

STARTING YOUR OWN BUSINESS

The Jewellery Council of South Africa





WHAT'S THIS ABOUT?

Welcome to the fourth instalment.

The *Starting Your Own Business* series – kindly supported by the Mining Qualification authority (MQA) and the Jewellery Council of South Africa (JCSA) – focuses on the business side of setting up and running a jewellery business. The articles are loosely based on the New Venture Creation Qualification, a qualification with over 160 minimum credits. By keeping your completed exercises – and all your researched and well-argued answers – you will have the beginnings of a solid portfolio of evidence towards achieving this qualification.

So you think you are a jeweller? What does that mean? That you can design and create items of beauty that other people drool over? If you are happy making great wearable art whilst bemoaning “the poor artist” excuse, then this series is not for you. But for those who are interested, my question to you is this: Can you make money while creating these masterpieces? In this series, we look at business skills and components of running a business that you, as a jeweller, should know. At least, you should know them if you are interested in making money from your skills.

As with anything worth doing, there is always some sweat involved. The perspiration, in this case, involves thinking and recording. There are exercises at the end of every month's input. This month, you may have to do a little more than just sit and think, however. It may be a good idea to go out and ask questions – and then sit and think. It's my suggestion that you keep all your answers and completed exercises together and then, at the end of this series, you will have the beginnings of a good business plan.

Despite trying to cover all aspects of business, we won't be able to do so here. Every facet will be considered and some will be dropped because we don't think they are relevant or important enough for you. Having said that, you may want more information on a particular subject that we just mention in passing and we will be more than happy to try to answer your queries.

If so, please feel free to email your questions, comments (both the good and bad) and suggestions to articles@spi.org.za. I can't promise to tell you about the melting points of certain alloys, but I will be able to tell you the in's and out's of what the business

side is that is involved in turning that alloy into a sellable product. This month, we have a few questions from readers that I will try to answer (see *From the gallery*).

In this issue, we are going to start the real business part of your business – targeting your market. You may be a great jeweller, an award-winning designer or even own the best jewellery manufacturer this side of the Limpopo, but if you don't have a market, you don't have a business. Without one, all you are doing is engaging in a very expensive hobby.

So, here are some techniques and tools that can help you turn that around.

Gordon Freer has worked in the field of small business development for the last 10 years and has a slightly irreverent, yet realistic, view of the field. He is a founding trustee of the Platinum Trust of South Africa and managed the planning and setup of the SEDA Platinum Incubator (www.spi.org.za), an initiative of the Platinum Trust, supported by the SEDA Technology Programme. He now works for Insight Strategies (www.insight-strategies.net). ■

THE MARKETPLACE

I thrill on the interaction that goes along with the process of buying and selling.

I love markets. I enjoy the dynamism and the life that pervades every aspect of this institution, from the smell of freshly baked goods to the shouts of marketing from the more boisterous sellers. Tasting tidbits of various products (from atchas to sauces and vetkoek) to trying to ignore the gentle – and sometimes, not so gentle – cajoling to buy “at a special price”. I enjoy the human contact of buying goods often directly from the manufacturer or farmer themselves.

As a regular shopper, you get to know the people and, more importantly, the personalities of the various stallholders. You notice when something has changed or someone has moved. The absence of that person is often a loss to the whole experience and the addition of someone else changes the dynamic altogether.

One of my favourite memories is of negotiating with a stallholder for a few trinkets. It was the bad, old days and I was negotiating in four currencies – South African Rands, Zimbabwean Dollars, US Dollars and used clothing. But the price was not important; as soon as the stallholder saw that I was interested in negotiating, he called for a chair and we sat and bargained, attracting a crowd who greeted each offer and counter-offer with excited chatter or a groan of disappointment. We both left happier for the experience: me with a slightly lighter wallet and the stallholder with a used rugby jersey and a wad of currency. We both got what we wanted.

On a recent excursion to a market, I got chatting to a vegetable stallholder. He was raving about the new variety of something or another. He gave me a recipe for soup that I will try this winter. So, okay, it's not a life-changing experience, but we all have to buy food. It's certainly preferable to buying from a supermarket in such sterile surroundings.

