MONEY MATTERS

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LEADING CHARTERED ACCOUNTANTS AND BUSINESS ADVISERS

Finding your target market

Understanding your customer is one of the most important things every business should be able to do. However, it is particularly important for small businesses.

Why? Because only by having a clear definition of the exact type of customer you are trying to reach can you make the most of your limited marketing dollars and have the biggest impact on your bottom line. You need to know your 'target market'.

Narrowing the type of customers you would most like to reach (and the kind that are most likely to be willing, eager and able to buy from you) is a key building block to success. Defining your target market gives focus to all your marketing and sales activities, helps you craft your advertising messages and images, choose where and when to advertise, influences which distribution channels you use and perhaps even helps you decide the colour of your employees' uniforms or the music playing in your store.

Knowing your target market can also help to differentiate your business from competition, tailor your marketing efforts to better meet customer needs and potentially boost sales. Having a broad target market that tries to appeal to everybody can easily get lost amongst the crowd.

When defining your target market, keep the image of an actual target in mind. Demographics alone, such as age, gender, income and occupation, do not provide enough insight into the attributes of your target customer. The outermost ring of the target is the universe of potential customers; everyone who might ever possibly be interested in your product or service.

As you get closer to the centre of the target, focus on customers who are more likely to actually make a purchase. The group at the centre should be those you would most like to have as customers, who you can reach and sell to affordably, and who are most likely to buy.

Some of the factors to help you close in on the bull's-eye:

- **Features and benefits of your product or service:** Which group is your product/service best suited for?
- **Competition:** Is there a segment of the market that competitors are not reaching or under-serving?
- **Market trends:** Is there one part of the market for your product/service that is growing?
- **Most motivated buyers:** Which part of the market has the most immediate need or desire to buy your products/services?
- **Most ability to purchase:** What type of customer is most likely to have the disposable income to spend on your products/services?
- **Ease of reaching your prospects:** Is there part of the market that is easiest to tell about your products/services because of trade shows, media such as magazines, or other communications directed specifically at them?
- **Ease of selling to your prospects:** Are there any existing distribution channels, such as specific stores, websites, wholesalers, that make it easier or less expensive to reach one part of your market?

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KiwiSaver withdrawal rules tweaked

The Government has introduced changes to the previous homeowner eligibility criteria, granting second chance homeowners access to their KiwiSaver funds to purchase a home.

Changes to the withdrawal rules came into effect from 1 July 2016, which saw the removal of income caps for previous homeowners. Previously, the income caps were $120,000 for a couple and $80,000 for an individual.

The removal of caps aims to assist second chance homeowners with low assets struggling to get back into home ownership. The new rules will help many mid-life New Zealanders who have been through separation or business failure access KiwiSaver funds to buy a home regardless of their income.

Second chance home owners will need to meet the following criteria to be eligible to access their KiwiSaver funds to buy a home:

- Be a resident in New Zealand
- Have not received the KiwiSaver first home withdrawal before
- Must have been contributing to KiwiSaver for at least three years
- Have previously owned a home but no longer have an interest/share in a property
- Have realisable assets that are less than 20 per cent of the house price cap for the area they are buying in. For example, if you were buying a home in the $350,000 house price cap area, your realisable assets cannot be worth more than $70,000.

Eliminating hiring bias

Despite the significant advantages of diversity in the workplace, unconscious and hidden biases still exist in the hiring process

Even the most open-minded individuals have unconscious biases that may affect their decision-making when hiring employees. However, acknowledging these biases is the first step to ensuring hiring efforts are neutral. Here are five ways employers can remove bias when deciding between candidates:

Ask for work samples

Where applicable, asking a candidate to submit work samples may predict how well they will perform based off past performance and skills. Using past work samples allows the interviewer to judge the candidate based on their work rather than factors such as gender, race, appearance, age and personality.

