

STARTING YOUR OWN BUSINESS

The Jewellery Council of South Africa





WHAT'S THIS ABOUT?

Welcome to the ninth instalment.

This series of articles, kindly supported by the Mining Qualifications Authority (MQA) and the Jewellery Council of South Africa (JCSA), focuses on the business side of setting up and running a jewellery business. The series is loosely based on the New Venture Creation Qualification, a qualification with over 160 minimum credits. By keeping all 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.

This is the ninth instalment in a series that will run until the end of this year. The content of the series is not to increase or improve your technical skills in jewellery manufacturing design, as I know very little about that. The series focuses on business skills that you will need in order to be able to successfully design and manufacture jewellery for profit.

At the end of each instalment, there are a number of questions for you to consider and record your answers. Store these with all your other answers. At the end of the series of articles – if you've completed all the exercises and answered all the questions – you will have the beginnings of a good business plan.

Despite trying to cover all aspects of business, we won't be able to in this series. Having said that, you might want more information on an aspect that we have covered quickly, or perhaps you would like to know more about something we mentioned in passing. If so, we are more than happy to

try to accommodate your queries.

Please feel free to e-mail your questions, comments (both the good and bad) and suggestions to: articles@spi.org.za. I might not be able to tell you the melting point of an alloy, but I will be able to tell you the ins and outs of turning that alloy into a saleable product.

Last month we looked at simple methods of managing your risk within your business. This month we're going to look at some easy and accessible ways of marketing your business.

In many people's lives there seems to be a huge gulf between what they do to earn a living and what they do to enjoy themselves.

For some people, running their own business often starts as something they do in their spare time – in other words, as a hobby. People might see what is produced and ask for it. Slowly, word spreads, and before long money is changing hands.

So what's the difference between the person having a great hobby that they enjoy, and the small, often home-based business that the hobby has evolved into?

Money is not the difference: it is the end result. What has changed is that instead of producing for himself and for his immediate friends and family, the hobbyist is now producing for a wider circle of consumers. The goods produced for friends and family would have been given away free, as gifts. But as the circle of consumers widens, so the entrepreneurial hobbyist has to start

charging. So it's not the money that comes first, but rather the larger group of people who want the goods.

In other words, the big difference between the hobbyist and the businessperson is not the fact that money changes hands, but rather the fact that the businessperson produces for a wider market. This is one of the distinctions that are often made with small businesses. If you don't have a market, you don't have a business. You have a hobby.

I know that it's a point that has been made a number of times in this series of articles, but the importance of having that market has probably deepened in the last six months. As the world has gone through an economic crunch, so people with discretionary income (that is, individuals who are part of your market) are often a little choosier about where to spend their money.

With this in mind, we want to be able to explore some relatively low-cost marketing techniques that you will be able to use in your own small business.

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 set-up 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.insightstrategies.net). ■

DO YOU LOVE YOUR CUSTOMERS?

By going the extra mile and accumulating information on current clients, you can ensure they become repeat clients – and gain new ones in the process.

The normal way of marketing your small business has often followed the same footsteps as larger companies. We have printed posters, distributed pamphlets, advertised in newspapers and taken out adverts in magazines. But still, we are often surprised by the apparent low return on these relatively huge investments. While the purists will definitely point out the difference between advertising and marketing, at this point it's worth quoting John Wanamaker, a leading pioneer in United States retail: "Half the money I spend on advertising is wasted; the trouble is, I don't know which half."

Now, unless you're in a unique position among small businesses, the chances are you can't afford to waste your advertising revenue, especially when you don't know which half to waste.

In 1984 a new form of marketing for small businesses was unveiled. The concept of marketing was totally revised and turned on its head – so much so that even large corporations have followed these principles with innovative techniques and advertising campaigns. The new technique was called guerrilla marketing. For those of you who are interested in learning more about guerrilla marketing, visit: www.gmarketing.com.

Given that many of you reading this article are involved in the creative industry, the creative side of guerrilla marketing might appeal to you.

One of the things that guerrilla marketing does is concentrate on the relationship with the consumer. In other words, once you've got a customer, you don't let him or her go. In today's world of information technology, this is a little easier said than done. Although it sounds a bit clinical and perhaps a little opportunistic, relationships are built on information. The more information you gather about your customers, the better chance you have of building a relationship with them.

Imagine if someone comes to you for an engagement ring and you manage to design and make one that your customer is extremely happy with. How easy would it be to offer to make the wedding bands for the ceremony as well?

