
START-UP SPECIAL REPORT 2013

MYOB Business Monitor

July 2013



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No matter how scary starting a business may seem, if you have the determination to succeed you shouldn't let people stand in your way.

Kelly Wilkings, For The Love of Food ftlof.co.nz

THIS REPORT PROVIDES A SNAPSHOT OF THE LIFE AND TIMES OF NZ START-UPS, COMPILED USING INSIGHTS FROM THE LONG-RUNNING MYOB BUSINESS MONITOR RESEARCH.

The MYOB Business Monitor is a national survey of more than 1,000 small and medium business owners and managers in New Zealand, from sole traders to mid-sized companies, representing the major industry sectors. It has run since 2009, commissioned to independent market research firm Colmar Brunton. This most recent survey ran late January/early February 2013.

Understanding start-ups' motivations and needs, the pressures they face, and the vision they have for their new enterprise is about much more than just numbers. In order to provide a full picture, a number of local start-up business operators have shared their stories with us, communicating the sacrifices they've made and the passion and excitement they feel for their new enterprise.

MYOB would like to thank everyone involved in the production of this report. In particular, we'd like to wish the start-up contributors all the very best for their new endeavours.

The Monitor researches business performance and attitudes in areas such as profitability, cash flow, pipeline, technology usage and sentiment towards the economy and government. The weighting of respondents by both geographical location and sector is based on overall market proportions as established by Statistics New Zealand (New Zealand Business Demography Statistics: At February 2012 Statistics New Zealand). Respondents are drawn from an independent survey group comprising both MYOB clients and non-clients.



Tim Reed
Chief Executive Officer
MYOB New Zealand

 myob.co.nz

CELEBRATING START-UPS

Starting a business is one of the most challenging – and rewarding – milestones many of us will ever accomplish. It requires hard work and sacrifice, and can offer frustrations and stress as well as significant rewards. Importantly, success can provide benefits far beyond anything that can be measured in financial terms. It can transform the business owner's and many others' lives.

Starting a new venture also requires immense courage. Even with the best planning, research and development, starting-up is taking a giant step into the unknown. A new operator has to back themselves 100% and very often risks everything to establish their business.

While exhilarating, being your own boss can be a lonely experience. Few start-up businesses will be successful without assistance. New Zealanders are extremely fortunate to have a wide range of experts available to give them the support they need, from their accountants and financial advisors to a range of agencies like Business Mentors New Zealand and business.govt.nz.

To help start-up businesses reach their potential, supporters need to clearly understand the challenges they face. It's for this reason we invest heavily in giving voice to the experiences of the small and medium business (SME) sector in New Zealand through our MYOB Business Monitor research. We share the results as widely as possible – with media, government, industry leaders and others – to empower business owners, their supporters and their advisors with current and accurate information about the environment they work in.

The research also underscores that the start-up community is a vital and dynamic business force for New Zealand. It is the next generation of employers, suppliers, innovators and investors in economic growth and development. And even though not every start-up succeeds, each plays a role in enriching the business environment, creating demand, testing ideas and supporting the livelihoods of many other New Zealanders.

At MYOB, we believe in celebrating the commitment and courage of small and medium business owners. Every day they inspire and challenge us to provide tools that make their business lives easier. We also celebrate the tireless dedication of the many advisors and supporters who lend the benefit of their expertise and experience to help new business owners achieve their goals.

Did you know New Zealand is one of the best places in the world to establish a new business? The World Bank recently rated us first out of 185 countries for starting a business and third for ease of doing business¹. This country has fostered thousands of successful new businesses and has established a lively and vibrant SME sector. We must ensure it continues to provide a positive environment for the growth of start-up businesses. Hopefully this booklet contributes to the cause.

¹ World Bank Doing Business 2013: Smarter Regulations for Small and Medium-Size Enterprises



STARTING UP BUSINESS IN NEW ZEALAND

Business Mentors New Zealand has steadily grown and developed to become the leading business mentoring service provider to the SME (small to medium-sized enterprise) sector in New Zealand. The service, which has assisted over 65,000 SME owners, uses the skills and experience of successful business people to meet the needs of the business community and support the creation and retention of employment.

Ray Schofield, CEO of Business Mentors New Zealand believes good businesses start with good planning, and succeed with great support.

Setting up a new business in New Zealand is easier than most other countries in the world. It's an amazing thing to do and the rewards from putting your personal stamp on a business idea far exceed financial gain. It must be one of the most satisfying things I know of.

Cash flow key challenge

The key challenge facing start-up businesses in New Zealand is always cash flow. The initial costs of setting up a business are problematic because usually there isn't enough cash flow to support it, so a start-up has to rely on capital investment from the owner's own resources, friends, families or other investors or a business loan. Managing cash flow is a vital skill to develop right from the beginning because, as the business grows, it is a well-maintained cash flow that will fund that growth.

Poor cash flow management is the biggest killer of businesses in the SME sector. Our Business Mentors New Zealand mentors come across hundreds of businesses every year that have plenty of work and plenty of customers but who are being driven into the ground by inadequately managed cash flow.

