contribution of solo businesses to employment and economic activity, as well as to quality of life, is rapidly gaining recognition throughout the Australian community.

The Australian Bureau of Statistics reports that there are nearly a million small businesses in Australia. They refer to 800 000 of these small businesses as micro businesses because they have five employees or less. Over 425 000 micro businesses, however, have no employees at all. These are solo businesses. A solo business has several distinguishing characteristics.

- It is under the direct control of the owner and generally independent of outside influence.
- Since a solo business has no employees, it relies on the resourcefulness and energy of one individual.

- The money to finance a solo business is usually modest and comes out of the owner's pocket, together with whatever they may be able to borrow.
- The rewards and the risks of operating a solo business belong entirely to the owner.

The purpose of this first chapter is to help you to decide whether you want to go solo. We shall begin by considering why some individuals choose to go solo and look at their personal characteristics. Then we will discuss the advantages and disadvantages of going solo, how to get started and how to avoid some of the obstacles. The chapter concludes by explaining the commercial power of a solo business.

## Why go solo?

A quiet revolution in the way many Australians go to work has led to an enormous increase in the number of solo businesses. Garages and spare bedrooms are being transformed into the new workplace. Examples include bookkeeping services, mail order marketing, desktop publishing, translation services, tutoring, computer programming, graphic art, freelance writing and multi-level marketing. Many solo businesses operate part time. The big growth in solo businesses has been the small office/home office, or SOHO, as a result of changes in the labour market, lifestyle choices and technology.

Some people are attracted to a solo business by family and lifestyle considerations. The time lost commuting, the long working hours and the stress of abandoning young children to day-care centres have prompted many individuals to review their career aspirations and what they want out of life. They can have an office at home with no overheads, they can be close at hand for the family, and their working hours can be as flexible as they like. Technology is perhaps the most powerful force behind the growth in solo businesses. Relatively inexpensive

and powerful computers, voice-mail systems, pagers, mobile phones, fax machines, the Internet and e-mail have made the solo business functionally feasible and financially realistic.

An unprecedented number of people have been cast adrift in mid-career as a result of corporate and public sector restructuring. Some have been lucky enough to exit with a redundancy package. Many of these people are using their talents, skills and experience to set up a solo business. It is not unusual to find retrenched workers providing the same services to their former employers, except now it is called 'outsourcing'.

Going solo is a very special way to earn a living. Many of the hundreds of thousands of Australians who have chosen to go down this path have found it to be a source of happiness and prosperity. The fact that you are reading this book means that you are probably contemplating going solo as well. While a variety of reasons may draw you towards a solo business, the key ingredient for going solo is a genuine desire to create a business.

Most solo businesses begin as a result of their proprietor's decision to leave their job in order to pursue their own business. Their previous employment may have played a role in spawning a solo business opportunity, which may:

- Be directly related to what they did in their old job;
- Be indirectly related to that job;
- Have started as something they did 'on the side' that grew into a full-time business; or
- Have been the result of a business plan that was conceived while they were employed.

Other solo businesses are the result of a decision to become self-employed as a result of unemployment. In some cases it may have been voluntary and in others it may not. Some people may have:

- Quit because they were dissatisfied with their job;
- Been retrenched;

- Been dismissed; or
- Retired and decided, by choice or necessity, to go into business.

Still other solo businesses begin as the result of a decision to make the business an extension of a home situation. These people may have:

- Started their business as a way of balancing the demands of their home life and the need to earn a living, or
- Started their business in conjunction with a family partner.

## Personal characteristics

Solo businesses are usually in the hands of people who are the rebels of the business world. They have a highly developed sense of independence, or at least a strong desire to be independent. They have a strong sense of enterprise, or at least a desire to put their own ideas and capabilities to effective use. And they generally have a strong dislike of conformity and routine. Achieving success in a solo business is much easier for some people than it is for others because there are a number of important personal characteristics that have the potential to make a big difference.

- **Skills and experience** Successful solo business operators are able to wear many hats. They have a broad exposure to a variety of business skills together with some hands-on experience in the particular type of business they have chosen.
- **Outgoing** People who operate solo businesses tend to be outgoing. They are sociable, active, and enjoy working with people. They draw their energy from others and their charm and charisma helps them to gain support from customers and suppliers.
- **Pragmatism** Success in business depends on an ability to make rational business decisions. Although individuals who

operate solo businesses are aware of other people's feelings and capable of a great deal of compassion, they also understand the need for pragmatic business decisions.

- **Flexibility** Solo business operators accept change as natural. Their flexibility is related to an ability to deal with risk spontaneously and to having a special tolerance for ambiguous and uncertain situations. Their flexibility is not the indecision that it may first appear to be, because it actually consists of a series of revised decisions that reflect new information as it appears.
- **Creativity** Success in a solo business is directly related to a capacity for creativity. Creative individuals are idea generators. Their inventiveness and intuition enables them to visualise how they will react in new situations. Creative intuition also plays an important role in reducing risk by substituting itself for a lack of information.
- **Planning** A number of research studies have shown that successful business operators set realistic goals and plan how they are going to achieve them. They know how to 'plan their work and work their plan'.
- **Initiative** There is considerable agreement among researchers that successful business operators actively seek and take the initiative. They willingly put themselves into situations where they are personally responsible for success or failure.
- **Autonomy** Autonomy is important to individuals who do not wish to be bound by the constraints of large organisations. They have an overriding need to do things in their own way, at their own pace and according to their own standards. They are pulled towards a solo business in which they can satisfy these needs.
- **Security** Security and stability are important to individuals who want their future to be certain. Not many solo business owners want or need unlimited growth. If they can achieve the security and stability they seek, then they are usually content.

- **Challenge** Some people look upon a solo business in terms of the pure challenge of organising and operating their own business. They define success in terms of overcoming obstacles, solving problems and winning against competition.
- **Lifestyle** Other people look upon a solo business as a way of integrating and balancing their family, career and personal development. It is a way to satisfy the need for a balanced way of life in which career decisions do not have to dominate. It places a premium on things like where to live, the amount of time spent working, and the whole family versus business relationship.
- **Specialisation** Some studies have shown that solo business owners see themselves in terms of their talent in a particular functional or technical specialty. They build their sense of identity around the content of their work and see themselves as a specialist. They find the work itself intrinsically meaningful and satisfying.
- **Determination** Determination generally makes the difference between actually starting a business and just talking about it. People who operate solo businesses tend to believe strongly in themselves and their ability to achieve the goals that they set.

## Advantages and disadvantages

There are a number of potential advantages to going solo, but there are also some possible disadvantages. The relative importance of the advantages and disadvantages is a personal matter that reflects your individual ideals and values.

### Advantages of going solo

- You can be your own boss, you can be independent and you can exercise your own talents and capabilities.

- You will have the chance to make money, maybe even a great deal of money, and you will not be dependent on a fixed wage or salary.
- You will have the opportunity to achieve a feeling of personal worth, accomplishment and recognition.
- You can develop your own ideas, products and services.
- You will be able to work at something you enjoy by doing personally satisfying work.
- You may be able to achieve economic security for yourself and your family.

### Disadvantages of going solo

- You can fail and lose your money as well as the money your friends or relatives may have invested in your business.
- You will be working alone, and time for family and friends may become difficult to find.
- Your income may be uncertain and sometimes it could fluctuate enormously as a result of factors that you cannot control.
- You will face the unrelenting pressure of having to make decisions and solve problems for which there are no clear solutions.
- You will still have a boss—in fact, you will have many bosses, including customers, suppliers, government agencies and perhaps your bank manager.
- You may eventually hate your business in the same way other people hate their job.

The prospect of going solo should not be regarded as an escape route from some other aspect of your life. It is important to consider the pros and cons carefully until you feel confident that you are genuinely committed to creating a successful business.



## Finding a starting point

You probably have some vague notion about what it is you want to do. How do you go about deciding whether or not to go through with it? The important issues are why you want to go into business, if this kind of business suits you, whether the business is feasible, what you need to get started and coming up with a plan that sets out how you are going to make it all happen.

### What is your motivation for going into business?

Although thousands of solo businesses begin each year, they are not for everyone. The decision to become self-employed needs to be based on a realistic evaluation of your personal objectives, your individual talents and your personality. If you go into business without an honest evaluation of your motives, you run the risk that you will eventually become unhappy and disillusioned.

### What sort of business suits you?

The type of business you choose is a highly personal matter. Factors to consider include your skills, your experience, your talents and your interests. Experience plays a big part in understanding the market and avoiding costly mistakes. If you have a particular talent, then you may want to choose a business that capitalises on it. A deep interest in a particular type of business is also important because it will help to sustain you through the long hours and hard work. We shall examine the process of choosing a business in Chapter 2.

### Is this business feasible?

A common mistake is to rush blindly into business without adequately evaluating the feasibility of the idea. Chapter 3 considers strategic planning and assessing the feasibility of a

business. Essentially, you will be looking for answers to the following questions.

- Who will be your customers? Is there enough demand for what you want to sell? Have you done any market research or are you just guessing?
- Can the business generate enough cash to pay its own expenses and leave you with a profit? How long can you keep going if it does not?
- Do you have enough money to get started? If not, can you realistically expect to be able to borrow money?
- What is the worst thing that can happen if the business does not succeed? Can you cope with this possibility if it occurs?

## What do you need to get started?

There are many things that need to happen before you can actually start trading. Chapter 4 considers some of the nuts and bolts that need to be assembled. Here are some examples:

- Choosing a legal form of organisation and establishing a legal entity.
- Identifying suitable premises.
- Finding out what permits, licences, rules and regulations apply to your proposed business.
- Locating suitable suppliers and negotiating supply agreements.
- Determining what type of records you need to comply with the reporting requirements of government agencies, including the Australian Tax Office.
- Identifying the risks for which you are responsible and what needs to be covered by insurance.

## Have you got a business plan?

A business plan draws together your procedures for the establishment and operation of your business. It is a blueprint for

making the transition from an initial idea to a successful business, and it is the result of meticulous research, careful deliberation and a vision about the results you expect to achieve.

A business plan represents concrete tactics for creating competitive strength and exploiting it. It identifies the characteristics of the market and the strategies that will be employed to address that market. It includes the procedures to operate the business together with financial forecasts. It is not unusual for a realistic business plan to take many months to finalise. Only when you have a business plan in which you have confidence are you ready to go into business.

### Keeping your day job

Deciding to go solo is an exciting event in your life, but are you ready to give up the security of your present employment? Staying in your job while at the same time beginning to work for yourself inevitably leads to a conflict of priorities and perhaps a head-on clash with your boss. Here are some tips that may help you to manage it.

- Find out what your employer's policy is on moonlighting. Is it enforced? Have there been any precedents?
- Let your clients know when you are available to do business. Don't try to appear to be available when you are not.
- Make sure that you do not take advantage of your employer by conducting your business on company time.
- Try not to talk about your business when you are at work. You need to remain focused on your job if you want to keep it.
- Don't poach your employer's customers. Not only is it unethical, it may result in legal action against you.

## Avoiding obstacles

Not all solo businesses succeed and some are eventually closed. Very few closures, however, actually result in bankruptcy. If a business lacks the degree of success that justifies its continued operation, then the owner simply closes it down. A number of research studies have revealed that most of the obstacles to success are the result of the owner's motives or behaviour. Here are some examples.

- **Desire to be one's own boss** Some owners do not succeed because they underestimate the commitment that a solo business requires and the impact that this commitment will have on their lifestyle.
- **Desire for financial independence** Some people do not recognise that along with the opportunity for financial independence goes the risk of losing everything they own.
- **Dislike of working with others** If a person does not work well with others, this characteristic is also going to affect how they get on with their customers and suppliers.
- **Disdain of bureaucracy and paperwork** With increasing regulation, paperwork has become a significant part of the life of every solo business owner.
- **Desire for creative freedom** Everybody wants to be able to do their own thing. However, the thing needs to be a product or service that appeals to a large enough market in order for the business to succeed.
- **Accepting inappropriate advice** Some solo businesses do not succeed because the owner relies on the advice of family and friends. The advice is generally offered with the best of intentions but it can be coloured by a close personal relationship. Someone close to you may not want to tell you that your product is not up to scratch, your service is inferior or your prices are too high.
- **Suffering from exhaustion** Some solo businesses do not succeed because the owner becomes worn out. Running

your own business means that you will need to be a self-starter. It takes a serious commitment to hard work and long hours to give your business a real chance of success.

- **Succumbing to family pressure** Some solo businesses do not succeed because they exert too much family pressure on the owner. There can be serious conflicts between what is best for the family and what is best for the business. The two most sensitive issues are time and money. There is never enough of either. In order to give both the business and the family the best opportunity to prosper, a solo business operator needs to strike a mature balance between these conflicting pressures.
- **Lack of market savvy** Some solo businesses do not succeed because their owners are not fully aware of the nature of the marketplace. They may overestimate potential customers or underestimate the strength of competitors. Even when a good market exists, it is necessary to thoroughly understand its qualities in order to target customers effectively.
- **Indifference to scorekeeping** Some solo businesses do not succeed because their owners do not appreciate the importance of timely and accurate financial information. Financial information is the scorecard that tells a solo business operator how well they are doing. This information is important for every business, but it is critical for a new business.

Avoiding these obstacles begins by recognising the possibility that they could happen to you. The inescapable conclusion is that closure is generally the result of the owner's behaviour and is not caused by external factors. If you honestly want to go solo, however, and you are doing it with realistic expectations, then let's get started.

## The power of being small

Big companies are usually the ones that deliver the worst customer service. They are the companies that you cannot reach on the phone and if you do get through, you are transferred from department to department because no one is sure who is supposed to handle your query. The big companies and their poor customer service are what makes being small so powerful. That is why there are some distinct and impressive commercial advantages to going solo.

Have you ever noticed that the bigger the company, the slower it handles customer inquiries and complaints? Their elaborate policies, complicated procedures and layers of managerial hierarchy mean that it takes an inordinate amount of time to service customers. A solo business, however, can handle customer questions and concerns immediately. You have the power to focus on your customers' needs as soon as they occur and consequently to provide a better service than larger competitors.

Have you noticed how *policies* prevent large organisations from being flexible? If a customer isn't happy, explaining the policy doesn't carry much weight. A dissatisfied customer who is forced to deal with a policy instead of an understanding person will leave. A solo business, however, can make policy changes immediately. If a policy is doing more harm than good, you can discard it.

Have you ever noticed how difficult it can be to get personal attention from a large organisation? They leave you feeling as if they don't care whether you do business with them or not. Their idea of personal attention is to send you a form letter with your name on it. Solo business owners can provide genuine personal attention because they really do know their customers personally. This is a powerful advantage because a solo business can show its customers that it cares by offering them the attention they want.

The power of being small lies in your unique ability to eliminate the gap between yourself and your customer. While

big businesses do have their strengths, a solo business can use timeliness, flexibility and personal attention to out-manoeuvre and out-service them every time.

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Choosing a business is more than just finding a good idea. It also needs to score well on a number of important criteria.

- Is it compatible with your personal characteristics, skills and experience?
- Does it instil confidence and enthusiasm in you?
- Is there concrete evidence of a viable target market?
- Can it be done with the financial resources that you can muster?
- Is it capable of generating enough income to support your needs?

The purpose of this chapter is to consider how to identify and evaluate an idea for a solo business, discuss the advantages and disadvantages of establishing a new business versus buying an existing one, and consider the possibility of buying a franchise.



## The initial idea

Solo businesses find it difficult to compete directly in highly concentrated industries so they are concentrated mainly in service businesses. A service business performs a task for the customer. The task generally requires specialised training, experience or equipment. Service businesses are typically solo businesses because they require only a modest initial investment and they depend largely upon the skills of the owner. The services sector is an inexhaustible source of solo business opportunities. Retailing represents a small proportion of solo businesses, while manufacturing and wholesale businesses are dominated by larger firms and represent only a tiny proportion of solo businesses.

### Myths

There are several myths about the initial idea for a solo business. The first myth is that there exists some procedure by which you can reliably search for and discover good business ideas. Rarely, however, can you systematically search for and find a good idea for a solo business. Rather, it tends to emerge unexpectedly, or you may stumble upon it inadvertently. What is important is that you are able to recognise a good idea when you see it.

The second myth is that you must discover a unique idea or a new invention, or have some enormous leap of the imagination. There is simply no correlation between commercial success and the creative or technological brilliance on which it is based. In fact, the vast majority of solo business ideas are no more than excellent copies of other successful operations.

The third myth is that a good idea will ensure success. Sadly, there are thousands of good ideas that have gone broke. New ventures take a great deal of time and much nurturing to succeed. A good idea needs to be supported by a carefully developed business strategy before it can become a successful business operation.

The fourth myth is that any competent individual can manage a solo business successfully. Doing something that you enjoy makes it far more likely that you will be successful. If you follow your instincts and concentrate on ideas that you find exciting, you will have more energy and enthusiasm for it.

## Approach

One way to think about business opportunities is to focus on the potential for a product or service within the following groupings.

- **Market penetration ideas** These ideas consist of selling more of an existing service or product to an existing market. You are looking for ways to increase sales to existing customers or ways of attracting customers away from competitors. This category represents the lowest risk because the number of known factors is greatest.
- **Market diversification ideas** This group offers an existing service or product to a new market. You may be looking for an opportunity in a new geographical market (including exporting and Internet marketing) or you may be looking for a new group of customers. Since there is already experience with the existing service or product, this category involves only medium risk.
- **Service or product diversification ideas** These consist of developing (or importing) a new service or product for an existing market. It may be a genuine new service or product, or it may only be a minor modification. To the extent that you have little previous experience with the new service or product, the risks are greater.
- **Innovative ideas** These ideas develop an entirely new service or product for a yet-to-be-created market. This is the commercial graveyard of many a prospective solo business idea. The risks are extremely high but, if you get it right, so are the rewards.

## Searching for ideas

There are a number of places where you can search for new ideas and new applications for existing products and services.

- Inventors' Association and Patents Office
- State development authorities
- State small business agencies
- Trade associations and industry groups
- Trade shows
- Overseas embassies' export departments
- Trade journals and other publications
- Overseas visits

Ideas can also come from spotting changes in markets. This not only involves detecting new trends, but also interpreting the impact of these changes on how people spend their money. Here are some examples.

- The proportion of people aged over 65 is rapidly increasing. This group is important both as a retail market and as the largest consumer of health products and services.
- The proportion of women in the workforce has increased dramatically. Half of all working-age women are in the workforce, half of working married women work full time, and half of working women have children under 18 years of age. Working women and two-income families represent new spending patterns, especially for services.
- Changes are occurring to our value system. Traditional values such as the 'work ethic' are declining in importance. There is greater emphasis on the quality of life. Interest in 'green' or environmentally friendly products is growing. There is a shift towards voluntary simplicity and non-material experiences that affect the ways in which people spend their money.
- Convenience is an increasing feature of the goods and services demanded. Eating out, house-cleaning services and Internet shopping are examples of the trend towards

convenience. Many people will pay extra for convenience in order to save time for other pursuits.

- Australian companies have been streamlining their operations and focusing on core business activities. The result has been a new emphasis on outsourcing services that creates opportunities for solo businesses.

## Consumer markets

Some consumer market segments represent attractive opportunities for a solo business. These include ideas based on the nature of the market being served, the way in which customers behave, and the features of the product or service.

- Products and services that big business cannot afford to offer are great opportunities for a solo business. These are generally businesses with limited economies of scale such as making products to order, offering a short delivery time, or frequent product and service modifications.
- Products and services that encounter significant fluctuations in demand, such as seasonal variations in tourism or sporting services. Solo businesses can be more flexible than larger businesses in coping with high and low periods of activity.
- Products and services that require only a modest amount of initial capital to obtain a reasonable share of the available market. Segments that require a large initial investment represent a risk that is generally incompatible with a solo business.
- Products and services that provoke a great deal of customer loyalty, and are effectively promoted by word-of-mouth recommendations. These include segments that have a strong group identity such as an ethnic group, religious affiliation group or special interest groups.
- Products and services that place a very high value on specialist expertise. Inasmuch as specialist expertise is

closely identified with the individual who provides it, this is fertile ground for solo business opportunities.