Markets and supermarkets, however, provide the same service. They stock a range of products and make them available to the public. Supermarkets are (usually) a little more organised. If you want peanut butter, for example, you go to the aisle that displays the peanut butter. In an open air market, you will have to walk from one stall across the field to another and then back again. In the aisle, you choose between the

various makers of peanut butter. Then you choose whether you want chunky or smooth or extra smooth; then the size of jar that you want: small, medium, large or even catering size. Once you have made your selection, you may even compare its price to similar products on the shelves. Finally, you select a jar of Gordon's Great Peanut Butter and amble to the checkout counter.

Let's unpack what just happened. As the producer of Gordon's Great Peanut Butter, (GGPB), I spotted you from far away. I didn't know that you were going to buy my product, but I saw you as a potential customer. I made sure that my product was located in a place where you are likely to shop. I also made sure that my product was placed next to all the other peanut butters, so that when you stopped by to re-fuel, you only had to go to one aisle. As soon as you moved into the peanut butter aisle, you moved up the target market line to being a prospect. I had to get you to choose GGPB over the others, but I did this through a number of methods – packaging, price, special offers, colour, flavour, prime shelf positioning – the list is almost endless as to what marketers will do to push their products. However, this is marketing and a special topic on its own. Here, we concentrate on market research. As soon as you purchased GGPB, you moved into a different category of customer – from being a prospect into a client and into a potential repeat customer.

But that is only one side of the story, often the side that is emphasised in market research and marketing textbooks. The other side is that you also went through a huge selection process. Firstly, you woke up in the morning and sometime between your first cup of coffee and walking out the door, you decided you needed to go shopping. Then you had to decide when and where to shop. You could go during lunchtime, on the way to work or on the way home and you could go to at least three different chains. When you walked through the door of the shop, there were at least 10 000 items facing you waiting to be purchased. You, however, opted for peanut butter. Then there was the choice of brand, the variations within each brand and bottle sizes within each of those. All through this process, your decision making

is operational and you are narrowing down the potential market of all the products in all the shops to one particular size and variation of one brand of peanut butter.

Now you need to do the same to your jewellery market.

What is your jewellery market? You have decided to open a jewellery business, given some thought to the process (if you are not sure, go back to the January edition of *SA Jewellery News*) and think that you have the wherewithal to withstand the rigours, challenges, highs and lows of this process. You have decided what you are going to do in your business (if this sounds foreign, read through the February issue again) and last month, you may have decided what legal vehicle you would use to register and run your business.

The homework you completed in the February issue will be able to help you think through the process this month. It will help you see your business in relation to the big picture. However, don't fret if you haven't. Carry on reading and fill in the gaps as we go along. ■





MINING QUALIFICATIONS AUTHORITY

SUCCESS IN THE MINING AND MINERALS SECTOR

SOME OF OUR SUCCESSES SINCE INCEPTION INCLUDE THE FOLLOWING:

Standards generation

- Registered 97 qualifications, 93 learnerships and 63 skills programmes

Skills related initiatives

- Over 10 000 learners entered learnerships with more than 4 500 learners completing
- Over 200 000 employed learners completed skills programmes
- 1 525 students were assisted with bursaries and practical training
- 796 learners were placed in companies to gain workplace experiential training
- Over 24 000 learners have completed ABET programmes at various levels.

Skills for Miners

- 788 Small Scale Miners were trained in small scale mining

Skilling of Women in the Mining Sector

- Our responsibility is to increase the skills of women in the mining and minerals sector. While women participate in all MQA learning initiatives, an additional R1 million was allocated for a project targeting women in the sector.
- We have trained 418 women entrepreneurs in Procurement and 223 women in Mining and Mineral Policy.

Training & Mentoring of Young People

- 345 young people were trained on the new venture programme which resulted in 27 new ventures being established

Provincial Linkages

- The MQA is active in Provincial Skills Development Forums (PSDFs) in most regions and commits to ongoing involvement.

NSF Initiatives

- 62 unemployed learners in learnerships were trained in fitting, fitting and turning, as well as fitting including machining learnerships
- 77 unemployed graduates were placed in internships with host companies in the sector.

Company Health

- An unqualified audit opinion was achieved from the Auditor General
- Sound financial, risk management and internal controls are in place.

