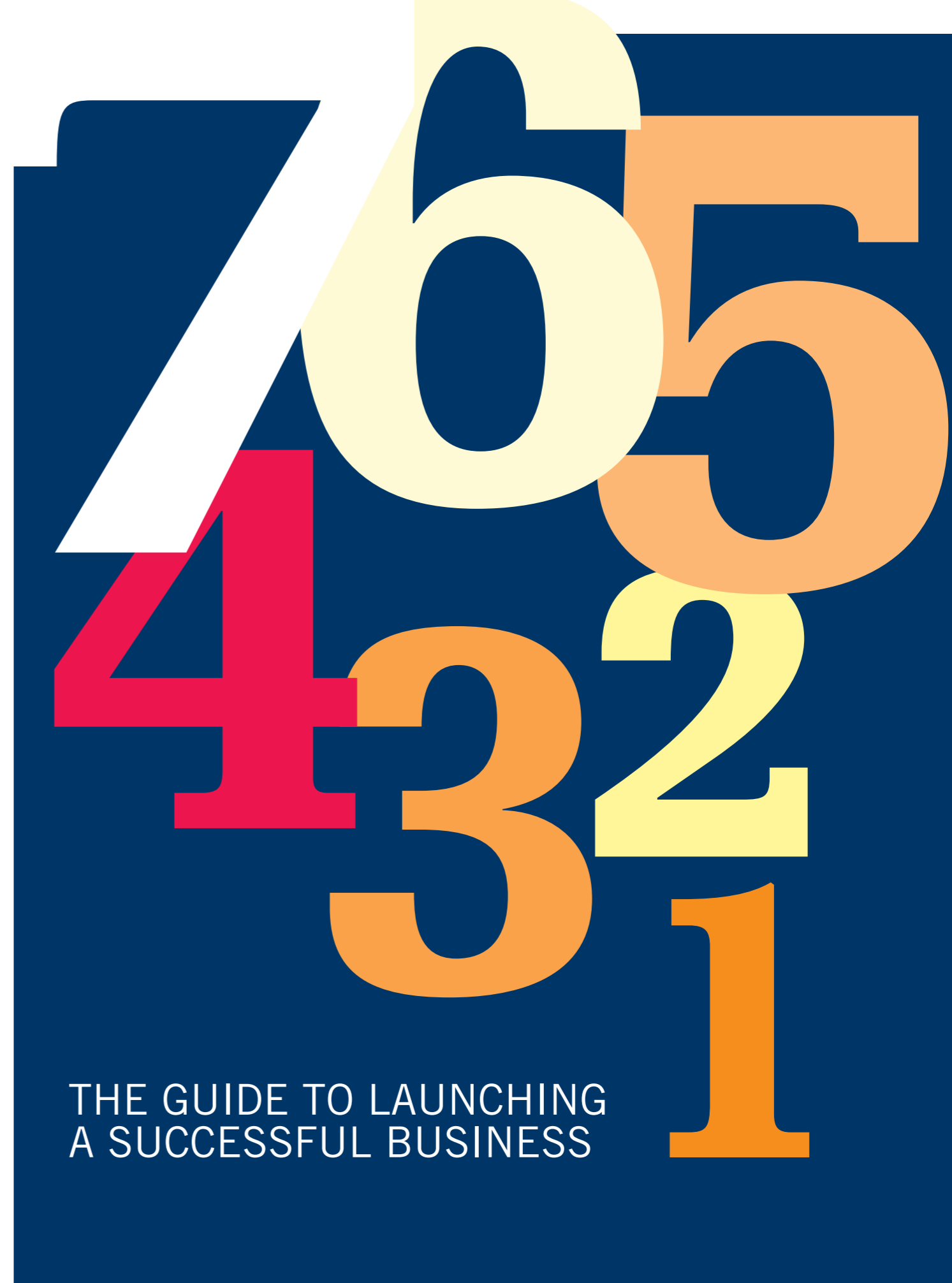


The Guide to Launching  
a Successful Business

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# PREPARE TO UPLOAD MISSION CRITICAL DATA. ↗

Going into business for yourself is an exciting prospect, although it is also a time to carefully consider what lies ahead and to plan accordingly.

This is where The Guide comes in; it will provide you with the opportunity to test just how strong your ideas are and to evaluate all the potential risks. To investigate whether you can really make the sort of money you want to and help you sort out the things you need to get started.

We want you to be successful, to be profitable and to fulfil your dreams. Completing The Guide will help you to accurately gauge the potential of your ideas and how big a risk you are taking.

If some of it looks daunting, toughen up! Better that you exercise your brain now than risk making decisions you could regret later.

Prepare for being your own boss. Make your first business decision – complete The Guide.

Remember, the future is made by those who create it.

Best Regards,



James Fensom  
DIRECTOR

Open For Business Ltd



Warwick McCormack  
DIRECTOR

Open For Business Ltd



We want to do what we can to assist small businesses because we believe in small businesses.

After all, not so long ago we were one!

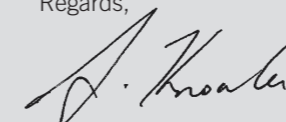
New Zealand is full of small businesses; it seems to be woven into the fabric of who we are as Kiwis. So you are headed where many have successfully gone before.

While this is a very exciting time, its important to remember that starting a business is a process and not just a single event, so The Guides' aim is to prepare you for being your own boss. Some of the questions are hard and thought provoking, but they are questions that you need to answer before starting your successful business.

We hope The Guide will help you on your journey.

Good luck.

Regards,



Sam Knowles  
CHIEF EXECUTIVE OFFICER

Kiwibank



# starting a business is easy!

Success in business can also be easy, when you stick to the basics.

We're not going to scare you from going into business, in fact we love business.

We're also not going to teach you the theory of business. This guide simply provides some easy steps to follow to create and start a successful business.

So, go to **Step 7** and get started.

## 7 The success test PAGE 3

It's true, great businesses can earn millions. So, how much money will your business need to generate to earn the level of income you need? Complete our 'Success Test' to workout your business's likely income potential.

## 6 Preparing the plan PAGE 9

To make your business as successful as possible you'll need a plan. Your plan is not a book, it's a guide that directs your next marketing and sales activities and assists in determining the level of resources and cash you need to operate.

## 5 Funding the business PAGE 22

Once you have prepared your plan you will know how much money you need to set up and operate the business. Checkout the funding options available to you and decide how best to fund your business.

## 4 Registering your business PAGE 26

There are many different business structures you need to be aware of. Work through this section to get your business established including being registered for Income Tax.