- Products that include a very high proportion of services. Inasmuch as both technical services and personal services are difficult to mass produce or to mass market, products with a high service content make ideal solo business opportunities.
- Products and services that are effectively promoted by personal selling, as opposed to mass marketing and paid advertising, represent opportunities for a solo business.

## Business markets

There are also fantastic opportunities in business and industrial markets that lend themselves to a solo business. The business-to-business or B2B marketplace, however, is different from the consumer market. Demand in the B2B market is derived from the anticipated use for good and services in consumer markets and government organisations, therefore, the characteristics of B2B markets are different.

- B2B buying decisions are more complicated because more people are involved and various people are likely to play different roles.
- B2B buying decisions generally involve technical complexities related to the product or service being purchased.
- B2B buying decisions typically take longer than equivalent consumer buying decisions, resulting in a greater time lag between your marketing effort and getting a result.
- Each B2B marketing situation is likely to be significantly different from the others. This means that you may need to be flexible in the way in which you treat each organisation as a customer.

## Reality testing

It is one thing to find a promising idea, but quite another for it to pass the reality test. Reality testing is largely a judgmental process. Its effectiveness depends on the extent to which you gather and evaluate some hard facts.

### Business characteristics

The first step is to make sure that you understand what kind of business an idea represents. What is the nature of the service or product, and what customer need does it fulfil? What skills are needed to offer this product or service? Is this type of business going to be easy or difficult to enter? What sort of investment is needed and how long will it take before it makes a profit?

### Personal fit

The next step is to take a good look at yourself to determine if there is a natural fit between you and your idea. What personal characteristics, skills and experience can you bring to this business? The operation of a solo business represents an extension of your goals, values and capabilities. Don't diversify too far away from your individual characteristics, skills and experience. You know what you do best, so stick to it. If the idea does not fit very well, drop it and look for another one. If you are satisfied that the idea fits you exceptionally well, you are ready to search for the essential elements that will turn it into a genuine business.

### Essential elements

An analysis of essential elements enables you to gain an insight into what a business opportunity can and cannot achieve. The objective is to identify the elements that are essential for the business to succeed. This will permit you to recognise what

strengths and weaknesses the business is likely to have, what opportunities you can exploit, and what risks may jeopardise your success. There are five essential elements.

- **Business plan** The idea that underpins the product or service concept is clear and you have a plan to make it operational.
- **Technical knowhow** You have the technical skill and knowledge to produce and market the product or service.
- **Network** You have a sufficient network of contacts to be able to put the business together. Although many solo business operators prefer to work alone, nearly all successful ventures rely on personal contacts.
- **Resources** You can get hold of the assets and capital needed to organise the business for the start-up phase.
- **Orders** You are able to generate enough sales to provide the cash flow to operate through the start-up phase.

## Starting from scratch

Establishing a new business from scratch is a high-risk proposition. There are few factors that you know for sure and a great deal of uncertainty about how to begin. Errors of judgment can be costly, especially if the business is organised around an entirely new product or service. On the other hand, a new business can fill a gap in the marketplace, providing exceptional rewards for the adventurous solo business operator. There are a number of potential advantages and disadvantages to consider if you want to start a business from scratch.

### Advantages of starting from scratch

- You can match the business to your own goals.
- It is easier to innovate when you have the flexibility to select your target market, develop your own product and service strategy, and create your own competitive strengths.

- You can design the business around the policies and procedures that you want to use.
- You avoid the ‘goodwill’ expense of buying an existing business along with the possibility of unknown or contingent liabilities.
- You will not inherit any potential ill-will from previous customers, suppliers or creditors.

### Disadvantages of starting from scratch

- A new business carries the highest risk of failure because there is less certainty about market demand.
- It takes time and energy to create an image, build patronage, work the bugs out of new systems and procedures, and reach a break-even level of sales.
- It takes time to cultivate contacts with suppliers and implement a marketing strategy.
- There is the risk that new competition may emerge, or that potential customers are more difficult to attract than you anticipated.
- A new business always runs a significant risk that the time lag between start-up and positive cash flow turns out to be too long.

### Buying a business

If you buy a business, you get what someone else has put together. You are buying the location, premises, equipment, stock, customers and goodwill that have been established by the seller. That can make it much easier to get started—but you could be buying a lemon if the seller’s original decision to start the business was mistaken. There are potential advantages and disadvantages if you decide to buy an existing business.



## Advantages of buying a business

- You will receive immediate income from sales to existing customers.
- You will save the time and effort needed to equip and stock the business yourself.
- A successful business will have a proven location and established relationships with suppliers and creditors.
- Buying a going concern as a package may turn out to be cheaper than trying to assemble all the bits and pieces yourself.
- It is much simpler to finance a single purchase transaction, and a proven track record makes an existing business easier to finance.
- When you purchase a business, the risk of failure is significantly less than if you tried to start the same business from scratch.

## Disadvantages of buying a business

- Initially you are stuck with the previous owner's bad decisions, such as unmarketable services, unsaleable stock, obsolete equipment and fixtures, or a poor location.
- You could pay too much for the business if you misjudge its value, and there could be unexpected expenses if it turns out to be run-down.
- If the previous owner had a poor reputation, you may inherit ill-will from suppliers or customers.

## Buying a franchise

A franchise is a prepackaged business that you can purchase and operate under an agreement with a franchisor. The main advantage of franchising is that you have the expertise of a franchising organisation behind you. The main drawback is that you will

not achieve the independence that one usually expects from a solo business. Franchising may appeal to you if you are unable to find a suitable solo business idea or if you consider the risks of totally independent self-employment to be too great.

## Advantages of franchising

- Research studies suggest that franchisees have a better survival rate than non-franchised businesses.
- You can take advantage of the franchisor's knowledge and experience that you would otherwise have to build up over a long time through trial and error.
- You get a developed business concept with proven products and services.
- The franchisor provides you with training and management assistance.
- You may benefit from the franchisor's bulk purchasing of products, equipment, supplies or advertising.
- The franchisor may give you financial assistance or help you to obtain it.

## Disadvantages of franchising

- It could be more costly to become a franchisee than to set up your own business because you will pay an entry fee, royalty fees, management fees and advertising levies.
- Contrary to the 'be your own boss' lures in franchise advertisements, you will not actually be your own boss because you will operate the franchise according to the franchisor's policies.
- The franchise contract may unreasonably favour the franchisor by calling for things like high sales quotas or mandatory working hours.
- Most franchise agreements expire at some time in the future and there may be no guarantee that they will be renewed.

- When you establish an independent business, most of the risk is in how you operate it. When you become a franchisee, most of the risk is in your choice of franchisor.

## Franchise Code of Conduct

The Franchise Council of Australia (FCA) is the franchise industry association. It concerns itself with lobbying government, ethics in franchising, member education, industry development, promotion of franchising and publishing *Franchising* magazine. You can visit the FCA's Internet site at <http://www.franchise.net.au>.

If you are interested in a franchise, then you need to become familiar with the requirements of the Franchising Code of Conduct and the prescribed Disclosure Document that a franchisor must provide to an intending franchisee. The Code is a regulation prescribed under the *Trade Practices Act* and compliance under the Act is mandatory for all franchise systems.

The Franchising Code of Conduct is administered by the Australian Competition and Consumer Commission. The ACCC maintains a section for small business on its Internet site at <http://www.accc.gov.au>. You can access *The Franchisee's Guide* from this site. It contains a link to the Franchising Code of Practice, including the requirements of the Disclosure Document. *The Franchisee's Guide* is also available without charge from the ACCC publications branch, which you can phone on (02) 6243 1142 or fax on (02) 6243 1078.

# 3 PLANNING A STRATEGY

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Too many solo business operators confuse hard work with success. A successful business is the product of a clear strategy that is designed to minimise wasted effort and maximise results. Planning a business strategy is a process of exploring opportunities, identifying and evaluating options, and arriving at a plan to achieve tangible results.

Your business strategy determines the way in which your business will fit into the competitive environment. Every component of your business strategy should be customer driven. Begin by gathering enough information about your customers to enable you to clearly understand what basic motives influence their decision to buy your service or product. Then divide your customers into groups with different needs. Finally, zero in on your market niche by positioning your business to attract these customers like a magnet. The force of your magnet is determined by your competitive strength.

Not only do you need a strategy to get into business, you also need to evolve your strategy to successfully stay in

business. That is why you need to maintain a rolling business plan that helps you to stay focused and on track.

## Understanding your customers

Understanding your customers begins by identifying their basic buying motives. While services and products are constantly changing, basic buying motives change very slowly. Understanding your customers also means gaining an insight into their buying role. The buyer/user decides what is needed, what will be bought and where it will be purchased. In other situations these roles may be played by different individuals. It helps to anticipate who has the need, who influences the purchase decision, and who actually decides what and where to buy. A business strategy that is squarely aimed at satisfying your customers' basic buying motives will pay off in greater sales, lower costs and higher profits.

To help you understand your customers, you will need information to enable you to choose the right services and products, determine the characteristics of your target market and establish the best ways to promote sales. After your business is established, you will need more information to decide where to grow, where to cut back or where to change emphasis. You are looking for answers to the following types of questions.

- **Who:** uses the service or product?  
decides to make the purchase?  
actually makes the purchase?  
buys from me?  
buys from a competitor?
- **Where:** is the service or product used?  
do customers find information?  
do customers decide to buy?  
do customers actually buy?  
are the customers located?

- **What:** benefits does the customer want?
  - is the basis of comparison with other services or products?
  - is the rate of use?
  - price are customers willing to pay?
  - are potential sales for the service or product?

The Australian Bureau of Statistics is particularly useful for demographic data. For example, you can use census data and household expenditure information to compile a profile of consumer markets. You can establish the age distribution of the local population, the ethnic composition, average income, size of families, if they own or rent their home, if they have a car, and the number of school-age children. You can also establish how much the average household spends on a variety of goods and services. Studying this type of information can help you to construct a picture of your target market.

For example, did you know that consumers over the age of 55 represent a huge and growing market that is largely neglected? Consider some of the demographics. They have 50 per cent of Australia's domestic spending power and more discretionary income than any other consumer group. They are the greatest consumers of services. For example, nearly three-quarters like to travel and they spend more per capita than younger tourists. They also have an average of two grandchildren and are significant purchasers of children's products. You can also contact your trade association to see what information they have already gathered and analysed. For example, if you are starting a tourist venture, the Tourism Industry Association may have just what you are looking for.

The limitation of statistical information is that it is based on historical data. What is more meaningful is information from the customers themselves. Some of the methods for obtaining information from potential customers includes interviews, focus groups and surveys.

- *Home interviews* enable you to observe other things such as the circumstances of the family or the use or presence of certain products. The personal nature of a home interview makes it possible to handle sensitive subjects better than other methods.
- A *focus group* is a small group of customers that you invite to meet with you in order to talk about your product or business. This type of meeting enables you to get a first-hand view of what matters most to your target market.
- *Surveys* are relatively inexpensive and many people will respond to a questionnaire. However, some people become judges and opinion-givers rather than responding as consumers. Most surveys need to be limited to only a few questions that are simple, short and direct.

Having information about your customers puts you in a better position to forecast probable events based on demographic trends and customer behaviour. It is the best means you have of finding out where you stand and where your business strategy ought to be taking you.

## Discovering your niche

An essential building block in developing a business strategy is to aim at a specific target market. Market segmentation is the process of identifying customer groups with similar characteristics. The objective is to select a group that matches your strengths and is large enough to support your business. This does not mean that you ignore the other groups. It simply means that a high proportion of your sales will come from the group that you target. One of the strengths of being small is the ability to play 'nichemanship' in ways that larger competitors cannot match. Intelligent target marketing provides you with a way to gain a foothold, an opportunity to be unique and the potential to earn excellent profits. Here are some examples of ways in which consumer markets can be segmented.

- Age
- Gender
- Marital status
- Family size
- Occupation
- Income
- Geographic location
- Shopping style
- Religious affiliation
- Ethnic identity
- Lifestyle
- Leisure activity
- Brand loyalty
- Special interest
- Home ownership
- Education

Industrial or B2B markets are segmented differently. One example is segmentation based on the relative importance of the following basic buying motives.

- Availability of stock
- After-sales service
- Response to inquiries
- Convenient ordering
- Competent advice
- Rapid delivery
- Reliable service

You need to define clearly the market segment to which you will appeal, you need to thoroughly understand customers' basic buying motives, and you need to know exactly how your service or product will provide the benefits they want. The next step in planning your strategy is to position your business accordingly. Market position is the image that customers have of your business. When they decide to make a purchase, they mentally rate all of the businesses that are most likely to offer what they want and the kind of service they prefer. They develop an image of each business that sums up their feelings about it and they will go first to the business they rate best. Every business projects an image, whether it is intentional or not.

## Creating competitive strength

Creating competitive strength follows directly from the market segment that you have chosen to target and the way in which you have decided to position your business. In this part of your strategy, you decide upon the value drivers that you can



aim directly at satisfying customers' basic buying motives. Value drivers are things that your business is going to do particularly well and that cannot be easily duplicated by your competitors. Here are some examples.

- Broader and deeper product lines
- Lower costs and prices
- Unique products or services
- Better quality or availability
- Superior skills and experience
- A more pleasant atmosphere
- A well-established image or reputation
- Superior customer service
- More effective marketing methods
- More convenient location
- Serving a specialised market niche
- Better parking

It pays to develop value drivers that are consistent with your image, reinforce your market position, and are efficient in motivating customers to make a purchase. It is also important for a value driver to be easily advertised and promoted because customers not only need to be aware of your value drivers, they also need to be clear about how these value drivers satisfy their basic buying motives.

Competitive strength acts like a magnet that draws customers to your door. Once your image and position are reinforced with strong value drivers, your competitors will have great difficulty in challenging customers' perceptions about your business. There are a number of ways that you can use your competitive strength.

- **Head-on attack** This is the traditional frontal attack on an established competitor. It is sometimes used by very large firms with massive resources, but it is not a strategy for most solo businesses.
- **Flanking manoeuvre** This consists of attacking your competitor in an area in which they are vulnerable. A

flanking manoeuvre needs to take place firmly and swiftly before your competitor has an opportunity to react. It could be based on something like price, a neglected market segment or an innovative idea.

- **Nichemanship** This consists of entering a market segment that is too small to attract larger competitors. This is the domain of many solo businesses that require specialised skills or lack the sales volume necessary to justify a large investment.
- **Strategic alliances** Creating relationships with other businesses such as joint ventures, licensing arrangements or other forms of cooperation that fulfil the needs of a target market segment.

## Adapting to change

The nature of your business will change over time and it will become necessary to adapt your business strategy as a result. The life cycle of a solo business consists of a number of phases, each with a different set of goals and requiring a different mindset. It is not only important to learn how to construct an effective business strategy, it is equally important to recognise when to change it. You always need two strategies—one that capitalises on the forces that are naturally at work, and a second that acts as a safety net if the first one does not succeed.

### Start-up phase

The start-up phase of a solo business is characterised by tremendous uncertainty. You may lack confidence and your decisions may be compulsive, erratic and inconsistent. Many closures occur during the start-up phase. Your main goal is to generate enough cash flow to stay in business. You need to be a good initiator, innovator and organiser in order to transform your initial idea into a competitive strength.

- *Entry strategies* are designed to get into business. The avenues for entry include starting from scratch, buying an existing business or perhaps buying a franchise. Effective entry strategies rely on robust competitive strength.
- *Exit strategies* are designed to get out of business during the start-up phase if the competitive strength prematurely expires. They consist largely of minimising the losses associated with discontinuing operations. The focus is on how to handle the existing obligations and how to avoid any further liabilities that may arise from winding up.

## Take-off phase

The take-off phase is characterised by a sharp increase in sales. The dominant goal is to capitalise on your competitive strength. You will probably find it necessary to invest in more resources to support the increased sales, which may aggravate any lingering cash-flow problems left over from the start-up phase. After an agonising period of uncertainty, the business finally turns the corner and starts to show a profit. However, overwork and stress may start to take their toll unless you learn to be selective about how you use your time and outsource those activities that you cannot or prefer not to do yourself.

- *Growth strategies* are designed to significantly and permanently increase the level of sales. The rapid increase in sales means that you will need to invest in more resources to support greater sales volume. Growth strategies include making sophisticated refinements to your competitive strength to meet any competition that is attracted by your success.
- *Concentration strategies* are designed for recovery if a growth strategy falters because rivals have damaged your competitive strength. The objective is to refocus your efforts on a slightly different target market in order to improve short-run cash flow and long-run profits.

## Harvest phase

Eventually the growth in sales stabilises and the business enters the harvest phase. This can be a very prolonged part of the business life cycle when the dominant goal is to make profits. Internal matters like controlling costs and efficiency will occupy more of your time. Your competitive strength is entrenched and the business settles into a more predictable routine.

- *Profit strategies* are designed to make the best use of your competitive strength and existing resources to produce large profits and positive cash flows. The focus shifts from acquiring new customers and more resources to making the most of existing customers and efficiently utilising existing resources. The ultimate profit strategy is the eventual sale of the business as a going concern for a price that reflects its competitive strengths and long-term profitability.
- *Contraction strategies* are designed to reduce your investment while maintaining profitability. Contraction strategies are called for if your resource base becomes too large for the sales and profits that it generates.

## Renewal phase

The renewal phase begins with the recognition that your competitive strength may have been eroded. It often coincides with a desire to withdraw from the business. You find yourself resisting changes to the way you have operated in the past. Faced with deadening inertia, your business may be in danger of withering away unless you get a new burst of enthusiasm or find a successor.

- *Turnaround strategies* are designed to reverse the declining fortunes of the business, on the premise that it is worth saving. Turnaround strategies are usually based on revenue-increasing measures or cost-reducing measures,

depending on which will have the greatest and most expedient effect on cash flows.

- *Liquidation strategies* are the result of a decision to abandon the business. They are designed to generate as much cash flow as possible while methodically withdrawing from the business. Liquidation strategies work best when you can control the situation. They consist of either liquidating the business and winding it up, or attempting to sell the business as a potential turnaround opportunity for a new owner.

## Doing a business plan

Doing a business plan is important because it significantly increases your chances for survival and prosperity by focusing your attention on areas in which some people get lost.

- **Realism** It is easy to become excessively optimistic about a new idea. Planning helps to prevent you from viewing the future in ways that the facts do not support.
- **Need for outside advice** Planning enables you to recognise problems that call for outside sources of information and assistance.
- **Recognising change** The nature of markets and customers changes. Planning cannot predict change, but it helps you to recognise it and to refine your business strategy accordingly.
- **Balancing growth** Solo businesses can grow too fast for their capital base or too slowly to maintain cash flow. Planning helps you to achieve smooth growth and to avoid unexpected crises.
- **Results orientation** A business plan enables you to monitor your results against a set of goals or performance standards.
- **Obtaining finance** If someone puts money into your business, they want to know what to expect. A business

plan not only enables you to plan your capital needs in advance, it also provides the information that a lender needs to evaluate your application for finance.

Putting your business plan on paper represents an opportunity to think through all the aspects of organising and operating your business. It provides you with a way to examine the consequences of different strategies and to determine what resources are needed. Here are some suggestions that may help you to get started.

- Focus on a short planning period of one year with a flexible rolling plan that you review and update quarterly or half-yearly.
- Write it down, but don't make it long or complicated.
- Integrate your strategic and operational planning with specific goals.
- Ask your advisers to review your plan and give you some feedback.

