
Newsletter

WINTER 2011

Low cost not necessarily value

YOU get your best sales when the buyer sees real value in your price.

Believe it or not, sometimes you lose sales if your price is too cheap!

Some years ago a New Zealand publishing company planned a substantial reference book. They planned to sell it at a low price, but a publishing consultant told them they would sell many more if they sold it at twice the price.

He was so sure he offered a guarantee – if they sold it at the higher price he would guarantee the sales revenue they expected to get at the lower price, but he wanted half of any higher revenue.

The puzzled publisher could not lose, and took the bet. To the publisher's amazement, the consultant was right, and pocketed thousands of dollars. He explained that at the cheaper price, buyers would think it could not possibly be as good as it was. For a quality book, buyers expected a higher price.

A country printer quoted on a very large Auckland contract, but did not get it. Disappointed, he asked why.

"You were way below everyone else – you simply can't do a quality job for that price," the Auckland firm told him.

The printer's wall was decorated with awards he had won for the quality of his work – but he didn't show that in his price.

Base your selling price on what the market is willing to pay. But take care – this is highly theoretical so research your market. Determine where you want your product or service to be in that market. Do you want to be known for your quality or your price?

The above illustrations show you just how subjective determining a selling price can be.

Cost is not a basis for setting a selling price. You determine cost, including a fair share of overheads, only as a cross check to see you will not be making a loss.

Do you have your head in the clouds?

INLAND REVENUE is getting agitated about businesses which use "cloud computing" to keep their accounting records.

"Cloud computing is an internet-based computing service where users are provided with access to servers, software, applications, storage and networking, or any other aspects of computing, all of which are delivered over the internet," it says.

It points out the data centres can be located anywhere in the world. New Zealand law requires you to keep your accounting records in New Zealand and you can be fined for not doing so.

If you use a cloud computing service, it would help if the supplier's clouds are over New Zealand – in other words, use a New Zealand-based company.

If you use an overseas supplier, make sure you can save sufficient information on your own computer to keep IRD happy. If this is not practical, you can apply to the department for permission to keep your records offshore. Each request will be considered on its merits. The IRD looks at how readily available the records are and whether having your records offshore is likely to impede the IRD's compliance activities. If your supplier's business fails, you could be in trouble if you do not have that IRD approval.

Money loves speed

WE humans want instant gratification. If it can't be instant, then usually it is ASAP.

In previous articles we have pointed out there is a premium for speed. The tradesman who is quick to produce a quote can invariably ask a higher price. Not every job can be done instantly, so provide a fair time for completion and make sure you deliver within that time.

If you want to chase money, and why be in business if you don't, learn to be quick off the mark. If this presents a problem, look at your systems. Good business is all about having good systems.

Money loves speed. It is probably the most important thing to remember as a business person.



The National Bank
The thoroughbred among banks

The National Bank Business Banking Team are pleased to invite you to the next "Big Help for Small Businesses" workshop in New Plymouth ...

'Managing the risks from within'

A down to earth, practical workshop to help business owners clearly understand
the risks they face daily and how to minimise their impact



These workshops are a great way to share ideas and network with owners of other small business enterprises.

Date: Tuesday, 12th July 2011 Start-time: 9.00am – 3 hours duration

Venue: Plymouth International Hotel
Cnr Courtenay & Leach Streets, New Plymouth

Presenter: John Eaden
Business Training Manager, National Bank of New Zealand

RSVP Register online NOW by going to this link:

<http://www.businessresourcecentre.co.nz/WK/WorkshopDisplay.aspx?SchID=954>

We look forward to seeing you there

Operating a business is a challenging endeavour at the best of times

Most of this is governed by legislation ... how well do you know your rights and responsibilities

Many of the daily activities you undertake can expose you to significant liabilities

We'll help you identify your risks and the options available to minimise their impact

Ever consider what you would do if you couldn't gain access to your premises tomorrow

The key to survival is having a good business continuity plan in place ... now

Nobody enjoys paying insurance premiums but having the right policy in place can be critical to survival

We'll look at what a good policy should cover, including clauses you mightn't have thought about

Two additions to our team

Dallis Barrett

Dallis is a qualified accountant who has worked in the accounting industry for over 20 years, both in corporate and chartered accountancy positions. She has been contracting for us since 2000 and has now decided to join us in the office.

Sheryl McGuiness

Sheryl is taking over the tax management role within the office. Although she has recently been working in the commercial area her 17 years experience working at the IRD means she brings a wealth of knowledge about the tax system.