Use structured interviews

Structured interviews design interview questions based on job-related skills and are standardised for all candidates. For example, questions may include "describe a situation where you have participated in a team" or "tell me about an obstacle you were able to overcome in the past." Structured interviews use the same set of questions and are asked in exactly the same way and order to each candidate. This is in contrast to unstructured interviews which tend to flow like a conversation and are generally subjective.

Collaborative interviewing

Collaborative interviewing involves using multiple team members to interview candidates. This type of interviewing helps to eliminate unconscious bias and reduce human error. Altering the interview process to include more interviewers provides a diverse range of opinions and increases the likelihood that the new hire will be a good fit.

Create an interview scorecard

An interview scorecard evaluates the qualifications and suitability of candidates based on quantitative measures, which can help level the playing field for candidates. An interview scorecard uses applicable criteria such as technical ability, leadership skills etc, and a ratings system to assess each criterion, i.e 1-5. Interview scorecards can be used to compare results between interviewers as some interviewers may be lenient on some criteria and too harsh on others.

Use gender-neutral job descriptions

"Gender-coded" language in job descriptions may unintentionally lean toward one gender than another. If your job description lists non-essential skills and qualifications, or uses masculine words such as "ambitious" or "assertive," candidates may be deterred from applying as they do not consider themselves a good fit. When writing job descriptions, separate the essential and desired qualifications, and focus on the behaviours needed to perform the role rather than personality traits.

Easements in commercial property

When buying a commercial property, new owners should not overlook the importance of understanding the easements on the property title.

Easements are legal documents that are registered on the title of a property that set out the property owner's rights over neighbouring properties, or rights neighbouring property owners have over the commercial property.

Here are three easement areas new property owners should look over to understand the impact of their future use of the property.

The easement area: is an identified area on the title plan of the property that owners cannot restrict or prevent access to, as neighbouring property owners or utility providers have rights to access this area (after reasonable notice) to carry out required work, like fixing a drain pipe for example.

Maintenance obligations: are obligations the parties who benefit from an easement have. These obligations are often varied on the property title so each party pays in proportion to their use. However, if one party causes damage to the property, then they are solely responsible for the full cost of repair.

Commercial activities: easements contain certain rules and restrictions, so it is important new owners check whether the easement could have an impact on their planned use of the property. For example, time limits in an easement may affect the commercial activities you plan to carry out on the property.

Setting out terms and conditions

Establishing your business' terms and conditions may seem like an onerous task among never-ending to-do lists, but getting it right is essential for healthy cash flow.

Terms and conditions form the basis for the trading relationship on which a business sells goods and services to customers and from which they buy goods and services from suppliers. Specific terms and conditions can be the difference from chasing up late payments to ensuring your business gets paid first.

Well-drafted terms and conditions will protect a business and provide clarity as to what should happen in any given situation. Terms and conditions can also prevent disputes and save time and money on collecting debts.

While there is no legal requirement to include terms and conditions on invoices, it is highly recommended to establish written terms and conditions in case things go wrong with one party. The terms and conditions you decide to incorporate will vary depending on your business' needs but generally should include the following:

✓ Goods and services

A clear definition of the goods and/or services that will be provided. Including a section for definitions of the words you use throughout your terms and conditions will prevent any misunderstandings or misinterpretation.

✓ Price and payment terms

The price should be defined and must state whether GST (or other taxes) are included or not. The payment terms should outline when the payment is due and if the price is payable in cash on delivery or on pre-agreed terms.

✓ Warranties or guarantees

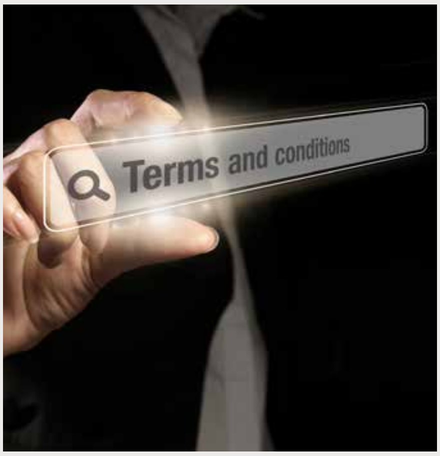
Include any warranty that will be provided. The warranty period and limitations under the warranty need to be clearly explained. If you offer any guarantees, be sure to include them and remember guarantees should be provided before any goods and services are supplied.

