

YOUR SELLING PRICE.....

HAS LITTLE TO DO WITH COST BUT LOTS TO DO WITH PRICE PERCEPTION

A client introduced a new product to the market. He chose the price set by his nearest competitor and doubled it, because he thought his product was at least twice as good. Fortunately his customers agreed with him. Whew!!

There are psychological barriers to prices. For example, another client was selling goods which, when he added a normal profit margin, came to \$425 each. He discussed the price with an experienced retailer who said it wouldn't make any difference whether the price was \$425 or \$495 and therefore recommended the latter. The psychological barrier is \$500 in this case. Hence the term which I love to use – the Price Band!

As long as you are in the price band for services or products of a similar nature then you can price upward until you reach the top of the price band. \$500 in the case above!

What will the market accept? Price can depend on location. Petrol bought at Haast is perhaps the most expensive petrol in the country. While part of the price relates to the cost of trucking the fuel in, there may be a premium related to where it is, many miles from the next pump in either direction.

Builders commonly price according to demand for their services. If they have a full book, they will put in a high tender. Their decision may not be closely related to their cost.

We want to convince you that looking at cost price may not be the basis for determining your selling price. But cost should be checked against to ensure you are not making a loss!!

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Selling price has to do with perception of value. Sometimes lowering your selling price can send the wrong message and raising it the opposite. For

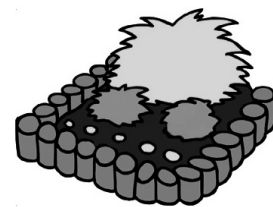
example, could you imagine Rolls Royce dropping the price of their cars? Or if you needed a brain operation would you ask all the brain surgeons who has the cheapest fee for your operation and then take that one? No way!! You and I would take the BEST brain surgeon!

And how do we assess who is the best? We ask our doctor and others in the medical field and our mates, what they think and then come to a considered view!!

So when you are setting your price remember that cost price MUST be used to check you are getting a reasonable margin but most probably will not be used in assessing your selling price!

Land Transactions!

We have had a number of clients recently who have been buying, selling or other wise dealing in land and buildings.



These transactions and their related income tax and GST problems are difficult, complex and turn my hair grey(er!).

The law appears at first sight to be relatively straight forward BUT be warned!!

Here is an extract from a Newsletter we recently received:

'New Zealand does not have a capital gains tax – does it? That is the argument one couple who have traded 10 'family homes' in 10 years and have found themselves caught up in this latest

activity by the Inland Revenue Department. Will the argument stick (to argue that these are capital gains)? We have our doubts!'

The article goes on to say that the taxing provisions have always been in the Act but just never used.

Just one example of many in all sorts of areas for land!!

So once again the message is clear! If you are involved in a property transaction speak to us first - before you enter into it!!

SPOTLIGHT : Jeanette Gardiner



On leaving school I worked for NZ Post Office (when it was a Bank AND a Post Office!) then became a farmer's wife in central Hawkes Bay. I enjoyed the country life and helping on the farm feeding out, harvesting and lambing! But after a change in circumstances we sold the farm and moved to Te Awanga where I worked for a mechanic doing the bookwork and then joined Tax Link in Hastings where I became the administration person.

On shifting to Napier I wanted to find work

closer to home so joined Business Results in September 2003. I am still responsible for the administration here but keep finding the goal posts are being shifted – wider! However I thoroughly enjoy the work, the team and the client contact I get by acting now as our receptionist.

Graeme and I are slowly renovating our home on Napier hill and we have two dogs, and five children all of whom have left home (thank goodness!).



Business Results Limited

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Don's Comments

Dear Friends

The holidays seem a far distant memory! However work always seems to swallow up a very large part of the day so we all have been kept out of mischief!!

We are in the process of appointing new staff members to help us. This process is always stressful as we have to find someone who is not only technically proficient, but also fits in with our culture! When we mention 'fun and passion' being one of the cornerstones of our philosophy we can get glazed looks!! After several false starts we think we have found someone and when we confirm with her we will let you know.

We are looking for another staff member as well to help with the increasing time constraints we seem to be finding ourselves!

When we shifted 2 years ago (almost) we had a huge amount of space. Now it seems quite small!!

We seem to be registering for lots of seminars and conferences lately, but these are for your benefit ultimately, as it is only by keeping up with changes in the business climate can we be effective in helping you!

The first one I went to was a MYOB training session on 'Optimist' which is an extremely flexible piece of software enabling you and I to see how the business has gone and the forecasting

where it is going to! It is very valuable as it can give you options on how to increase net profit, how to get your bank account into line etc!! This year I will be selecting those who I think will benefit from such a session!