## 3 Protecting your assets PAGE 30

There are a number of potential threats to the welfare of your business. Consider the risks you might face in your business and how you will manage them should they occur.

## 2 The bare necessities PAGE 34

One of the last things you'll need to do is get the basic business necessities set up including banking, phone, computer, accounting and business cards / logo. This section will help you choose and implement those core parts of your business.

## 1 Blast off PAGE 40

That's it, your ready to get started. Believe in yourself and give it your best!

# 7 commencing countdown

## the success test

The first thing you need to do before you go too far with your new business idea, is to satisfy yourself that your idea is going to generate the money you need. Completing the Success Test before starting the planning process will help you determine the suitability of your business idea before getting too involved in the details.

Because success means different things to different people we have developed this test to help you through the process. The test is not a magic formula that will ensure the success of your business. It's a guide that helps you determine the likelihood of generating the income you desire from your business.

Each step of the test will help you evaluate the most critical areas of your new business and allow you to assess where more thinking is needed. Work through the test slowly. We know you're in a hurry to get started, but remember that your future rests on the decisions you make now.

Don't be too concerned with having exact figures for the test. The test is merely a guide to help you understand the financial potential of the business. A more accurate analysis can be made in Step 6 – Preparing the Plan.

It is not uncommon for businesses to complete the Success Test several times before determining the best way to approach their business idea. Once you have a clear picture of the financial model for your business you will find the planning process easier.

Go to Step 7 and start the Success Test.

For help with the Success Test visit [www.openforbusiness.co.nz](http://www.openforbusiness.co.nz)

# 7.0

## the success test

### 7.1 What is your business idea?

You need to be clear about what your business will do. Does it sell products or services or both? Write a short paragraph that explains the purpose and market for your business. Try to think of the business through the customers' eyes, so think of what the customers want, not of what you offer.

BOX A

#### example

Create great looking lawns for people who can afford the best or don't have the time themselves

### 7.2 How many sales could I make? (volume)

Try to think through a typical month, week or day of your new business. How many product sales or billable jobs will you get? Ignore the value of each sale and just count the number of individual sales that will occur. Assume a typical 12 month period. Ignore the fact that your new business may take a while to achieve the desired sales levels.

BOX B

#### example

100 per month  
1,200 per annum

### 7.3 How much is the average sale? (value)

How much can you charge for an average sale or job? If you have lots of different products and services, guess the average value across all the different offerings. Don't be too concerned about calculating an exact figure. Only after years of trading will you be able to calculate this figure accurately. We only have to be close enough for the test to work.

BOX C

#### example

\$50 per average sale

### 7.4 Total income

Multiply **BOX B** by **BOX C** to get your estimated annual total income.

Is the total income near the amount you were expecting? If not have another look at the average sales value and volume of sales you plan to achieve.

BOX D

#### example

\$60,000  
BOX B 1200 X BOX C \$50

# 7.0

## the success test

### 7.5 Direct costs & margin per sale

Are there costs that you incur every time you make a sale? If you mainly provide services you can skip straight to **Step 7.6**. If you sell lots of different products you need to guess the average cost for the average sale amount you entered in **Step 7.3**.

If you know the average cost as a dollar amount, write that down in the Direct Costs **BOX E** then calculate the average margin (**BOX C – BOX E**) divided by **BOX C**. If you know the average margin (%) you make on each sale, write that in **BOX F**.

Don't be too concerned about calculating every possible direct expense or getting an exact quote, expenses we miss here can be picked up later in **BOX H**. Your margin is the amount you retain from each sale after you deduct costs that you can directly relate to making the sale. Your margin is typically shown as a percentage of the total sales value.

**BOX E (DIRECT COSTS)**

example

\$5 (average gas used in mower per lawn)

**BOX F (MARGIN %)**

example

90%

Box C \$50 – Box E \$5 = Margin

Margin \$45 / Box C \$50 = 90%

### 7.6 Gross profit calculation

Multiply the Total Income **BOX D** by **BOX F** to get your gross profit. Gross Profit is the amount of money you get to keep after you have deducted costs directly relating to the sales.

**BOX G**

example

\$54,000 per annum

Box D \$60,000 X Box F 90%

### 7.7 Other expenses

How much will it cost you to run your business each year? Don't include any expenses you have already included in the Direct Cost calculation in **Step 7.5** and do not include the purchase of assets that may have a benefit for more than one year.

Don't be too concerned about identifying every single expense in your business. Think of the major activities in your business and try to determine an annual cost for that activity.

**BOX H**

example

\$4,000 per annum

(car, cellphone & admin)

### 7.8 How much do you want to earn?

Now be realistic; you may want to earn a million dollars but your earnings target needs to be the amount you expect to earn in a typical year.

This figure will be our target. Your business will be successful if you can reach this level of earnings.

**BOX I**

example

\$50,000 per annum

### 7.9 Test income

Deduct **BOX H** from **BOX G** to get your estimated Business Income.

This is the level of income your business has generated for you. If you have not included a wage for yourself in any of the expense boxes above then this figure is your wage / profit.

If Test Income is below your target earning figure (Box I) then you need to try to increase the Box B, C or F targets or reduce the level of business expenses Box H.

**BOX J**

example

\$50,000 per annum

Box G \$54,000 – Box H \$4,000

ON THE ROAD TO SUCCESS?  
TICK ONE

YES

NO

A business plan is a blueprint of your company, an outline of your business ideas and a document that describes how your business will be profitable.

# 6

## preflight calibration

# preparing the plan

So far so good, your business concept looks viable. Now, before starting, let's just think through the key steps!

Relax, we are not talking about writing a 50 page document.

In fact very few great entrepreneurs have ever written a traditional business plan. What they have done is visualise how their business will operate and draw up a list of all the tasks they need to implement. Our five page business plan template is designed to be an internal document to help you think through the key components of your business.

An internal business plan describes your business, strategies, market, sales, operational and financial objectives in as few words as possible. This approach requires you to focus on the most important elements of your business and helps provide you clarity about your business. While the template will provide a list of actions you can follow in the early stages of your business, you may need more detailed marketing & communication plans and financial forecasts.

The sequence of questions is important, as knowledge and clarity gained from answering them will influence your answers to later questions.

Our business plan template does not contain an executive summary, background of directors and key partners, copies of projected financial statements, a SWOT analysis or similar information. These are usually contained in a prospectus or external business plans for use to promote your business to prospective investors or other external parties. If you require an external business plan, information can be copied directly from this document into your external plan, adding supplementary information about yourself and other key personnel help.

In all elements of the business plan the more you can research your potential market and competitors the more accurate your assumptions are likely to be. Use the web, industry associations, observation and surveys to gain information relevant to your business.