✓ Delivery

A timeline for the delivery of goods should be detailed. Ensure to include the method of delivery and any associated costs for delivery.

✓ Credit

If credit is provided, include the credit terms, credit limit and any penalty or default terms. It is important to request permission to conduct a reference check to check the creditworthiness of the other party before providing credit. Remember offering credit increases your chances of receiving a late payment, or not being paid at all, so consider



upfront payment or payment on delivery for customers with large payments.

✓ Risk

Specify what will happen if either party does not deliver or pay on time. The terms should also state what notice is required to get out of an agreement or if one party wants to end the relationship.

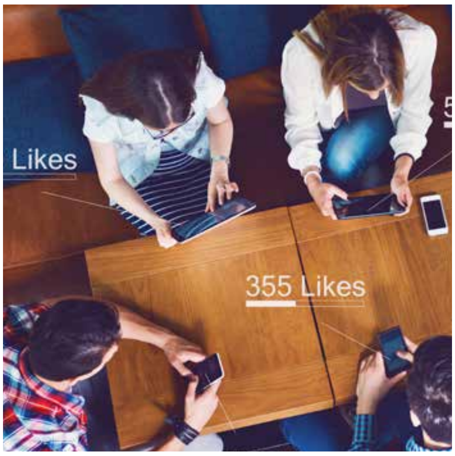
✓ Retention of title clause

A retention of title (ROT) clause means that the seller can retain the ownership of goods already supplied until they have been paid for by the other party. Suppliers must ensure to register their interest in accordance with the Personal Property Security Act to remain enforceable.

Misleading conduct on social media

Businesses are becoming increasingly dependent on social media as a marketing tool and way to interact with existing and potential customers.

Although social media draws many benefits for businesses and customers



alike; social media needs to be treated like traditional forms of advertising in that comments and opinions are not false, misleading or deceptive. Business owners are responsible for the content on their pages, irrespective of who publishes it.

Consumer protection laws apply to social media in the same way they apply to any other marketing activities. To avoid breaching any consumer protection laws, business owners should consider the following:

Do not allow misleading claims in comments

Business owners are accountable for the posts and public comments made by others on their social media pages. Therefore, it is your business's responsibility to monitor comments to ensure they are not false or likely to mislead and deceive consumers.

Monitor social media accounts

Social media pages need to be regularly monitored to ensure followers of your business's page do not post claims that could be considered false, misleading or deceptive. The amount of time you dedicate to monitoring your social media will depend on the size of your business and the amount of followers you have.

Consider establishing 'house rules' that apply to the behaviour expected from your social media followers, and ensure it is featured prominently on your pages. Followers who breach these rules should be blocked from your pages.

Responding to misleading comments

Businesses can choose to respond to false or misleading comments instead of removing them but it may not override the false impression made by the original comments. In most cases, it is safer to remove comments as soon as you become aware of them.

Does KiwiSaver form part of your estate?

A common query to arise when planning an estate is what will happen to your KiwiSaver funds when you pass away.

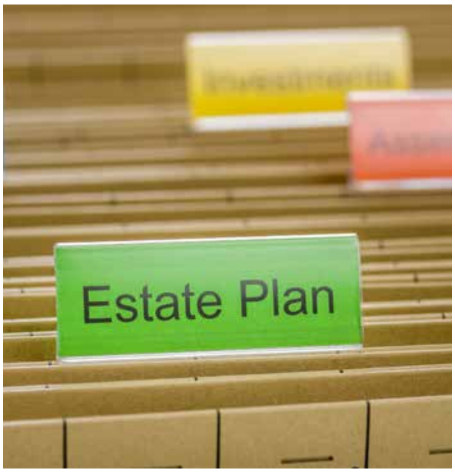
Since KiwiSaver savings form part of your estate, they are paid to your estate upon death. If you have a will, the funds will be distributed to beneficiaries in accordance with your will.