Evaluate and research

Before you start in business it is important to evaluate how good the business concept is. Use research and choose a wide number of people who owe you no allegiances. You can't rely on the opinions of family or friends. A business mentor can be the ideal solution, bringing a wealth of business experience to the table, which can help you avoid costly pitfalls.

A recurring theme in business failure is inadequate research into potential customers, existing competitors, changing demographics and markets. You must do your homework thoroughly before you open your doors for business.

The prospective business owner should make sure they are able to project the costs of the business accurately and map that against accurate sales forecasts. Get advice on the details. Look at the IRD website and its resources. Think about your company structure. Compare the offerings for banking support; many of our Partner Patron banks have special arrangements to help start-up SMEs.

Planning vital

Then do a business plan. Before you go to your investors, your bank manager or even register the company, develop a business plan first and from that work out your marketing strategy. A business mentor's first question on meeting a new client seeking mentoring is invariably, "so let's have a look at your business plan". Very often the second thing that the mentor will say is, "right, so let's look at putting together a business plan". It's an old saw, but you have to plan to succeed. Remember, as soon as you are trading you can qualify for a business mentor from Business Mentors New Zealand. For a one off \$150 registration fee you have free access to a business mentor for up to two years at no further cost to you.

Importance of advice

Another bugbear for new businesses is employing staff. For someone new to running their own show, the requirements of legal compliance, employment contracts, ACC, payroll tax, GST and Kiwi Saver are a minefield. We can't stress too much that you should get good, professional advice as early as you can. A good lawyer, accountant and a business mentor can all help at this stage. Don't think of the cost in money or time as expenditure; it's an investment that will pay dividends for years.

When you start a new business you have the benefits of starting afresh with new technology and business tools. The world literally is your oyster.

Ray Schofield

Chief Executive Officer
Business Mentors New Zealand



businessmentors.org.nz



NEW ZEALAND'S START-UPS FACE CHALLENGES AND OPPORTUNITIES

Business.govt.nz is the New Zealand government business website, providing information and tools designed specifically for small and medium-sized businesses, and the people who advise and support them. Business.govt.nz provides free access to a wide range of resources and acts as a gateway to government and private sector business information, news and services.

Business.govt.nz manager Katie Wellington says access to information and a thorough understanding of what is required to operate successfully are vital for new business owners.

Key challenges faced by start-up businesses

One of the biggest challenges start-ups face is managing compliance. For example, many new start-ups don't really understand how tax works and what they are liable for, or how ACC works and what they should budget for so the first bill doesn't sink them. They want to stay out of trouble by doing just what they need to – and then get on with running their business.

From a more general perspective, start-ups also face challenges around building their credibility, winning their target market off more established competitors, and the lifelong challenge of chasing sales so they can work towards having more money coming in than going out.

Key opportunities they have at their fingertips

You can find out just about anything online these days. But figuring out where to look and what is most credible can be daunting. Business.govt.nz is a great option as a first-stop-shop for small business looking for information online – and you can rely on it to be right. Content is packaged from different government agencies and presented in a way that makes most sense to business. Initiatives like Business.govt.nz's Mobile Business Toolbox iPad app, ONECheck (company name, domain and trademark in one search), and the online business plan templates and tools are hugely popular resources with Kiwi businesses – and they're all free.

When it comes to free channels for connecting with customers, one example is social media. The ability to communicate and talk to customers one-to-one through social media is unprecedented. Being able to sell to a global audience or source products internationally is taken for granted but offers huge opportunities.

Key things you should know before going into business



Keep accurate business records (e.g. by using accounting software) from the start.



Complying with regulations is easier than you think. Sites like Business.govt.nz are good places to start to understand what you need to know.



Understand business structures, particularly in terms of the legal and financial liability the different structures have for you.



Know what your tax obligations are, and in particular when they are due.



More generally, know your break-even point on a weekly basis and exactly how much sales you need to reach from the very start. That way you can assess your progress before you get into difficulties.



Understand your target market, know your direct competitors, have a sales plan. A business plan is a great way to structure and capture this information.

Finally, persistence and determination are your two biggest assets.

Katie Wellington

Manager

Business.govt.nz



business.govt.nz

SMEs IN NEW ZEALAND

According to a report by the Ministry of Business, Innovation and Employment: *'Small Business in New Zealand, How do they compare with larger firms?'* (March 2013), 97.2% of New Zealand enterprises have fewer than 20 employees, while only 1% have more than 50 employees.

Overall, 322,887 enterprises in New Zealand are run by a self-employed owner, 97,320 employ one to five employees and 19,713 businesses employ six to nine employees. Enterprises with fewer than 50 employees create nearly half of all jobs and contribute to over a third of New Zealand's gross domestic product (GDP). Those with fewer than 20 employees employ 30.2% of all New Zealand workers.