Some people think they don't need to do a business plan themselves because they can pay someone else to do it for them. The reality is that your business plan is a reflection of your vision and your aspirations. You can ask your accountant for financial advice and you can engage a consultant for specialist expertise, but you cannot expect them to make a strong personal commitment to planning your business. If you do not do the business plan yourself, it is not really your plan. If it is not your plan, how can you be sure that it will work?

There are three elements in a business plan—strategic elements, operating elements and financial elements. *Strategic elements* are concerned with creating competitive strength. *Operating elements* are concerned with carrying out the day-to-day processes. Strategic planning makes a big impact on how you generate revenue while operational planning affects how efficiently the revenue is converted into profits. The *financial elements* of a business plan are simply a dollar quantification of

the strategic and operating plans. Sometimes one element of planning will dominate your thinking, but the best business plan is the result of an integrated approach that encompasses all three elements. You can organise your business plan around the following questions.

### What is the business?

What type of business do you intend to enter? What will you call it, how will it be organised (proprietorship, partnership, company) and what will be its main activities (retailing, service, manufacturing, wholesaling, or some combination)?

### What is the service or product?

Exactly what are you going to sell? What factors are going to make this service or product unique or superior? Will there be any opportunities to develop related products or services?

### What is your market?

This is the most difficult part of a business plan, but it is the key section in every business plan. There are four crucial steps in determining the nature and size of your market.

- **Identifying your customer profile** Who are your customers? Divide them into target market segments and explain your rationale. What is their basic buying motive?
- **Determining the size of your market** How many potential customers are there? Can this customer base be expanded? How much will they spend on your service or product?
- **Assessing the competition** Who are your nearest competitors? What have you learned about their operations? What will be your competitive strength?
- **Estimating your sales** Based on the previous three steps, estimate the sales that you can reasonably expect over the

next twelve months. Be careful—make sure that your estimate lines up with the facts. This information is critical to your financial forecast.

### What is your strategy?

Explain how your strategy follows from the assessment of the market. It should identify your target market, explicitly describe your intended image and market position, show how you are going to satisfy customers' basic buying motives, indicate your pricing policy and explain your tactics for promotion.

### How will you conduct your operations?

What equipment, stock or other assets will you need to operate the business? What will be the day-to-day processes and procedures that you are going to establish? What functions will you outsource? How can you make use of technology?

### What are your financial forecasts?

Financial forecasts are the financial consequences of your strategic and operating plans. Your financial goals are mostly concerned with profitability and liquidity. Profitability forecasts are based on the sales estimates in your market analysis and the expenses related to achieving those sales. Liquidity refers to providing sufficient cash to pay your bills as they become due and is based on projected cash receipts and disbursements.



# 4 GETTING STARTED

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Getting started is an uncertain and sometimes difficult time. The business environment is governed by laws and regulations that are designed to protect the public and provide for an orderly playing field.

These include legal forms of organisation, registering a name, establishing your premises, getting all the necessary licences and permits, and making sure you have enough insurance coverage. Most solo business operators stray into this bureaucratic nightmare unexpectedly. The purpose of this chapter is to point out some of the steps that you need to take in order to get started.

## Legal forms of organisation

One of your first decisions is whether to set up your business as a sole proprietor, a partnership or a proprietary company. When you do select a legal form, the decision is never really final because the nature of your business may change as well as your financial and tax circumstances. Furthermore, legal, estate planning and tax developments may modify the characteristics

and relative advantages of the various business forms. In view of these changes, you and your solicitor need to re-examine from time to time the form that is best suited to your needs. The most appropriate legal form of organisation for a solo business depends on the relative importance of the following criteria.

- Cost and difficulty of formation
- Independence and privacy
- Government regulation
- Maximum rewards for success
- Minimum liability for failure

## Sole proprietorship

A sole proprietorship is the easiest and simplest legal form in which a business can be organised. Because of its simplicity, it is also the least expensive form to organise. The proprietor is the one and only owner of the business and has complete control over it. As sole owner of the business, the proprietor is also personally liable for business debts. A sole proprietorship is automatically terminated by the death or incapacity of the owner.

### Advantages

Ease of formation  
Low start-up costs  
More freedom from regulation  
Owner is in direct control  
All profits go to the owner  
Maximum privacy  
Easy to change legal structure

### Disadvantages

Unlimited personal liability  
Narrow management base  
Lack of continuity  
Difficulty in raising capital

## Partnership

A partnership is the conduct of a business by two or more people who have the status and authority of owners or principals. A partnership with no employees falls within our definition of a solo business. The various state *Partnership Acts* define 'partnership' as 'the relationship which subsists between persons carrying on a business in common with a view to profit'. Most partnerships are based on an agreement or contract among the co-owners. Nevertheless, a formal contract is not essential because a partnership comes into existence whenever two or more people begin conducting business together for profit.

The law does not regard the partnership itself as a legal entity. Legally it is simply two or more individuals. The assets of the business are viewed as belonging to the partners, and they are personally responsible for its debts. Each partner is an agent of the firm and of the partners. Therefore, even a partner who is not particularly experienced or skilled in business affairs has the power to enter into contracts or other transactions that will be binding on the other partners.

### Advantages

- Ease of formation
- Low start-up costs
- More sources of capital
- Broader management base
- Privacy of affairs
- Limited outside regulation
- Easy-to-change legal structure

### Disadvantages

- Unlimited personal liability
- Lack of continuity
- Divided authority
- Friction between partners
- Limitations on size
- Less flexibility in transferring ownership interest

In New South Wales, Queensland, Western Australia and Tasmania, there are provisions for the formation of a limited partnership. The *limited partnership* enables some partners to contribute capital while retaining limited liability for the debts

and obligations of the partnership. Limited partners do not take part in the management of the business.

## Proprietary company

A company has a separate legal personality. In other words, it is recognised in law as having an existence separate and apart from its owner(s). The company holds property, enters into contracts, transfers property and conducts legal matters in a capacity separate and distinct from its owner(s). The separateness of the company is also recognised for tax purposes.

The requirements for forming and operating a company are set down in the Corporations Law, which provides for the regulation of companies by the Australian Securities and Investments Commission (ASIC). A company can operate under *replaceable rules* laid down in legislation or it can adopt its own set of rules. A solo company with only one member does not need to have any rules at all. You can find information about forming and operating a company, including downloadable forms, from the ASIC's Internet site at <http://www.asic.gov.au>.

### Advantages of a proprietary company

- Your liability on business obligations, and therefore your risk, is limited to the amount you pay for your shares.
- The company has a continuous existence, which means that it is not dissolved by the death, insanity or withdrawal of the owner.
- An interest in the business, represented by shares, can be bought or sold, thus enabling you to withdraw from the company without jeopardising its continuity.

### Disadvantages of a proprietary company

- It involves less privacy and closer regulation by government and the courts.
- It is more expensive to organise and maintain.

- You may be restricted by your company's constitution.
- Extra reporting requirements necessitate more record-keeping.
- Director's duties impose added responsibility.

A proprietary company is usually formed to obtain the advantage of limited liability for individuals who might otherwise conduct business as a sole proprietor or a partnership. The name of the company must contain the words 'Proprietary Limited' or the abbreviation 'Pty Ltd'. A *single-person company* need only have one director and one shareholder, who can be the same individual. A proprietary company must also have a company secretary who may be a director and shareholder.

The duties of a company director are complex and you should be aware of the personal responsibilities that you face. Breaches of the Corporations Law can bring fines and/or imprisonment. Ask your solicitor to explain what you are getting yourself into. You may wish to consider joining the Company Directors' Association of Australia, which offers a number of services designed to inform and educate company directors.

## Registering a name

Choosing a name for your business is important not only commercially but also legally. There are several types of names and it is important to understand the differences between them—a name can be a company name, a business name, a domain name or a trademark. It is also important to register your name in every category if you want to be sure that your business identity is protected.

### Company name

A company name must be registered according to the Corporations Law, which is administered by ASIC. If a company

trades under a name other than its registered company name, the trading name must also be registered as a business name.

## Business name

The law requires any person who carries on a business that does not consist of their surname and all their given names (or the initials) to register a business name before the business can trade. Business name registration is done under state legislation, so if you trade in more than one state or territory you need to register your business name in each jurisdiction.

The reason for requiring registration of a business name is to enable the public to find out who is operating under a business name. It also serves to avoid confusion by ensuring that no two businesses are registered under the same or similar names. When your business name is approved and registered, it must appear on every business letter, invoice and receipt. A business name registration is renewed periodically and any changes in the business need to be advised whenever they occur. To register a business name, consult your solicitor or your state small business agency.

## Domain name

A domain name is the address for a site on the internet. Internet Names Australia (INA) administers the registration of com.au domain names. INA undertakes searches on company names, business names and trademark databases for possible infringements before registering a new domain name. You can visit their Internet site at <http://www.ina.com.au>.

## Trademark

A trademark is a letter, word, phrase, sound, smell, colour, shape, logo, picture, aspect of packaging, or any combination of these things, that identifies a product or service and distinguishes it

from similar products and services. The owner of a trademark has exclusive legal rights to control the use of the trademark for the goods and services for which it is registered. Consult your solicitor if you want to register a trademark.

## Choosing a name

Choosing a name for your business is important, so consider it carefully. Here are some tips that may help.

- **Is the name meaningful?** Your business name is the first thing most customers will know about your business. Make certain that it focuses on your business image and avoid any name that is vague about what you do.
- **Is the name easy to understand and pronounce?** The key is to have a short business name that is easy to recall and less likely to be confused. This is particularly important if you are going to rely on word-of-mouth recommendations.
- **Does the name have longevity?** Think ahead about how your business may evolve and pick a name that is not only broad enough to give you room to grow, but also narrow enough to retain the power to communicate its focus.
- **Is the name unique?** You will have to register the name and it needs to be differentiated from other names. It is a good idea to have a list of three or four alternate names in case your first choice is already taken.
- **Try it out first** Try out a list of possibilities on your family and friends. It is enlightening to see how other people react to a proposed business name.

Choosing the perfect name is not easy. Look for a name that will reinforce your image and communicate the nature of your business clearly. Your name can be a valuable asset so it is worth the time and effort to get it right.

## Establishing premises

If you want to establish a shop, factory or office, you will need to register it. At this point you will come under a complex variety of state and local government jurisdictions. These requirements can vary enormously from one location to another and will involve a number of different government departments. This is one of the more frustrating experiences in store for you, and one that will require a great deal of patience. You can save yourself a lot of confusion by first consulting with your state small business agency or the Business Licence Information Service (BLIS) to determine exactly which regulations apply to your business.

Although many regulations are enforced through state government departments, you will also need to pay particular attention to local government zoning and use of buildings. When you occupy new premises, you need to ensure that you conform to the council's planning scheme.

- Make an application to the council for a certificate indicating the uses to which the property may be put.
- Make an appointment to discuss your proposal with the council's planning staff. Any change in the use of a building or land will require an application to the council for its consent. If there are no building works, you can begin trading within the limits and subject to the conditions specified by the council in its consent.
- If any alterations or additions or new building works are proposed, a building application will also be required. It is wise to discuss the council's building requirements in advance with both the building inspector and the health inspector.
- Approval may also be required for any form of outdoor advertising.

There are a few other matters to consider if you want to work from home. First, be sure that your local council approves of



the use of residential premises for business purposes. You could find yourself in violation of zoning regulations. Second, ensure that your business activities do not attract complaints from your neighbours because of traffic, noise, pollution or other reasons. Third, make sure that you have enough space available to operate satisfactorily without intruding on other members of the household. Fourth, you can obtain tax benefits from your home-based business, but this can also lead to a loss of part of your tax-free capital gain when you sell your home. And last, appreciate that distractions and interruptions are major problems and you will need to have plenty of self-motivation and self-discipline in order to establish an effective work routine at home.

## Licences and permits

Certain types of businesses require one or more licences and/or permits before they can begin trading. This is often a perplexing problem for the new starter because licences can be required by a variety of Commonwealth, state and local government authorities.

Your first stop should be the Business Licence Information Service located in your state capital city, or visit the BLIS internet site at <http://www.bli.net.au>. BLIS provides one-stop advice about licences, permits, approvals and registrations. Their computer not only identifies which licences you require, but also prints out the application forms for you. This is an important service which dramatically reduces wasted time and frustration.

## Insurance

When you operate a business, you need to have insurance protection against potential losses such as fire, theft, burglary and accidents. Some insurance, such as public risk, fire and

property insurance, is essential. Other types of insurance, such as business continuation insurance, may also be important for a solo business.

There are three ways to buy insurance. You can deal directly with an insurance company, you can deal indirectly with an insurance company through its agent, or you can deal through an insurance broker. An insurance agent is acting on behalf of an insurance company. Brokers are independent of the insurance companies and it is their job to shop around for the most suitable policies, provide advice, arrange the paperwork and assist you with claims. Always insist on seeing the policy document and ask for a cover note or written confirmation of your instructions showing details of the insuring company, the period of the cover and the amount insured. It is your responsibility to ensure that the insurance coverage is appropriate for your needs and is cost effective.

## Public risk insurance

You are subject to the laws governing negligence toward anyone with whom you do business or who is on your premises. Negligence means lack of due care. When a court is persuaded that an injury was caused by lack of due care, it fixes an amount of damages that you have to pay to the injured party. When accidents occur on business premises, there is a strong presumption that negligence exists. There are several types of risks that can be covered by public risk insurance:

- Injuries to others while they are on your premises;
- Injuries to others from the use of motor vehicles or equipment from your premises;
- Damage to other people's property;
- Injury or damage as a result of a purchaser's use of your product or service; and
- Compensation for employees' work-related injuries or sickness.

Failure to recognise the dangers of not carrying public risk insurance is one of the most serious errors you can make. One big claim could easily wipe you out. Most of the risks can be covered under a public risk insurance policy, sometimes referred to as a public liability or comprehensive liability policy. Some risks are excluded from general public risk policies and need to be insured separately. These include third-party motor vehicle insurance, product liability insurance and workers' compensation insurance.

## Fire and property insurance

Fire and property insurance provides coverage for your business against losses stemming from destruction of real property (such as buildings) and personal property (such as machines, furniture, fittings and goods). The term *fire insurance* has a much wider meaning than simply insuring property against damage by fire or lightning. Other risks that can be covered by a fire policy include damage caused by the following events.

- Aircraft
- Explosions
- Storm and tempest
- Riots, strikes and vandalism
- Impact by vehicles, horses or cattle
- Water
- Flood
- Earthquake
- Electric current (fusion)

The most convenient way to buy fire insurance is to combine all your coverage under one policy. You are less likely to duplicate your coverage, settlement of claims is easier and the total premium is usually lower. If you are running a business from home, be aware that home and contents policies do not normally cover business losses. It is important to remember, however, that there are risks for which fire policies may not

provide coverage and that need to be insured separately or by an extra endorsement to your fire policy.

- *Fidelity insurance* is important if you must trust others to handle significant amounts of cash.
- *Burglary insurance* should be carried on that portion of your contents that can be easily removed and constitutes a significant potential loss.
- *Transit insurance* covers financial loss incurred in the movement of goods.
- The *glass* in retail premises can be covered, including damage to shopfronts, display cases and mirrors.
- *Sprinkler leakage* insurance covers you for accidental leakage and it is usually available as an endorsement to your fire insurance.

## Business continuation insurance

When your business is shut down as a result of a fire or flood, you may be protected for loss of property but not for the loss of operating revenue to pay the bills while you rebuild. Similarly, if a partner dies, you may not be able to keep operating without their skills.

- *Business interruption insurance*, sometimes called *consequential loss insurance*, is usually an addition to your fire insurance policy that reimburses you for part of the lost profit and a proportion of the fixed costs of your business while you are out of action.
- *Partnership insurance* provides immediate cash to keep a partnership business intact in the event of the death of one of the partners. Since the death of a partner legally ends the partnership, the proceeds of this insurance can be used by the surviving partner to buy the deceased partner's interest from their estate. *Key person insurance* is the same as partnership insurance, except that the beneficiary is the business entity itself.

## Insuring a home-based business

Homeowner's insurance policies are not written to cover a business conducted from home and it is a big mistake to rely upon a standard homeowner's insurance policy when you operate from home. Those parts of your home and the contents used for business may not be covered. This could mean that the repair shop in your garage, the merchandise that you keep stored in the spare room, or the computer equipment in your home office may be excluded under special limits of liability. Moreover, even though you are covered for injury to a visiting guest, your homeowner's policy may not cover injury to individuals who are at your home on business. There are three ways to make sure that your home-based business is properly covered.

- Broaden your existing homeowner's policy by asking your insurer to include endorsements to cover specific business risks.
- Buy an explicit home-based business endorsement, offered by some insurers.
- Buy standard commercial insurance called a Business Owner's Policy.

## Designing a business card

Designing your business card is also an important step in getting started. It needs to say a lot about your business in a very small space. It not only needs to contain the important details about who you are, what you do and how you can be contacted, it also needs to project your image. A business card is a selling tool, and you need to design it for that purpose. Here are some things to consider.

- **Paper** Most designers prefer a paper stock that is firm with a matt or gloss finish. You can use other materials such as leather or cloth.

- **Colour** Use a colour that is consistent with the colour scheme for your premises, your vehicles and your stationery.
- **Print** Make sure that the type style you choose is legible, particularly if it is used against coloured paper stock.
- **Size** Stick to the traditional size if you want people to keep your business card. Make it bigger if you want more immediate impact.
- **Gatefold** A gatefold is a double-sized business card that folds in half. It fits into standard cardholders and doubles the amount of information that the card can contain.
- **Back** Don't leave the back of your business card blank. Use it to present more information about your products or services.
- **Pictures** Unless a picture is capable of reinforcing your image, it may come across as tacky. A logo is usually more effective.

# 5 GENERATING SALES

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Once you have completed the preliminary steps in getting started, it is time to concentrate on generating sales. Unless you generate enough sales to produce profits and cash flow, you won't stay in business for very long. Generating sales consists of three parts.

- First, you need to identify and create a marketing strategy that is reinforced by the way in which you develop each element of your marketing mix. These elements are your product strategy, place strategy, promotion strategy and price strategy. They determine how you are going to position your business in the marketplace.
- Second, you need to decide what direct action you are going to take to make sales. We shall concentrate on relationship marketing because it represents a unique competitive advantage for a solo business.
- Third, you need to decide how to extend your presence in the marketplace. We will focus on newsletters, publicity and the relative merits of low-cost advertising.

Internet marketing is also an important element for solo businesses, and is discussed in Chapter 8.

## Marketing mix

The marketing mix refers to the operational components of your marketing strategy. They are often called ‘the four Ps’—product, place, promotion and price. Managing the marketing mix is analogous to baking a cake. The marketing strategy is your recipe and the four Ps are your ingredients. When the ingredients are mixed according to the recipe, the result is a cake. Just as there are different cakes to suit different tastes, there are different marketing mix configurations to suit different market positions. The objective is to select a marketing mix that gives you the most direct and least expensive access to your target market.

## Product strategy

The easiest and most profitable products and services to sell are the ones that your customers want to buy. The path to marketing success is to identify your customers’ needs and then shape your line of products or services accordingly. A *product line* is a group of products or services that have similar characteristics and uses. The product lines that you actually carry are called your *product mix*. The key to deciding on the best product mix is the consistency with which it conforms to the needs of your target market. The number of product lines offered by a business is called *product breadth*, and the assortment within a product line is called *product depth*. Decisions about product lines, product mix, product breadth and product depth constitute your product strategy. These decisions need to be consistent with the way in which you have segmented your market.



## Place strategy

Place strategy is the second component of your marketing mix. It refers to where you are going to meet with your customers and it is driven by one of three situations.