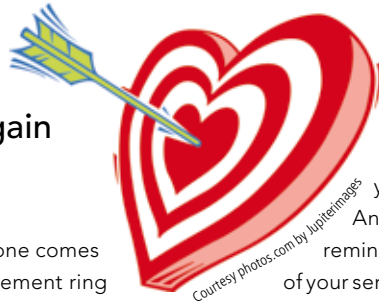
In conducting one transaction, you have a considerable amount of information – you'll know the wedding date, the chances are you'll also get to know the different styles that your customer prefers, and if the design process has been a consultative one, you'll probably learn a lot more about the individual. You might also ask for the customer's birthday and the birthday of their intended spouse. Now you have at least three pieces of information from one transaction.

So what can you do with this information? All you need to do is record the birthdays, the anniversary and the individuals' names in some type of reminder system. There are a lot of people out there at the moment selling what they call Customer Relationship Management software, or CRM. You can opt to buy one of these, you can download a couple of very good systems free of charge, or alternatively you can buy yourself a diary.

Find the birthday of your customer in next year's diary – for example, 26 March. Turn to one month before the birthday. Now write this down on 26 February: "Contact (write the spouse's name here) about (write the customer's name here) birthday next month." Write down the e-mail address and the cellphone number.

Now do the same for the spouse. One month before the wedding anniversary, remind yourself to contact both parties about the upcoming celebration.

This might seem a little opportunistic, but what are you really doing? You're taking a little bit of extra stress out of your customer's life by reminding them that you offer a potential



product or service that they might want to take advantage of for their partner's birthday.

How much would that have cost you? It would have only cost you an e-mail, SMS or phone call. And what have you done? You've reminded someone, who already knows of your service, of the products that you have. You've also started, very slowly, building a relationship with that particular customer.

Imagine what the impact of this will be when the newly-weds talk to their friends. Can you imagine the conversation? "We got this beautiful card from the person who made our engagement ring and wedding bands congratulating us on our first anniversary. Isn't that fantastic?" Their response would most probably be: "Oh, wow! You have to give me their number!"

Imagine if this information gets to six friends at one dinner, and eight at the next and four at the next. And 20% of them contact you (a low figure, given that referrals are the most reliable way of getting new business). That's three new potential customers contacting you.

The next obvious step is to be their first point of call when it comes to anything jewellery-related. After all, you are the expert. In other words, you know more than them. If you have a good, solid network of colleagues around, you can refer them to someone else when you aren't able to handle a job. Or if you prefer, you take on the job, add a small commission (NB: *small* commission – you don't want to rip off repeat customers; this is a delicate relationship and one that must be nurtured), and hand the job over to a trusty colleague. Just make sure the delivery dates and the workmanship are at your level – at a minimum, before you hand the goods back.

All this has taken is a little bit of foresight and some planning. You have made a targeted marketing intervention, with an existing client. If the whole situation above takes a year to go through a full cycle, that amounts to four new customers. If you did this for each of your existing customers, how many new customers would you have in 12 months' time? ■

MINING QUALIFICATIONS AUTHORITY

“DIGGING WITH SKILLS AND KNOWLEDGE”

Vision

A competent, health- and safety-orientated mining and minerals workforce.

Mission

To ensure that the mining and minerals sector has sufficient competent people who will improve health and safety, employment equity and productivity.

