

Business Matters

Strategies for managing your business



Deans & Rees 

What is in a name?

Many entrepreneurs deliberate and spend too much effort trying to come up with an appropriate business or product name. In many cases it can stall the progression of a business. The truth is that no business name is critical to success, regardless of how memorable or well-established it is.

A name is only as valuable as the marketing dollars and the business behind it. A business needs to be both well run and have a marketing budget to make a name or trademark meaningful. Otherwise, it is irrelevant how memorable or clever the name is.

Just consider some of the leading names in the world today – Google, Twitter, Amazon and Gloria Jean's. It is possible that some of the most successful names were conceived by teenagers at a university bar, not by some high powered marketing executive.

Keep in mind that many companies with great or even long-established business names have failed. Great names cannot make up for the lack of a good business model or adequate financing.

Every name – no matter how seemingly valuable – can be changed. It is easy to believe that customers know a name so well that it cannot be changed, but that is simply not true. Small companies often change names when they change

ownership, typically with positive rather than negative effects. Even very large companies change corporate names and are able to keep, or even expand, their customer base.

Here are some things for a business to keep in mind when deciding on a business name:

1. **Marketing beats a good name.** No matter how good a name is, a business has to be able to first reach customers. A lot of marketing exposure is a lot more powerful than the best name. If there is a choice between spending resources on obtaining a name, versus the opportunity to reach customers, the marketing path is normally the most effective. Do what has to be done to place your product in front of customers.

2. **There is no 'must-have' business name, product name or trademark.** No matter how great the name conceived, there is always another name out there that will work just as well.

3. **Many businesses use similar names.** It is easy to lose sleep over the fact that other businesses use names that are similar. Do the marketing and customers will find you.

4. **A simple name may prove more effective than a clever one.** A company with a straightforward name, such as 'Highlands Dental Clinic,' may develop a better business than a company with a seemingly memorable or clever name. Do not underestimate the obvious names.

DEANS & REES LIMITED

UNIT 4, 73 KENEPURU DRIVE
PORIRUA 5022

•
TEL 04 237 7611

•
FAX 04 237 8011

•
E-MAIL
reception@deansandrees.co.nz

•
WEBSITE
www.deansandrees.co.nz

•
PARTNERS
Murray Deans
Jonathan Rees

•
Business Advisory
Tax Compliance
Structuring
Business Valuations

IN THIS ISSUE - 4TH QUARTER 2009

- What is in a name?
- Simplified charitable giving
- Cost effective marketing strategies
- Working from home
- Why people buy
- When the buyer issues an invoice


CHARTERED
ACCOUNTANTS

Simplified charitable giving

Legislation which introduces a voluntary payroll-giving scheme has been enacted. The scheme allows a tax credit for gifts of money that are paid by way of a deduction from an employee's wages through their employer's payroll. Changes will come into place from 7 January 2010.

Employees will receive an immediate reduction in tax in the form of a tax credit each pay period. Benefits of the scheme include an immediate tax deduction and the elimination of the need of donors to collect and keep receipts to claim the tax relief on gifts of money at the end of the year. The

payroll-giving scheme only applies if the recipient organisation, such as a charity or school, is a donee organisation.

The legislation does not define the nature of the arrangements or relationships between employers, employees and donee organisations. Nor does it set out how the schemes should be set up in the workplace.

Employers will need to ensure that they:

- deduct the required donation amount from the individual employee's salary or wage.
- calculate the correct tax credits for payroll donations for each donation made.
- record the tax credits for payroll donations for individual employees on the EMS.

- retain records of all tax credits for payroll donations, donation amounts, donee organisations and payment dates.

- remit donations to the donee organisations within the timeframe of the deduction being made from the employee's wage.

- notify the donee organisation that the donation is a result of payroll giving.

- The scheme does not serve as a replacement to the current end-of-year donation tax credit claim system. Employees who make donations and do not or are unable to give through a payroll-giving scheme are still eligible to claim tax benefits on their donations through the current end-of-year refund process.

Cost effective marketing strategies

Imagine you were looking for ideas on how to improve your photography skills. You could search the internet and sign up for one of many online newsletters. If you wanted to avoid missing out on sales with a favourite retailer, chances are they'd have an e-mail newsletter too. It has become easier and cheaper to send e-mail newsletters due to an increasing number of internet based e-mail newsletter services.

As a result, small businesses in every industry have launched their own regular newsletters. These are an effective, low cost and relatively simple way for small companies to regularly stay in touch with customers and prospects.

These automated e-mail newsletter services handle many of the functions for users. They normally carry out all the technical aspects of sending out a newsletter, so users do not have to deal with software — all they need is an Internet connection. Email marketing systems also help to clean up mailing lists by automatically removing contacts that have decided to unsubscribe, evaluating any 'bounce backs.' It is also a relatively simple exercise to put links on a business website so that businesses can invite visitors to sign up for newsletters and promotional offers, to gather and maintain a mailing list.