- **The customer comes to you** If the customer comes to you, site location is critical. In fact, location may be the reason why customers buy from you. Similarly, the interior of your premises needs to reflect the business image that you want to create. Examples include a hairdressing salon, a takeaway or a motel.
- **You go to the customer** If you go to the customer, then your location is not important as long as you can conveniently get to the customer. Examples include a gardening service, window cleaning or a tow truck.
- **You and the customer conduct business indirectly** If you and your customer have no reason to interact directly, your place strategy may take on a different dimension. Examples include mail order sales and Internet marketing.

## Promotion strategy

Promotion strategy is the third component of your marketing mix. The objective is to create an image and to stimulate sales. It consists of the ways in which you communicate with customers, including personal contact, newsletters, publicity and paid advertising.

- What image do you want to create or support? Selecting an image is like choosing a personality for your business.
- You need to identify the geographical area in which you can attract customers. This depends largely on the place strategy that you have already chosen.
- The goods and services you promote should be the ones that your customers want to buy.
- Focus on your customers' basic buying motives and develop your promotional theme around them.

- For many solo businesses, developing a close personal relationship with customers is a cost-effective and successful means of promotion.
- Other communication channels include newspapers, magazines, newsletters, direct mail, handbills, signs, cinemas, radio and television.

## Price strategy

Pricing is the fourth component of the marketing mix. Too many solo business operators undervalue their service or product. Profit is one of the reasons that you go into business and profit is what enables you to stay in business. The objective is to set your prices in order to maximise profits, not to maximise sales. Some types of businesses tend to have high mark-ups and a low rate of sales turnover, while other types of businesses tend to have low mark-ups and a high rate of sales turnover.

The relationship between price and sales volume is referred to as *price elasticity*. Price elasticity describes the effect that a change in price has on the amount of a service or product that customers will buy. High price elasticity means that a small change in the price will have a strong impact on the amount purchased—when the price is lowered, sales volume will increase significantly; with a price hike, however, sales volume will fall off sharply. Low price elasticity means that changes in price have little effect on sales volume.

In very competitive businesses with little product differentiation, price elasticity tends to be high. In specialised solo businesses with highly differentiated products, price elasticity tends to be low. While there is a tendency to cut prices in order to meet your competition, the usual result is only a cut in profits. There are several ways you can meet competition from price cutters without cutting into your own profits as well.

- **Specialisation** Customers usually compare prices for the same product or service. If yours is a bit different, it is no

longer identical with the one that your competitor sells and the effects of price competition can be reduced.

- **Personal attention** The way you treat customers can make a big difference to your image. Being especially helpful, courteous and going about your job with style can help you to create an atmosphere in which customers expect to pay a little more.
- **Timing** Get your offers into the market at the right time as well as the right price. Watch for things like new trends and adapt your operations to take advantage of them while customers are not price sensitive.
- **Prestige** If you can achieve an image of status, your business will not be the sort of place where customers look for bargains.
- **Services** Among the most effective means of combating price competition are extra services such as delivery, installation, repair, alterations, and permitting customers to return or exchange goods.
- **Convenience** People are usually willing to pay more when you make it easy for them to gain access to your services or products.

## Market position

The objective of managing each component of the marketing mix is to create a coordinated marketing strategy. It is like adjusting the components in a racing car so they work perfectly together to maximise performance. The way in which you combine the components of the marketing mix depends on the way in which you choose to position your business in the marketplace.

- An *exclusive market position* is usually the sole supplier for a particular service or product. The location need not be highly visible, but inside the atmosphere is plush and personal. Promotion is low key, refined and never refers to

price. Customers expect many extra services and they are willing to pay higher prices for them.

- A *specialty market position* depends upon a narrow and very deep service or product line. The location and premises are distinctively related to the nature of the product. Promotion is primarily based on quality. Customers expect you to be expert in your line of business and to offer quality products and services for which they are prepared to pay higher than average prices.
- A *standard market position* carries a broad service or product line but not the depth of a specialty business. Regular promotion is based on product or service availability and sometimes on price. Few extra services are offered and customers expect them to be priced separately.
- In a *discount market position*, customers expect basic services or products in return for the lowest possible prices. Large amounts of promotion emphasise low prices, broad product or service lines and convenience.

## Services

The majority of solo businesses are in the services sector. They can be divided into two groups. The first group provides services that are entirely intangible such as insurance, tax preparation, business consulting or security services. The second group also provides a service but employs tangible goods as well. Examples include taxis, equipment rental, pest control or a motel. A solo service business relies on the owner's expertise, skills and experience. Unlike purely tangible goods, a service is not easily separated from the individual who provides it.

There are a number of distinctive features that contribute to positioning a service business. Service customers' basic buying motives are price, value and quality. Therefore, you need to identify service differences that are highly valued and affordable, superior in quality, and capable of being effectively

advertised and promoted. Research has shown that the following key areas influence customers' perception of service quality.

- The appearance of facilities, equipment and yourself;
- The ability to perform dependably, accurately and consistently;
- A willingness to perform promptly, considerately and courteously; and
- An empathy for the customer that instils trust and confidence.

It is also very important to be sensitive to the differences between tangible goods and intangible services when you promote services. Here are some suggestions.

- Provide tangible elements within your advertising and promotion to compensate for the intangible nature of a service.
- Services need greater explanation in order to make the nature of the service fully understood.
- Promise only what you can deliver.
- Maintain a continuous presence with your advertising and promotion.
- Ensure that you maintain continuity of theme and style because they are important for developing an image and positioning a service business.

One of the distinctive characteristics of a service business is the value of personal referrals and word-of-mouth recommendations. Customers are generally involved with the provision of a service and they personally experience its nature and quality. They form an opinion that will be sought by others who are interested in buying the same service. Research indicates that a word-of-mouth recommendation is one of the most potent sources of new customer information and outweighs all other forms of advertising and promotion.

Dissatisfied customers, on the other hand, tell many people about their experience and can severely damage a service business. That is why you must only promise what you can deliver, and then you need to deliver on time every time.

When customers buy a product, the price is usually clearly stated and they can evaluate the tangible benefits that the product offers. When they purchase a service, however, they tend to underestimate its value. Customers generally equate the price for services with what they think is a fair wage for the labour involved. They do not think of overheads, equipment, materials and profit margins.

It is important to have a standard pricing policy to avoid unnecessary customer squabbles over prices. Nothing destroys a service business faster than for customers to get together and compare prices only to find out they paid different prices for the same service. Wherever possible, published prices should be used to calculate charges. Even if customers believe the prices are high, they find comfort in the fact that they are being charged the same price as others for the same service.

Some service businesses do not lend themselves to standardised pricing because there is considerable variation from one job to another. In these cases you need to evaluate each job individually and prepare a quote or bid price. The trick to bidding competitively is to bid the job, not the market. Each job needs an examination of all the factors that might affect the cost of doing it. Winning a bid that results in a loss is no win at all.

## Relationship marketing

There are many ways to generate sales. None of them, however, is as powerful as developing a personal relationship with each of your customers. One of the key competitive strengths of a solo business is that every customer deals directly with the owner. It also means that you have an opportunity to know and understand what each of your customers wants.

Relationship marketing is a win/win game. If your product or service genuinely meets a customer's needs, then everyone benefits from a sale. It is the result of taking the time to build a relationship with your customer rather than just focusing on making a quick sale. Building customer relationships takes a little longer to produce the initial results, but you will be rewarded long into the future with repeat business and referrals from happy customers.

## Trust

Everybody wants to be served by someone they can trust. Have you ever walked away because you didn't trust a salesperson? Do you find yourself going back again and again to someone who is helpful and honest? How do you build trust? One way is to let your customers get to know you. Tell them why you started your business and why you believe in what you are selling. Another way to build trust is to keep your word. From follow-up calls to delivering on time, simply keeping your word is a powerful sales tool. If something unavoidable happens, you can still keep the trust intact by telling your customer what has happened and asking what you can do to minimise the inconvenience. When a customer knows you sincerely care about them, they will feel secure that they are making the right decision to buy from you.

## Listening

Something extraordinary happens when you give a customer your undivided attention. It means listening to them and not interrupting them or impatiently waiting to talk next. If you do all the talking, how will you ever learn anything about your customer? When you listen more than you talk, customers realise that you are genuinely interested in them and you are trying to understand their individual situation. They will become comfortable with you when they realise you are on their side. Part of listening includes recognising body

language. Knowing how to interpret a customer's folded arms or eye contact will give you extra insight into how comfortable they are and if they are ready to make a purchase decision.

## A basic guide

Relationship marketing is a way of doing business that is flexible, cooperative and professional. It also enables you to operate as an ethical, considerate and genuinely helpful individual. The following steps are a basic guide to relationship marketing.

- **Know your product or service** Before you begin a conversation with a customer, it is essential that you clearly understand your product or service and why people should want to buy it.
- **Establish rapport** Establish rapport between yourself and your customer. The objective is to create a genuine relationship with your customer based on mutual trust and communication.
- **Exchange information** This consists of asking questions, uncovering basic buying motives, giving information, and determining how your product or service will fill the customer's need.
- **Propose a solution** Once you are comfortable with the relationship that you have created, propose how your product or service will solve the customer's problem or fulfil their need. When you describe a product or service, focus on the link between its features and benefits. A feature is a distinctive characteristic of a product or service, and a benefit is the way that the customer's basic buying motive is fulfilled by the feature.
- **Confirm the purchase** Rather than focusing on 'closing the sale', a term that indicates the end of the process, confirming the purchase means you are reviewing the customer's willingness and ability to make a commitment. It is a natural extension of a relationship built on a foundation of trust, respect and rapport.



- **Deliver** Actually delivering the product or service is a critical step. If you don't deliver, you haven't completed the transaction. This is also an excellent opportunity to continue to build trust and to cement your relationship with the customer.
- **Follow up** Find out how the customer liked your product or service. This is an opportunity to create repeat business and to ask for referrals to new customers. If there is a problem, you are there to correct it.

One of the main reasons that solo business operators sometimes shy away from dealing with customers is because they don't like being rejected. This is a basic and understandable human reaction. A customer will generally say 'no' for one of two reasons: either they don't trust you or they genuinely do not want to buy what you are offering. If you focus on building a close relationship with your customer, you can avoid rejections for the first reason. If you get a 'no' for the second reason, then remember that they may make a purchase on another occasion or they may refer others to you who want to buy what you have to offer.

## Targeting corporate customers

A big lift in sales and profits is the reward for a solo business that can sign up just one major corporate customer. Too many solo business operators think this market is unreachable because they are small. The reality is just the opposite—big businesses need you if you have what they want.

- **Do you cost less?** You have the advantage of low overheads and low operating costs. If you can produce a product or service that meets their requirements for a better price, it is logical that they will be interested in saving money.
- **Are you more flexible?** You should be able to change your product or service instantly to fit the unique needs of

your corporate customer. You can do this without the bureaucratic procedures of larger competitors.

- **Do you have a specialised niche?** A solo business operator can be a highly sought-after expert in a speciality or niche market that cannot be duplicated by larger competitors.
- **Are you easily available?** Your advantage over your competitors may be proximity. The best corporate clients to approach are the ones that are close by because you have quicker response times and lower travel costs.
- **Do they know you want the business?** You can provide the customer service and personal attention that they cannot get from larger competitors. Why wouldn't a corporate client want what you can offer?

You have plenty of potential advantages, but in order to generate corporate sales you have to make contact. You need to know who to approach, how to get past the 'gatekeepers' and how to present your offer. You don't want to waste your time talking to the wrong people. Look for the most likely contacts by consulting the company directory. It never hurts to call the highest level individual you can reach and then work your way down to the right contact. Whether you get through or are stopped by a gatekeeper, such as a secretary, your message will always be the same: 'I want to sell my product/service to your company. Who is the best person to speak to?' Persistence is eventually rewarded.

Make yourself visible and approachable for corporate customers. Your objective is to be known to them before you approach them. Send them your newsletter, brochures and direct mail to gain exposure. Showcase your expertise by giving company seminars or accepting speaking engagements. The first corporate customer is the most difficult. When you have established your track record, use your success with the first client to open the next corporate door.

## Publishing a newsletter

A newsletter can be a potent marketing tool for a solo business. Properly executed, it is an effective way to strengthen awareness and keep customers informed about new developments, products and services. Depending on your budget, a newsletter can range from a single-page one-colour format to a 12-page four-colour design. You can have your newsletter written and produced by a professional, or you can do it yourself using a desktop publishing package on your personal computer. If you are not sure how to plan your newsletter, collect some samples from other businesses. They may help you to develop ideas for the design and content of your own. Once you have established the purpose of your newsletter and defined its audience, there are a number of issues that you need to think about.

- **Content** Newsletter information should reinforce your image. Items commonly found in newsletters include a message from the owner, news about the business, a calendar of events and articles about new services or products. It should be information that is important to the reader. If you are positioning your business as friendly and down to earth, your newsletter should be consistent with that image. If you are positioning your business as a high-tech operation, then you want a state-of-the-art look.
- **Frequency** Publish your newsletter on a regular basis such as monthly, bi-monthly or quarterly. Establish the schedule with the first issue so readers will know when to expect it.
- **Design** Your image and your budget are the key elements in choosing a design. Newsletters can be one-colour (usually black), two-colour (one colour plus black) or four-colour (full colour). Typefaces and sizes are also important. Typefaces can make a newsletter look more formal, more friendly or more modern. Be sure to choose

a typeface that is legible. Once you choose a design for the newsletter, keep it consistent from issue to issue.

- **Photography** Photography keeps a newsletter from looking dull and too dense. Use only professional photos that are appealing and interesting.
- **Size and quantity** A newsletter can be just about any size. The number of pages depends on the amount of information you want to communicate. Typically, newsletters are two to four pages in length. The number of copies you produce depends on the audience you want to reach.
- **Distribution** A newsletter can be a self-mailer or envelopes can be printed. If you have a large volume of newsletters, you may want to use a distribution service or the services offered by Australia Post. Be sure to keep your mailing list up to date.

## Publicity

You can tell your story with paid advertising, but publicity enables you to get it before the public for free. The local newspaper or industry journal will publish your story if it is news. What you do makes better news than what you say. It is up to you to write a press release. Lots of badly written press releases end up in the rubbish bin. The best way to learn about writing press releases is to study the publicity that appears every day. Here are some tips.

- Use a desktop publishing package on your personal computer to produce eye-catching letters and press releases.
- Use simple words and short sentences, and try to avoid jargon and technical terminology. Give your press release a headline.
- Keep the press release down to about 300 words, or about one page, and talk about your most important items first. Include a picture if it helps to tell the story.

- Remember to cover who, what, when, where and why. Look for the unique, rare or individual ingredient that makes news. A quote always gives personality to a story.
- Issue a press release before *and* after an event, but keep in mind that Mondays are not a good day for newspaper press releases.
- Be sure that your contact details, especially your name and telephone number, are clearly printed at the top or bottom of the press release.

## Advertising

Advertising is a marketing tool that is found among almost all businesses. For a solo business, however, paid advertising can be prohibitively expensive, especially if you use the mass print or electronic media. Small-scale cost-effective advertising is more likely to consist of brochures, direct mail, *Yellow Pages* advertising and advertisements in specialised magazines and journals.

### Brochures

A brochure is an important tool for consumer as well as commercial customers and the most economical means of small-volume advertising. Brochures are more readily controlled than other forms of promotion and are cheap to produce. Brochures can be distributed selectively in areas that are expected to give the greatest return.

### Direct mail

Direct mail has many of the advantages of a brochure, and is more dignified and personal because it can be directed to an individual customer. To ensure adequate but controlled coverage, use a selective mailing list compiled from your own

business records or from commercially available mailing lists. Direct mail is more expensive than brochure advertising, but there are several reasons why it can give you greater flexibility.

- You can say more.
- You can try novel ideas on selected customers.
- You have a better chance to communicate your business personality.
- You can use a more personal approach and appeal.
- You can save some postage by including direct mail advertisements with other mail such as monthly accounts.

### *Yellow Pages*

When people turn to the *Yellow Pages* in their telephone directory, they are usually ready to buy and they are looking for a supplier. They do not have to be persuaded to buy, they merely have to be persuaded to buy from you. Many solo businesses derive a significant proportion of their sales from *Yellow Pages*' advertising.

It helps to have the biggest advertisement on the page. It also helps to position the advertisement at the top on an outside edge. Another technique is to list everything that you sell or do—for example, an insurance broker could list every type of insurance sold. When customers are looking in the *Yellow Pages* they are much more likely to read the entire advertisement, so you can put more copy into it.

### Magazines and journals

General consumer magazines are an expensive advertising medium, and they have such wide coverage that most of your money is wasted. Special interest magazines are less costly and you can reach people when they are actively thinking about the products they need to pursue their particular interest.

Examples of specialised consumer magazines cover subjects such as gardening, photography, skiing, travel, golf, boating,

cooking, weddings, fashions and computers. Examples of specialised business journals include the publications of industry associations and trade journals. Special interest magazines are especially useful for Internet and mail-order firms that target a national market with a narrow product line.

# 6 EXTENDING YOUR CAPACITY

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One of the great limitations of going solo is that your capacity to engage in business is limited to your own resourcefulness and energy. Despite modern time-saving devices at home and in the office, you only have 24 hours in a day. Your time is precious and your capacity to get things done is dependent on how you manage it.

How will you cope with seasonal peaks, special projects or an unexpected increase in business when you have no staff to help you? Extending your capacity means finding other ways to do the jobs that you either cannot do yourself or do not want to do yourself. It includes temporary staffing services, subcontracting, outsourcing and strategic alliances.

## Time management

Time management is a set of related commonsense skills that enable you to use your time in the most efficient and



productive ways. Developing time management skills will enable you to:

- Determine which things are important and which are not;
- Use your time in the most efficient ways possible;
- Increase the time in which you can work;
- Control the distractions that waste your time; and
- Reduce stress by gaining control over what you do.

Some solo business operators spend their days in a frenzy of activity, but they achieve very little because they are not concentrating on the things that matter most. This is sometimes described as the Pareto Principle, or the 80–20 rule, which says that 80 per cent of unfocused effort generates only 20 per cent of overall results, and the remaining 80 per cent of results are achieved with only 20 per cent of the effort. By applying the principles of time management, you are aiming to concentrate your effort on the high payoff tasks and avoid the unnecessary crises and tight deadlines that lead to high levels of stress. Try the following time management techniques to leverage your capacity to accomplish more each day.

## Set priorities

Begin by deciding what tasks need to be done today, this week or this month. If a project seems overwhelming or complicated, divide it into manageable steps that can be tackled one at a time. Write down a ‘to do’ list with the tasks in order of priority.

## Don't procrastinate

Putting off unpleasant, boring or difficult chores is human nature. But if you discipline yourself to tackle the things you dislike, you will gain self-confidence and make better use of your time. Think about how good you will feel when the job is finished. Create an incentive by promising yourself a special reward for getting the job done.

## Avoid distractions

Distractions can be a major waste of time if you let them. The key is to block out disturbances as much as possible. If interruptions are the main cause of distractions, try to set aside a period of each day in which you meet with people and take phone calls. The remainder of your day can be spent behind a closed door with your answering machine taking calls so that you can work uninterrupted. Most people accomplish more when they work for a sustained period of time instead of in a series of small bursts.

## Handle each piece of paper only once

Paperwork is a necessary part of being in business. For a solo business, paperwork saps the precious time that you could otherwise spend conducting business. To gain control over paperwork, decide what you are going to do with each piece of paper when it comes to you—don't throw it in your in-box to decide later. Then get rid of it. Whether you file it, sign it, revise it or throw it in the rubbish bin, the key is to handle it only once.

## Work with your body rhythms

Most of us have certain times of the day when we are more alert, energetic and perform better. If you can determine your pattern of physical and mental energy, you can adjust your schedule to take advantage of it. By handling demanding jobs during your peak energy periods, you will be able to get more done in less time.

## Use the 80–20 rule

The key to using the 80–20 rule is to discover what makes that 20 per cent so productive. When you devote more of your

time to those activities, you will automatically spend less time on unproductive ones. To understand how you spend your time, try keeping a log of your daily activities for a short time. This will enable you to identify the time-wasters and do something about them.