The businesses most likely to employ are in the education and training, accommodation and food services and retail trade sectors. The retail, hiring and real estate services are the largest non-employing sectors, followed by financial and insurance services, and information media and technology.

Around 30% of sole traders (or self employed business owners) are aged between 40-49 years, while over 25% are aged 50-59 and around 20% are 30-39. People in their 20s make up less than 10% of all sole-traders.

In terms of business start-ups and closures, the report concludes that there were more enterprise deaths than births in the year between February 2011 and 2012 among those that employ fewer than 20 people – a reversal of the trend seen in previous years. Of all businesses starting in 2009, the smaller the firm the less likely they were to have survived until 2012.

Smaller businesses are generally younger than larger ones. Over half of enterprises with fewer than 20 employees are ten years old or younger. Also, the youngest businesses tend to be located in the three main centres – Auckland, Wellington and Canterbury.

MYOB BUSINESS MONITOR

Performance in the past year

The MYOB Business Monitor shows that in the year to February 2013, as the economy slowly picked up, businesses that are less than two years old experienced less revenue volatility than the SME group as a whole. Slightly fewer start-ups experienced revenue gains in this time, with 30% comparing to 32%. However, perhaps unsurprisingly, given their length of time in business, start-ups were significantly less likely to report a fall in annual revenue – only 12% reported this, compared to the overall SME average of 27%.

Reflecting the pattern of growth seen in SMEs on average, start-ups in Christchurch reported the highest levels of revenue increases, with 37% reporting a revenue gain. However, the city also experienced the largest falls in income, with 20% reporting revenue down. This likely indicates the slower start to the city's rebuilding programme, the effects of which have not yet extended to the whole local economy.

In Auckland, the country's largest centre for new businesses, a higher number of start-ups than average experienced a revenue decrease (17% down) while revenue gains tracked the national figure (30%).

Compared to the national average, start-ups in the nation's capital saw a lower level of revenue falls (8%) and similar gains (30% up).

So, although tracking slightly behind more established SMEs in terms of growth, start-up businesses have enjoyed solid performance over the last 12 months, with fewer falls in revenue reported.

The year ahead

According to the Monitor, start-up business owners and managers were far more confident of financial performance expectations for 2013 than their more established counterparts. 53% expected revenue to increase, compared to 41% of SMEs on average. They were also less likely to predict falls in revenue, with just 8% expecting revenue to be down, compared to an SME average of 12%.

The growing pace of the Christchurch rebuild is expected to have a significant effect, with 80% of start-ups in the region anticipating revenue to increase in 2013. Just over half (53%) of start-ups in Auckland, the country's powerhouse economy, expect revenue to rise. Wellington start-ups anticipate more modest levels of growth, at 44%, but are still ahead of the SME average.

The construction and trades industry is a key area of growth for start-up SMEs, with 65% of these businesses forecasting revenue increases. This likely reflects the increasing demand across the whole country of the \$30bn Christchurch rebuild, and the resurgence of the Auckland real estate market.




Start-ups in the agriculture, forestry and fisheries industries also expect a better year, with 60% forecasting growth. Other key sectors expecting to see an improvement in 2013 include the retail and hospitality industry, and manufacturing and wholesale, where the majority of start-up business owners (54% for each) are confident of revenue increases.

Note: although data is included to reflect a general trend caution is needed with both regional and sector-based segmentations as sample groups are very small. (AKL 35 / CHC 12 / WLG 8)

Start-up business operators started the year strongly, with 46% reporting more work than usual for their February to April 2013 pipeline. 14% reported less than usual. Again, start-ups outperformed the whole SME group in this measure – on average, one third (33%) of SMEs reported more pipeline work, and 19% reported less.




It appears start-up confidence in their performance in 2013 is well-placed, with higher levels of growth in the main centres and a strong first quarter. For many, the sky's the limit.

Revenue results January 2012 to January 2013

			
Start-ups	30%	12%	34%
All SMEs	32%	27%	38%
Auckland	34%	27%	35%
Wellington	31%	29%	26%
Christchurch	37%	20%	19%











Revenue expectations February 2013 to February 2014




			
Start-ups	53%	8%	31%
All SMEs	41%	12%	42%
Christchurch	80%	-	20%
Auckland	58%	8%	19%
Wellington	44%	6%	42%



Best performing start-up sectors – revenue result

- 
1 Construction and trades **65%** 
- 
2 Agriculture FF **60%** 
- 
3= Retail and hospitality, manufacturing and wholesale **54%** 
- 
3= Manufacturing and wholesale **54%** 

Pipeline

			
Start-ups	46%	13%	38%
All SMEs	33%	19%	46%

Start-ups more confident

The optimism that start-up business owners and managers have in their own financial performance is reflected in their confidence about the prospects for the national economy. According to the Business Monitor, 27% of start-ups expected to see the economy improve from its current position in 12 months or less, compared to 24% of SMEs overall. Two thirds (66%) of SMEs on average expected a recovery to take longer than a year, compared to 57% of start-ups.