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SERIOUS ABOUT SKILLS DEVELOPMENT IN THE MINING AND MINERALS SECTOR

For over a decade, the Mining Qualifications Authority (MQA) has been making a huge contribution to the provision of skills to the mining industry. The MQA was originally created as a result of the Mine Health and Safety Act, but has also taken on the responsibility of being one of the SETAs for the mining and minerals sector. In terms of legislation, its mandate includes the development of qualifications, unit standards, learnerships, skills programmes and various artisan based training initiatives.

"We have unit standards developed for every sub sector of the industry," says Livhu Nengovhela, CEO of the MQA. "We have more than 80 learnership programmes available for the industry."

The MQA has been one of the best examples of how a SETA can be employed to significantly contribute to the development and expansion of skills in an industry. Employers receive grants to take employees through the various skills programmes, learnership programmes which include learnerships and apprenticeships and apprenticeships recognized by the MQA.

The MQA also gives grants for employers that take their employees through ABET programmes. There are a number of grants to incentivise the industry to produce moderators and assessors to constantly improve the quality of learning. These moderators and trainers assist in the rollout



of programmes from providers that have been accredited in the industry.

Graduates also benefit from the MQA in the form of its bursary schemes. "We have given bursaries to more than 700 learners at different universities throughout the country" states Nengovhela. "During their holidays, we always take these learners through vocational employment and give grants to their employers to pay them."

The MQA provides learners at Universities of Technology and studying for a SETA recognised qualification an opportunity to achieve the six months workplace experiential training required for their

qualification. Additional grants are awarded to employers that provide this training. Graduates are further assisted through our internship programmes targeting scarce technical skills such as mining engineers, geologists and metallurgists among others. The internship programme ensures that any skills gaps between the degree and the required workplace experience is narrowed down to ensure optimum employability.

Despite the huge contribution that the MQA is making towards skills development in the mining and minerals sector, Nengovhela says that challenges remain. "The number of learners we are developing is not satisfactory. If employers can take more learners into learnerships, we can make a further dent in skills shortages. We have gone to the Department of Labour to source additional funding to train an additional 1 000 artisans over the next three years. This funding will ensure that employers are able to take on more learners, to further advance our skills development contribution." Nengovhela believes that more learners will soon be a reality, thanks to the commitment of all the stakeholders in the industry. ■



(Top): Mr Livhu Nengovhela, CEO issues an award at an ABET Practitioner Graduation to a deserving recipient.

FROM THE GALLERY

Finding money to start a new business is always difficult. In the current era of relatively high interest rates and with companies retrenching people, it is not any easier finding an institution that is willing to take a risk in a new jewellery start-up. I mean, take a look at it from their side: you are fresh out of a tertiary education; you have little experience in running a business; you have no established business or market; you are planning on working in quite a volatile field; you have little or no security; and you would like them to give you a quick hundred thousand Rands.

One of the easiest ways of getting around this is to avoid it and not ask for the money from a bank. Even established businesses are having a hard time getting favourable terms out of banks at the moment. There are two options available here. The first is to go for "softer" money – borrowing from friends or family. The advantage of this is that friends and family are usually more lenient when it comes to repayment terms. But be warned, borrowing money from friends and family can give birth to problems in what was once a solid relationship. It may also result in the people who lent you the money thinking that they have the right to tell you how to conduct your business. While solid business advice should always be welcomed, weighed and sometimes applied, as a business person, you will hear more than enough unsolicited hogwash to have to add to it from people to whom you are related or befriended.

Another word of advice – if you are going to borrow money from friends or family, make sure the whole agreement is recorded in writing. The date you borrowed the money. What you expect to pay it back. When you will start paying it back and when you expect to stop. The interest rate that you expect to pay (if any). What will happen if you don't manage to make a payment or stop paying altogether if the business collapses? What happens if the lender needs the money back in a hurry? Put everything on paper and check that all the people involved agree and make sure that every person has a copy of the same agreement.