The second seminar I went to was on why we, advisors, should NOT take on Trusteeships! It seems we are becoming a much more blame laying culture (following the USA?) and consequently the risks are rapidly increasing.

Jo and Heather went to a Tax Update and Cheryl is going to another as well.

Planning has been completed for the year and we have set ourselves goals and how and when we are going to achieve them. It is up to us then to monitor those goals and to modify, increase or decrease them as we go through the year.

Cheryl and I went to the golf at Gulf Harbour several weeks ago and thoroughly enjoyed the cut and thrust. We also caught up with an old work mate of mine who I had not seen for 39 years! He has a practice in Albany; the area is exploding both in residential and business. It was good to catch up as the philosophies of our businesses are very similar. We plan many more meetings!

Keep happy, healthy and positive!

Don & Cheryl, Jo, Sally, Jeanette & Heather.



TAX SAVING BALANCE DATE ACTIONS 31 MARCH 2005

Premises: Investigate all repairs, maintenance and other assets that are required.

Vehicle Replacement: Dispose of any vehicles that are no longer needed.

Large Asset Purchases: Investigate whether your business needs any new assets. Depreciation can be claimed from the month of purchase.

Vehicle Maintenance: Do all repairs and maintenance, including WOF and valeting before March 31.

Bad Debts: Ensure that any suspected bad debts are removed from your ledger on March 31.

Recruitment and Training: Consider upskilling your staff. Enroll and pay now for courses after March 31.

Travel & Accommodation: Book and pay for in advance as long as prepayment does not exceed \$12,000 and travel is made within 6 months of purchase.

Look at Asset Schedule: Check if any assets are now obsolete, worn out, died or thrown away. These need to be removed from the schedule.

Vehicle Logbook: Logbooks need to be done for 3 months every 3 years. Check when you last completed yours.

Stock on Hand*: Remember businesses are no longer required to value their closing stock or include any change in value if:
- Turnover is \$1.3million or less for the year; and
- You can reasonably estimate trading stock on hand at balance date is less than \$5,000.

***We will simply use the same figure for closing stock in the financial statements as the opening stock. This is an optional method, you can still do stock takes and get a true value of your stock if you want to. This change is to help reduce the cost in valuing and making adjustments for small amounts to trading stock at the end of the year.**

TAX SAVINGS

LAND Issues!

Winning Strategies

TRAINING

Relationships

Do you have what it takes to succeed in business?

Traits you must develop in today's environment.

- 1. An eye for opportunity**
Begin by sensing a need, and then move quickly to fill it. This is either an entirely new product or service, or something as simple as opening a children's store in a mall.
- 2. An appetite for hard work**
Work long, hard hours and focus on the real priorities, especially when times are tough. (Those who avoid tough problems by burying themselves in their original area of expertise often fail)
- 3. Discipline**
It's not just how hard you work, but the way you work that counts. Successful business owners resist the temptation to do what is easiest. Instead they do what is most essential.
- 4. Independence**
Have a strong drive toward independence, plus the ability to be good team player when the need for cooperation arises.
- 5. Always keep learning**
Whether you discipline yourself to read one uplifting business book and one tale of a person's triumph over adversity per month and also continue to learn by going seminars, special interest group meetings always continue to learn!
- 6. Make mistakes**
If you don't make wrong decisions then you are not learning and you are holding your business back! By continually trying new ideas and monitoring the results you will keep ahead of the pack!

"A rich family commissioned a well known author to write its history, but pointed out that he should soft pedal the fact that one uncle's life of crime had ended with a death sentence in the electric chair. The author was told: 'Don't say it straight out, skirt around it a bit.' This is what he wrote: 'Uncle William occupied a chair of applied electronics in one of the leading government institutions. He was held to the post by the closest of ties and his death came as a real shock.'

WINNING STRATEGIES FOR EFFECTIVE LEADERS



What separates effective leaders from the rest of the pack? Top leaders have established habits producing top results;

- 1.** Focus on meaningful task completion rather than crisis management. Meaningful tasks are those which directly affect the quality of your life. By spending your time on meaningful, non-urgent tasks, you'll find you actually reduce the number of crisis tasks - and reduce your level of stress.
- 2.** Think proactively, not reactively. Proactive thinking is future oriented, opportunity-oriented, and positive.
- 3.** Master people skills. All leaders need to interact with their people on a daily basis. Be genuine, be interested and be a positive role model.
- 4.** Learn as much as you can about the world around you. Great leaders are usually curious by nature and enjoy expanding their intellectual horizon, and can discuss myriad topics. Read a wide range of books and newspapers and get to know people outside your circle.