As well as the technical aspects, these online services provide newsletter templates, making it fast and easy to customise a newsletter. In addition, these online services generally provide a great deal of information about how well your newsletter is doing, who is opening it, how many people are clicking on which links and so on. This provides a useful insight into customer interests and allows for experimenting to continually improve the effectiveness of a newsletter.

Here are some handy tips to keep in mind for those considering using an email marketing system:

- **Provide readers with a reason to open it.** That includes meaningful, useful content, such as discounts or notices of sales.
- **Send e-mails regularly.** Once a month or every two weeks is ideal. More than that is probably overkill, and any less, you run the risk of being forgotten.
- **Keep newsletters short.** People have limited time. The recipient must be able to get something valuable from a newsletter immediately.

- **Maintain branding.** Make sure the newsletter clearly displays the company name and logo. Use the same colours, fonts and taglines that are used in your company branding.

- **Make sure your subject line promises value to the reader.** The value can be a financial incentive (\$25 cash back) or, more often, it can be information that a reader might find useful (e.g. seven weight-loss tips). Studies have shown that subject lines with fewer than 50 characters are best.

- **Avoid subject and text that will get blocked.** Spam filters block subject lines with words like 'free' or dollar signs (\$\$\$).

- **Use inviting headlines.** It is not particularly exciting to just read 'Monthly News'. Instead, try using headlines to indicate what readers will find in each edition, for example, 'This Month's Special — 50 Percent Off All Outdoor Furniture.'

- **Only send it to people who have agreed to receive it.** This is called 'Opt-In' and most e-mail newsletter services will only send to your e-mail list if people have signed up to receive it or have given their business card.

- **Provide an 'unsubscribe' option.** Once again, this is required by most e-mail services — and it's the law. Otherwise, people are just going to block you as a sender.

E-mail newsletters are an easy and inexpensive way to keep in touch with customers and prospects. At a time when businesses are looking for ways to stretch their marketing dollar, e-mail marketing can be a useful tool to build a business without a big budget.



Working from home

Running a business from home can save a great deal of money and reduce risks. Many successful businesses, including Dell and Microsoft, started from home.

Advantages of a home office

One of the clear advantages is that business owners do not need to rent premises.

Other benefits of running a business from home include:

- owners can help run a family.
- the internet reduces the impact of location.
- owners do not have to commute.
- hours of work can be flexible.

Disadvantages of a home office

Whilst working from home has some benefits, there are also some negatives. These include:

- the image of a home office may prevent a business being taken seriously.
- there can be significant distractions by family members.

- background noise can upset phone calls.
- some owners tend to use proximity to work around the clock.

Here are some ideas to make working from home a little more effective:

1. Create your own office or work space.

If possible, avoid sharing a computer with members of the family.

2. **Be organised.** Separate the working week into time-zones that are for work and personal needs. This will help to prevent you getting distracted at times when it is necessary to be productive.

3. **Get equipped.** Ensure that the right equipment is on hand. That includes good furniture and a separate telephone line. This will also help reinforce that a business is being run.

4. **Join a business network.** Running a business from home can be lonely. Joining a network allows business owners to share ideas and get support from others in similar positions.

5. **Maintain records.** There are some tax benefits from working from home. Business owners may be eligible to claim tax deductions for a portion of the expenses of running a home office (including rates, insurance, electricity, and depreciation.) It is important that all invoices and records of the costs are kept to support the deductions.



Why people buy

Many business owners are so busy concentrating on their products and services and running the day-to-day operations of their companies, that they gradually lose touch with the real needs, desires, and choices of their customers.

To increase sales and grow a business, it is essential to get inside the head of the customer. What are their needs and wants? Not just the obvious ones, but the deeper needs and desires that compel them to make a purchase?



What makes your customers buy? Customers may think they need or want one thing, but sometimes they actually need or want something very different. There is a saying that a customer looking to buy a drill doesn't actually want a drill, but a hole.

When developing advertising, marketing, and sales pitches, consider these four kinds of needs and desires that drive customers to buy:

1. Actual immediate need:

Short-term needs that customers must respond to immediately: "I'm hungry on a 30-minute lunch break", "My phone system crashed and I can't do business". This type of customer will do little comparison shopping before buying.

For customers like this:

- Advertise constantly. That means being there in front of them exactly when they need something. Good places to advertise are your local newspaper, yellow pages, and buying key words on search engines.
- In your ads and sales pitches, emphasise fast service, convenience, and price.

2. Actual long-term need:

Real needs and wants that MUST be responded to, but not necessarily right away: "My car needs constant repair and has to be replaced". This type of prospect will do lots of comparison shopping before making a decision.