## Temp agencies

You can also extend your capacity by engaging the services of temporary staff. A temp agency is not an employment agency, although some perform both roles. The temp agency hires people as its own employees and assigns them to you when you request assistance. The types of skills available through a temp agency include:

- Trades people
- Seasonal labour
- Manufacturing
- Engineering
- Maintenance
- Telecommunications
- Personnel
- Professionals
- Production
- Sales and marketing
- Distribution
- Data entry
- Reception
- Customer service
- Hospitality
- Events
- Public relations
- Information technology
- Building services
- Bookkeeping
- Secretarial
- Transport
- Warehousing

When you use the services of a temp agency, you are not hiring an employee, you are buying the use of someone's time. The temp agency is responsible for payroll, bookkeeping, tax deductions, workers' compensation, fringe benefits and all of the functions connected with being the employer. Moreover, you are relieved of the burden of recruiting, interviewing, screening, testing and training. You can request temporary help for a day, a week, a month or longer.

Some temp agencies specialise in people with one set of skills, such as office workers, whereas others may offer a broad range of people from unskilled workers to accountants, engineers and computer specialists. Some temp agencies will provide a whole team of people for something like a trade show. Temporary staff are usually available at short notice and they are experienced and qualified, which means they are ready to begin working immediately.

## Fees

The fees that you pay to a temp agency are greater than the wages you would pay to an employee that you hired yourself. However, the cost of actually getting the work done will be considerably less because you are not directly responsible for the many extra costs that are not immediately apparent. These include the Superannuation Guarantee Scheme, workers' compensation insurance, and the cost of time not worked such as sick days and holidays. You are also relieved of the hassle of doing all the paperwork that goes with being an employer. These extra costs can add as much as 50 per cent to the actual wages paid.

Fees are obviously greater for highly skilled workers than for unskilled workers. They also vary according to the going rate in different capital cities and regional centres. Fees are based on what the agency pays to the worker, on-costs, and a mark-up that covers the temp agency's operating costs and profit margin.

## Selecting a temp agency

There is greater choice of temp agencies in the capital cities and larger regional centres. If you are likely to use temporary workers, then it is worthwhile to do your research in advance. First, look in the *Yellow Pages* under 'Employment—Labour Hire Contractors' or 'Employment Services'. Some agencies

operate nationwide and some are local. It is a good idea to meet with agency representatives personally to help them understand your operation and your needs. In turn, a personal meeting will enable you to evaluate the services offered by the firm. Here are a few things to consider.

- **Reliability** Is the agency established, with a history of reliable service? Don't be bashful about asking for references.
- **Recruiting** Competition for skilled reliable staff in some parts of the labour market is intense. An agency with an aggressive recruiting program is more likely to have the best temps to send to you.
- **Testing and evaluation** What methods of testing and evaluation does the agency use to ensure that you will get the kind of people that you need? Do they ask for and check references?
- **Training** Does the agency conduct training programs for people working with new technology? This is particularly important if you are looking for IT skills with new equipment or new applications.
- **Retention** Does the agency have a reputation for keeping qualified staff? If so, it means that you will probably get the same temp back again.
- **Prompt service** The agency that can fill your needs at short notice will be valuable in an emergency.
- **Quality control** Does the agency make an effort to contact you to find out about the performance of their temps?
- **Insurance** Does the agency protect you with adequate insurance for such things as workers' compensation or fidelity insurance?
- **Guarantee** Does the agency guarantee your satisfaction with each and every temp that they send to you? Will they refund their fee if a temp does not perform?

## Planning for temporary staff

The key to getting the most from a temp agency is to carefully plan what type of help you need, how much and when. What will be the specific requirements of the job? Exactly what skills do you need? How long will you need them? Don't ask for a person with higher qualifications than the work calls for or the cost will be unnecessarily high. On the other hand, don't try to economise by asking for an underqualified person and then expecting them to carry out tasks for which they are not prepared.

If a temp agency is going to help you to get the best results at the lowest cost, you need to give them details about the work you want to be done. The temp agency will need to know about your business and the functions you want to fill with their service. They will ask for information such as the skills required, type of equipment to be operated, duration of the assignment, location, working hours, dress rules and any information that will help them to select the right person for you.

The next step is to prepare the space, equipment and materials so that everything is ready before the temp arrives. The work to be done should be organised so they can get started easily. Be specific about the procedures they need to follow. Most temps adjust quickly to new methods and surroundings because of their varied work experience.

When the temp arrives, make them feel at home and explain the housekeeping arrangements. Then go over the work assignment and the procedures you want them to follow. Try to make your directions as simple as you can. If the work is complex, take special care to explain it clearly and make certain that they understand.

## Judging the results

How much can you expect from a temp? Most temps perform very well. They are experienced and versatile. Inasmuch as they

have worked for a variety of businesses, they have learned how to adapt quickly to new situations. Moreover, they know that future work assignments depend on their performance with you. However, don't expect the impossible by overloading a temp. In fact, try to make a slight allowance for the fact that they are not familiar with your particular operation. Check their work occasionally, encourage them to ask questions, and never leave them stranded.

After the first few hours, you will be in a position to judge how the work is going. You have the right to expect a conscientious, interested individual who will put in a full day's work. If you are not satisfied, don't hesitate to phone the agency and inform them of the problem. Most agencies will call you to see how the temp is working out and they will also ask you to evaluate their work at the end of an assignment.

You also need to review the use of temporary staff in your business to determine if this is something that you will do again. Did the temp's productivity justify the cost? Was the work completed accurately and effectively? Did it benefit your operation? Were there any disadvantages?

## Outsourcing

Another way to extend your capacity is outsourcing. Outsourcing consists of arranging for some of your work to be performed by another person or business. It enables you to focus on your own core competencies while gaining access to expertise in other areas. The reasons why you may want to outsource some activities include cost savings, skills, flexibility, innovation and experience.

### Cost savings

The main reason for outsourcing is to save money. Outsourcing may be cheaper than doing something yourself

because the supplier has economies of scale, giving you cheaper access to their technology or expertise. Without having to make a large front-end investment, you can also undertake new projects without a big financial risk.

## Skills

One of the limitations of going solo is that you may not have all of the skills necessary for a particular job. Outsourcing is a way to gain access to people with the right skills without having to hire staff.

## Flexibility

Outsourcing can make your operation more flexible by giving you quick access to short-term resources. For example, outsourcing enables you to bid for several jobs at once without worrying about how you will handle all the work if you get it.

## Innovation

Innovation is often the hallmark of a successful solo business. However, sometimes the ideas stay submerged in your subconscious. One way to get a fresh viewpoint is to outsource part of the job to someone who can innovate for you.

## Experience

Outsourcing is a way to bring the benefits of another person's experience into your operation. If you do not have enough experience to confidently take on a job, then outsourcing will not only get the job done, but you will also gain additional experience in the process.



## Subcontracting

Subcontracting is a more formal version of outsourcing. It consists of entering into a contract with another business to perform a service for you that is part of a bigger job. When you subcontract work, you are still responsible for getting the work done and in a manner satisfactory to the customer. A common example of subcontracting is in the home construction industry in which a general contractor deals with the customer and administers the project. They have the responsibility for organising and coordinating the work of the painters, plumbers, electricians and carpenters and paying them for their services.

As the prime contractor, you are ultimately responsible for the quality of the work and the timeliness of completion. To protect yourself legally and to ensure that your customer is satisfied, you need to spell out in a formal written subcontract exactly what work is to be done, the quality required and the deadlines that need to be met. While the job is in progress, it is important to check frequently to monitor that everything is proceeding according to the contract. It is easier to remedy problems before, rather than after, the work is completed.

You should think about subcontracting if you do not have sufficient expertise or capacity for a big job. Consultants often subcontract parts of projects that are beyond their own expertise. You may be able to bid for a job that requires larger facilities or more specialised equipment than you have by subcontracting part of the work. Your customer, however, only has to deal with one supplier because you are managing the subcontractors.

Subcontracting requires a carefully planned budget. Be sure that you thoroughly understand what it will cost to subcontract. When choosing subcontractors, ask to see examples of previous work and ask for references. Remember that the lowest bidder may not be the best choice. Always ensure that the subcontractor has completed the job in every respect before you make the final payment.

## Strategic alliances

How can a solo business deliver a fully functioning team that can take on the kind of projects that are usually reserved for larger organisations? The answers lie in strategic alliances with other businesses that create the ability to deliver on the same basis as your larger competitors. Strategic alliances extend your market reach and provide a wider range of choices and greater convenience for your customers. The key to developing strategic alliances is to make sure that the products and services are closely related.

The goal is to provide additional related services or products that serve your customer better and increase your profits without incurring additional investment. For example, a builder specialising in remodelling could team up with a real estate office to present seminars on home improvement. Another example is mutual referrals, in which two businesses negotiate an agreement to recommend each other to their customers.

## One-stop shop

When you choose a strategic alliance, think in terms of making your business into a one-stop shop for anything related to your products or services. The arrangement can operate on the basis of a finder's fee for referrals, you can offer a catalogue of products supplied by other businesses, or you can buy wholesale and retail to your customers.

## Quality partners

Your strategic alliances need to meet your quality requirements or, better yet, surpass them. Partners with better quality standards will help you to lift your image. You also need partners that you can trust. Finally, look for partners that have a long track record because you can leverage on their credibility.

## Convenience and reliability

Strategic alliances work because it is convenient for customers to buy from one source. But you need to make sure that the alliance provides a trouble-free buying process. If buying the products or services becomes complex or difficult to understand, the alliance will result in an impediment to sales.

If you are simply offering a referral, then make sure that you are referring your customer to a reliable supplier who will provide excellent customer service. If you are making the sale yourself, you need to deliver customer service yourself. If a customer falls through cracks in a strategic alliance, it lowers their perception of the whole arrangement and damages your reputation.

# 7 E-COMMERCE

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Computer technology offers another way to extend your personal productivity without hiring staff. It can be used to increase your sales, reduce your costs, improve your operational efficiency, and obtain more accurate and timely information.

Perhaps the most powerful use of computer technology for a solo business lies in tapping the potential of the Internet.

## Buying a computer

The first step in buying a computer system is to examine the processes that take place in your business and establish priorities for the applications that you want to install or the problems that you want to solve. Once you know what you want, you can approach suppliers with a set of requirements. Never commit yourself to a computer system until you have personally tested it to make sure that it does all of the things you expect of it.

It is the software, not the hardware, that enables you to get the most out of a computer system. The successful operation

of your computer system, and in some cases the successful operation of your business, is directly related to the quality and suitability of the software you choose.

Standard software packages are user-friendly programs that have been designed for people with no specialised computer training. When you use one, you will be presented with a menu that prompts you through the program. There is usually a help option that allows you to back up if you get confused. The screen will also tell you if you make a mistake and how to correct it.

Once you are comfortable with a new computer system, you will probably want to add more applications. Make sure that your computer can grow with you. You should be able to add memory, screens, storage capacity or another printer without having to discard your initial system. You do not have to pay any more at the outset for a computer that can be expanded later.

There are computer specialists who can offer you a complete computer system and train you to use it. Independent computer retailers carry a number of different brands of hardware and software, so they can objectively recommend the system that best fits your needs. Some computer manufacturers have their own retail outlets, but be aware that their recommendations may be limited to their own products. Some trade associations and industry groups also supply computer systems and support services for members.

Office products dealers sometimes include computer systems in their product mix. They have traditionally offered excellent service to business customers and it may make sense to buy your hardware and software where you buy your other office equipment. Make sure you are dealing with a supplier who is technically competent to offer you training and answer your questions. Department stores can also supply computers and software packages, but they are not set up to provide the after-sales service that serious business users require.

‘Warmware’ is the critical after-sales service and support that you will need after you buy your computer system.

Without a qualified supplier who is willing to install the system, train you to use it, and help you to overcome any subsequent unforeseen difficulties, your system may not deliver the benefits that you expect. Try to buy everything from one supplier, because you will save time and money getting it installed and you will only need to deal with one vendor for after-sales service. If you are going to rely on a computer system to run your business, then be sure to buy it from someone you can rely on to support it.

## Applications packages

There are standard applications packages available for a variety of functions such as accounting, bar coding or desktop publishing. There are also standard packages designed for particular types of businesses, such as contractors, dentists, newsagents or travel agents. Prices range from a few hundred dollars for a single application up to a few thousand dollars for a fully integrated business management system for your particular type of business. Quality standard software is reliable and well-documented because it has been proven in thousands of other businesses.

The applications that are usually installed first are those in which the greatest volume of scorekeeping information exists. The need for these applications tends to be critical because the burden of paperwork is high. They can be implemented quickly and they pay back the initial investment in a relatively short time.

## Word processing

A word processor creates and stores documents such as letters, reports, catalogues, mailing labels and operating manuals. A word processor has many features including a spell checker, thesaurus, grammar checker, mail merge and graphics. If your business requires written documents that are constantly being

revised (such as contracts, price lists, quotations or proposals), word processing can mean tremendous efficiencies in the time it takes to produce the final document. You can also use word processing to manage your customer and prospect lists, generate customised mailings and process your day-to-day correspondence.

## Spreadsheets

A spreadsheet is like a sheet of paper divided into rows and columns. It does calculations for budgets, business plans, cash-flow analysis, statistical analysis and 'what-if' analysis. It consists of a matrix of cells in which you can store text, numbers or instructions. The spreadsheet package allows you to 'model' a problem by manipulating the cells. Spreadsheets are versatile, easy to use and include a number of inbuilt special functions.

## Databases

A database stores information about things like customers, suppliers or inventory. Database software organises, sorts and updates the information so that you can use it for things like reports, catalogues, invoices, statements or form letters. Using a modem, it is also possible to access and search databases on other computers.

## Electronic data interchange

If you want to become a supplier to larger companies or to the government, you may find yourself using electronic data interchange (EDI) to do business. EDI is a method for placing orders, gaining information and selling products without ever creating a written document. It consists of the computer exchange of business documents and data according to an internationally established set of rules. It is used to produce and

transmit thousands of different documents, including purchase orders, invoices, cheques and customs documentation. It can also be used for electronic funds transfer.

## Connecting to the Internet

A survey by the *Yellow Pages Small Business Index* identified the following ways in which the Internet is currently used by Australian small businesses. They are listed in order of importance.

- Communicate via e-mail
- Get reference information or research data
- Look for information about products or services
- Browse or surf for fun
- Access directories such as the *Yellow Pages*
- Network with other businesses
- Advertise products or services
- Get updated information, such as timetables or weather
- Monitor markets or competition
- Place orders for products or services
- Take orders for products or services
- Pay for products or services

To connect to the Internet, you need an account with an Internet service provider (ISP). You can find ISPs listed in the *Yellow Pages* and in specialist Internet magazines. You simply dial the ISP's local telephone number and connect your computer via a modem. Some of the software that you need comes with your computer, your ISP may provide you with more, and anything else that you need can be downloaded once you are connected. Most ISPs base their charges on a joining fee and the time you are connected. Not all ISPs provide the same quality of service, so it pays to shop around.



## E-mail

E-mail is like sending someone a letter, except that you can do it any time, without leaving your computer, and it will be available in their 'mailbox' within minutes even if they live on the other side of the planet. To use e-mail, your ISP will give you an e-mail address.

You need e-mail software to send and receive messages. The software will be provided by your ISP or you can download the latest versions from the Internet. Popular e-mail packages include *Eudora*, *Pegasus Mail* and *Claris Emailer*. You simply type in the receiver's e-mail address, type your message, and click on the 'send' button. The e-mail message will be deposited at the receiver's host computer where it will remain until they log on to find a 'mail waiting' message. Having an e-mail address is becoming so universal that not having one on your business card is like not having a telephone number.

## Exploring the Internet

Next to communicating via e-mail, the most popular Internet application is exploring for information using the World Wide Web (or simply the Web). It is a system for displaying information containing text, illustrations, sound or animation. To get onto the Web, you need a Web browser program. Most Web users access the Internet with some version of *Netscape Navigator* or Microsoft's *Internet Explorer*.

Each Web site has a universal resource locator (URL), or address, that you type into the browser to retrieve it. When you reach a Web site you will be presented with its home page, which will offer you a menu of options that enable you to navigate to other pages in the Web site.

Hypertext is used to link Web sites together. Hypertext words are highlighted and when you click on one with your mouse, you 'jump' to another Web site that may be located

anywhere in the world. Web sites on similar topics are linked this way to enable you to find them. Jumping from site to site using hypertext is what has been termed 'surfing' the Web.

The best way to find sites that contain information on a specific topic is to use a search engine, which is a continually updated index of the content on the Web. All you have to do is type in the key words that you are looking for and click on the search button. The search engine will tell you how many matches it found and display the first 10 or 20. When you find a site that interests you, you can click on its hypertext address and jump to it. To access a search engine, you simply type its Internet address into your browser. You can use the Bookmarks or Favorites option in your browser to save these addresses so that you can find them again.

## Internet marketing

Solo business operators receive a lot of misinformation about Internet marketing, and it is not always easy to separate the hype from reality. The first step is to determine if Internet marketing fits into your business strategy. If the answer is 'yes', the next step is to develop a Web site that fully exploits the marketing power of the Internet. Before we examine the nature of Internet marketing, however, let's dispel some common myths.

The first myth is that every business needs an Internet site. While many solo businesses can benefit from developing and maintaining an Internet site, it is important to recognise that this form of marketing may not apply to all types of businesses. If your customers already buy products or get information via the Internet, then you need to be there as well. If, on the other hand, your customers get most of their information from other sources, such as the *Yellow Pages*, you may be better off if you concentrate your efforts there.

The second myth is that an Internet site automatically levels the playing field. Yes, a professional Internet site can make your business look more substantial than it really is. Unless it is skilfully implemented, however, you run the risk that you will look technically and commercially incompetent, resulting in a competitive weakness.

The third myth is that if you put up an Internet site, people will automatically come flocking to it. Don't expect people to find your Internet site on their own. You need to encourage traffic through active promotion on the Internet as well as in your traditional marketing channels.

There are thousands of Internet sites that are designed to create a marketing presence as part of an overall advertising and promotion strategy. Some go further by offering customer service, product specifications or answers to customer inquiries. A few Internet sites are designed to go beyond general marketing and customer support to actually ordering products while the customer is on-line. Once you have identified what you want your Internet site to do, you need to consider how you will get it up and running.

- How will the site be connected to the Internet?
- Who will design the site?
- Who will maintain the site, and what does that involve?
- Does the site need to be able to accept orders on-line?
- Does the site need to be able to do credit card approvals on-line?
- Does the site need to connect to your existing order system and accounting system?

A fully functional Internet site with on-line ordering requires expertise in hypertext markup language (HTML), order form functions, database tracking and programs for credit card clearing. There are plenty of experts who can help you to design and install your site. If you are computer literate, you may choose to do it yourself using one of the authoring tools such as Microsoft's *Frontpage*.

## Set your goals

An Internet site needs to fit into your overall marketing objectives and marketing plan. What is the purpose of your site? Do you want to sell products? Are you trying to attract new customers? Are you trying to provide information for existing customers? Do you want an on-line brochure or something more complex? Think about what you are trying to accomplish and look for ways to reach that goal. Review your marketing plan to make sure that the purpose of your Internet site accurately reflects your business strategy.

## Register your own domain name

An Internet address like <http://www.yourbusinessname.com.au> presents a more professional image than using a sub-address of your ISP such as <http://www.yourISP.com.au/yourbusinessname>. The cost to register your own domain name is minimal and you should talk to your ISP about hosting your site under your own domain name. A domain name that is unique to your business conveys a professional image that is easier for people to remember. Try to keep your domain name as short as possible and avoid slashes, hyphens, tildes, underscores or anything else that makes it complicated.