Go to Step 6 and start your Business Plan.

For help with preparing your plan visit  
[www.openforbusiness.co.nz](http://www.openforbusiness.co.nz)

# 6.0

## preparing the plan

aspirations template

### 6.1 My personal goals

The most important thing you can document in your business plan is your dream. Not where you want the business to be, but where you want to be. The business will have a life of its own whether you like it or not, so unless you are constantly focused on your personal goals they will be taken over by the needs of the business.

Write your goals in the box opposite.

Throughout the business plan you need to keep looking back at your personal goals and ask yourself 'how will this action impact on my personal goals?'

#### DOCUMENT YOUR PERSONAL GOALS AND ASPIRATIONS

#### example

Spend 2 years building up the business to the point where I can employ people to do the mowing and have a salary of \$80,000 and only have to work 2 days per week

### 6.2 My business strategy

Your first ideas are often your best ideas. When you first thought of your business concept you probably came up with some fantastic ideas about how to make it really work, what everyone else does wrong and what really matters to the customer.

Write your strategy in the box opposite.

Make sure you capture those strategies and build them into the way you do business. Too often businesses start out trying to be unique but quickly end up being just like everyone else.

#### RECORD THOSE PIECES OF MAGIC THAT WILL MAKE YOUR BUSINESS DIFFERENT

#### example

Sell mowing and a range of lawn maintenance services by communicating constantly with the clients about how their gardens are and how they can be further improved

### 6.3 What is my business purpose?

Your purpose is the fundamental reason why your business exists. It should be the inspiration for opening your doors and the desire for people to come in.

Write your purpose in the box opposite.

Always think of your purpose through the eyes of the customer, but don't be too specific.

To be successful in business your purpose needs a market. You are one of over 300,000 New Zealand businesses so make sure you're the one that stands out. If you are not the only business fulfilling this purpose then you need to be clear as to why someone chooses you over the rest.

"To use our imagination to bring happiness to millions" Walt Disney.

#### WHAT IS THE PURPOSE OF YOUR BUSINESS?

#### example

Making it easy for everyone to have a beautiful lawn

# 6.0

## preparing the plan

marketing plan template

### 6.4 My marketing strategy

Who are your customers? You need to be able to visualise your typical customer. What are their likes and dislikes; what is important to them? Write that down in the **MARKETING STRATEGY BOX**.

Once you have a good idea of what your customers look like you need to think if there are any particular groups of them you can target. By breaking your potential market into segments, hopefully you can focus your marketing effort into the areas that will provide the greatest return.

Describe each major group in the **SEGMENT BOXES**, prioritising your market segments from easiest to hardest to reach. In our lawn mowing example, neighbours near existing clients are the easiest to reach. Where possible, see if you can get information on the size of the market segments and record that in the **SIZE BOX**. Knowing the size of the segment will help you determine the best marketing strategies.

When it comes to your communication approach often the simplest methods are the best. Review your market segments to determine the best way to reach that group (eg: flyer, website, yellow pages etc) and estimate the cost of the communication approach. Write that down in the **COMMUNICATION COLUMN**. Where possible try to estimate the cost of the communication approach.

#### MARKETING STRATEGY (DEFINE YOUR MARKET)

| SEGMENT | SIZE | COMMUNICATION | COST |
|---------|------|---------------|------|
|         |      |               |      |
|         |      |               |      |
|         |      |               |      |
|         |      |               |      |

### 6.5 My sales strategy

What is your sales message? Try to imagine what customers are thinking when they are looking for your service. What message would convince them to use you? Write that in the **SALES STRATEGY BOX**.

All the great entrepreneurs will tell you that to be great in business you've got to be great at selling. Strangely, great salespeople don't sell, they help people make the right decision. Write down any traits you want in your sales process in the **SALES STRATEGY BOX**.

Okay, how are you going to manage the sales process? Who, what, how are you going to respond to queries that come from the communication strategies set back in **Step 6.4**. Consider the sales approach and resources you will need to convert enquiries into sales.

#### SALES STRATEGY (DOCUMENT KEY ELEMENTS OF YOUR SALES PROCESS)

example

#### MARKETING STRATEGY

My clients are proud of the look of their home. They are busy people. Not DIYers, have disposable income

| SEGMENT                        | SIZE | COMMUNICATION  | COST |
|--------------------------------|------|--|------|
| Houses near my current clients | 500  | Drop a hand written note in their box with a special offer | 250  |
| Houses in my suburb            | 2000 | Drop a flyer explaining offer and special price            | 1000 |
| Houses near my suburb          | 2000 | Drop a flyer explaining offer and special price            | 1000 |

#### SALES STRATEGY

We create the best looking lawns in town!

# 6.0

## preparing the plan

### operating plan template

## 6.6 My operating strategy

It's great to have lots of sales but you also have to be able to provide a fantastic experience to every customer. What physical things are you going to do that will make the experience fantastic?

Think through how you are going to provide your products and services to your customers once the sale has been made. What is the process from start to finish? Who undertakes each task? What control procedures exist to ensure quality of delivery? Are the processes documented and managed to ensure each delivery is streamlined as much as possible?

Record in the **KEY OPERATIONAL TASK COLUMN** the key tasks that need to occur in your business and who will be responsible for completing those tasks. Are there any rules in place to ensure consistent quality and a fantastic customer experience?

| KEY OPERATIONAL TASK | WHO | RULES |
|----------------------|-----|-------|
|                      |     |       |

## 6.7 My operating and set up costs

You are almost at the end of the planning process now!

Now you have thought through your sales and operating requirements, you can estimate the monthly running cost of the business and any assets you need to set up the business.

Make a list of everything you need to run the business month to month and estimate the cost (exclude marketing activities that you identified in **Step 6.4**). Record all the regular expenses you need to pay, weekly, monthly, yearly etc in the **OPERATING EXPENSES BOX**. Record any equipment, vehicles, building renovations and any asset purchases that should have a benefit over a few years in the **SETUP BOX**.

| OPERATING EXPENSES              | COST (PER ANNUM) | SETUP REQUIREMENTS          | COST |
|---------------------------------|------------------|-----------------------------|------|
|                                 |                  |                             |      |
| <b>TOTAL OPERATING EXPENSES</b> |                  | <b>TOTAL SETUP EXPENSES</b> |      |

## QUICK GUIDE

1. Write a list of all the things you think you need, to successfully operate the business.
2. Now, visualise a typical day/week/month and see everything that you use.
3. Go back to the list and cross off the items you saw above.
4. Now ask yourself if you can operate without the items still on the list.
5. Now price the items on the list.