Where a KiwiSaver member dies intestate (without a will), executors will be appointed by the court to distribute the estate according to the Administration Act 1969. This can be a lengthy process and there is no guarantee your assets will go to those you intended to inherit. Therefore, it is suggested that you have a will and keep it up-to-date.

For those with a will, once your KiwiSaver savings exceed $15,000 you will need to have probate issued. Where a KiwiSaver member dies without a will and there is less than $15,000 in an individual's KiwiSaver, certain persons can apply for payment without obtaining letters of administration.

Individuals that can apply for payment of the KiwiSaver balance include:

- The surviving spouse, surviving civil union partner or surviving de facto partner of the deceased person.
- The children of the deceased person.
- The persons beneficially entitled to the estate of the deceased person under the will or on the intestacy of that person.
- Any person appearing to be entitled to obtain administration of the estate of the deceased person in New Zealand.
- Any person related by blood or marriage or civil union to the deceased person who undertakes to maintain the children of that person who are minors or any of them.
- Any person who has and is exercising the role of providing day-to-day care for any of the children of the deceased person who are minors.



Proposals to simplify SME tax

The Prime Minister announced a $187 million business tax package in this year's Budget to reduce compliance costs and make tax simpler for small and medium-sized businesses.

The key tax measures revealed in the package include:

Changes to provisional tax

Provisional tax will be reformed with a focus on making it easier and simpler. A new pay-as-you-go system will be available for businesses with revenue of $5 million a year or less to use the Accounting Income Method (AIM) to pay their provisional tax directly through their online accounting software. Effective from 1 April 2018, it will allow small businesses to ensure their provisional tax payments accurately match income as it is earned.

The use of money interest (UOMI) for the first two provisional tax payments will be removed and the current residual income tax limit for use of money interest (UOMI) will be increased from $50,000 to $60,000 (for individuals and non individuals).

Removal of late payment penalties

The current ongoing 1 per cent incremental late payment penalties on future GST, provisional tax, income tax and Working Families Tax Credits (WfFTC) debt will be eliminated from 1 April 2017. However, immediate penalties and interest charges will continue.

Changes to withholding tax payments

From 1 April 2017, contractors will be able to elect a withholding tax rate that suits their own circumstances, allowing approximately 130,000 businesses greater flexibility to self-manage. Withholding tax payments will be extended to labour-hire firms providing an easier means for them to pay their tax and minimise existing compliance risks. Voluntary withholding agreements will be an option for contractors not currently covered by the scheduler withholding rules.

Supplementary tax simplification for SMEs

Various measures were introduced to make tax easier for SMEs to comply with and reduce compliance costs. Fringe Benefits Tax (FBT) will be simplified for close companies allowing them to file FBT returns annually rather than quarterly. Simpler methods to calculate deductions for dual use vehicles and premises will be introduced and the threshold for annual FBT returns will be increased from $500,000 to $1 million of PAYE/ESCT.

Further compliance cost reductions will result from relaxing the rules for adjusting errors, RWT exemptions, and modifying the 63 day rule on employee remuneration.

Greater transparency

Tax information for significant tax debt will be disclosed to credit reporting agencies, and Inland Revenue will share information with the Companies Office about serious offences.

Important tax dates

22 August

Employer deductions (EDF/IR345) form and payment, and Employer monthly schedule (EMS/IR348) due for employers who deduct $500,000 PAYE and ESCT or more per year

Employer deductions (EDF/IR345) form and payment due, and Employer monthly schedule (EMS/IR348) due for employers who deduct less than $500,000 PAYE and ESCT per year

29 August

GST return and payment due

Provisional tax instalments due for people and organisations who file GST on a monthly or two-monthly basis, or aren't registered for GST

Provisional tax instalments due for people and organisations who use the ratio method