## Make sure your connection is fast

Use an ISP with a 'big pipe'. The slower your connection, the more difficult it will be for customers to retrieve your Web page—especially if you use graphics, pictures or animation. Internet users are renowned for their impatience. If your images take too long to download, customers will get bored and jump to another site.

## Use fresh content

Getting people to visit your Internet site is great, but the goal is to keep them coming back. In order to attract repeat visits, keep your site full of useful information by regularly updating it with new images, product news, articles of interest or whatever you think will be compelling content. Some sites feature a 'What's New' section that makes new information easy to find.

## Balance the use of graphics

Graphics are an important part of Internet marketing, but users with slower modems will become frustrated at the time it takes to download them. Too many graphics decreases the useability of your site, so use them sparingly. Try small clusters of graphics as opposed to one large screen. Keep your graphics interesting but avoid complex graphics that take too long to download. The same principles can apply to text, so avoid dense blocks of prose or long lists that require the user to scroll for a long time.

## Keep navigation simple

Customers are more likely to browse around your site if they know they can return easily to your home page. Put a 'return to home page' button on every page in your site. Use a site map or a list of your features to encourage people to find what interests them.

## Make ordering easy

If you're selling products, make it easy for customers to place an order. Product pictures and prices should be clearly displayed, along with available options. Some customers like 'shopping carts', in which they can add and subtract items and keep a running total. Also offer alternatives like phone or fax

for people who don't trust on-line transaction processing. Include your e-mail address, phone number, postal address and instructions for ordering, so that customers don't have to search for a way to contact you.

## Make the visit appealing

The Internet is interactive, so make the most of it. Let customers communicate with you, interrogate your databases or join a chat group. The more your customers get involved with your site, the more likely they are going to buy your products and services. If humour is appropriate, you might consider using it. If your business has an interesting history, include that as well. People like to attach a face to an on-line business and feel personally connected to it, so you may want to include stories and pictures of yourself.

## Security

Despite the new wave of on-line shopping, many people remain wary of it. They are afraid that personal and financial information transmitted over the Internet may be misused. Understanding and addressing customer concerns about on-line buying are critical to successfully selling on the Internet. Tell your customers exactly where they stand by explaining what security measures are in place to protect their personal information. Some customers will never agree to transmit personal information across the Internet, regardless of what assurances you give them. Offer alternative methods such as fax, phone or postal orders.

## Australian Electronic Business Network

The Australian Electronic Business Network (AUSeNET) is a Commonwealth and state government initiative to foster adoption of electronic commerce by small and medium enterprises.

AUSENET consists of a combination of training and awareness programs, access to Internet-based information resources, and the demonstration and piloting of electronic commerce systems. You can get more information from their Internet site at <http://www.ause.net>.

## Selecting a host

An Internet hosting service sells you space on its computer servers where your site resides. It is important to choose a host wisely because it will have a direct impact on how customers view your site. Essentially, you have two options: an Internet service provider (ISP) or a dedicated host. An ISP can provide you with a range of other services, such as e-mail, in addition to hosting your site. A dedicated host is limited to providing space for your site on their server. One possible advantage of a dedicated host, however, is that visitors to your site won't be sharing bandwidth with casual Internet surfers, so load times may be better.

## Choose a business host

When you're evaluating potential hosts, make certain they specialise in commercial sites. Look for a host that actively promotes business use, since they are in the best position to serve you. Business hosts usually offer different plans based on the volume of business use.

## Space

Using an Internet host essentially means that you are buying space on their computer server's hard drive. You don't want to restrict your site by having too little capacity, nor do you want to pay for space that you are not going to use. In general, 10–20 megabytes of disk space is enough for the average small

business site. If you use lots of images, sounds, animation or applets, you will need more space.

## Traffic

Find out how many hits are included in the basic price of a host's service. If they quote traffic in megabytes of file transfer, ask them to translate that into an average hit rate which is easier to understand. Some hosts apply a surcharge if you go beyond the predetermined limit, and this can be costly if traffic is higher than you anticipate. If your site becomes very active, it's possible that the host will ask you to move elsewhere. This tends to happen more often with ISPs, who are afraid that traffic to a very popular site will hurt the performance of their servers for other users.

## Extras

Some Internet hosts provide a range of extra services for a small charge, or sometimes for free. Before you sign up, ask a prospective host what extras they offer.

- **Domain name** Will the Internet host help you to register a domain name?
- **Design services** Does the host have designers or programmers on staff who can assist you with creating your site? If not, does the host have any contacts with site designers who are experienced with small businesses?
- **Software** Does the host offer any free software? Many provide free or low-cost design packages, HTML editors, or shopping cart software.
- **On-line promotion** Will the host help you register your site with the leading search engines and directories? How will the host help to promote your site? Can they assist with on-line advertising?
- **Statistics** You need to know how often your site is accessed, how people are finding your site, and which parts



of your site are most popular. Ask the host if they can track daily and hourly traffic to and from your site.

Find out what is included in the host's basic charge, and what will cost extra. Depending on the type of package you purchase, you could end up paying additional fees for things like image maps, Java applets, streaming audio/video (RealAudio) or server-side multimedia (Shockwave). Make sure you understand the impact of these costs on your site design and your budget.

## Promoting your site

Many solo business operators mistakenly believe that creating an Internet site will automatically cause people to be drawn to it. The reality is that it is increasingly difficult for small sites to cut through the sheer volume on the Internet in order to get noticed. Your site needs to generate quality traffic and this calls for a focused promotional campaign to tell your target market to visit your site.

## Register with search engines and directories

It is essential to be listed in the leading Internet search engines. These are the Internet equivalent of the *Yellow Pages*. The vast majority of your traffic is likely to come from these search engines. Your first option is to submit your Internet site yourself. Each search engine has its own guidelines for submission. Generally, you only need to list your home page. The search engine then sends out its automated 'spider' to retrieve the other pages of your site and put them in its database.

There are alternatives to listing a site yourself. A number of services will submit your URL to major search engines and directories. You fill out an on-line form that includes your site's title, its URL, keywords and other information, and the service handles the submission process. You can also buy

Internet promotion software that performs a similar task. While these methods can save you time by automating the registration process, they don't allow much flexibility in terms of how you describe your site or which pages you register.

In addition to the top search engines, list your site in small directories that fit your business profile. These include industry search sites that focus on businesses in a single market, regional directories that list businesses in a specific geographic area, and trade association sites that have searchable member listings. These listings won't generate the same volume of traffic as the large search engines, but they will give you access to a targeted audience for the products and services you sell.

## Banner ads

There are many popular Internet sites that sell advertising banners. The banner not only advertises your Internet site, but it is also a link to your site. Look for banner ad space on established sites that also cater to your target market. Contact the Webmaster at these sites to find out what their ad requirements are, as well as their costs. In general, banner rates are based on the number of times the ad is served, called 'impressions'. The amount you pay per thousand impressions is based on the site's ability to deliver a target audience. If you don't have the budget to buy banners, you might be able to use a banner exchange service in which your banner receives a specified number of exposures on other members' sites in return for other members' banners appearing on your site.

## Links

Look for sites that complement yours to see if they contain links to other Internet sites. If they do, send an e-mail to the Webmaster and ask them to include your site in their list of links. Offer to reciprocate by placing their URL on your links page. Your goal is to encourage their visitors to visit you as

well. Choose your link targets carefully by making sure their image corresponds to yours and that you share similar customers. You can also seek links with vendors, suppliers and providers of complementary products and services. Your goal is not to generate high-volume traffic, but high-quality prospects who will be interested in your site. When you e-mail a Webmaster requesting a link, be sure that your e-mail is friendly, informative and includes the following information:

- The name of your site and your complete URL. Use `http://` at the beginning of the URL so that it is hotlinked from the e-mail;
- A brief 20-word description of your site; and
- A few key features of your site that will interest users of the site from which you are seeking a link.

## Promote on-line

You can use the power of the Internet itself to promote your site. Here are some possibilities.

- **Post an announcement in newsgroups** A newsgroup is an electronic bulletin board where people with shared interests can communicate. Target only those newsgroups that cover topics associated with your products and services. Provide some useful advice, not just an advertisement, and announce that your Internet site has more information on the same topic.
- **E-mail lists** An e-mail list is like a newsgroup except that the message goes directly to each participant's mailbox. One way to develop an e-mail list is to ask potential and existing customers to submit their e-mail address for a weekly prize draw. The list can be used to announce new features in your Internet site.
- **Run on-site events** Running events is an excellent way to encourage repeat traffic. Examples include contests, games, on-line interviews, chat sessions and audio broadcasts.

- **Publish an e-newsletter** Ask site visitors if they would like to sign up for a newsletter that you distribute by e-mail. It can be used to keep visitors up to date about changes to your site as well as giving information about your products and services.

## Promote off-line

Tell everyone—customers, prospects, suppliers, business associates, colleagues—that your business is on the Internet. Issue a press release. This enables you to reach customers through publications that cover your products and services. It needs to be coordinated with the launch of your Internet site so that it is real news.

Put your URL conspicuously on your marketing and sales materials, including your business cards, stationery, advertisements, brochures, newsletters and product literature. Anything that normally contains your phone number should also contain your URL and your e-mail address.

# 8 MANAGING MONEY

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Success in a solo business is significantly affected by the type of financial information you have and how you use it. Commonsense will tell you that without current and reliable financial information it is going to be difficult to manage your business. We shall begin by demonstrating how to do a cash-flow budget, describing the components of an accounting system and briefly explaining the uses of financial information. The chapter concludes with a discussion of borrowing money and leasing.

## Cash flow

If the cash flowing into your business exceeds the cash flowing out, then you can continue to operate. If the cash flowing out of your business exceeds the cash flowing in, your business will eventually run out of cash and grind to a halt. Even if the cash deficit is only for a short time, it can put you out of business. Solo businesses are especially vulnerable to cash-flow problems

because they not only tend to operate with inadequate cash reserves, but they also tend to miss the implications of a cash-flow deficit until it is too late. A controlled cash flow will more than repay the time and effort you give to it. Here is an example of a cash-flow budget.

<b>Cash-flow budget</b>	July	Aug	Sept	Oct	Nov	Dec
<i>Sales forecast</i>						
Unit sales	4 000	6 000	7 000	8 000	9 000	12 000
Dollar sales	40 000	60 000	70 000	80 000	90 000	120 000
Cash sales	10 000	15 000	17 500	20 000	22 500	30 000
Credit sales	30 000	45 000	52 500	60 000	67 500	90 000
<i>Receipts</i>						
Cash sales	10 000	15 000	17 500	20 000	22 500	30 000
Collections	15 000	15 000	37 500	48 750	56 250	63 750
Total	25 000	30 000	55 000	68 750	78 750	93 750
<i>Disbursements</i>						
Variable	26 400	39 600	46 200	52 800	59 400	79 200
Fixed	5 000	5 000	5 000	5 000	5 000	5 000
Total	31 400	44 600	51 200	57 800	64 400	84 200
<i>Net cash flow</i>	(6 400)	(14 600)	3 800	10 950	14 350	9 550
<i>Cash position</i>	(6 400)	(21 000)	(17 200)	(6 250)	8 100	17 650

## Forecast sales

Forecasting sales is the first and most important step in cash-flow budgeting. Begin by making a physical forecast of sales in terms of the number of units sold, the number of transactions completed or the number of customers served. Then translate the physical figures into dollar figures according to your pricing schedule. Actual sales will inevitably be different from the forecast—but an imprecise sales forecast does not make a cash-flow budget useless. What you are looking for is a forecast that is within the relevant range of possible outcomes.

## Identify cash receipts

Cash receipts can be divided into two categories—operating cash receipts and non-operating cash receipts. Non-operating cash receipts are one-off transactions such as borrowing money or selling an asset. If you sell on a cash basis, your operating cash receipts will be the same as your sales. If you sell on credit, however, your operating cash receipts will depend not only on the amount of credit sales, but also on when your debtors pay their accounts.

## Identify cash disbursements

Cash disbursements can also be categorised as operating and non-operating disbursements. Operating disbursements consist of two groups—variable and fixed. Variable operating disbursements depend upon the level of activity and are based on forecasted sales. Non-operating disbursements are usually one-off transactions such as purchases of plant and equipment.

## Determine net cash flow

This consists of summarising the cash receipts and the cash disbursements to determine their net effect. At this point you can identify the major consequences of your expected cash flow. If the net cash outflows appear to be excessively heavy, you can examine ways to reschedule or eliminate some disbursements. On the other hand, if you forecast large net cash inflows, you can start to think about building some cash reserves, repaying debt, or perhaps looking for new investment opportunities.

## Determine future cash position

The value of cash-flow budgeting becomes obvious when you relate the net cash flow to your bank balance. If you do not have enough cash to sustain operations, you may need to

borrow money. A cash-flow budget is exactly the information that your bank would like to see when they get your application for a loan because it tells them how much money you require, when it will be needed and when it will be repaid. Without a cash-flow budget, however, you may not even see the problem coming before it puts you out of business.

## Accounting systems

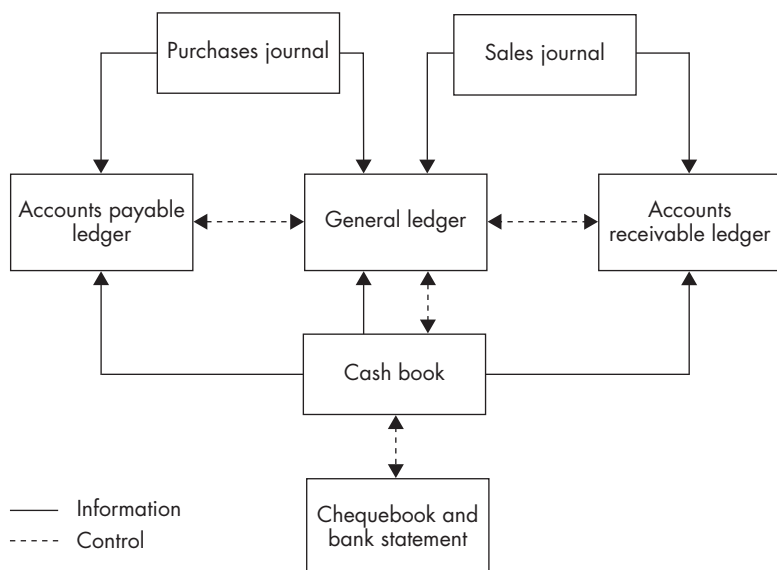
Your accounting system should be designed to reflect the type of business you operate. It is important to consult your accountant when you set up an accounting system. They can advise you about which accounting methods suit your operation and what records you need to keep for tax and statutory reporting purposes. Your accountant may design an accounting system especially for you, or suggest that you use a prepackaged one. Low-volume systems can be done manually. If you have higher volume, you will probably need a computer-based accounting system such as *MYOB*, *QuickBooks* or *Cash Flow Manager*. You can save yourself a lot of unnecessary hassles if the system you choose is compatible with the one that your accountant uses and is designed to handle the GST. Even if your accountant is providing a full accounting service, it is important to understand the basis of the system and the significance of the information it provides. The figure on p. 104 outlines the components of a basic accounting system.

### Purchases journal

The purchases journal records the purchases that you make in conducting your business. It includes the purchase of goods for resale, equipment, supplies and services. The summarised information from the purchases journal is transferred to the general ledger. Purchases that you make on credit are also transferred to the accounts payable ledger.



## Basic accounting system



## Sales journal

The sales journal records the sales that you make to your customers. It may contain an individual entry for each sale or a batch of daily sales. The summarised information from the sales journal is transferred to the general ledger. Sales that you make on credit are also transferred to the accounts receivable ledger.

## Accounts payable ledger

The accounts payable ledger (sometimes called the creditors ledger) records the goods and services that you purchase on credit from your suppliers and the amounts that you owe them. From the cash book, the accounts payable ledger receives information on the amounts you have paid. The balance of the individual creditor accounts should equal the accounts payable total in the general ledger. The accounts

payable ledger provides you with the information you need to maintain good relationships with your suppliers.

## Accounts receivable ledger

The accounts receivable ledger (sometimes called the debtors ledger) records the goods and services that you sell to your customers on credit and the amounts they owe you. From the cash book, the accounts receivable ledger receives information on the amounts that have been paid. The total of all the individual debtor accounts should equal the accounts receivable balance in the general ledger. The accounts receivable ledger provides you with the information you need to control credit and collections.

## General ledger

The general ledger is the place where all transactions are ultimately recorded. Most transactions come from the journals and the cash book. At the end of each accounting period, your accountant may make some further adjustments for non-cash items. The general ledger is where all of the information is gathered together to make up your financial reports.

## Cash book

The cash book records cash receipts and payments, or the transfer of cash into and out of the business. The cash received information is transferred to the general ledger and to the accounts receivable ledger. The cash paid information is also transferred to the general ledger and to the accounts payable ledger. The cash book is used to track the cash balance in your bank account. It is regularly reconciled with the bank statements to ensure they agree.

Many solo businesses choose a basic accounting system that consists entirely of a cash book. As long as a cash book

system gives you enough information, keeps your accountant happy and satisfies the requirements of government authorities, it offers you the simplest and least expensive way to do your accounting.

## Using financial information

The accounting system records information that is used to produce financial reports. First, there are two standard reports, called a balance sheet and a profit and loss account. For a solo business, however, cash-flow reporting and taxation reporting are more important.

Essentially, the balance sheet shows what your business has, what it owes and your investment in the business. It shows the financial position of the business at a point in time. The profit and loss account is a summary of business operations, which reports the financial activity of a business over a period of time. In very general terms, the balance sheet tells you where you are, and the profit and loss account tells you how you got there since the last balance sheet was prepared.

The accounting system needs to provide you with the information to manage your cash flow. The objective is to have enough cash on hand to pay your bills when they come due. If you have a cash-flow budget, your accounting system should enable you to track your actual cash flow and compare it to your budget. Managing cash flow is your best defence against nasty surprises.

The accounting system also needs to provide you with the information that goes in your business activity statements and your tax returns. This information is difficult to extract from an accounting system that was not specifically designed to produce it. The Business Activity Statement (BAS) requires a broad range of reporting including GST, withholding obligations and various tax instalments. You will also need information for your income tax return and possibly a fringe benefits tax return.

## Borrowing money

The ability to borrow money when you need it is important. For that reason you need to maintain a good relationship with your banker and other potential lenders even when you do not need a loan. The better they know you, the more inclined they will be to lend you money when you need it. Lenders want to know the answers to a number of questions.

- What is your character? Are you a good business manager? Are you the sort of person in whom the lender can feel confident?
- What are you going to do with the money? Will you need the money for a short period or a long period?
- When do you plan to pay back the loan? How will you generate the money for repayments?
- Do you have assets that you can offer as security? Are you willing to personally guarantee the loan?
- What is the outlook for your business? Are you likely to stay in business for the duration of the loan?

Lenders want to make loans to businesses that are solvent, profitable and liquid. The balance sheet, profit and loss account and cash-flow budget are the lender's tools for determining how you meet these criteria. Regular financial reports over a period of time are the best way to convince a lender of your financial stability.

Sometimes your signature is all that a lender requires to loan you money. This might be the case if the lender already knows you and the loan is for a short period. However, most lenders require some form of security, particularly for longer-term loans. There are a number of ways in which you can offer security, including a guarantor, assignment of lease, trading stock, trade debtors, chattel mortgages, real estate mortgages, cash value of a life insurance policy, or marketable assets such as shares or other investments.

Lenders are not just interested in loan repayments, they are also interested in borrowers with a healthy business. Whether or not security is required for a loan, lenders may want to impose conditions on you in order to protect themselves against poor management practices. Examples of loan conditions include no further borrowing without the lender's agreement, maintaining working capital, carrying adequate insurance and providing regular financial reports.