If customers are like this:

- Advertise often. Customers that are going to spend, need to know that a business is out there.
- Keep in touch with previous satisfied customers: this prospect relies heavily on word-of-mouth recommendation and repeat purchases.
- Ensure positive reviews are shown on any website that reviews products or services such as yours.

3. Perceived need/desire:

Needs which a person believes they have, but are not, in reality, an absolute need: "I need brighter, whiter teeth". Customers like these respond to:

- Advertising highlighting the enhanced personal or business status or benefits from purchasing that product or service.
- Testimonials from high profile clients displayed in marketing materials which add status to a supplier.

It is a mistake to assume all customers have the same motivations or that those motivations are the same as the business owner or their friends and family. Conduct some market research. Get feedback from customers. Start questioning customers to find out what really motivates them. It does not cost a great deal to do any of this and it is well within the reach of any business.

When the buyer issues an invoice

In some instances when a sale takes place, the buyer issues the GST invoice rather than the supplier. For example, a business paying agents fees based on commission on sales; the business determines sales attributed to the agent and calculates a total invoice and GST payable. In this instance the buyer is in the best position to issue the invoice for the supply.

Prior approval necessary

Buyers who determine the sale price will need to apply for approval to issue buyer-created tax invoices. Buyers are required to have an approved buyer-created tax invoice before they are able to claim the GST that is paid to the supplier. The IRD may have acknowledged that supplier generated invoices are appropriate for an industry, however, approval is still needed in order to use buyer-created tax invoices. Claims for GST may be disallowed if approval is not first obtained.

Getting approval

Businesses can obtain approval by applying to the IRD applications which:

- confirm that a business determines the value of the supply.
- advise that buyer-created invoicing is normal business practice for your business.
- explain how approval would help you and your suppliers comply with the GST Act.
- confirm that you're the only one who will issue a tax invoice.
- confirm both you and your suppliers will keep a copy of the invoice.
- Applications need to be accompanied by a copy of a sample invoice so that the IRD can confirm it meets their requirements.
- A buyer-created tax invoice must display the following information:
 - the supplier's name and GST number.
 - the words 'Buyer-created tax invoice - IRD approved' prominently on the invoice.
 - the supplier's GST number.

In addition, businesses that are invoicing the supplier for costs must show the sale and cost information separately, not just the net figure.

A Great Read

Blink: The Power Of Thinking Without Thinking.

Author: Malcolm Gladwell

Little, Brown and Company (2005)

Blink is about the first two seconds of looking - the decisive glance that knows in an instant. Gladwell, the best-selling author of 'The Tipping Point,' displays again an entertaining and illuminating look at how we make snap judgments about people's intentions, the authenticity of a work of art, even military strategy - he can resolve for general readers the intricacies of fascinating but little-known fields like professional food tasting (why does Coke taste different from Pepsi?) Gladwell's conclusion, after studying how people make instant decisions in a wide range of fields from psychology to police work, is that we can make better instant judgments by training our mind and senses to focus on the most relevant facts - and that less input (as long as it's the right input) is better than more.

Gladwell includes warnings about leaping to conclusions: marketers can manipulate our first impressions, focusing on the wrong cue leaves us vulnerable to "the Warren Harding Effect" (i.e. when America voted for a handsome but hapless president). In a provocative chapter that exposes the "dark side of blink," he illuminates the failure of rapid cognition in the tragic stakeout and murder of Amadou Diallo in the Bronx. He underlines studies about autism, facial reading and cardio uptick to urge training that enhances high-stakes decision-making. Each case study is satisfying, and Gladwell imparts his own evident pleasure in delving into a wide range of fields and seeking an underlying truth.

WEB WATCH

ESSENTIAL SITES FOR BUSINESS OWNERS

www.hbr.com

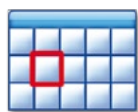
Harvard Business Review

Brings its readers original research and firsthand perspectives from leading business thinkers around the world. Free online executive summaries for the busy business owner.

www.goalpro.com

Goal setting

If you need a bit more structure to your planning, there is a range of software-based goal setting systems available. This website highlights one of them.



REMINDERS FOR YOUR DIARY

NOVEMBER

- 20 Employer deductions (IR 345) form and payment due and Employer monthly schedule (IR 348) due
- 30 GST return and payment due

DECEMBER

- 21 Employer deductions (IR 345) form and payment due and Employer monthly schedule (IR 348) due

JANUARY

- 15 Provisional tax instalments due for people and organisations with a March balance date
- 15 GST return and payment due
- 20 Employer deductions (IR 345) form and payment due and Employer monthly schedule (IR 348) due
- 28 GST return and payment due

We are sometimes asked if we are able to help additional clients. We are a growing firm and do appreciate your referrals. We consider it a compliment when you recommend us to your friends and business contacts.