Whilst it is always nice to have the best equipment, remember that business is all about getting the maximum return of income over costs. Only spend more on equipment and resources where you will be able to generate a greater level of income.

### example

| OPERATING EXPENSES              | COST (PER ANNUM) | SETUP REQUIREMENTS          | COST           |
|---------------------------------|------------------|-----------------------------|----------------|
| Motor vehicle running           | \$2,000          | Motor vehicle               | 5,000          |
| Insurance – assets              | \$200            | Mowers                      | 2,000          |
| – risk                          | \$100            | Trailer                     | 1,000          |
| – business                      | \$500            | Chainsaw                    | 200            |
| Accounting Assistance           | \$1,000          | Hand tools                  | 50             |
| Bank charge                     | \$100            | Wheelbarrow                 | 30             |
| Interest                        | \$500            | Edge trimmers               | 900            |
| <b>TOTAL OPERATING EXPENSES</b> | <b>\$4,400</b>   | <b>TOTAL SETUP EXPENSES</b> | <b>\$9,180</b> |

# 6.0

## preparing the plan

[action plan template](#)

### 6.8 Action plans

Review the Marketing, Sales, Operating & Setup sections again and determine the actions you need to undertake to get the business going. Record all the actions you need to complete prior to commencing the business in the **PRIOR TO COMMENCEMENT BOX**.

You will be amazed at how long it takes to get your business operating at the optimum levels. Review all of your planned marketing and operational strategies and record which activities will occur each month.

When you are recording monthly actions give consideration to how long it will take to complete that action.

#### ACTIONS REQUIRED PRIOR TO COMMENCEMENT

MONTH 1

MONTH 2

MONTH 3

MONTH 4

MONTH 5

MONTH 6

MONTH 7

MONTH 8

MONTH 9

MONTH 10

MONTH 11

MONTH 12

#### example

##### ACTIONS REQUIRED PRIOR TO COMMENCEMENT

Get Cellphone, Print flyers, Check yellow pages ad, Draft advert for leaflet, Draft drop plan

MONTH 1

Drop flyer to current clients  
Design sales calls script

MONTH 2

Design flyer for existing clients

MONTH 3

Design comm method to target new clients

MONTH 4

Push additional service to existing clients

MONTH 5

Drop flyers in other areas

MONTH 6



# 6.0

preparing  
the plan

financial budget  
template

## example

|                       | MONTH 1  | MONTH 2 | MONTH 3 | MONTH 4  | MONTH 5  | MONTH 6  | MONTH 7  | MONTH 8  | MONTH 9  | MONTH 10 | MONTH 11 | MONTH 12 |
|-----------------------|----------|---------|---------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
| 1. Market Growth      | 5        | 250     | 500     | 750      | 1000     | 1000     | 1,250    | 1,500    | 1,750    | 2,000    | 2,250    | 2,500    |
| 2. Total Sales        | 250      | 500     | 750     | 1000     | 1,250    | 1,650    | 2,034    | 2,474    | 2,560    | 3,300    | 3,654    | 4,124    |
| 3. Sales Margin       | 90%      | 90%     | 90%     | 90%      | 90%      | 90%      | 90%      | 90%      | 90%      | 90%      | 90%      | 90%      |
| 4. Gross Profit       | \$225    | \$450   | \$675   | \$900    | \$1125   | \$1485   | \$1831   | \$2227   | \$2304   | \$2970   | \$3289   | \$3712   |
| 5. Marketing Expenses | \$250    |         |         | \$1000   |          |          |          |          |          | \$1000   |          |          |
| 6. Operating Expenses |          |         |         |          |          |          |          |          |          |          |          |          |
| Motor                 | 167      | 167     | 167     | 167      | 167      | 167      | 167      | 167      | 167      | 167      | 167      | 167      |
| Ins-assets            | 200      | -       | -       | -        | -        | -        | -        | -        | -        | -        | -        | -        |
| Ins-risk              | 100      | -       | -       | -        | -        | -        | -        | -        | -        | -        | -        | -        |
| Ins-bus               | 500      | -       | -       | -        | -        | -        | -        | -        | -        | -        | -        | -        |
| Accy                  | 83       | 83      | 83      | 83       | 83       | 83       | 83       | 83       | 83       | 83       | 83       | 83       |
| Interest              | 41       | 41      | 41      | 41       | 41       | 41       | 41       | 41       | 41       | 41       | 41       | 41       |
| Total                 | 1,091    | 291     | 291     | 291      | 291      | 291      | 291      | 291      | 291      | 291      | 291      | 291      |
| 7. Net Profit         |          |         |         |          |          |          |          |          |          |          |          |          |
| 7. Net Profit         | \$(1116) | \$159   | \$384   | \$(391)  | \$834    | \$1194   | \$1540   | \$1936   | \$2013   | \$1679   | \$2998   | \$3421   |
| 8. Opening Cash       |          |         |         |          |          |          |          |          |          |          |          |          |
| 8. Opening Cash       | \$0      | \$1704  | \$1863  | \$2247   | \$856    | \$690    | \$884    | \$1424   | \$2360   | \$2373   | \$2052   | \$3050   |
| 9. Setup Costs        |          |         |         |          |          |          |          |          |          |          |          |          |
| 9. Setup Costs        | \$9180   |         |         |          |          |          |          |          |          |          |          |          |
| 10. Cash In/ (Out)    |          |         |         |          |          |          |          |          |          |          |          |          |
| 10. Cash In/ (Out)    | \$12000  |         |         | \$(1000) | \$(1000) | \$(1000) | \$(1000) | \$(1000) | \$(2000) | \$(2000) | \$(2000) | \$(2000) |
| 11. Closing Cash      |          |         |         |          |          |          |          |          |          |          |          |          |
| 11. Closing Cash      | \$1704   | \$1863  | \$2247  | \$856    | \$690    | \$884    | \$1424   | \$2360   | \$2373   | \$2052   | \$3050   | \$4471   |

In business you need to be able to manage your finances, keep accurate books, predict and manage cashflows and budgets and keep investors informed of the state of the business.

# 5 initiate payload

## funding the business

You have now worked through The Guide, have a plan and know the business should be viable. Now, before you start your business, you need to check that you are going to have enough money to operate safely.

This means having enough money to cover the set up and running costs for the first few months. Sure, a lot of businesses have started on a shoe string and yours may have to also – but that doesn't mean cash issues need to be a surprise.

The more you are aware of what is coming up and the clearer your understanding of the potential solutions, the better off you will be.

Go to Step 5.1 of this Funding Section to determine your cash needs.