Lenders want to match the term of a loan with the useful life of the asset that it is financing. If you borrow short-term funds to invest in long-term fixed assets, you will be faced with the prospect of having to repay the loan before the assets can generate enough cash to do so. If you borrow long-term funds to invest in short-term current assets, you will be paying for the finance long after you need it. The distinction between short-term borrowing and long-term borrowing is an important factor in determining the most suitable type of finance for your circumstances.

## Short-term borrowing

Short-term borrowing is used to finance assets that turn over quickly, such as trade debtors and trading stock, and is usually repaid within one year. Contractors with substantial work in progress sometimes need short-term finance until they receive their next progress payment. Short-term borrowing is usually self-liquidating because it is used to finance temporary assets that will generate the cash flow to repay the loan when they are liquidated. The main sources of short-term borrowing for small businesses are trade credit, overdrafts, accounts receivable financing and bridging finance.

### Trade credit

Trade credit occurs when your supplier gives you time to pay for goods or services after they have been delivered. Essentially, this is an interest-free short-term loan. Trade credit is the most easily

accessible external source of finance for a solo business. Unlike other sources of finance, it seldom involves time-consuming negotiations. A planned program of trade credit extensions can help a business to secure finance without resorting to lenders. Here are a few points to keep in mind.

- Take full advantage of available payment terms. If no cash discount is offered for early payment, and the agreed payment is due 30 days after delivery, do not make your payment until the thirtieth day.
- Whenever possible, negotiate extended payment terms with your suppliers. For example, if a supplier's regular payment terms are 30 days from the receipt of goods, try to get them extended to 30 days from the end of the month. That amounts to an extra 15 days' credit on average.
- If you are looking for a significant increase in trade credit, and you are a good customer, talk to your suppliers about extending your terms another 30 or 60 days.

### Overdraft

An overdraft is an arrangement with your bank in which you may borrow through your cheque account up to a certain limit. It may be secured or unsecured. Overdrafts are the most flexible form of short-term finance because you only borrow when the need arises and interest is charged only on the daily balance outstanding—not on the total overdraft limit. An establishment fee is usually charged by the bank, plus a periodic administration charge. Together, these extra charges increase the effective cost of an overdraft. In theory, the bank can ask a customer to repay their overdraft on demand. In practice, the bank either asks the customer to refinance their overdraft with longer-term borrowings or they reduce the overdraft limit.

Banks have been trying to discourage requests for overdrafts in favour of the fully drawn advance, in which the overdraft is fully drawn initially and repaid in regular instalments, including principal and interest. This substantially

increases the interest cost of obtaining short-term finance. A fully drawn advance is appropriate where the need is for longer-term finance. It is not appropriate for short-term working capital fluctuations and you should consider changing banks if yours will not agree to a traditional overdraft for at least part of your needs.

A less expensive alternative to an overdraft is the home equity loan. The bank establishes the equity that you have in your home by taking the difference between its market value and the amount outstanding on your mortgage. The bank offers you a revolving line of credit secured by your home equity. You can draw it down and repay it in the same way as an overdraft. The interest rate is significantly lower than overdraft rates and only slightly higher than mortgage rates.

#### Accounts receivable financing

Accounts receivable financing can occur in two ways. Accounts receivable lending consists of cash advances of a percentage of eligible invoices. The lender takes a registered security over your debtors and will insist upon proper debtor control procedures. Accounts receivable lending is offered by banks and finance companies. Factoring is the cash purchase of your sales invoices at a discount. The factor advances you a percentage of the value of your invoices and takes over the collection of accounts from your customers. The balance, less the factoring fee, is paid to you when the factor receives the customer's remittance. Generally, you are still responsible for bad debts. Factoring is available from finance companies and factoring companies. Businesses that deal with the public, however, are more likely to use consumer credit-factoring services available through the banks, such as Mastercard and Visa.

#### Bridging finance

Bridging finance is money borrowed for a short time until the proceeds from another transaction become available or more permanent financing is arranged. Bridging finance is commonly

used in land and property development and can also be used to finance the purchase of a business pending the sale of another business or some other asset. Bridging finance is generally secured and the interest rate varies depending upon the lender. It is available from banks, finance companies and solicitors' trust funds.

## Long-term borrowing

Long-term borrowing is used to finance fixed assets such as vehicles, equipment, plant, buildings and property. It can also be used to provide funds for the purchase of an existing business, to help establish a new one or to finance permanent additions to working capital. These assets need to produce enough income to meet the interest and principal repayments in addition to earning a profit. Therefore, when it comes to long-term borrowing, the lender looks for assurances that the business will be able to repay the loan out of earnings over the period of the loan. The main types of long-term borrowing for small businesses are personal loans, hire purchase, term loans and mortgages.

### Personal loan

Personal loans are normally used to finance the purchase of consumer goods. They can also be used to finance a business. A personal loan can be used to pay for a motor vehicle, shop fixtures or home office equipment. Personal loans are repaid in regular instalments including principal and interest, and they are often unsecured when your credit reputation is established. Personal loans are available from banks and finance companies. You can also borrow money against the cash value of your life insurance policy.

### Hire purchase

Hire purchase is widely used to acquire fixed assets such as equipment, fittings or motor vehicles. A deposit is required and the balance is financed with a hire-purchase agreement that calls



for regular instalments including principal and interest. The amount of the deposit and the term of the hire-purchase agreement vary with the type of goods. Legal ownership of the goods remains with the lender until the instalments have been paid. In some states the traditional hire-purchase agreement has been replaced by consumer or chattel mortgages. This alters the legal basis of the transaction but does not significantly change its commercial substance. Some hire-purchase finance is available from banks, but most of it is provided by finance companies.

### Term loan

Term loans are available for fixed periods of one to ten years. The purposes for which term loans are made include the purchase of a business, land, buildings and equipment. They are generally secured and repaid in regular instalments including principal and interest. Sometimes a term loan is 'interest only', requiring only regular interest payments with the principal repayment in a lump sum at the end of the loan period. The interest rate may be fixed or variable. Term loans are available through banks, finance companies, solicitors' trust funds, insurance companies and some building societies.

### Mortgage

Mortgages are used to finance the purchase of land and buildings. Mortgage finance is long-term finance which is secured by the property it is financing. It is generally repaid by regular instalments including principal and interest. The interest rate may be fixed or variable. It is possible to have second and third mortgages on the same property. Mortgages are available through banks, finance companies, solicitors' trust funds, insurance companies and building societies.

## Leasing

Leasing assets like computers, phone systems, vehicles and other equipment is a popular alternative for many solo busi-

ness operators. Leasing these assets can be more convenient than purchasing, particularly if you don't have the cash on hand. You may want to consider leasing even if you do have enough cash because it enables you to regulate your cash flow by paying predictable regular monthly instalments as opposed to having to make a single lump sum payment. Leasing can also help you avoid tying up lines of credit that you may want to preserve to finance other parts of your business. There are different ways in which you can go about acquiring an asset through leasing.

- Select the asset yourself and then lease it through a leasing company, finance company or a bank.
- Select the asset by working with a vendor or manufacturer that offers leasing through its own subsidiary.
- Approach a lessor to select the asset on your behalf.

A lease is an alternative to hire purchase. Like hire purchase, the ownership of the leased asset remains with the lessor. At the end of the lease period, you may either return the leased asset to the lessor or offer to purchase it for a previously stipulated residual value. If you decide to return the leased asset, the lessor will sell it in the open market. If the sale price is less than the residual value, you are required to pay the difference.

A lease is a long-term contract that covers most of the useful life of the leased asset. You are generally responsible for maintaining the asset for the lease period. Despite many claims about the advantages of leases, they are simply an alternative to borrowing. In order to determine whether leasing or borrowing is best for your circumstances, ask your accountant to analyse the after-tax cost of each option.

### Advantages and disadvantages of leasing

There are a number of advantages and disadvantages of leases. Their relative importance depends upon your individual circumstances.

- **Ownership** When a lease runs out, you don't own the asset. This may be an advantage for things like computers in which technology changes quickly. Most lessors, however, will accept an offer to buy the asset for its residual value at the end of a lease.
- **Overall cost** Leasing is almost always more expensive than buying if you already have enough cash to make the purchase. If the alternative is to borrow the funds to purchase the asset, the benefit of leasing depends on its after-tax cost compared with the after-tax cost of borrowing.
- **Access** Leasing arrangements are usually more liberal than loans. While a bank generally requires a longer business history before granting a loan, many leasing companies evaluate your credit history on a shorter period. This can be a significant advantage for a start-up business.
- **Cash flow** This is the primary advantage of leasing. It eliminates making a large single investment that may drain your cash flow and it frees up your funds for other purposes.
- **Taxes** Lease payments are almost always tax deductible as a business expense provided that the asset is used to derive taxable income. However, don't be dazzled by tax deductions if the after-tax cost of leasing is greater than the after-tax cost of borrowing to purchase the asset.
- **Obsolescence** If you buy a computer or other high-tech equipment outright, you may find yourself owning obsolete equipment with no resale value. Leasing may enable you to update your equipment more regularly.

## Things to look for in a lease

Things you should be looking for when you negotiate a lease include:

- **Length of the lease** This is called the term of the lease, and is typically between 24 and 48 months depending on the asset. The shorter the term of a lease the higher the monthly lease payments.

- **Residual value** This is an estimate of the value of the asset at the end of the lease period, calculated within limits according to Australian Tax Office rules. You indemnify the lessor for the agreed residual value at the end of the lease. The lower the agreed residual value, the higher the monthly lease payments.
- **Cost** What is the after-tax cost over the entire length of the lease, including any initial down payment, monthly lease payments, security deposit, insurance premiums and service or repair costs? Compare this with the after-tax cost of borrowing to purchase the asset to determine which is the least expensive.
- **Cancellation clause** A cancellation clause allows you to break your lease, although you will be liable for penalties. This way, if you close your business or no longer need the asset, you won't be liable for the rest of the lease.
- **Assignment** Can you transfer the lease to another party, and if so, what will it cost? This will become important if you decide to sell your business.
- **Substitution** A substitution option is important if you need to update or exchange your equipment to avoid getting stuck with something that is obsolete.
- **Service and maintenance** Find out if your lease comes with an on-site service plan, otherwise you may be responsible for repairs and maintenance yourself.

# 9 PAYING TAXES

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If ever there was a disincentive to organising and operating a solo business, it is taxes. The problem is not just the amount of tax, but the mountain of paperwork that is required to comply with the requirements of the Australian Taxation Office (ATO). Taxation is complicated and it is not an area in which do-it-yourself amateurs find much success.

Taxation affects practically every phase of business, and trying to keep up with the ever-changing legislation and legal precedents can be exasperating. To minimise your tax burden and ease the administrative nightmare you should engage a taxation consultant who is familiar with your industry. In most cases this will be your accountant.

The ATO has a number of publications that you can obtain from your nearest office, the ATO Internet site at <http://www.ato.gov.au>, or you can ring on 132861. The Taxpayers' Charter outlines your rights as a taxpayer under the law, and the service and other standards that you can expect from the ATO.

## Registration and record keeping

An Australian Business Number (ABN) identifies you with the ATO and other government departments and agencies. Your ABN is also your GST registration number. In addition, you need an ABN to do business with other businesses because it must appear on your invoices. You can register for your ABN electronically through the Business Entry Point Internet site at <http://www.business.gov.au> or lodge a written application with the ATO. Your accountant or tax adviser can also lodge an application for you. After you register, the ATO will notify you in writing of your registration details.

It is important to consult your accountant or tax adviser about the tax records you need to keep for your business. They can also give you advice about the most efficient and economical means of fulfilling the ATO's record-keeping requirements. The following records apply to most businesses with less than \$1 million in annual turnover and operating on a cash system of accounting.

### Reconciliation of daily supplies (sales)

If you use a computer system or a cash register, you can use the end-of-day functions to reconcile your daily sales. If you do not use a cash register, you need to keep a record of sales such as a cash receipts book. The ATO is particularly interested in separate totals for GST taxable supply, GST-free supplies and input taxed supplies. These terms are explained in the section on GST.

### Cash book

You can record all your business transactions in a cash book. You should also have a good filing system that contains copies of the original documents if they are needed to verify a transaction. A cash book is generally divided into two sections. The cash payments book records amounts you pay for acquisitions

(purchases) in running your business. The cash receipts book records the amounts you receive.

## Salaries and wages

If you employ staff, you need to be registered with the ATO as a group employer. You are required to deduct tax from your staff's pay and to remit these amounts to the ATO on a regular basis. You also have record-keeping responsibilities for employees' superannuation and fringe benefits. At the end of each tax year you will need to reconcile these records in order to complete a group certificate for each employee.

## Bank reconciliations

It is good practice to have separate bank accounts for your personal transactions and your business transactions. You need to regularly reconcile your business bank statement with your cash book to ensure they agree.

## End-of-year records

At the end of each tax year you will need to produce a number of reports in order to complete your tax return, including:

- Stock-take sheets
- Creditors listings
- Debtors listings
- Depreciation schedules
- Records of assets that may be subject to capital gains tax

## Pay As You Go

Pay As You Go (PAYG) is a single integrated system for reporting and paying the Goods and Services Tax (GST), withholding obligations, and income tax and fringe benefits tax

instalments. If you are registered for the GST, you report most of your tax entitlements and obligations under the PAYG system on one form, called a Business Activity Statement (BAS). If you are not registered for the GST, then you lodge an Instalment Activity Statement (IAS). The ATO sends you an activity statement before you need to lodge it. It is personalised for your business, with some parts already filled in, including the tax period it covers and when you need to lodge it.

Most businesses report at the end of each quarter, ending on 30 September, 31 December, 31 March and 30 June. You can choose monthly tax periods if this suits you better. You lodge your activity statement so that it is received by the ATO within 28 days after the end of each tax period. You can lodge your activity statement electronically, by mail or through your tax agent.

All your entitlements and obligations are offset against each other to arrive at a single net amount. If you owe money to the ATO, it must be paid by the 28th day after the end of a tax period. If the ATO owes you money, a refund is paid into your Australian financial institution account within 14 days of lodging your activity statement.

## Goods and Services Tax

The BAS asks you to record the total amount of GST that is payable on the goods and services that you sold during the tax period. For a few businesses, there are additional taxes for wine equalisation and luxury cars. You then record the total amount of credits for the GST that you paid on the goods and services that you bought for use in your business. The difference between your GST payable and your GST credits is the amount you owe for GST.

## PAYG withholding

Withholding obligations are amounts you withhold from payments to others and remit to the ATO as part of your activity



statement. For smaller businesses, the two main withholding obligations are employee deductions and payments to other businesses for which no ABN is quoted on their invoice.

## PAYG instalments

Instalments may be payable for income tax and fringe benefits tax. The final amount payable to the ATO is reconciled when you lodge your annual income tax and fringe benefits tax returns and claim a credit for your instalments.

You pay income tax instalments if there is an instalment rate pre-printed on the back of your BAS. The instalment rate is based on information in your most recent income tax assessment. You can vary the instalment rate, but there are penalties if you get it wrong. The amount of your income tax instalment is calculated by multiplying your instalment income for the tax period by the instalment rate. Generally, instalment income is your gross ordinary income that is assessable for income tax purposes, including gross sales, fees for services, interest, dividends, rents and royalties. Instalment income does not include the GST paid by your customers.

Fringe benefits tax instalments are also included in the PAYG system and reported on the BAS. Fringe benefits tax is payable for fringe benefits provided to yourself or employees instead of or in addition to salary or wages. The amount of your fringe benefits tax instalment is pre-printed on the BAS. It is based on your previous year's fringe benefits tax return. You can vary the amount, but there are penalties if you get it wrong.

## Goods and Services Tax

The Goods and Services Tax (GST) is a broad-based tax of 10 per cent on the value of the supply of most goods and services consumed in Australia. If your annual turnover is \$50 000 or

more you are legally required to register for the GST and you will need an Australian Business Number (ABN) to do this. You should consider registering for the GST even if your turnover is less than \$50 000. Registering for the GST entitles you to claim input tax credits for the amount of GST included in the things you buy to use in your business. If you are not registered, you cannot claim the input tax credits. The GST system uses the terms 'supplies' and 'acquisitions' in place of the terms 'sales' and 'purchases'.

## Supplies

Supplies are the goods and services that you sell in your business.

- Most goods and services supplied in Australia are taxable supplies and are subject to GST.
- If supplies are GST-free you do not charge GST for them, but you are entitled to claim input tax credits for them.
- If supplies are input taxed, you do not charge GST on the supply but neither are you entitled to claim input tax credits for anything acquired or imported to make the supply.

## Acquisitions

Acquisitions are the goods and services that you buy for your business.

- Creditable acquisitions include the acquisitions and imports for use in your business, including most costs of sales and operating expenses.
- Capital acquisitions are things such as plant and equipment, motor vehicles, land and buildings. There are special rules for the amount of input credits that you can claim, so check with your tax consultant before you finalise a capital acquisition.

- You are not entitled to input tax credits for GST-free acquisitions because either the supply to you does not include GST, it is input taxed, or the person who sold it to you is not registered for the GST.
- You are not entitled to input tax credits for input taxed acquisitions because they are acquired for making input taxed supplies.
- GST is not payable on wages or salaries.

## GST and the supply chain

GST is paid at each step in the supply chain. Each business charges GST in the price of the goods and services it supplies, and it claims input tax credits for the GST included in the price it pays for the goods and services that it acquires. This means that a business is not out of pocket because the GST liability flows along the supply chain and is eventually included in the price paid by the final consumer. However, the obligation to pay GST to the Tax Office rests with the supplier of goods and services, not on the final consumer. In other words, if you do not include GST in the price of the goods and services that you supply, you are still liable to pay GST on them.

Everyone pays GST on taxable imports, including those who are registered for the GST, those who are not registered for the GST, and others who may not even be carrying on a business. The Australian Customs Service generally collects GST, along with customs duty, when imported goods enter the country. If you are registered for the GST, you are entitled to input tax credits for the GST paid on anything imported for use in your business.

## Tax invoices

In most cases a tax invoice is issued by the supplier. In some special cases a tax invoice may be issued by the buyer. A tax invoice for supplies of less than \$1000 must include:

- Australian Business Number of the supplier;
- GST-inclusive price of the taxable supply;
- The words 'tax invoice' stated prominently;
- Date of issue of the tax invoice;
- Name of the supplier;
- A brief description of each thing supplied;
- When the GST payable is exactly 1/11th of the total price, either a statement along the lines of 'the total price includes GST', or the GST amount.

A tax invoice for taxable supplies of \$1000 or more must also include:

- Name of the recipient;
- Address or Australian Business Number of the recipient; and
- Quantity of the goods or the extent of services supplied.

If a tax invoice is for a combination of a taxable supply and either a GST-free or input taxed supply, it must also show:

- Each taxable supply;
- The amount of GST payable for the taxable supplies; and
- The total amount payable for the supply.

If you make taxable supplies to other businesses, your registered business customers will need tax invoices from you to claim input tax credits for acquisitions with a GST-exclusive value of more than \$50. If you are asked to provide a tax invoice, you are required to do so within 28 days. For this reason, you might choose to issue all of your invoices in a form that satisfies the requirements for a GST tax invoice.

Your GST-registered suppliers must issue a tax invoice to you to enable you to claim an input tax credit. You need to have a tax invoice before you can claim the input tax credit. If you don't have a tax invoice, you cannot claim the input tax credit. If you receive the tax invoice in a later tax period you can claim the input tax credit in that period. Inasmuch as

unregistered suppliers are not able to issue tax invoices, they cannot charge you for GST on their goods and services.

Tax invoices are not required if the GST-exclusive value of the supply is \$50 or less. However, you should have some documentary evidence to support all input tax credit claims, such as purchase orders, cheque butts and bank statements. Similarly, tax invoices are not required for taxable imports. However, you must have the relevant documentation issued by Customs (rather than the supplier) to support your input tax credit claims.

