

Summer 2024-25

Trust a key element of brand loyalty

Brand loyalty is often misunderstood by small business owners. They think that because they have loyal customers, their brand is valuable.

Not quite, because customer loyalty and brand loyalty are a bit different.

Loyal customers buy from you regularly, probably out of habit, because it's convenient, or because the price suits them. When any of these factors changes, you risk losing them.

Brand loyalty, however, is when a customer has an emotional connection with a brand. It means they consistently choose your product or service over competitors. They stick with you even if your price is higher than a competitor, or if you move your business farther away.

Brand loyalty arises from reliability and consistency. People stay with a brand because they trust it. They know what they are getting. Think brands of shoes, for example.

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Avoid the stress of business failure – don't undercharge.

Image by Pixabay

Undercharging a recipe for disaster

We all know most businesses fail within their first five years.

There are many reasons, but one of the most consistent issues, especially for new business owners, is pricing. It's a tricky area, with the huge temptation to underprice the market to get new business.

That strategy is a recipe for disaster. Undercharging is universally recognised as the biggest, most common and most dangerous mistake in business. One business adviser says very few people overcharge, but he estimates 90 percent undercharge.

The forces that push businesses into liquidation work both ways. The business owner might be producing a great product but doesn't appreciate how good it is, so it's sold cheaply. Chances are the customer also doesn't appreciate its value because it's cheap. Often, the higher your price the more you will be perceived as good at your job!

A Wellington entrepreneur once said: "Set your price to the point of resistance." In other words, your customers will tell you if they think you've overshot your pricing. But more often than not, you'll not be charging enough.

If you raise your prices by 10 percent, your income might even double because the extra charge is all profit. For example, sales of \$500 provide a profit of \$50, but the profit on sales of \$550 is \$100.

Extra pay when employment ends

From 1 April 2025, it is proposed to have a new way to calculate tax when someone leaves your employment. Employers will determine the tax based on the amount of the extra pay and the annualised amount of PAYE income payments received over the last two pay periods.

This is how it works:

Amount of the extra pay: This is the total amount of the extra payment.

Annualised amount of PAYE income payments received over the last two pay periods: This is the total PAYE income the employee received in their last two pay periods, annualised. Annualising means

multiplying the total income by 52 (number of weeks in a year) and dividing by the number of weeks in the two pay periods.

Here's a simplified example:

- **Employee's last two fortnightly pay periods:** \$1500 each
- **Annualised PAYE income:** $(\$1500 + \$1500) \times 52 / 4 = \$39,000$.

- **Extra pay:** \$15,000.

The total is \$54,000 (\$39,000 plus \$15,000). You will find the tax rate on \$54,000 will be 30%. This is therefore the tax rate which will apply to the \$15,000.

ACC will also need to be deducted so find the tax tables which include ACC.

IRD rules on salary sacrifice for low-cost commute

A company called WorkRide provides self-powered or low-powered commuting vehicles like scooters, e-scooters and e-bikes.

It has obtained a ruling from Inland Revenue, which relates to the employee accepting a salary sacrifice so that he/she gets ownership of the vehicle at the end of the contract.

The department has ruled:

- The arrangement will not be a fringe benefit.
- The amount of the salary sacrifice is not a PAYE income payment.
- The scheme will not be tax avoidance.
- The employer can claim the GST charged on the supply of the services by WorkRide being the facilitation of the arrangement.
- The salary sacrifice is consideration for a taxable supply by the employer to the employee. The value of the supply is the amount of the salary sacrifice.

TAX BRIEFS

Law change for family boost – people receiving schedular payments

The FamilyBoost scheme has run into a snag. Some people receive income in the form of schedular payments. The gross income is being used by Inland Revenue for assessing entitlement to FamilyBoost and the department realises this is wrong because no expenses are deducted from the income. For the six months from 1 October 2024 to 31 March 2025, the Commissioner proposes to treat income subject to schedular payments as exempt income for the purposes of FamilyBoost ([see draft consultation document](#)). The law is to be amended to cater for schedular payments.

Overseas pensions

There are tax complications when a taxpayer wants to transfer a pension scheme from overseas to a New Zealand scheme. Before embarking on a transfer of this nature, get advice. If the scheme is being transferred from the UK to New Zealand, two taxes can be levied. The latest Tax Bill proposes to allow the taxpayer to use the New Zealand scheme to pay the tax. This would apply only to transfers of funds and not to any tax on withdrawal of funds. Previously, the taxpayer has had to find the money, personally, to pay the NZ taxes and if they used the money from the fund that would trigger a UK withdrawal penalty if they weren't retirement age. If the scheme pays the NZ tax then that isn't seen as a withdrawal by the individual in the UK, which fixes the problem. The Bill also proposes to allow people under the age of 16 to be enrolled in KiwiSaver if one of their guardians contracts directly with the provider in the name of the young person. This is expected to come into effect from 1 July 2025.

Be inviting to lure your customers in

A stroll down the main street of a small town recently showed up a big difference in how store fronts looked.