A number of factors influence the reported growth levels of start-ups. Many start from a low base before entering a more rapid growth cycle, and there is generally a natural enthusiasm of new business owners when it comes to forecasting performance. However, the comparison between start-up businesses and their more-established counterparts does reinforce that newer businesses are a dynamic force for growth in the economy. Based on their influence in terms of jobs, innovation and productivity, as well as diversification of products and the growth of new markets, these figures are encouraging signs for the wider economy.

CHALLENGES AND OPPORTUNITIES FOR START-UPS IN 2013

Key pressures

Any new enterprise is vulnerable to rising costs and the impact of changing markets. The New Zealand economy is now emerging from a long and deep recession, followed by a marked period of slow growth. As a result, new businesses are launching into a highly competitive and still significantly-constrained market. It is therefore unsurprising that start-up business operators believe their biggest challenge in 2013 is attracting new customers. Nearly three quarters (71%) report this as a pressure for their operation, with over one quarter (27%) expecting this pressure to be 'quite a lot' (21%) or 'extreme' (6%).

Rising fuel prices was also a major challenge for start-ups. Pain at the pump will be significant for many, with 63% listing it as a pressure and 33% expecting it to place quite a lot (22%) or extreme pressure (11%).

Rounding out the top five pressures for start-ups are three issues that relate to both the market and the fundamental structure of the organisation. Competitive activity, price margins and profitability, and cashflow are all ranked equally in terms of pressure, with 60% of start-ups saying they anticipate these concerns throughout 2013.

In comparison, across the whole SME group, cashflow and price margins and profitability emerged as the chief pressures, for 63% of business owners apiece. These were followed by fuel prices and attracting new customers (at 61% each).

Along with efficiently managing the day-to-day operations, establishing a customer base and building demand is the fundamental challenge of starting a new business. A business operator's success in these areas will determine the ultimate performance of their enterprise. Little can be done about the price of fuel beyond carefully managing consumption. The prevalence of the other three pressures, however, underscores the importance of getting good advice in the start-up phase of a business. Close and regular support from an accountant or business advisor can help a new business owner examine the structure of their business, establish systems that support good management, and understand how to succeed in a competitive environment.

Key pressures in 2013



1 Attracting new customers **71%**



2 Fuel prices **63%**



3= Competitive activity **60%**



3= Price margins and profitability **60%**



3= Cashflow **60%**



"I started the business because I have children, but mostly because I am very passionate about what I do and I wanted to be my own boss."

Keri-Anne Dilworth, Dilworth Photography dilworthphotography.co.nz

Tri-Planet Craig Moore

tri-planet.co.nz



What started as an idea between friends halfway across the world has turned into a successful small business with big plans for the future. Craig Moore, owner and head trainer of Tri-Planet, is a former logistics manager turned triathlon coach and fitness trainer.

"I started the business in Dublin, Ireland. I began coaching and really loved it, so a friend and I had an idea to run a triathlon boot camp – and that's how it all started," he says.

"After being in business for a year in Ireland, I moved back to New Zealand. I am now going into my third year here in Canterbury."

One of the biggest challenges that Craig has faced since starting his business is the ability to tap into the right target market. However, he does offer a unique service.

"I think what really sets me apart from my competitors is the fact that I actually coach my clients. I teach a lot of different techniques including how to run, swim and bike properly," says Craig.

Since starting Tri-Planet, Craig has had to make a few sacrifices for the benefit of the business, with cash flow being one of his biggest pressures throughout the years.

"There was a point in time where I had to move back in with my parents for a while. I've also had to take up part-time jobs to ensure there has been enough money in the business."

A key business strategy that Craig would like to invest in this year is marketing and improving the products he offers.

"I already have a website and a Facebook page. The website has been great in regards to search engines but I really want to target my marketing to gain the attention of the right people. I also want to refine the products and services I offer. I've found the more someone enjoys what I offer, the more they tell other people about my business," says Craig.

Craig has big plans for Tri-Planet and in the future hopes to expand the business to create a more comprehensive approach to training and coaching, employ staff and eventually consider franchising.

But what Craig would really like to achieve through his business is to "change the mind set of people".

He says, "I really want to encourage people to get off the couch. It's a lot easier in this day and age to just sit on your bum and make excuses."

Where start-ups plan to increase investment

Given the highlighted importance of building a customer base, start-up businesses are most likely to focus their investment and energies in 2013 on both customer retention (39%) and customer acquisition (34%) strategies.

A large percentage are also planning to increase the number or variety of products and services they offer (37%), reflecting the flexibility and dynamism of a business in the start-up phase.

27% plan to increase promotion of products and services offline, while 48% will maintain their current level of investment in offline advertising. 23% will increase promotions through the internet, while 50% intend to keep their spending the same.

A quarter of all start-up business operators also plan to increase their investment in technology, something that could very well assist them in achieving the revenue increases they are aiming for.