Backing up data essential

The best backup systems are likely to be the ones which occur automatically and for which data is stored off site. For small businesses, 1-2Tb portable disk drives are useful and cost less than \$200. Some IT companies also offer an online backup service.

If you are taking responsibility for your own backup and you use computers regularly, ensure your systems perform backups daily. You might even want hourly backups if you are working on complicated projects you can't afford to lose.

If you keep your backup in the same premises as your computer and there is a fire, you could lose all your data. If you work from home, try to arrange for a friend or relative to store your data.

Look at the risks and the time involved in doing your own backups and compare this with the cost of getting a professional service, which will backup your data off site.

WE JUDGE people by their actions. We judge ourselves by our intentions. This inconsistency is unfortunate. Next time someone wrongs you, remember their intention might be different from what you have observed.

Where are your business cards?

MANY people leave their business cards in their office drawer. It's the least productive place for them.

Have them with you wherever you go. If you wear a jacket, you probably have a small pocket located just over your heart. This pocket was, I assume, created specially for business cards! Make sure it is always well stocked. Oh, and what about the person you meet who doesn't have a card to give you? Keep some blanks in your pocket so you can get them to write down their contact details for you.

Distribute your business cards liberally. Don't overlook the potential to get customers through your suppliers. I have even seen a business card included with a Christmas card. It's debatable whether this is a good idea because it might mix the messages you want people to receive.

Joe Gerard, an American, is reputed to be the best car salesman in the world. When he goes to a football match and gets excited he flings a fistful of his business cards in the air. You can be sure it pays him to do this.

Name irrelevant when offer gets sandwiched

EACH day when I go to lunch I see a café sandwich board out on the pavement which really irritates me.

Why? Because it does such a poor job of promoting the café's business.

"Bloggs Café" it says in big letters, taking up most of the space. Then there's a small typed message cello taped near the right at the top offering a hamburger, salad, coffee and chips for only \$12. I doubt anyone sees it.

Who cares what the café is called? I'm hungry and want something special to eat. When I start salivating I'll soon look to see where I can get the fantastic fodder.

Sandwich boards are great for catching a customer's eye. Make the most of them.

Your advertisement is an offer. It must carry a major benefit. It needs to be big and bold.

Your firm's name is not an offer. Put it down the bottom.

When you prepare your Yellow Page advertisement, the same applies. The offer is much more important than your contact details. By the way, do you let Yellow Pages design your ad? Don't. It'll look far too much like all the other ads of the same size.

ACC offers a discount

ACC will be giving small businesses with a blameless track record a 10% discount starting from the year ending 31 March 2012. It says 93% of all small businesses are expected to

qualify. Bigger businesses are being offered a 35% discount for good performance. We ask, does this amount to discrimination? against small businesses?

Use a credit card to pay tax?

IRD is looking at accepting tax payments by credit card. You will, of course, still have to pay the credit card charges. Those who have a very short-term cash shortage could find the service helpful. It will be better than paying penalties. Incidentally, there's nothing to stop anyone borrowing on their credit card to pay tax, right now. Keep your credit limit high and use only in an emergency to fill a very short term gap.

Chocolates and coffee

A businessman always sends a small present to say thank you for referrals. A box of chocolates or some posh coffee is couriered to the referrer.

Recently, a grateful recipient acknowledged the gift. "No one ever does that" said the voice on

the other end of the phone.

She was thrilled to receive the gift. The best way to get people to repeat what you would like them to do again, is to reward them. You may have noticed the rule is universal. It applies to animals as well as people.



TAX CALENDAR

July 28

3rd instalment 2011
Provisional Tax
(June balance date)

August 28

1st instalment 2012
Provisional Tax
(March balance date)

ACCOUNTANT'S

TIP

Adding it all up



WHEN faced with a column of figures to add, what do you do to be confident you have added them correctly? You could compare the figures on an adding machine tape with the original list.

Whatever you do, start by looking to see if the total looks sensible.

One technique for checking your accuracy is to add the figures starting from the bottom upwards. If the up/down total equals the down/up total you have a good chance of having the right answer.

If you don't need to have absolute accuracy and a small error won't matter, try this technique. Suppose the total of 20 figures is say \$18,000. Ignore cents. There are likely to be a number of four figure amounts. Work to the nearest \$1000. Thus an amount of \$550 is 1000. An amount of \$453.31 is nil and \$2201 is \$2000. I use this all the time and it is amazingly accurate. Of course, it works just as well for other figures. Sometimes I work in hundreds.