Facts from the 1500s

The next time you are washing your hands and complain because the water temperature isn't just how you like it, think about how things used to be. Here are some facts about life in the sixteenth century.

Most people got married in June because they took their yearly bath in May, and still smelled pretty good in June. However, they were starting to smell, so brides carried a bouquet of flowers to hide the body odour. Hence, the custom today of carrying a bouquet when getting married.

Baths consisted of a big tub filled with hot water. The man of the house had the privilege of the nice clean water, then all the other sons and men, then the women and finally the children - last of all the babies. By then the water was so dirty you could actually lose someone in it.

Hence, the saying "Don't throw the baby out with the bath water."

Houses had thatched roofs-thick straw-piled high, with no wood underneath. It was the only place for animals to get warm, so all the dogs, cats and other small animals (mice, bugs) lived in the roof. When it rained it became slippery and sometimes the animals would slip and fall off the roof.

Hence, the saying "It's raining cats and dogs."

SMALL BUSINESS SUCCESS

BUSINESS PLAN REVIEW CHECKLIST

Go over your business plan and see if you need to change your plan to suit the conditions prevailing at that particular time.

Goals and tracking

- Have you set your company objectives?
- Have you realistically forecast your potential sales?
- Have you set a detailed budget to achieve those required sales?

Capacity

- Do you have the right staff in skills and in attitude?
- Are you well equipped to physically operate the business?
- Do you have enough staff capacity and a forecast on how they will be used?

Marketing and positioning

- Are you effectively advertising and marketing into your market?
- Are you improving your competitive position?
- How do your prices compare to competitors' and do they match your market niche?

Customers and service

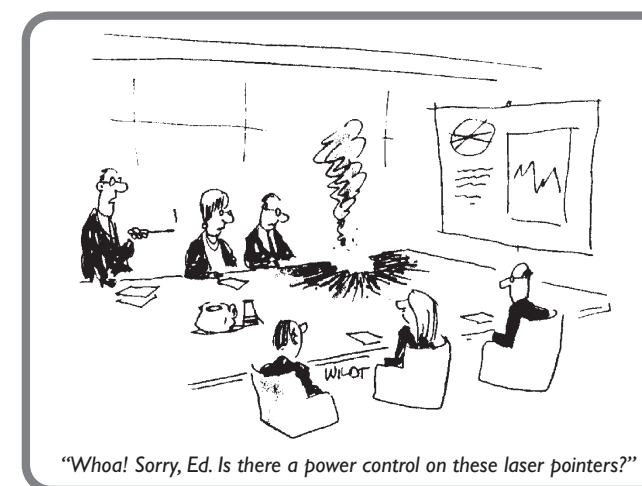
- Are you creating new customers and how?
- Are you retaining existing customers and why?
- Do your staff have good customer service relations and attitude?
- Do you follow up customers (before, during or after sales or service)?

Quality

- Are your staff fully trained in the range of services you provide?
- How do you ensure good quality workmanship?
- Do you use an order or job tracking system and a well presented detailed invoice?
- Do you analyse every sale/job/project and see where you could do better?

Pricing, costs and profits

- Do you have good credit management and control?
- Are your charge rates up-to-date and do you fully detail all costs?
- Do you check your unsold time daily and understand why?
- Are you controlling your expenses?
- Do you have good accounting and budgeting policies/practices?



EMPLOYMENT AGREEMENTS



We can't stress enough how important to ensure that all employers have a signed employment agreement with ALL your employees.

From 1 April this year, employers must ensure they have an updated and signed employment agreement. Since changes to the Holidays Act 2003 last year, many employers have not updated their employee's contracts.

Please call our office if you need assistance in preparing employment agreements with your staff.

This would also be a good opportunity to get us to look through your existing employment agreements to ensure they are correct and legal. This could prevent large costs to your business in the future from a disgruntled employee.

Minimum Wage RISES 50c PER HOUR

The minimum wage has increased from 21 March 2005.

For workers aged 16 and 17, the hourly rate moves from \$7.20 to \$7.60 per hour.

For workers aged 18 and over, the hourly rate moves from \$9.00 to \$9.50 per hour.

The minimum training wage, which is set at the level of the minimum youth wage, will move at the same rate.

MAKE SURE TRAINING STICKS

If you want employees to appreciate and retain training, take these steps:

- Show them that the training is useful.
- Adults expect their learning to be practical and relevant. And they retain best what they immediately put to use. So as soon as you've trained them, have them put their training to work.
- Reinforce the learning. That means you need to tell them frequently what they're doing well and give specific instructions for things they need to improve. Allow plenty of time for your staffers to use their new knowledge on the job. Tip: The best way to help people master a new skill is to have them teach it to someone else within 48 hours.