Key areas of increased investment in 2013

Start-ups



Focus on customer retention strategies **39%**



Focus on customer acquisition **34%**



The number or variety of products or services offered **37%**



IT systems and processes **25%**



Sales of products/ services offline **27%**
(23% increase online)

Overall, start-up businesses are more likely to increase their investment in every area of business development than the SME group as a whole.

Key areas of increased investment in 2013

All SMEs



Focus on customer retention strategies **36%**



Focus on customer acquisition **33%**



The number or variety of products or services offered **25%**



Investment in IT systems and processes **20%**



Sales of products/ services offline **17%**
(14% increase online)



In two years I hope to have one person working for me, with a strong enough client base that I won't need part-time work on the side. And in five years' time I hope to have three to five people working for me. It would also be nice to franchise the business so that my practices or plans are being used across the country.

Craig Moore, Tri-Planet www.tri-planet.co.nz

For The Love of Food Kelly Wilkings

ftlof.co.nz



Kelly Wilkings, owner and director of *For The Love of Food*, started her own catering business because she was “sick of other people getting the credit for her great work”. Seven months later, Kelly is just as enthusiastic about her business as she was the day it opened, saying, “I’m really good at what I do, and on top of that I really love being a chef.”

Kelly has high hopes for her catering business, but since opening the business she’s come across a few key challenges.

“My biggest challenge was setting up supply chains with no prior history – I really had to break into the industry in that sense. My second challenge was maintaining confidence and knowing that I’m good enough. I’ve been very lucky that I have a great support system,” she says.

Being a start-up enterprise, one of Kelly’s main priorities is marketing her business. She has a website and a Facebook page, and advertises with Google.

“Google and Facebook are great. Since I’ve ramped up my Google advertising I’d say I’ve had an enquiry a day,” says Kelly. “I use Facebook as a marketing tool. It allows me to show prospective and current clients what my company is doing all the time and keep them updated. I also use it as networking tool. I post photographs and acknowledge people who have helped my business.”

Kelly is really enjoying being a small business owner and in five years hopes to grow *For The Love of Food* into a medium sized business with at least ten employees.

Her advice to other people wanting to open their own business is “no matter how scary starting a business may seem, if you have the determination to succeed you shouldn’t let people stand in your way”.

The sacrifices start-ups make

Establishing a new start-up business will be one of the most significant challenges in any entrepreneur's life. To successfully set up a thriving new enterprise and enjoy the opportunities and rewards of business ownership, start-up operators can expect to work long hours and make sacrifices in other areas of their lives.

This is borne out by the Monitor research, with start-up respondents reporting working longer hours than the average for SMEs. The mean working week for start-up business owners in the survey was 42.4 hours. This compares to 38.3 hours for SMEs overall. A significant proportion of start-up operators work even longer hours. More than half (54%) work more than 40 hours a week, 38% work between 40 and 60 hours per week, and 15% work more than 60 hours per week in their business.

Taking on a heavy workload is just one of the sacrifices new business owners tend to make. To support their investment in a new business while making ends meet in other aspects of their lives, 58% of start-up business operators had juggled running their new operation with another job or work outside their business.

While getting the tools to run a business well is an important part of success, 40% of start-ups had made the sacrifice of delaying investment in new equipment and technology. Environmental programmes were also impacted, with more than one-quarter (26%) postponing or cancelling sustainability measures in the business.

The challenges of running their own business took a personal toll as well. Almost one third (31%) of start-ups had not taken any holidays since starting their business and 29% had worked extra hours in the business over the last year.

Starting up a new business does involve sacrifice and often the total focus of the owner to ensure the new operation gets off to the best possible start. Many business owners have to seek additional means of funding, working in other jobs to meet their financial commitments until they can build their new enterprise to a level that will sustain them. However, many new business owners also fall into the trap of investing all their time and energy into the day-to-day demands of their business without having any opportunity to strategically review their direction, progress and development.

This is where a mentor or coach can help, as can setting 'balcony time' aside as a regular diary entry to enable the business owner to spend some time formally planning for the business' future. Hiring a casual/part-time staff member to relieve the admin burden could also be a useful option, with the return on investment making them a worthwhile addition to the business.

Running a new business can also be a very lonely proposition, especially for sole operators. The solo working environment or a new role as a manager of a small business can isolate the business owner from vital support, peer review and the creative inspiration that can come from interaction in the workplace. For this reason, it is vitally important for start-up business owners to create their own network of business advisors and mentors, like-minded business people and other supporters such as family and friends.

Top five sacrifices



1 Taken on another job or work outside the business **58%**



2 Delayed investment in new equipment or technology **40%**



3 Not taken any holidays at all **31%**



4 Worked extra hours in the business **29%**



5 Postponed or cancelled sustainability measures in the business **26%**

Interestingly, although start-up business operators can expect to have fewer demands on their time, as their business becomes more established they may expect to get fewer holidays. Only 18% of all SME owners say they work 'extra hours' in their business. 44% of all SME operators have not taken any holidays at all since they started in business.



I started the business not realising the potential. One of my biggest learnings is knowing where to go from here. I am in the process of creating a business plan so I can move ahead more steadily and have a clear vision as to where I am going.