## GST reporting

Be sure to account for your GST liability each time you make a sale (taxable supply). If you do not add GST to your prices, you will be out of pocket when it comes time to remit your GST to the Tax Office. You may also need to issue adjustment notes for things like discounts and returns. Similarly, it is essential to keep track of your input tax credits and to have tax invoices and adjustment notes for acquisitions at hand to claim the credits. You complete the GST section in your business activity statement for each tax period.

- Report the GST payable on taxable supplies that you have made to your customers.
- Separately identify amounts for GST-free and input taxed supplies.
- Claim a credit for GST included in the price you have paid for acquisitions and imports for use in your business.

## Income tax

Income tax for individuals and companies is imposed by the Commonwealth government. The *Income Tax Assessment Act* defines the method of assessment of taxable income and the

deductions that are allowed. The *Income Tax Act* sets the rates of tax to be levied depending on the legal form of organisation in which you operate. Both Acts are amended each year in the Commonwealth budget. You are required to furnish an income tax return to the ATO each year.

Individual taxpayers are levied under the PAYG system, whereby tax instalments are deducted from salaries and wages as they are received from the employer. However, a taxpayer's final tax liability for the year is not determined until they submit their annual tax return to the ATO and receive an income tax assessment notice. The amount of tax assessed and the amount of tax instalments already paid are reconciled, resulting in an additional payment or a refund. A sole proprietor includes their business income in their individual tax return.

A partnership information return is filed with the ATO even though no tax is payable on it. Each partner then includes their share of the partnership's taxable income in their individual tax return. Limited partnerships are an exception because they are treated like companies. The big attraction of partnerships is the income-splitting arrangements between family members.

A trustee is also required to furnish the ATO with an information return for a trust. Its purpose is to disclose the income of the trust and its distribution among the beneficiaries.

A company pays company tax and is required to lodge a company tax return. Since a company is a separate legal entity, its tax liability is determined separately from the tax liability of its shareholders. The dividend imputation system enables companies to pass on profits to shareholders in the form of franked dividends. A franked dividend means that a shareholder receives a tax credit for tax paid by the company on income from which the dividend was paid. This enables the owners of small companies to achieve the best after-tax balance between salaries, dividends and retained earnings. This legislation also imposes a number of obligations on companies, so get professional advice.

## Other taxes

Gains on the sale of assets are subject to capital gains tax. The gain is generally equal to the difference between the proceeds of the sale and the cost of the asset. There is rollover relief from capital gains tax to small business owners who sell assets in order to buy other assets for use in a business, or who wish to sell the business in order to retire. Capital gains tax provisions are complicated and you should seek professional advice.

If you take over an existing company there may be important tax consequences. Get your accountant and your solicitor to advise you on taxation warranties and indemnities that should be included in the purchase agreement. These are designed to protect you from any unexpected tax liabilities that may arise as a result of the transfer.

Fringe Benefits Tax applies to benefits provided to yourself or an employee that are not included in the salaries and wages withholding system. The fringe benefits tax is payable in regular instalments through the PAYG system. Here are some examples of fringe benefits.

- Motor cars provided for private use;
- Free or low interest loans;
- Forgiving a debt or other financial obligation;
- Payment or reimbursement of private expenses;
- Free or subsidised residential accommodation;
- Free or discounted goods or services.

The Superannuation Guarantee Scheme requires an employer to contribute an amount equal to a percentage of each employee's earnings into a complying superannuation fund. Employers who do not make the required contributions have to pay a penalty called a superannuation guarantee charge. Contributions are income tax-deductible but penalty payments are not.

Customs duty is levied on the landed cost of goods at the port of entry when they are imported into Australia. The rates

of duty are determined by reference to a common international system for classifying goods known as the Tariff Harmonisation System.

Stamp duty is a state tax payable on a range of documents including conveyances of real estate or leases, transfers of shares or debentures, bills of exchange, partnership deeds, powers of attorney, trust deeds and instalment purchase contracts.

Rates are levied by city, municipal or shire councils on the unimproved capital value of private property, including both households and businesses. If you own your business premises, you will be liable for the rates. If you lease your premises your landlord is responsible for the rates, but you will probably reimburse them through your rental payments or 'outgoings'.

## Facing a tax audit

If there is anything that can strike terror in the heart of most individuals, it is the thought of a tax audit. Fortunately, less than one per cent of tax returns are actually audited. To lessen the possibility of an adverse audit, it generally pays to have your tax return prepared by your accountant. It is up to you, however, to review your tax return to ensure that it is correct. You also need to keep your tax records for at least five years. If you receive a letter from the ATO asking you to present yourself and your records for an audit, the following tips will help you get through it with a minimum of anxiety.

- **Don't ignore it** Whatever you do, don't ignore the ATO letter informing you of an upcoming audit. If they don't hear from you, they assume you are in the wrong and things can quickly escalate.
- **Be prepared** The desk audit is the most common form of ATO review. You will be asked to bring records that document the information contained in your tax return. Before the appointment, review your records and prepare yourself to answer questions.



- **Stay calm** Your meeting with the ATO representative may feel a bit adversarial, but it will not help your case if you become hostile. Remember, the ATO representative is only doing their job.
- **Stick to the point** Answer the questions asked, but do not offer any additional information. This is not the time for a casual chat because anything you say may open up new issues leading to further investigations.
- **Get help if you need it** Call in your accountant or tax adviser if you need help. If you are only asked to provide documentary substantiation and you have it, then you can probably handle the audit on your own. If it is something more complex, however, you should ask your accountant or tax adviser to assist you by helping you to prepare for the audit and accompanying you to the meeting.

# 10 HELP AND ASSISTANCE

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Going solo doesn't mean that you are forced to rely entirely on your own skills, experience and judgment. In fact, research has shown that successful solo business operators rely on a number of individuals and organisations for help and assistance.

Sources of assistance include professional advisers, trade associations, suppliers, various types of publications, government agencies and networking.

## Professional advisers

One way to create a solid management team without having to take on partners or employees is to carefully select and cultivate professional advisers. Initially they will consist of your accountant and your solicitor. The key to getting value from professional advisers is to make sure they know what you expect of them. Good advice costs money, so be prepared to pay for the best advice you can get.

## Accountant

Ensure that you are dealing with a Chartered Accountant (CA) or a Certified Practising Accountant (CPA). Experience has shown that most solo business operators only use their accountant to prepare tax returns and statutory reports. However, you should be aware of the full range of services they are capable of providing.

- Taxation advice
- Auditing
- Planning and budgeting
- Computer facilities
- Preparing loan applications
- Bookkeeping
- Investment advice
- Financial statements
- Purchase/sale of a business
- Statutory reports and returns
- Cash-flow analysis
- Superannuation planning
- Cost analysis
- Estate planning

Let your accountant know exactly what you want. Don't hesitate to change your accountant if the one you are using is not measuring up to your expectations. You can save time and money if you prepare for meetings with your accountant by drawing up an agenda of the matters on which you need advice.

## Solicitor

Look for a solicitor who specialises in commercial law and is familiar with the problems of smaller businesses. A good solicitor will be able to anticipate your legal needs if you take them into your confidence and keep them informed. Your solicitor should be able to provide you with the following range of legal services and advice.

- Registration procedures
- Leases
- Forms of business structure
- Partnership agreements
- Contracts
- Conveyancing
- Warranties
- Trademarks and patents
- Litigation
- Effects of legislation
- Liabilities and insurance
- Winding up

## Trade associations

A trade association consists of people who are engaged in the same or similar type of business. They are generally the best source of industry-specific information and assistance. There are hundreds of trade associations in Australia. Check the *Yellow Pages* of your capital city telephone directory under 'Organisations Business & Professional' or ask your state small business agency. There is also a *Directory of Australian Associations*, which is available in many libraries. When you find the right trade association, join it and take advantage of all the benefits it provides.

- Information and publications
- Computer software and systems
- Inter-firm comparisons and industry profiles
- Advice and/or advocacy on industrial relations matters
- Advice on legislation and government regulations
- Taxation advice
- Insurance packages and insurance advice
- Joint advertising and promotion of industry products
- Liaison service between the industry and government
- Publicity and public relations
- Technical and economic research
- Seminars, lectures, workshops and conferences
- Referrals to specialist consultants

## Chamber of commerce

There is a chamber of commerce in most communities that is affiliated with a state chamber of commerce in your capital city. It is not only important to participate in the activities of your local chamber of commerce, but it is equally important to know what services are available from the state office.

- Legal advice
- Reference library
- Financial advice
- Legislation advice
- Small business advice
- Government representation
- Economic and taxation advice
- Education and training
- Translation service
- Business information
- Export documentation service
- Import/export information
- Various functions and/or luncheons
- Tariff advice and briefings
- Trade missions overseas
- Chamber publications

## World Trade Centre

The World Trade Centres Association (WTCA) is the world's largest non-government organisation devoted to the expansion of international trade. The WTCA Internet site at <http://www.wtca.org> gives you access to the resources of world trade centres around the world. Membership of the WTCA offers access to a wide range of trade support services.

- Trade education services
- Group trade missions
- Videoconferencing facilities
- International trade library
- Translating services
- Publications
- Meeting facilities
- Secretarial services
- Hotels
- Trade information services
- Temporary offices
- Display and exhibition facilities

## Suppliers

Suppliers can help you by passing along some of their expertise. Ask your suppliers what information and assistance they can offer.

### Product and service information

- Which products and services are growing in demand?
- Where is demand decreasing?
- What new products and services are in the pipeline?
- Will any product or service lines be discontinued?

### Industry and economic forecasts

- What are the prospects for the industry?
- Are changes in spending, inflation or other factors going to affect the industry?
- Is the industry vulnerable to substitute products or services? Will there be any technological change?

### Market and customer information

- Will changes in customer demographics affect your business?
- What does the customer value most?
- Do customers have alternative sources of supply?
- What is your target market's buying power?

### Competitor information

- Who does the vendor supply besides yourself?
- Who are the vendor's largest customers?
- How broad (or narrow) a product line do others carry?
- How do competitors add value?

## Direct assistance

- Brochures
- Advertising copy
- Demonstrations
- Technical advice
- Cooperative advertising

Finding information about suppliers can sometimes be a problem. In addition to the telephone directory and various trade association publications, there are trade directories that may help.

- *KOMPASS*, published by Peter Isaacson Publications, contains lists of products and services indexed alphabetically and by product group.
- The *Australian Buying Reference*, published by R.G. Riddell, is an alphabetical cross-reference to the products, industrial services, trade names and agencies listed in the company monographs in the companion volume, *Business Who's Who of Australia*, which contains complete company details and product lists.
- UBD's *Business to Business* directories are published in every capital and regional city and include a business information section, indexed business and trade headings, a classified business section, a brand and trade name section, and a facts and figures section.

## Publications

There are thousands of publications on every aspect of business. Four important sources are AusInfo, specialised newsletters and magazines, your local library and the Entrepreneur Business Centre.

## AusInfo

AusInfo publishes information on behalf of the Commonwealth government. You can purchase publications over the counter from the AusInfo Shop in your capital city or by mail order. Contact:

AusInfo Mail Order Sales  
GPO Box 84  
Canberra ACT 2601  
Freecall: 13 24 47  
Fax: (02) 6295 4888  
Internet: <http://www.ausinfo.gov.au>

AusInfo sells a wide range of publications for small businesses. Ask for a copy of the full listing. Most of the AusInfo small business publications are in one of the following series:

- Managing the Small Business Series
- Training in Management Packages (TRIMPACs)
- Survive and Prosper Series
- Getting Down to Business Series

## Newsletters and magazines

Many Australian and overseas newsletters provide current information on specialised topics. A central source for newsletter subscriptions is IPI Information Services in New South Wales. They provide a catalogue of international newsletters, free samples, and they will arrange subscriptions at the publishers' normal rates. You can visit their Internet site at <http://www.ipi.com.au>. There are also a number of Australian small business magazines, including *Dynamic Small Business*, *My Business*, *My Business Technology*, *Small Business & Home-Based Income*, *Work From Home* and *Franchising*.



## Libraries

Librarians can help you locate information using special references and computer search facilities. If your library does not hold a particular item, there are inter-library arrangements that enable your local library to obtain it for you. You can get access to the National Library, state libraries, municipal libraries, educational institution libraries and government department libraries. Libraries hold more than books. They also have journals, magazines, newspapers, technical indexes, maps and charts, films, videotapes, audiotapes, CDs, directories, microfiche, microfilm, catalogues and Internet access.

## Entrepreneur Business Centre

The Entrepreneur Business Centre (EBC) is a privately owned and operated organisation in Western Australia that specialises in innovative products and services for existing and intending small business operators. EBC offers comprehensive start-up guides for a variety of businesses, together with software that can be used to assist you with a feasibility analysis and business plan. You can ask for a copy of their catalogue by calling 1300 300586 or visit their Internet site at <http://www.ebc.com.au>.

## Government agencies

There are many government departments and agencies that provide help and assistance to people in business. The main difficulty has always been finding the right person to help you. The introduction of the Business Entry Point (see below) has made the search a little easier. The two government agencies that you are most likely to contact are your state small business agency and a nearby Business Enterprise Centre. If you are interested in exporting, you may want to contact AusIndustry

and Austrade. If you are interested in a franchise, you may want to check with the Australian Competition and Consumer Commission.

## Business Entry Point

Business Entry Point is a Commonwealth government service that makes it easy to deal with all levels of government, including Commonwealth government agencies, state and territory government agencies and industry associations. You can log on to the Business Entry Point Internet site at <http://www.business.gov.au> or you can call the Business Hotline from anywhere in Australia for the cost of a local call on 132846. Business Entry Point should be your first contact with government because it reduces red tape and provides you with direct access to a wide range of information and related services.

## State government agencies

Small business advisory services operate in all states and territories. They offer free information, advice and referrals. The services vary from state to state, but they generally include the following types of assistance:

- Booklets and reference publications
- Videotapes, audiotapes and training packages
- Management training and education
- Telephone information and advice
- Counselling and management advice
- Information and resources databases
- Referrals to other government departments
- Business licensing
- Referrals to specialist consultants
- Direct and indirect financial assistance

You can find your state small business agency in your capital city telephone directory or by visiting their Internet site.

Australian Capital Territory

<http://www.business.gateway.act.gov.au>

New South Wales

<http://www.smallbiz.nsw.gov.au>

Northern Territory

<http://www.tbc.nt.gov.au>

Queensland

<http://www.statedevelopment.qld.gov.au>

South Australia

<http://www.tbc.sa.gov.au>

Tasmania

<http://www.tdr.tas.gov.au>

Victoria

<http://www.sbv.vic.gov.au>

Western Australia

<http://www.sbdc.com.au>

## Business enterprise centres

The role of a Business Enterprise Centre (BEC) is to help intending and existing small businesses by providing free advisory and counselling services. Other services include skills training courses, seminars and workshops, and managed workspaces that provide on-site management services. BECs generally have a full-time manager who will work with you. A BEC helps to reduce costs through shared facilities and provides an accessible low-cost consultancy network for advice on things like finance, marketing, product development or business strategies. For the home-based business, they offer a more public and professional image. Once a business has established itself in a BEC, it is in a strong position to move on to bigger and better things. Your state small business agency can put you in contact with a BEC near you.

## Legal Issues Guide

The *Legal Issues Guide for Small Business* is a free Internet-based guide from the Commonwealth Department of Employment Workplace Relations and Small Business (DEWRSB) that can be found on the Internet at <http://legalissues.dwrsb.gov.au> and contains:

- Quick and easy access to information on a range of legal issues affecting small businesses;
- Links to state, territory and local government Internet sites for further information and assistance;
- Search facilities to tailor inquiries to particular areas of interest; and
- Advice on where to get help.

The guide describes a comprehensive range of legal issues that are important for small business operators and their advisers:

- Accounting and records
- Business failure—bankruptcy, insolvency
- Banks and financial institutions—cheques, loan agreements
- Business relationships—contracting/subcontracting, distribution/licensing, employee or independent contractor, franchising, principles and agents
- Business structures—company, partnership, sole trader, trust
- Buying and selling a business
- Contracts—making agreements, breaking agreements, signing an agreement, tendering
- Credit and debt recovery
- Dispute resolution
- Electronic commerce
- Employment issues—agreements, fairness in the workplace, hiring and termination, safety in the workplace, superannuation

- Fair terms of trading—abuse of market power, Australian made or country of origin, exclusive dealing/third line forcing, misleading or deceptive conduct, pricing, unconscionable conduct
- Import/export and customs
- Insurance issues
- Legal proceedings—court processes, court system, enforcement of judgments
- Legal remedies—damages, injunction, rescission/termination, specific performance
- Liability—defamation, liability of occupiers of premises, negligence, negligent misstatement, nuisance, sale of goods, trespass
- Planning and environment
- Property issues—buying and selling property, leases and licences
- Protecting your ideas—business names, copyright, designs, misleading customers or passing off, patents, trade marks, trade secrets
- Taxation

## AusIndustry

AusIndustry was formed to improve the efficiency of Australian firms and thereby increase their competitiveness in international markets. AusIndustry provides access to information on assistance programs offered by the Commonwealth government, state and territory governments, industry associations and chambers of commerce in the following areas:

- Research and development
- Commercialisation
- Business and strategic planning
- Business networks
- Business licensing
- Innovation

There is an AusIndustry office in each state and territory. Check your capital city telephone directory, ask your state small business agency, call the AusIndustry Hotline on 132846 or visit the AusIndustry Internet site at <http://www.ausindustry.gov.au>.

## Austrade

Austrade (Australian Trade Commission) was established to help Australian exporters become successful in overseas markets. It works together with AusIndustry, state government agencies, industry associations, businesses and individuals. Austrade services reduce the time, risk and cost of exporting, and its government status can help open doors in other countries. Austrade's Export Access program is delivered through a network of business and industry organisations.

Austrade has offices around the world. It concentrates its efforts on those markets where it can be of most value to Australian exporters and where major opportunities can be found for Australian businesses. Austrade provides assistance to manufacturers, service providers, agents, consultants, traders, and new or inexperienced exporters. You can call the Austrade Export Hotline on 132878 or visit the Austrade Internet site at <http://www.austrade.gov.au>.

## Australian Competition and Consumer Commission

The Australian Competition and Consumer Commission (ACCC) ensures compliance with the relevant provisions of the *Trade Practices Act*, including the Franchising Code, and administers the Prices Surveillance Authority to foster competitive, efficient and fair markets. The ACCC has small business officers based in each state and territory and it has a Small Business Unit at the national office in Canberra. You can visit the ACCC's Internet site at <http://www.accc.gov.au> or consult your telephone directory for the nearest state office.

## Networking

Networking is the process of developing personal contacts through professional associations and organisations. It can be time well spent, but it takes time out of your schedule and money out of your pocket, so you want to be selective about which organisations you join. When you do decide to join one, you will get more out of it by being an active member rather than just reading their newsletter. Examples of networking organisations include:

- Australian Businesswomen's Network
- Australian Federation of Business and Professional Women
- Australian Institute of Company Directors
- Better Business associations
- Chambers of Commerce
- Enterprising Women Association
- Micro Business Network
- Rotary Clubs
- Trade associations
- Trade shows
- Women's Financial Network
- Women's Network Australia
- Zonta

Prepare for networking meetings by having a brief, succinct description of what you do. You typically have only a minute or two to get someone's attention and for them to understand what it is that you do. Make sure that you always have a supply of business cards and that everyone you meet gets one. You also need to listen in order to learn about the other members' businesses and what they do. A network of personal contacts will eventually prove to be enormously valuable, not only in terms of information and assistance, but also as a source of potential sales.

As you practise your networking skills, you are eventually bound to run into your competitors. You don't have to give

away any secrets, but you shouldn't be afraid to strike up a conversation either. You can learn a lot from your competitors, especially from those who may have been out on their own a bit longer. If you have complementary skills and expertise, you may even discover a basis for forming a strategic alliance.



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