If you do borrow money from this flexible money lender, make sure that you continue



Courtesy photos.com by Jupiterimages

I have received some questions from readers about where and how to find sufficient capital to start a business and the obstacles and challenges associated with this. One person wrote, "I need about R80 000 to start the business, but there is no way I can raise that kind of finance".

to guard your business against the most subtle of business pests – the favour. Although this scourge attacks all businesses from time to time, the new business that has borrowed money from friends or family is most susceptible to its attack. It also appears in a wide variety of forms – from the direct, "I lent you R10 to start your business, the least you could do is give me a 100% discount on the labour" to the more subtle "Great Aunt Mildred's neighbour's cousin's grandchild is getting engaged and I said that you would give them a good deal on the design and manufacture of their engagement ring, seeing as you don't pay any rent".

A second option to the obstacle of start-up capital is to start up a little smaller than you originally contemplated. In a workshop I was facilitating in the Eastern Cape last month, I asked simulated companies to draft their start-up budgets. When I was presented with the "rhodium-plated, solid platinum bells and whistles" list, I challenged them to redraft the budgets using what resources

they had available right now. In seven out of the eight cases, the budgets fell from 80%. In one case, the company reckoned it actually could generate income without any layout of extra money.

Look around you. What resources are out there that you can use? What can you borrow? Is there anything you can use on a shared basis? Does someone have equipment that you can use in exchange for equipment that you have? Do you really need your own XYZ?

There are other methods for accessing start-up capital that we will cover in a later edition of *SA Jewellery News*, but in the meantime, a word of warning. Always remember to include at least six months operating capital in your start-up budget. Operating capital? Yup, the stuff that pays your salary as well as your rent while you are getting going. Look at what you can do with less, as it makes the start-up process a lot less nerve-wracking.

Keep the questions coming in to articles@spi.org.za. ■

SO WHERE IS YOUR MARKETPLACE?

We know that GGPB targeted a certain segment of the market based on a variety of factors. These could have included gender, age, price and location. The chances are the producers of GGPB paid a fortune to a market research company to find out this information and to translate it into a product in packaging with a brand that would appeal to the targeted market. But you are not selling peanut butter, so can you do the same starting up a jewellery business? Of course. While it might not be quite as scientific or cost quite as much as developing a new peanut butter brand, it is the beginning of targeting your own market.

We begin in exactly the same place – who are your potential customers? Think about this for a second. Although all the people on earth with enough money are potential customers, let's see if we can narrow it down a little. Are you going to be designing, manufacturing and selling once-off luxury items? Are you going to be manufacturing pieces for an established retail store that has a solid, older client base? Are you going to be designing pieces for a specific group of people?

Close your eyes for a few minutes (however, read this paragraph before you do so!) Think about the business that you have started preparing in your head. See the

business in your mind's eye and look at the customers. Who are the customers that you see walking through the door of your shop or studio? Imagine five of them approaching you separately. What do they look like? How do they act? How do they walk and talk? Where do they live? Who are their friends? Where do they socialise? Why are they buying from you? What is the item or service they are buying from you? What do they expect when they buy from you?

When you can see them clearly and have managed to answer these questions, take a piece of paper and describe your customers separately. Describe everything that you imagined about them: their age, gender, race, marital status, families, what they were wearing and what time of day they walked into your business. How did they pay – cash, credit card, direct deposit, in advance or on terms? What was their reaction when you provided them with the item they wanted?

Once you have described all of these scenarios with your customers separately, see if there is anything that is common amongst them. Are they all men? Are they all the same race? Are they all teenagers? Do they all play a sport? Do they all pay by credit card?

Congratulations. You have just begun the process of narrowing down the list of poten-

tial customers (everyone in the world with money) to prospects. You could have imagined anyone in the world walking through your door into your business, but you limited it to five people. Some of them have things in common and this will inform the business decision that you still have to make.

I know that you have only imagined your customers, but this is the first step to collecting information to see if your business has potential customers.

Once you have a full description (the more comprehensive, the better) of who you think are your potential customers, you are ready to move on to the next step. ■



FINDING THE ANSWERS – ASKING THE QUESTIONS



This is what market research is all about.

This article deals with an incredibly important part of business and one that is apparently extremely difficult. In fact, it is so difficult that many businesses don't do it at all – ever. Many smaller businesses that start-up often avoid it (except for lying in their business plan applications to the bank for an overdraft) while many more established businesses avoid doing it because it costs so much. Even global corporations, who do

confront this terrible thing, sometimes make mistakes in doing it.