Retailing is pretty tough these days, so if you want to give your business a boost, it's important to make sure your store looks inviting from the street. Here are five simple tips that could help transform your store from boring to beautiful:

Light it up: Make sure your store is well-lit and your products are easy to see. If your store gets foot traffic in the evening, consider keeping display lights on at night. Using LED lights can help you save on electricity costs.

Make the most of your window space: Create eye-catching displays that showcase your products, especially your best sellers. Keep your displays fresh and dust-free. If you see a cool display at another store, don't be shy to ask the owner for some tips.

Declutter: A couple of stores in the small town had cardboard boxes piled up at their windows. Boxes belong in the back, not blocking your windows. Make sure customers can easily access your counter without tripping over stuff.

Keep your signs looking fresh: Whether it's a price tag or your store's branding, make sure your signs are clean and well maintained. Worn-out branding suggests poor quality.

Keep the footpath clean: A quick sweep in the morning and some water when needed can make a big difference in how your store looks.

Think twice when looking at DIY fixes

We've all been there. The window is cracked or the tap is leaking. You think you're handy so you try to fix it yourself.

You get a new pane of glass or a washer for the tap. Two hours later, you've broken the new pane and the tap is leaking worse than before.

The tales in small business are similar, but actually more important.

That's because time is money. Your money.

If you need help in your business, whether it's an IT issue or financial management, think first about whether you or any of your staff are actually the best people to do the job. How much time will it take, and how much will it divert your focus from the most important parts of your business? Could a DIY approach burn you out?

Most importantly, will you get the right results?

When you hire someone else to do



the job, you're expecting expertise, results, and a cost you can afford. Plus you'll be helping the money-go-round by paying another business. They might even become a customer of yours!

Put simply, if your time can be sold for \$80 an hour and you spend four hours fixing a problem an IT expert could do in one hour (costing you say \$150), you are out of pocket.

Income you could have earned:
 $4 \times \$80 = \320 . Less cost of \$150 = \$170 wasted. This assumes you are running a successful business and there is a good demand for your time.

Building brand loyalty

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Here is a real-life example of a small-time builder. Peter had Bob build his house 10 years ago. A leak developed so he called Bob. Not only was the leak fixed without charge, but Peter and Bob both agreed it wasn't caused by the building work.

On the strength of this story, a third person, Jack, called Bob who agreed to build Jack's house. In the process, Jack noticed how skilled Bob's workers were and the high quality of everything done. The whole experience was professional.

Ten years later, Jack wanted an extension to his house. He called Bob. He didn't call anyone else and he didn't get any quotes. Why?

It was not loyalty to Bob. It was not because he liked Bob or because his price was good.

It was actually because of the reliability and consistency of his work. It was because the quality of his work could be trusted. It was Bob's brand.

Get creative with AI

One of the most used AI tools for small businesses is creative writing. That's because business people don't necessarily make great writers.

So how is AI being used? Think about what writing you do through the day. Maybe as a builder, for example, you don't think you do a lot of writing. But:

- You have to write emails to prospective clients, saying how good you are.
- You will occasionally have to reply to an unhappy client.
- You will need to write the words for an advertisement or flyer.
- You will need to keep your website or social media page up to date.

Once you start using AI writing tools, you'll find all sorts of other uses. But always remember, AI is not you. If the words AI spits out don't reflect your true personality or faithfully reflect your business brand, people who know you will be wary. Check everything before you press 'Send'.

How can AI help – just ask it

AI is here for good, but most small and medium businesses (SMEs) in New Zealand are still reluctant to adopt it.

The reasons: not understanding how it can be used, and little appreciation of its value to a business. However, some business pundits are suggesting those who adopt AI now will gain the most in years to come.

The reality is that AI can make a valuable contribution to your productivity. So how else can it help your business?

There's a simple answer – ask AI. Be as detailed as you can about your business in your questioning. You might be a retailer, but you sell imported giftware in the city. You might be a plumber, but your specialty is drain laying in rural areas.

There are lots of AI programs to choose from, so just search online: "Ask AI a question". You might be surprised at the answers.



TAX CALENDAR

28 November 2024

First instalment of 2025 provisional tax for those with June balance dates.

15 January 2025

Second instalment of 2025 provisional tax (March balance date except for those who pay provisional tax twice a year)

Pay GST for period ended 30 November 2024

7 April 2025

Terminal tax for 2024 (March, April, May and June balance dates).

For all clients except those who have lost their extension of time privilege.

Common courtesy wins a plumber

A client recently needed some plumbing work done. Her usual plumber said he was "too busy" and wouldn't say when he'd be available.

Since the job was fairly urgent, she called another plumber, a young guy eager to grow his business. They exchanged a few texts, figured out what needed to be done, and set up a time that worked for her.

He got delayed on the way, but what he did next pretty much guaranteed him a lifelong customer. He called to let her know he'd be a bit late but would be there soon, and he arrived less than 10 minutes later.

The client wasn't bothered by the delay at all. In fact, she told the plumber she was impressed he took the time to call. He seemed a bit puzzled and said, "That's just common courtesy, isn't it?"

It is common courtesy, but it's often overlooked these days. Courtesy won this plumber a new client, while a lack of it cost the other plumber valuable business.

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