Rachael Beale, *The Pressie Box* thepressiebox.co.nz

Dilworth Photography

Keri-Anne Dilworth

dilworthphotography.co.nz



Keri-Anne Dilworth, owner of Dilworth Photography, takes beautiful photographs that she enjoys sharing with her clients. The wedding, portrait and birth photographer started her own business because she was finding it hard to find a job that suited her family life.

"I started the business because I have children, but mostly because I am very passionate about what I do and I wanted to be my own boss," says Keri-Anne.

One of the biggest challenges she has faced over the years is competition within the industry.

"It's a very cutthroat industry. It's also an emotional one; there's no right or wrong in photography.

"Another challenge is money. Having the money to invest in your business and balancing your business income against your personal money is hard.

"But there are a lot of opportunities out there too. Being able to be your own boss and set your own hours is great. You can choose when you work, who you work with and who you don't," she says.

Keri-Anne has made a few significant sacrifices for her business including time spent with family and friends, and putting off investment in equipment.

In summer, Keri-Anne usually spends up to 45 hours per week working in the business, while in Winter she only spends ten to 15 hours. She says, "every Saturday in summer I am shooting but I try to have one weekend off a month".

"Due to not having enough money I've also had to sacrifice upgrading my equipment and buying things that I need but have yet to be able to purchase. I would also like to redesign my logo and rebrand my business."

In the future Keri-Anne would love to be able to expand her business in a way that allows her to pick and choose when she works.

"I want to build a more structured business plan and have more stability within the business," she says.

Winning the start-up vote

Overall, start-up business operators are more likely to feel they have the support they need of the New Zealand Government than their more established counterparts. Having said that, more start-up operators are dissatisfied than satisfied with the level of Government support. Start-up satisfaction with the support of Government is at a net negative 2% (26% satisfied, 28% dissatisfied). Across the whole SME sector, satisfaction is a net negative 7% (22% satisfied, 29% dissatisfied).

To improve overall satisfaction, the key 'vote winner' for start-up business owners would be the simplification of the provisional tax rules and processes. 70% indicate they would support this as an election policy, saying they would vote for the party that proposed it. In the same vein, 62% would support moves to make it easier to meet health and safety compliance obligations. The strength of support in this area possibly reflects the large proportion of start-up businesses established in sectors particularly affected by OHS requirements, such as building, trade and manufacturing (MYOB's research is weighted across industries to reflect their scale in the New Zealand market).

The other area where start-up operators would like to see the Government move towards greater simplification is in the rules and processes surrounding PAYE. Over half (56%) would like to see the Government make it easier to manage reporting around tax requirements for staff, underscoring the challenges of the new, and often first time, employer.

The start-up business community would also support more investment from the Government in skills development and innovation – two key areas that influence the productivity of our nation. 60% of start-up operators would like to see the Government increase investment in skills training programmes. Just over half (51%) are also in support of the reintroduction of R&D credits. Offsetting some of the risk of new product or service development would be significant for new businesses, especially with 37% planning to diversify their business in this way in 2013.

To win over the start-up business owner, the Government must simplify key areas of legislation with which all business must comply. With limited internal resources and often limited experience of myriad requirements for business reporting, start-up business owners feel even more pressure from key aspects of compliance than their more mature counterparts. In order to make their business lives easier, start-up business owners are calling on the Government to make it easier to understand their responsibilities.

Start-ups are also seeking investment in key areas that support their role as a driving force in the economy. They would like to see greater focus on making the workplace more productive, through skills training and incentives to explore new products or opportunities. Ultimately, these twin aims are key to successfully transforming New Zealand into a highly competitive 21st Century economy – in which today's start-ups will play a leading role.






Low take up of websites

The proportion of start-ups with websites is lower than the average of all SME groups. This is despite entering business at a time when the web is arguably the most important source of customer communication and new business development. Just over one quarter of start-ups (26%) have their own website, while over one third (34%) of SMEs overall are online.

Although take-up is low, start-up business owners with a website report significant business advantages from being able to be found by their customers online. In an environment where start-ups report customer acquisition is a key pressure, 29% of those with a website report more customer leads or inquiries thanks to their website alone. 28% say having a website – rather than any other promotional vehicle – allows them to have more customer interaction and for a fifth of all start-up businesses (20%), simply being online has enabled them to convert more inquiries to sales.

27% of start-up operators say their website alone has made them more competitive, while 21% have increased their revenue. When combining their website with other promotional media, start-ups have seen even greater improvements.

Direct benefits of operating a website for start-ups

		Website only	Website and other promotional media
	1 More competitive	27%	26%
	2 More customer leads or inquiries	29%	18%
	3 More interaction with customers	28%	12%
	4 Better sales conversion	20%	19%
	5 Increased revenue	21%	15%

The Pressie Box

Rachael Beale

thepressiebox.co.nz



After working for ten years as a financial manager and then having her third child, Rachael Beale decided to quit her job to concentrate on her growing family.