Values

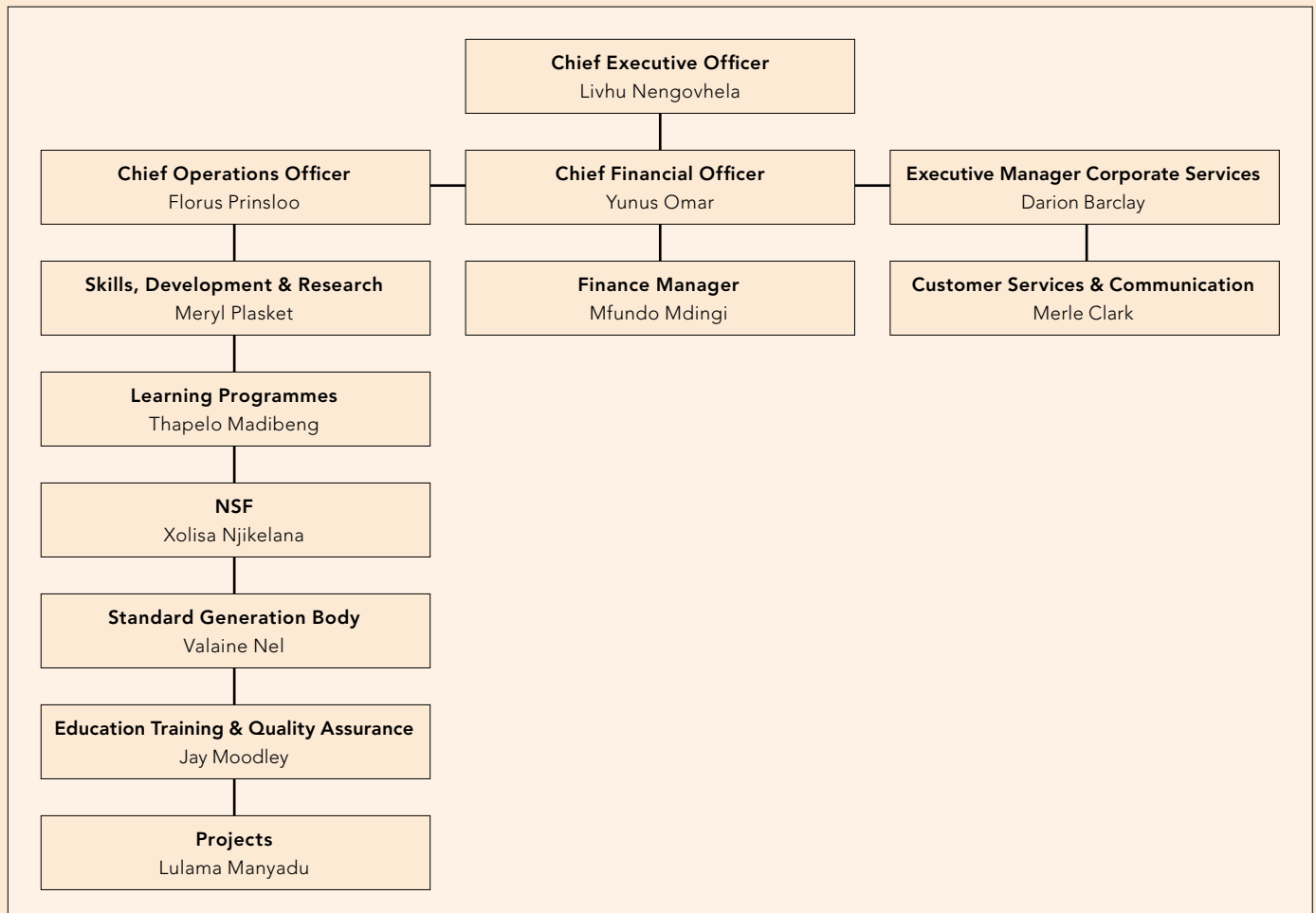
Continuous learning
Empowerment
Professionalism
Honesty and mutual respect
Service excellence

Strategic themes

1. Transformation of the sector through skills development.
2. Health and safety training and development.
3. The development of our current workforce and new entrants to the labour market.
4. Re-skilling of employed/unemployed for sustainable employment.
5. The delivery of quality training and development.



MINING QUALIFICATIONS AUTHORITY



DEVELOPMENTS IN THE AREA OF BENEFICIATION – Jewellery

	NAME OF QUALIFICATION	LEVEL	STATUS	REGISTERED LEARNERSHIPS
1	National Certificate: Intro to Jewellery Manufacture in a Production Environment	2	Awaiting registration (at SAQA)	
2	National Certificate: Jewellery Manufacture in a Production Environment	3	Awaiting registration (at SAQA)	Registered Level 3 Learnerships Exist
3	FETC: Jewellery Design	4	Registered	Jewellery Design
4	FETC: Jewellery Setting	4	Registered	Jewellery Setting
5	FETC: Jewellery Manufacture	4	Registered	Jewellery Manufacture

SKILLS PROGRAMMES UNDER DEVELOPMENT

	NAME OF SKILLS PROGRAMME	STATUS
1	Administer a jewellery workshop	In the process of development
2	Administer jewellery sales	
3	Identify and grade a gemstone	
4	Evaluate and appraise jewellery	
5	Polish and plate jewellery	
6	Quality control jewellery	
7	Clean up castings and assemble jewellery components	
8	Perform lapidary procedures	
9	Manufacture jewellery by utilising machine operations	
10	Computer-aided design	
11	Mechanically surface-finish jewellery	
12	Manage the distribution of metals and alloys	
13	Produce master models for reproduction	
14	Make moulds, wax-inject, invest and cast	
15	Design, quote and price jewellery	
16	Manufacture indigenous jewellery	
17	Pavé-set gemstones into jewellery	
18	Channel-set gemstones into jewellery	
19	Tube-set gemstones into jewellery	



THAT'S WHAT FRIENDS ARE FOR

Building a relationship with your customer is the core of any business – and the foundation of any relationship is trust.

