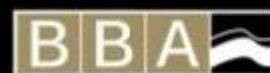


ON THE MONEY

An update from Bayside Business Accountants



Have you completed your 2012 tax return?

If not, contact us to make your appointment before Christmas on **03 9583 4316** or email reception@bbaccountants.com.au

7 Common Business Start Up Mistakes

The business start up phase can be exciting but it can also be challenging and incredibly stressful. It involves lots of planning and the stakes are high with your money and career on the line. The rewards are commensurate with the risk and while the failure rates remain high, there are some preventative measures you should have in place including:



1. Avoid Friendly Market Research

A lot of business start ups turn to their friends and family for advice but the fact that a mate loves your business idea doesn't guarantee there is a market for your product or service. Before you start spending money you need to invest some time researching the industry, your likely competitors, the demographic of the customers you are targeting and if the demand is big enough to warrant the risk.

If you don't identify your customer needs, where they live and how to access them you are really asking for trouble. The old adage, "Failing to plan is planning to fail" does apply and you need to do your homework. A business plan is really important because it provides a road map of the business concept and addresses issues like competitors, your point of difference, the financial aspects including budgets and of course the marketing plan. If you are looking for a business plan template there are a number on the internet including one at <http://www.business.gov.au/Documents/BusinessPlanTemplate.doc>

2. Adapt to the Market

Most established business owners will tell you that the product or service they are currently offering is quite different to the original product they designed. Technological change, trends and customer demands mean you can't be inflexible. You need one eye on the future, so as you see opportunities develop you can adapt your product to suit the market. Listen to what your clients are asking for and be quick to adapt to their needs.

3. Undervaluing your Product or Service

Avoid the temptation to under cut your competitors to win market share during the start up phase. Price your product by examining your competitors and compare quality, customer service, innovation and expertise. Understand where you fit in the market place and set your prices accordingly.

A lot of start up business owners lack the confidence to price their services at the top end because they are desperate for customers. If you discount or set the price point too low you will attract the bargain hunters and tyre kickers who will erode your confidence and profitability. Remember you can always drop your price but it is much harder to increase it once you've built a database of customers. Once you've set your prices tell everyone upfront and don't be shy because you know you are delivering quality and service.

4. All Customers are Good Customers

Growing a start up business is all about finding customers who will hopefully refer their friends, family and colleagues. You need to distinguish 'good customers' from 'bad customers' and in some cases, reject potential customers.

If you price yourself at the bottom of the food chain you are likely to win low end customers who will soak up your time and resources. From experience these jobs and customers are the ones you spend more time on than you budgeted or the client expectations are excessive. They say one man's trash is another man's treasure but you need to reject the rubbish because these 'energy vampires' can suck the life out of you.

5. Designing your own Brand

Branding is a really important part of your positioning in the market place. For example, if your target market is Gen Y you need to look modern and appeal to this generation. Colours can be important and remember your brand should out live you so it is important to send the right message. Have a positioning statement or tag line that talks to your ideal customers and a business name that resonates with your market or product.



Engage a professional or use the online resources of www.logotournament.com that lets you tap into the creative minds of dozens of graphic designers for less than \$300. This is one of the foundation stones in your business and should not be delegated to a friend of a friend who has some artistic talent.

6. Bookkeeping is a Priority

While the start up phase is often all about getting work in the door and generating revenue, record keeping and accounting software are other foundation stones in your business wall. Too many businesses fail because of poor record keeping and you need to make it a priority.

Legal obligations aside, your records will provide valuable information you can use to grow your business. Know your numbers and sales information. Identify seasonal trends, your best customers and their preferences. Calculate your average sale value and know

your sales per product. This valuable data will help you make strategic business decisions.

Software selection is very important. The golden rule is match your business needs with your accounting skills. Don't buy sophisticated double entry accounting software if you don't understand debits and credits. Most importantly, consult with our office before you make the software decision.

7. Test and Measure Your Marketing Results

It's common for a business start up to rush out and spend money on advertising in the hope of winning some business. Unfortunately, hope is not a terribly successful business strategy.

You need to research what your ideal client looks like and think about the niche markets your business appeals to. Running general ads is really fishing but to be successful you need to have the right bait and tackle. You also need to position your business where the 'fish' are biting. As such, it might be more logical to advertise in specific trade magazines or exhibit at a trade show or possibly attend a networking event.



While advertising can be a great way to generate new business you need to have a clear strategy that includes getting your message to your target audience at precisely the right time. You also need to measure the performance of the ad because if it doesn't generate new business you need to either edit the content or look to spend your money elsewhere. Test your advertising and marketing content then measure the results because the definition of insanity in business is doing things the same way and expecting a different result.

Thinking of buying a business?

Buying a business is a real process and there are numerous issues to consider before you commit to the purchase. We have put together the following list of issues to consider but we urge you to **consult with our office before you sign a contract or handover any funds:**

- Understand exactly what is on offer and does the business match your needs, location, lifestyle and budget?
- Consider why the vendor is selling and the timeline and handover required.
- Obtain as much information about the business as possible before making an offer. Your offer should be subject to appropriate due diligence, finance approval and any regulatory approvals.
- Due diligence is an essential part of the process and should include a thorough review of the financials to verify the revenue figures. In addition, you need to inspect the various assets and equipment included in the sale and sight all documentation regarding any leases including the premises.

- If staff are involved you need details of their salary, next review and their skills.
- Evaluate the future potential for the business as well as any risks or threats.
- Obtain an independent valuation of the business.
- Obtain specialist advice regarding the most appropriate business structure to use taking into account asset protection, estate planning, stamp duty and taxation issues including eligibility for discount capital gains tax concessions.
- Seek professional assistance regarding finance well before purchase. Most financiers have specific policies regarding lending against goodwill, the need for collateral, the loan term, interest only periods and the fees and charges.
- Prepare detailed cash flows to establish if you can service the loan.
- Ensure you have all the necessary business registrations in place.

Don't forget to talk to us before you make any final decisions.

Now is a great time to establish your own super fund



We can show you how to take control of your retirement income through a self managed super fund. We specialise in SMSF establishment, accounting, compliance, tax and auditing. Call us today on **9583 4316** to book a FREE 30-minute appointment for more information.
(Please mention this offer when booking your appointment)

The greatest compliment we can receive is the referral of your family, friends and business colleagues. If you refer business to us, please let us know so that we can show our appreciation.

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Bayside Business Accountants
92 Charman Road
MENTONE, Vic 3194
Australia

Powered By
MailChimp

[Add us to your address book](#)

Phone: 03 9583 4316 Fax: 03 9583 5345

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