Knowing she needed to do something to occupy her time, Rachael began to look around for work she could do from home and The Pressie Box was born. Now nearly three years on, The Pressie Box, a personalised gift hamper business, is a thriving small business.

Rachael says, "I started the business not realising the potential" and has hopes to grow the business big enough that she needs to employ staff.

She has an e-commerce website as well as a Facebook page for The Pressie Box – both of which have made a real difference to the business.

"The amount of networking I've done on Facebook is ginormous. It has really helped my business lift off the ground," Rachael says.

Initially, rather than setting up an e-commerce website Rachael was just going to use PayPal but thought about the advantages of allowing customers to pay her directly.

She says, "My e-commerce compatible website has also been great. It's really valuable".

Still foggy on the cloud

An explosion of cloud computing sites, systems and apps has made online work, data storage and interaction far more accessible over recent years. It has also made working from anywhere, anytime, a much more viable situation for all manner of SMEs. Despite this, many start-ups in New Zealand are still reluctant to make the move to the cloud. According to the Monitor, just 19% say they use cloud computing in their business, while 67% don't and the remainder are unsure.

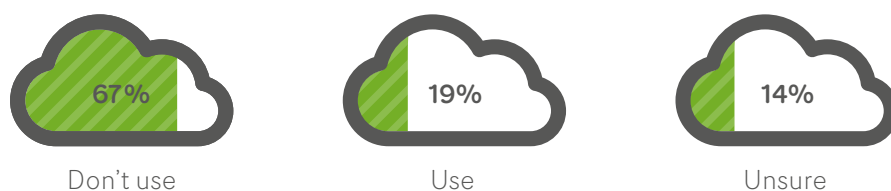
The research explored the reasons why start-ups are yet to embrace it and identified two key barriers to widespread take-up. For many, a lack of understanding has stopped them, with 42% stating they did not know enough to make a decision on the appropriateness of the cloud for their business.

The other major barrier was a lingering concern over the security of data in the cloud. 29% were unsure of the safety of storing data on servers overseas – a common practice among cloud providers. Over one quarter (26%) also said they were unsure if data stored in the cloud would be as safe as when stored on their own server.

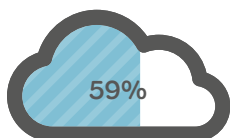
Those start-ups who did use the cloud employed the technology for a variety of purposes. The majority (59%) use it for email and half (50%) said they use it for online banking. Cloud technologies are also popular for file back-up (46%) and sharing (42%), while 43% use a cloud accounting product.

Start-up cloud users highlighted a number of benefits for their business. Most appreciated the flexibility of the online platform with 59% saying it enabled them to work in any location. 42% focused on an accounting-specific feature of online products, highlighting automatic transaction feeds from their bank to their online accounting product as a key reason they use the cloud. Despite the misgivings of many in the community, 39% of start-ups who use the cloud in business identified that their data is actually safer stored with a reputable provider online than on their own private server.

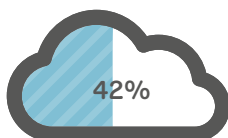
Start-ups using cloud computing



Why use



Work in any location



Bank feeds

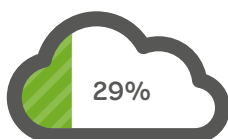


Data safer online
than on own server

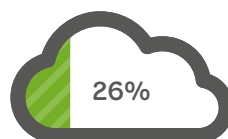
Why not



Don't know enough
to make a decision

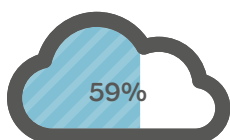


Unsure of the safety
of storing data on
servers overseas

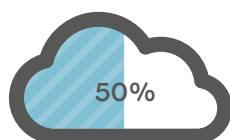


Unsure if data is as
secure as it would be
on own server

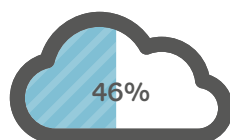
Use for



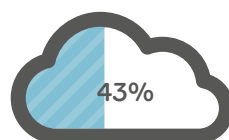
Email



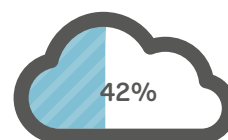
Online banking



File back-up



Accounting



File sharing

The mobile office

New Zealand start-ups are embracing an ever-widening range of technologies, while establishing new ways of working through the use of their existing IT tools and systems.

In particular, start-ups are more readily embracing the mobile and flexible workplace than the rest of the SME community. More than half (55%) of all start-up workplaces have staff who work outside the office. This compares to 46% of all SMEs, with 12% having staff who work outside the office most of the time, and 43% having staff who telework some of the time.

To assist their staff in working remotely, 47% of start-ups use at least one smartphone for business, while 27% have a tablet.

For start-ups, the key benefits of allowing staff to work remotely or from home are:



1 Employees are happier **27%**



2 Travel costs have been reduced **22%**



3 Employees are more productive **18%**



4 Their business' carbon footprint has been reduced **14%**



5 IT costs have been reduced **13%**



Initially, I bought some extra products and trialled them amongst my friends who really loved them. I then decided to order more, created a website [through GetOnline.co.nz] and from there started making sales.