In the last article we mentioned two methods of referring work that you were not able to do – either because you were too busy or because you didn't have the right skills. Let's unpack these two related, but different models and have a look at the pros and cons of each.

In the first method – let's call it the referral method – you do one of two things. Either you take your customer's contact details and pass them on to your friend who

is able to do the work, or you simply pass on your friend's details to the customer. Either way, this is the end of your involvement in the transaction.

In the second method – let's call it the commission method – you adopt a slightly different approach. You accept the job from the customer, according to your normal terms and contact a friend who is able to do the work and pass the job on to them. Your friend returns the job to you once completed, invoices you and you pay them. You call your customer to let them know the job is ready for collection and charge them whatever your friend charged you, plus a small mark-up. Your customer comes in, collects the job, pays you for it and this is the end of your involvement in the transaction.

The difference between the two methods

is easy to see. The referral method generates no income, while this is the main purpose of the commission method. However, the commission method also bears considerable risk, while there is almost no risk at all with the referral method.

Almost no risk at all? Surely there is no risk involved in simply referring someone?

That might be the case. But remember, what we're talking about here is building up relationships with your customers. One of the foundations of any relationship is trust. Your customers will go to the person you refer because they trust your judgement. If this person is not able to deliver the work at the quality the customer has come to expect, or if the person overcharges for the service or doesn't deliver within the timeframe that they promised, the customer will most probably not return to them. But something else will also happen. The customer will also question your judgement, and this begins to erode, ever so slightly, the foundation of trust that you have taken so long to build. All you need is for one or two referrals to go pear-shaped, and a relationship you've taken years to build up is totally destroyed.

So surely, if you're going to take some

risk, you might as well get paid for it? Surely the referral system in this case is of no use at all, and everyone should be using the commission method? Well, not necessarily. You see, there's a balance to things like this. The risks and benefits in the commission method are quite straightforward. If you use the lessons from last month in terms of developing risk management strategy, then you'll be able to weigh up the pros and cons and decide what your mark-up should be. But the pros and cons of the referral method are a lot more subtle. And it's not quite so easy to simplify these to a mathematical formula. You see, it's all based on the relationship.

When you accept the job and then direct it to a colleague or friend, the commission method, the customer sees you as a businessperson. But when you implement the referral method, the relationship that you have with the customer becomes a lit-

tle more complex. Whereas previously you were a businessperson accepting payment for a service rendered, you've now entrusted these people, your customers, with information that was exclusively yours. Having taken the step of trust, you've deepened the relationship.

All of this may seem like a bit of a hodge-podge of touchy-feely stuff, but in reality the dynamics of the customer business relationship are just as complex as numerous other relationships that we have on a day-to-day basis. The great thing about these, however, is that we "do" relationships naturally. This means two things in terms of using relationships in marketing. The first is that we can do marketing naturally, relying on our ability to interact with people. Some of us are far better at interacting with individuals, while others are far better at interacting with large groups of people. The second component about using relationships and

marketing is that because of something we do naturally within a business environment, it doesn't cost the earth.

As with any relationship in business, customer relationships grow, change and develops. They go through cycles. But, in comparison with most relationships, some of these changes can be anticipated. If you're managing these relationships correctly, the end result of this whole process is that you end up anticipating what your market needs, and design and manufacture according to these needs. The wonderful thing about this is that you're meeting the needs of your market automatically, while doing the job that you really enjoy – something that might even be a hobby. Philip Kotler says: "Authentic marketing is not the art of selling what you make, but knowing what to make. It is the art of identifying and understanding customer needs and creating solutions that deliver satisfaction to the customers." ■

HOW LONG WILL IT TAKE?

"Most business owners contact prospects once or twice, and if they don't show an interest, the business owners move on to greener territories, the non-existent Land of Instant Gratification. Guerrillas continue romancing those they are courting. Eventually, those prospects feel so cared for, so important, so attended to, that they switch over and begin to patronise the guerrilla who never stops courting." – Jay Levinson



Courtesy photos.com by Jupiterimages

One of the most important things to remember about marketing in general, but about this form of marketing in particular, is that results are not going to be seen immediately. If you compare this "relationship marketing" with establishing and strengthening a relationship, you'll understand that the long-term benefits outweigh short-term gains.