For help with funding your business visit  
[www.openforbusiness.co.nz](http://www.openforbusiness.co.nz)

# 5.0

## funding the business

### 5.1 Estimate funding needs

The first thing you need to establish is the amount of money required to start the business and to pay all your bills as they fall due.

#### So what do you need to consider?

##### Cashflow forecasting

You need to check your cash requirements on a month by month basis. In **Step 6** – Preparing the Plan you estimated your cash requirements over the next 12 months. However, that estimate did not consider situations where the money you generate may not be paid in the month you earn it.

If you are not confident about your cash needs or if you are planning to get support from a government agency, bank or investor then it is likely they will want to see a full cashflow forecast.

Preparing a cashflow forecast is not that difficult, however, if you are not confident with numbers it can appear overwhelming.

If you need more help, talk to your accountant or anyone you know who has accounting experience.

#### Possible cash requirements

Below is a list of possible cash requirements to consider for your business (note. Each business is different and your business may have other cash needs to consider).

- The amount of money you need to buy the business or acquire all the assets you need to operate the business.
- You also need to calculate your estimated monthly marketing and operating costs. Consider again the items you identified in **Step 6** – Preparing the Plan. You should plan to have enough cash set aside to pay all your monthly costs for at least two to three months of operating.
- Check if you have to pay any costs up front such as insurance. If you do, then you will need to have the money set aside for this.
- If you stock goods to sell, estimate the cost of that stock. Don't get carried away buying too much stock. A good retail store should be able to sell the value of everything in the store every two months.
- Record anything else you think you should have money set aside for such as marketing, sales or recruitment expenses.

Now add up all of the funds above. This is the amount of funds you need to have available to safely start your business.

Now go to **Step 5.2** to look at possible funding sources.



# 5.0

## funding the business

### 5.2 Funding sources

Now you know how much money you need to start your business can you fund the business?

The following three areas are the primary funding options available to small businesses.

#### Personal funding

Personal funding is simply using money you personally have available from money held in the bank, in investments, gained from the sale of assets or provided by friends and family. Add up the amounts of money you have available to put into the business from personal sources.

When you are considering money you have available to invest in your business, ensure that you keep some money aside in your personal funds to cover any unexpected costs such as upcoming bills that you may have previously relied on your wages to cover. It is best to assume that you may not get any personal wage or income for several months or maybe even the first year of your business.

If you are getting funds from friends or family you need to be clear of any expectations associated with giving of those funds. Do they think they are now partners in your business? Is a loan attracting interest with a required repayment date?

#### Bank lending

Before your bank or anyone lends you money they will want to ensure that you will be able to meet the interest cost and repayment requirements. They will also want to know they can recover assets of a similar value to cover the money lent should you be unable to repay the loan.

Because a new business has no history to show its ability to cover any interest cost or repayments it is very difficult to obtain lending specifically for the business.

But this doesn't mean that you won't get a loan. It is more common for the bank to provide a new business with a personal loan or they may be able to increase your personal mortgage to cover the money you require.

An overdraft is useful if you require funds for a short time between the payment of expenses and the receipt of money. However, overdrafts will typically attract a higher rate of interest so if you believe you need the funds for a longer period then a term loan may be more suitable.

Once your business acquires assets and it shows that it can pay interest and loan repayments you may be able to get business loans. These will probably have a slightly higher rate of interest.

# 5.0

## funding the business

### Other funding sources

In addition to bank lending there are many other means through which you can gain funds to help operate your business.

#### Finance company lending

In some circumstances the risks associated with providing lending to your business may be too great for a bank to lend. However, other finance companies which specialise in certain types of business may be willing to provide funding. Always be careful accepting funding declined by others, there's probably a very good reason why the funding was declined.

#### Asset lending

If you require plant and equipment or specialist machinery in your business you may be able to borrow funds from equipment financing companies which specialise in lending for equipment purchases. The stores where you purchase the equipment will probably be able to recommend finance companies. Even if you are purchasing second hand goods these specialist lenders may be able to assist.

#### Credit cards

Credit cards are often used by small businesses as one of their first financing options. Credit cards are meant for very short term borrowing, and in fact if the balances are fully paid by the due date are very cost effective. However, if you do not pay the balance by the due date the interest rate is very high. Consider carefully all other options before using credit cards for long term debt.

#### Credit terms

Credit terms can be a very powerful way of reducing your cash needs. Normal credit terms are 20th of the month following the month invoiced or 30 days from the date of invoice. Whilst this is not a direct cash injection, being able to delay the payment of your bills can significantly reduce your cash needs.

#### Invoice factoring

With invoice factoring you receive funding equal to a percentage of each invoice you issue. It can be very effective when you need to pay large costs relating to a sale prior to receipt of income from the sale. However, it would be even better if you could delay the payment of the sale costs. It is not a way of clearing bad debts which might not be paid by the client, because if the money is not received within a reasonable time the finance company will seek the money back. Most factoring companies take over your accounts receivable management.

# registering the business

Your business is viable, you have a plan and you have enough funds, so let's get started!

The next few pages will take you through the steps you need to follow to start trading in your new business. It is pretty simple to start trading; all you have to do is sell something. However, you should certainly take the time to understand the different business structures and understand which is best for you.

## In this section we will cover:

- Business operations requiring licences
- Business structures
- Registering a company
- Registering for Income Tax & Goods and Services Tax

For help with registering your business visit [www.openforbusiness.co.nz](http://www.openforbusiness.co.nz)

**4**  
verify support systems

# 4.0

## registering the business

### Do you require a special licence?

You need to check whether your business requires any special permits or licences to operate as this could impact on your ability to trade or may influence the type of business structure you choose. Review the following list to establish whether your business requires a special licence to operate (please note this list is not exhaustive. If you have any concerns about special requirements for your business operation you should check with your lawyer or the Ministry of Economic Development).