The reason it is so difficult? You have to ask questions.

This is what market research is all about. Asking the potential market what they think of your product or service. New businesses don't like doing it because some of their potential customers don't like their product and they don't like the rejection and disappointment that comes from this. Others don't like it because they like to assume that they know what their market

thinks it wants. Other people don't like it because they don't like asking questions. They just put their businesses out there and hope for the best.

Sometimes, these businesses survive and sometimes they don't. The most disappointing thing about those that don't is that they never know why they didn't succeed. The most disappointing thing about those that do survive, is that they often conduct business in circles for years – not growing, just continuing – and are never sure why.

So avoid this from the beginning. Resolve to conduct market research now and to continue to do it throughout the life of your business. It does not have to be an all-ranging, expensive survey but it should be regular. Test the temperature of the water in the marketplace. Are your customers happy? Are they annoyed? Do they have money? Are they struggling financially? Are they looking for new trends? Keep up-to-date with your customers, interact with them, talk with them and take that information and feed it back into your business.

That, however, is all in the future. Right now, we need to start doing some start-up market research. Remember the customers that you imagined in the last exercise? Well, now go out and find them. What was the profile of your imaginary customer? Black, middle aged, single mother, career-oriented? Single, young, white, male, teenager? Older woman, all races, grown

children, independently wealthy?

You need access to your potential market, so you need to know where they gather. Are they likely to be at the shopping mall, in coffee shops, bars and clubs, libraries, schools, sports clubs, workplaces, soccer stadiums, gyms? Think of where they might be and where it would be relatively easy to find them and ask them questions.

Then, what questions to ask? Well, these should relate to your type of business and what you envisage your business will be doing. If you still have not yet decided, I advise you to stop here and go back to the February edition and decide what you want your business to focus on before you go further.

The questions you need to ask include what type of jewellery, price limits, metal preferences, stone preferences, frequency of jewellery purchases, where they prefer to buy, what they look for in a jeweller or a jewellery store, why they decide to frequent one provider instead of another, who they buy for (themselves or others – if others, who are the others)? You don't need to ask about age and income and gender and ... you should have covered this in the previous exercise. Afterall, this is the reason why you are asking this particular person these questions.

Draft your list of questions (keep it to about 10) and then try them out on your friends and family. This will give you an idea of whether you have worded the questions

properly or whether you need to fine tune them. You may want to show pieces of your jewellery or your designs and ask for opinions on them. The questions you ask must be easy to answer. People should not have to think too hard in answering them. If they have to think too hard, they will stop answering and walk away. If they have to answer too many questions, they will also walk away. Ask questions that have only one answer – for example, what type of metal do you prefer your jewellery to be made of? – rather than ones that can have variable answers. Ask questions that are relevant to your business.

How many people should you involve in this process? Well, the more people you ask, the more accurate your answers will be. So, ask as many people as you can.

Take cognisance of what your marketplace tells you, however, if the answers say that they don't like your design and would not buy from you, don't give up. This just means that you may have targeted the incorrect market. Go back to the previous exercise and begin again.

If you got it right, could this mean that you have walked into the mother lode? Not particularly. But it does mean that you have overcome what a lot of businesses have avoided doing – talking to their potential market – negotiating on price, design and delivery date, and maybe bargaining in four different currencies. ■

HOMEWORK FOR THIS MONTH

1. If you have not done the homework from February, go back and complete that first. If you have completed it, make sure that it is still accurate and you have not changed your mind or want to add or change something.
2. Complete the imaginary exercise outlined in the articles in this issue. Record everything you can think of about your potential customers.
3. Draw up a profile of these potential customers.
4. Compile 10 questions to ask these customers and test these questions on friends and family to see that the questions "work".
5. Go out and find at least 30 of your potential customers (as imagined above) and ask them the 10 questions. This can be done over a number of days at different places.
6. Look at the results and decide if you have correctly targeted your business in terms of price, location and product or service.

NEXT MONTH

While you have come a long way since January – and we are now about halfway through the series – there are still a few challenges to overcome. Next month, we will look at a number of places you can go to if you need assistance in starting or growing your business.