"Guerrillas thrive and prosper because they understand the deeper meanings of the phrases 'customer base' and 'long-term commitment.' This enables them to reinvent their marketing – just as long as they're firm in their commitment to their existing customers and prospects," says Jay Levinson, the guru behind guerrilla marketing. In his mind, long-term isn't necessarily next year. "Try seven years on for size. That's the outside.

It could happen in a month, even a week or less, if the prospects are in the market right now and neglected by their former supplier. But it probably won't happen soon and it most assuredly won't happen if you ignore them after contacting them once or twice."

So how do you embark on this process? It's vital for your business to have a clear objective. One of the first things that I would recommend you do is set realistic goals for yourself regarding your marketing. Set goals and timeframes, but remember that the goals are only likely to be achieved over the longer term.

Probably the most important thing about starting this process, however, is just that – to start the process. "[Guerrillas] identify their best prospects and then begin the courtship process. It is a courtship and it is a process. Armed with that insight, you can transform them into customers. Most business owners contact prospects once or twice, and if they don't show an interest, the business owners move on to greener territories, the non-existent Land of Instant Gratification. Guerrillas continue romancing those they are courting. Eventually, those prospects feel so cared for, so important, so attended to, that they switch over and begin to patronise the guerrilla who never stops courting."

Once you get it right, this type of

marketing becomes second nature. It's ingrained in every aspect of your business and is a process you and your staff members should follow instinctively.

To make sure this happens, it's important that the systems you have in place relating to your marketing are simple to implement and easy to follow.

Don't think that you have to get it right straight away. You're allowed to make mistakes. And the great thing about this type of marketing is that the feedback is almost instantaneous – you're able to learn from it and develop a new strategy almost immediately. But perhaps the most important thing is that you're able to do this at a relatively low cost.

Imagine the situation. Your customer has approached you to make an engagement ring. You follow the advice earlier in this article and asked for his birthday and the birthday of his intended fiancée. A month before his fiancée's birthday, you give them a call to remind them of this important upcoming occasion and suggest that he might want to get something specially designed. As soon as you finish your introduction, there's a stunned silence. Your customer then starts sobbing over the phone. When he manages to regain his composure, the full story comes out. It turns out she rejected his proposal.

Guess what? You've discovered a flaw in

your system – it's important to know that the proposal was successful, the wedding took place and the couple are still together. The cost of discovering this flaw is one telephone call. Now you'll be able to improve your system, to make sure you don't make that mistake again.

As your business grows, your client base will become more extensive and your systems for marketing – or for building customer relationships – will become slightly more complex. But never forget that the most important, central part of the business is the market. And in your case, the market is the individual who walks into your store or your workshop. ■

YOUR GREATEST ALLY IN MARKETING

YOUR BUSINESS

A successful businessperson identifies risks at an early stage and plans to either avoid them, or to strengthen the business at just the right points so that the impact of the risk is minimised

I could go on and on about the need for patience in developing and implementing your marketing plan and waiting for results. But the guru of guerrilla marketing, Jay Levinson, says it best: "Remember, going into business for yourself is risky. But it's not as risky as putting your future in someone else's hands. At least if you're running your own business, you can do something about

the risks that you face."

That's exactly what this month's articles are about. Any business, no matter what size, faces risks on an ongoing basis. The successful businessperson identifies what these risks might be and plans to either avoid them, or strengthen the business at just the right points so that the impact of the risk is minimised. What you need to do to be a success-

ful businessperson, instead of pretending the risk doesn't exist, is to keep your eye on it and steer your business around it.

The coping mechanisms that you design for your business need to feel comfortable. Because all our personalities are rather different, the strategies that we design to cope with risks are also different. Because our businesses reflect the people we are, the ways that we devise for businesses to cope with risk will reflect the people we are as well. Don't be tempted to take on the risk strategies of another business. Ultimately, this is *your* business, and you need to feel comfortable in everything that it does. ■

YOUR HOMEWORK FOR THIS MONTH IS THE FOLLOWING:

As always, there's some homework for you. Take your time to think through these questions – there are no correct answers – and write down your responses and ideas. Keep these in a file with all the other homework you've completed.

- Do a Google search for "guerrilla marketing" and read about some of the techniques
- Come up with a simple system that works within your business for recording customer-related information
- Design a single guerrilla marketing intervention
- Implement this intervention and record your results

Next month's articles will be the last in the series. We'll recap on the entire year's articles and ideas and begin to pin all the bits of homework together.

Remember to send questions and queries to: articles@spi.org.za. ■