| Operation  | Yes  |
|--|--|
| Mining for natural resources of any nature               | <a href="http://www.crownminerals.govt.nz">www.crownminerals.govt.nz</a>   |
| Cartage of passenger over the water                      | <a href="http://www.maritime.govt.nz">www.maritime.govt.nz</a>   |
| Use of a segment of the radio spectrum                   | <a href="http://www.rsm.govt.nz/licensing/index.html">www.rsm.govt.nz/licensing/index.html</a>   |
| Collection of marine life                                | <a href="http://www.fish.govt.nz/en-nz/default.htm">www.fish.govt.nz/en-nz/default.htm</a>   |
| Building/Construction/Plumbers/ Electrical workers etc   | <a href="http://www.dbh.govt.nz/building-index">www.dbh.govt.nz/building-index</a>   |
| Food Processor (Butcher/Commercial Kitchen etc)          | <a href="http://www.nzfsa.govt.nz/industry/">www.nzfsa.govt.nz/industry/</a>   |
| Medical Products   | <a href="http://www.medsafe.govt.nz">www.medsafe.govt.nz</a>   |
| Firearm dealer   | <a href="http://www.police.govt.nz/service/firearms">www.police.govt.nz/service/firearms</a>   |
| Street Vendor  | Visit your local council website   |
| Sale of Liquor   | Visit your local council website   |
| Solicitor  | <a href="http://www.nz-lawsoc.org.nz/">www.nz-lawsoc.org.nz/</a>   |
| Money Lender   | <a href="http://www.med.govt.nz">www.med.govt.nz</a>   |
| Transportation Companies (Aviation/Taxi/Bus)             | <a href="http://www.mot.govt.nz/home/">www.mot.govt.nz/home/</a>   |
| Medical Specialist                                       | <a href="http://www.moh.govt.nz">www.moh.govt.nz</a>   |
| Agents (Real Estate, Motor Vehicle Dealers, Auctioneers) | <a href="http://www.reinz.org.nz">www.reinz.org.nz</a><br><a href="http://www.consumeraffairs.govt.nz">www.consumeraffairs.govt.nz</a> |



# 4.0

## registering the business

### Choosing your business structure

You need to decide what legal form your business will take. Most new small businesses choose a company structure. Sure, there are other options, partnership, sole trader, trusts or cooperatives but a company generally provides the most advantages. Registering as a company costs a small amount and can be completed online. If you are unsure about the best structure for your business, seek appropriate legal advice.

#### Sole trader

As a sole trader you operate the business personally. There is typically no legal or formal process to undertake prior to commencing. You simply start selling! As a sole trader you are the business. If you give your business a name like “Kiwi Pride Lawns” then officially the business is you eg Mary Smith – trading as “Kiwi Pride Lawns”. All contracts and agreements you enter into as the business, including the taxation obligation of the business, are personally connected to you. This means all your personal assets could be seized by a creditor if you failed to pay a business contract.

#### Partnership

A partnership is primarily the same as a sole trader except there is more than one person who owns the business. There is typically no legal process to undertake prior to commencing – you can simply start trading. However, it is important to document (in a partnership agreement) how you will split the profits of the business and whether anyone gets a salary, or if you have to put in an equal amount of money. If you don't have a partnership agreement it is likely that everything will be assumed to be 50/50.

In a partnership two or more people are personally operating a business. As such you are jointly and severally liable for the payment of any debts relating to the business. This means that your personal assets are at risk to cover the payment of your share of any debts in the business, and if your partners cannot pay their share you must cover their debts also.

A partnership may use another name for the business but legally the business is in the partners' names. When it comes to taxation, partnerships are not taxed as a separate entity. The profits or losses are simply split to the individual partners and taxed as part of their personal earnings.

# 4.0

## registering the business

### Company

The big difference between a company and all other business structures is that it is a separate legal entity. This means a company has the rights of a typical person. You may be the owner (Shareholder) and the manager (Director) but the company can enter into contracts in its own right.

A company structure makes it much easier to obtain additional finance, gain investors and sell the business in the future.

Companies are registered with the Companies Office, a division of the Ministry of Economic Development. The registration process costs a small amount and has been made very easy with an online registration process. Each year you are required to provide an update of your company details. This is also a simple process and if it is completed online, it is free.

Because a company is a separate legal entity you will need to obtain an IRD number for the company from the Inland Revenue Department. The company files its own tax return for all the business revenue and expenses and is required to pay tax on any profits it makes.

All companies have the words 'Limited or LTD' after their name. This indicates that the business is a limited liability business. This means only assets held in the name of the company are at risk should the business fail to pay any of its creditors. However, some protection is given to creditors by restricting payments being made to shareholders unless there are adequate funds to do so. Claims can be taken against the Directors who run the company if it can be proven they acted negligently in some way that would knowingly cause a loss to another.

# protecting your assets

Your business should now be registered and ready to start trading. But before we get too far we should check that where possible, the risks associated with running your business have been covered.

So, what potential risks could we face?

Over the next few pages we will take you through a list of the typical risks you could face and help you decide the best way to manage those risks.

## In this section we will cover:

- Patents
- Trade marks
- Income Risk
- Business Risk
- Asset Risk
- Advice Risk
- Other Risks

For help with protecting your assets visit [www.openforbusiness.co.nz](http://www.openforbusiness.co.nz)

**3**  
seal hatch  
door

# 3.0

protecting  
your assets

## Patent protection

If you have created a unique product or process it may be possible to protect it by using a Patent to stop anyone else from reproducing it. This gives you exclusive rights to produce that product or to sell the production rights to others.

A patent is granted by the Government for a new product or manufacturing process, an improvement to an existing product or process, or for a method relating to the testing or control of a manufacturing process. The owner of the patent (the patentee) may then exclude others from commercialising (making money from the sale of products) the patented invention for up to 20 years.

The first step in registering your patent is to search the New Zealand register and where possible international patent registers to see if a similar patent has already been registered.

Patents registered in New Zealand only provide protection within New Zealand. For international patent protection you will need to either register a patent in each country that you are seeking to enter or make an application under the Patent Cooperation Treaty (PCT). It costs \$300 to file a New Zealand patent.

Patents can be filed online at [www.iponz.govt.nz](http://www.iponz.govt.nz)

The first step is to file a provisional application costing \$50. A provisional application reveals the invention to the public. This enables you to test the market place and gauge how successful it may be, before making the decision to file a complete specification.

A complete specification costing \$250 is a more detailed description of the invention than is required when making a provisional application. The complete specification should contain enough technical details of how the invention works so that a competent technician would be able to carry out the invention or put it into effect. Detailed drawings are often required to illustrate the invention.

## Trade mark protection

If you have created a unique name or logo identity it may be possible to protect it by using a Trade mark to stop anyone else from using that identity.

A trade mark is a unique identifier, often referred to as a "brand" or "logo". Once a trade mark is registered, the ® symbol may be legally used against the trade mark. A ™ symbol indicates that a trader is using a sign as a trade mark but does not indicate whether the sign is registered. Trade marks can include words, logos, colours, sounds, smells – or any combination of these.

The first step in registering your trade mark is to search the New Zealand register and where possible international patent registers to see if a similar patent has already been registered.

Trade marks registered in New Zealand only provide protection within New Zealand. For international trade mark protection you will need to register a trade mark in each country that you are seeking to enter. It costs \$100 to file a New Zealand trade mark per classification.