Sandy Hayer, Tummy Mummy NZ tummymummynz.co.nz

Use of the internet

While building a website is a step many start-up businesses are yet to take, the use of the internet for a range of other business functions is widespread. Over half (51%) accept online payments via internet banking, while 43% buy products and services online. E-commerce is an important revenue stream for a number of start-ups, with nearly one quarter (23%) selling products and services online through their own or a third party website.

Networking online is also a growing trend for start-ups, and one of the key tools that is likely to reduce isolation for start-up business owners. Over a fifth connect with customers via social media. Of the popular social media platforms, 21% of these use Facebook, YouTube and/or Google+, 22% use LinkedIn and 10% use Twitter.

Technology is both an important business tool and a competitive advantage for start-up businesses. The internet provides greater access to customers, the opportunity to reach new markets, and improved sales conversion. At the same time, a range of technology tools – from smartphones to cloud software – improve productivity, access to information and collaboration with experts and advisors.

The cost of many technologies has dropped significantly in recent years, providing greater access to tools designed to improve business management systems, reduce running costs and enhance productivity. The advent of cloud computing is perfectly timed and targeted for the start-up business. The internet-based technology has many advantages for business, including reduction of IT costs and issues, enhanced collaboration with key business advisors, improved workplace flexibility and ability to establish a mobile office with ease.

At the same time, the internet has become a key platform for business. According to consumer research¹, up to 80% of consumers now search online first for a product or service. For a start-up business the internet is a great leveller. These businesses can have access to new customers and new markets at the same – potentially minimal – cost as their more established or larger competitors.

In order to compete effectively, locally and internationally, New Zealand business needs to massively increase its level of engagement with technology, in particular online tools, platforms and networks.

This must be done with the support of technology providers and developers, business advisors and mentors, and government. Each of these stakeholders has a role in providing start-up businesses with relevant resources so they can make an informed decision when selecting technology that it is easy to adopt and deploy in their business.

By working together, and focusing on start-ups, it will be possible to achieve a positive transformation of the New Zealand economy. It is crucial we support growing businesses that will employ more New Zealanders, introduce new opportunities to expand markets and stimulate growth through innovation.

Tummy Mummy NZ

Sandy Hayer

tummymummynz.co.nz



New mother and Tummy Mummy NZ owner, Sandy Hayer, swears by the Earth Mama Angel Baby products she sells.

Sandy, who has a master's degree in human resource management and has previously operated a Subway franchise in the UK, started Tummy Mummy NZ last June. She started the business after identifying a gap in the local market for toxin and chemical free products for pregnant women and their children.

"Initially, I bought some extra products and trialed them amongst my friends who really loved them. I then decided to order more, created a website and from there started making sales," says Sandy.

Using MYOB Atlas, Sandy was able to create her own dedicated e-commerce website. She says Atlas has not only enabled her to reach a significantly larger market but also helps her to set targets as the website provides her with all the information needed to do so.

"I initially saw an ad for Atlas and thought it was such a great idea. It made setting up my website extremely easy and cost effective – it's very user friendly," says Sandy.

Half of Tummy Mummy NZ sales are purchased via the website, something Sandy says wouldn't be possible without Atlas.

"If I didn't have a website I would lose 50% of my sales. Without Atlas, I don't think I would have been able to afford to create a website myself," she says.

Tummy Mummy NZ is approaching the one-year mark and so far Sandy's major investment has been the time and energy she has put into the business.

"I work about 60 hours a week, the majority of which is done at night because I have young children," says Sandy.

Sandy currently sells across the country and in two to five years' time she would love to be the number one seller of truly natural, herbal, organic mother and baby products that are completely free of both toxins and chemicals.

Getting help for start-ups

As highlighted throughout this special report, this country's start-up community needs wide-ranging support from business experts so they can reach their potential without veering off track along the way.

Previous MYOB research has shown us New Zealand business owners' most trusted advisor is the accountant. Local accountants play a key role in the success of start-up businesses, primarily helping keep them compliant with tax and other statutory reporting requirements (81%). Start-up business owners also seek a range of other advice and support from their accountants, including advice on money management and guidance on raising investment funding.

There is a wide range of other advice and support available for start-ups in New Zealand that can help make the difference in their development, while easing their load.

MYOB recommends people looking to start their own business or operating a start-up take advantage of the help offered by the following organisations.

Advice and support

Business Mentors NZ businessmentors.org.nz

Business.govt.nz business.govt.nz

Ministry of Business, Innovation and Employment mbie.govt.nz

Chambers of Commerce newzealandchambers.co.nz

Employers and Manufacturers Association ema.co.nz

Industry associations businessnz.org.nz/industryassociations

Free accounting product trials

myob.co.nz/business/products

Information for employers

myob.co.nz/employ

Free website builder from MYOB and Westpac

getonline.co.nz