Classification is the term used to describe the system of categorising goods and services of a similar kind into classes for ease of identification and searching.

One of the best ways to protect your name is to secure the internet domain. In business today if the domain cannot be secured, businesses will often select another trading name.



# 3.0

## protecting your assets

### Income risk

What would happen if due to sickness or accident you were unable to work? Our income is typically our most important asset because without it we may be unable to afford our home or the food on the table. Do you also have fixed business expenses which you have to pay regardless of whether you are sick or injured?

It is generally possible to get insurance to cover the risk of you, as a key part of the business, being unable to earn income as a result of accident or injury. This insurance is called 'Key Person Insurance'.

The Accident Compensation Corporation will pay a minimum income of \$314 per week if you cannot work because of injury. This minimum will only rise once you have filed your first tax return and paid your ACC levy. Until this stage, ACC have no idea what your average earnings are so will only pay the minimum.

The cost of this insurance will vary depending on your present state of health, age and the nature of your work and personal activities.

### Business risk

Is there any possibility that your business could cause an accident or incident which may result in someone else suffering a loss? This is often hard to calculate or imagine.

Some typical accidents are:

- While leasing a building you left a tap running and it flooded the building.
- Our lawnmower somehow fired a spray of oil which landed on the client's rugs being aired and the rugs cost \$20,000.

It is generally possible to get insurance to cover this risk called 'Public Liability Insurance'. Public Liability Insurance will normally cover the cost of any damages (incl legal costs) awarded because of an injury or damages you or your business caused to a member of the public.

In the above examples the landlord or the household's insurance will probably cover their risk (if they have insurance), but even so it is not uncommon for insurance companies to try to recover that cost from the persons responsible, especially if the person is a business.

Business Risk Insurance is typically a small cost for the level of cover it provides (normally in the millions).

# 3.0

## protecting your assets

### Asset risk

Consider the amount of assets you hold and the amount of financial risk you carry should those assets be stolen or lost as a result of fire, flood or other natural disaster.

In the same way you have insurance on your car and your house and contents, it is important that you protect your business assets.

It is generally possible to get insurance to cover these asset risks called 'Fire and General Insurance'.

Make sure you include in any calculation the cost of leased or rented assets under your control, eg. if you rent a photocopier you will need to make sure your insurance covers the cost of the copier.

Stock assets (goods you hold for resale) can accumulate to a very high cost. Make sure you adjust this level of insurance if you start to increase your stock holding.

### Advice risk

Is it possible that as a result of taking your professional advice another party may suffer a loss? Obviously we don't plan to give incorrect or inappropriate advice; however, is it possible for this to occur? This risk is mainly applicable to professional organisations such as accountants, lawyers, consultants and contractors. Hundreds of cases have been taken against firms providing professional advice including recent cases where building inspection companies have failed to detect problems which later proved to be water leaks.

As with all insurance, while the risk may be minimal the cost could be extensive. In the building inspection example the fees gained in the inspection were probably less than \$1,000. However, as a result of the client taking the advice, the claim for damages could be over \$300,000. The inspector may also have undertaken the inspection as they have always done, but changes in building materials may have required different tests to be performed.

If you think there could be any situations where others could rely on your advice which could give rise to a future claim, then you should look at Professional Indemnity Insurance. The cost of professional indemnity will vary greatly based on the risks associated with your industry.

### Other risks

Starting a business is the perfect time to consider all the other possible risks you may face in your business and how you may be able to manage those risks.

Some of the areas you should consider are:

- Loss of Profits Cover – where the business cannot operate for a period of time
- Product Liability Cover – similar to professional indemnity, but covers the risk of a product of yours causing harm
- Life and Disability Cover – security for family to cover business risks and ongoing income after an unplanned event
- Health Cover – cover of major health costs for self, family or as a staff benefit

# the bare necessities

You are now up and running in your business so you need to make sure you have all the tools of trade for a typical business.

These bare necessities apply to almost every business.

Over the next few pages we will provide you with some tips and some of our experience when it comes to selecting and establishing the core business services you need.

## In this section we will cover:

- Banking Relationships
- Phone Systems
- Computer Systems
- Identity, Logo & Business Cards
- Accounting Systems

For help with the bare necessities visit [www.openforbusiness.co.nz](http://www.openforbusiness.co.nz)

# 2

activate  
supplimentary  
engines

# 2.0

## the bare necessities

### Your banking relationship

Setting up your banking facilities and bank relationship is a key step in your business so we have included Kiwibank's suggested list of activities to assist you.

1. Make sure the bank knows you are a business! This sounds crazy, but if you don't tell your bank you are a business they cannot assist with business related services.
2. Have separate accounts for business and personal transactions. Where possible avoid using the business account for private transactions.
3. Get an On Call account to put GST and Tax payments into. Having an On Call account encourages you to put money aside for tax bills, especially when you see you are earning interest.
4. Get cheque books with butts so you can record what the cheque was for.
5. Set up your business for internet banking. Even if you are not familiar with the internet, as a small business internet banking puts everything at your fingertips.
6. Set up your business for TXT banking. After a very short time you will find yourself regularly TXTing to check your bank balances.
7. Consider getting a Business Credit Card. Being able to pay for certain goods and services via credit card is becoming a typical business activity, especially when purchasing goods or services online.
8. If you need any lending or if you think you might in the future, meet with the business specialist to understand the options available to you. It's hard to expect the bank to lend you money if they know little about your business, so keep them informed as much as practical.

You might find that you need to set up other banking services depending on the nature of your business.

#### Merchant acquiring facilities

Merchant facilities are required if you want to accept EFTPOS transactions from your customers or credit card transactions. The process basically sets you up with the right equipment for your business, explains the rules & risks associated with accepting the different payment forms. Standard charges apply based on the equipment and services you need.

#### Foreign currency accounts

Foreign currency accounts are very useful if you are constantly receiving money in a different currency. Foreign currency accounts can be held in all the major currencies. In a foreign currency account there is no exchange calculation when foreign monies are received as they stay in that currency until you withdraw that money and convert it to another currency.

#### Trade services

The bank can provide letters of credit to your suppliers, especially where they are offshore, to provide assurance that you will be able to pay the bill. The letter of credit is like a guarantee to pay.



# 2.0

## the bare necessities

### Choosing your phone system

The phone is a vital part of business and today we have options to suit every possible need. To choose the best phone system for you, you need to visualise who is going to call you, who you will typically call and where you will be to make and take those calls. The following table may assist in trying to determine the best options for your business.

#### 1. Do you have or need a Cellphone?

In recent years your typical small business phone system has changed with more and more businesses opting for a mobile phone only. If you already have a mobile phone or know you need one then consider if you need anything else! Is a landline going to give you anything you don't already have?

#### 2. Will you or the majority of your staff be based in an office?

If your business is based out of your home or from an office then a landline is likely to provide the most cost effective solution. Home based businesses can get additional lines which enable you to distinguish between work and personal calls. Business lines can be purchased in the same way as home lines, however, there is typically a connection fee. As your business grows you can purchase more lines for your staff. Each line can come with a direct dial number, message options and all the other features you are used to. Once you exceed three lines it may become more cost effective to have an exchange system (PBX) which allows you to receive calls centrally and share the number of phone lines coming into your business.

#### 3. Will you have a lot of staff out of the office?

If you have a lot of staff out of the office then a mobile solution or a combination of Landline and Mobile could be best for your business. You can now get mobile plans that enable you to call and transfer calls between anyone in your mobile group for a fixed low price or even for free. This provides you with all the functionality of a PBX but enables you to transfer the calls anywhere around the office, city or country.

#### 4. Do you receive a lot of calls from new / potential customers?

If you receive a lot of calls from new customers then you will need a phone system which will make it easy for you to respond quickly to each call. You can connect an 0800 (free to call number) to either your landline or cellphone. You will need to consider how you manage your call if you are busy or on another call. This could be managed by a series of redirects to other people, answer services, messages or call waiting. You can even change to ring tones so you know when a sales call is coming in.

# 2.0

## the bare necessities

### Computer system

A computer is a core part of any business today. Computers are used as an administration tool for letter writing, storing accounting information and inventory information. Accessing the internet through computers is a vital communication tool. Email is now used by over 98% of businesses as a key communication tool. Over 60% of households have used email or the internet to communicate or acquire goods and services.

The computer system you choose will depend on your business needs. We have detailed below some factors to consider when selecting your computer systems.

#### 1. Do I need a top of the range model?

Because computer systems are updating so quickly, the bottom of the range computers on offer today are typically faster and more powerful than any system currently being used in any office environment. Typically the top end models will carry a higher price to recover the development costs of the system. So, do question your need for anything above the most basic model.

#### 2. Portable or desktop?

Portable computers / laptops are a very effective tool in a small business. They allow you to perform multiple tasks including quoting, producing invoices and updating client records wherever you are. If you have a mobile datacard or a mobile phone you can also connect to the internet, allowing you to send and receive emails and view websites. The downside to portable computers is that they typically cost 50% to 100% more than the equivalent desktop machine. The increased cost relates to the more expensive smaller components used in portable machines.

#### 3. Home PC vs business?

There is a difference between the machines you buy from your home appliance store and a business provider. The main difference is the level of support. Whilst computer systems are generally reliable, you will end up placing a lot of reliance on these machines so it is important that should something go wrong you have good backup support. Beware of the very cheap home user PCs. Even named brands at this level are a collection of component parts, not tested to work as an integrated system. So, they will work but when compared to a typical office machine their performance is sometimes much inferior.

# 2.0

## the bare necessities

### Business identity and logo

Your logo is the foundation on which your letterhead, business card and website are built. Logo is defined as the combination of a name, a symbol, and a short tag line. The sum of these parts should identify at a glance the nature of your product or service, transmit the benefits of using it and define your attitude towards it.

Answering this checklist will help you to design it well.

#### 1. Establish your mission

Before you embark on your logo rethink who you are and who your audience is.

#### 2. Do some research

- Collect the identity of your competitors
- Study your customers and determine a style which fits your customer base (old/new/formal/casual etc)
- Collect examples of colours / concepts and designs you like and which fit your customer style

#### 3. Write a defining phrase

This short 5-15 word phrase defines what you do and the benefits to your customers. It does not have to feature as part of your identity. Check your phrase covers some or all of the following:

- Defines your market
- Translates features to benefits
- Lists benefits in order of importance
- Identifies a hook (something that captures the audience)

Test your defining phrase with a sample of customers

### Logo and identity design

Once you have completed the checklist steps above you should be able to easily explain to a graphics designer the characteristics of your business. This will provide them with what they need to create a series of concepts for you to consider. Make sure you get an indication of costs before commencing.

If you are not interested in a graphical logo you may just want to simply select a font style for the way your name is written. This will reduce the graphic design cost or you may be able to do it yourself.

The one marketing step which almost every business completes is the printing of business cards. A business card is not a sales tool and it is unlikely to bring you any business on its own. However, it is an easy way of leaving your contact details with a client. You should be able to get a stack of business cards printed for very little cost.

Before you produce your business card, give some thought as to whether you can use the cards in more ways in your business. For example, the back of the card could be used to capture appointment details, have a guide or even provide some operating tips.

# 2.0

## the bare necessities

### Accounting systems

Yes, you can run your business without a computerised accounting system. But, why would you? Very powerful accounting systems for small businesses can be purchased for only a small investment. When you consider that this system can be used to bill your customers, keep track of who owes you money, monitor your bank position, track the performance of your business, manage your taxes and show you how you can make more money in your business. This is a small price to pay for all these benefits.

#### Full accounting systems

A full accounting system will allow you to track money owed to you, money you owe and all the cash transactions of your business. Full accounting systems are also known as accrual accounting systems.

#### Cash accounting systems

Cash accounting systems are fast and simple. They only track the cash transactions in your business. Often these cash systems can extract the transactions directly from your bank. This means you do not need to key the transactions and can quickly get information entered. Unfortunately cash accounting system do not provide a complete picture of the financial performance of a business and as such cannot be completely relied upon. While cash accounting systems can be used to calculate cash based GST, only a full (accrual) accounting system can provide accurate financial reports required for end of year tax returns or for accurate monthly reporting.

#### Choosing Accounting Systems

The leading accounting systems on the market are all very feature rich and will handle the needs of most small businesses. Key factors to consider when choosing your accounting system are:

- System compatibility
- Specific requirements of your industry (ie. stock control, or time billing)
- Ease of use (download and try before you buy)
- Flexibility (do you need to access information online, anywhere?)
- Preferences of your accountant
- Support options

# 1

# blast off

For help with launching  
your business visit

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### Open for Business

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### Open For Business

is kiwi owned and operated, providing a team of skilled consultants that specialise in helping small businesses to develop and grow.

Unlike many other business coaching organisations, Open For Business does not limit you to a single coach for all areas of your business. Our team comprises of specialists in each of the four core business disciplines - Management, Marketing, Sales and Accounting - ensuring you get the most appropriate advice when you need it.

Our business support services include, business start up's, mentoring and a unique boardroom service, to assist with decision making as your business develops.