



Issue Sixteen

Clustering Helps Move Your Business Forward

Ask any small business owner how they managed to grow their company and you'll probably hear a common theme - sheer hard work.

In isolation, moving your business forward is not an easy task. But working in collaboration with others towards a shared goal may be the difference between business success and failure.

Working together with your competitors? Is this possible?

Informally it's about networking and sharing ideas. On a more organised level, it's called cluster groups and they operate throughout New Zealand with excellent results.

Collaborating on big projects

Cluster groups bring together businesses with a common interest and then undertake projects for the purpose of moving everyone's business forward. These projects are often long-term, some taking many years to complete. The critical mass gives the group the leverage needed to engage in projects, which would normally be impossible for single entities.

Improving training levels, developing brands and moving into export markets are examples of areas in which clusters can support a local industry group.

For example, if the forestry industry had an ongoing issue finding skilled pruners, a cluster group of forestry companies could work together with training providers to develop the appropriate courses to upskill the workforce. Cluster groups are about linking with other entities to find a solution which will benefit all parties.

Specialising your business

Ifor Ffowcs-Williams of cluster development specialists Cluster Navigators says small businesses don't need to merge, or even diversify, in order to grow. In fact they need to become specialists in what they do and link in with others - often competitors - to form a critical mass and move forward together towards common goals.

However he acknowledges it's a philosophy many businesses don't always respond well to.

"Businesses are reluctant to open up with each other. They are scared of showing their weaknesses," he says.

Maintaining individuality and competitiveness however are crucial to the success of any cluster group, says Ifor. They need to draw out the common issues, which are not competitive, and work on those. This way everyone can move forward.

The key is building an infrastructure of supporting businesses around the cluster group.

"It's hard for small businesses to grow. But if they have skilled labour, related businesses and specialised suppliers behind them, they will have a better chance of growing."



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Accelerating cluster development

Many cluster groups, for example kiwifruit growers in the Bay of Plenty, have operated naturally for years. In the last ten years, national agencies have put weight behind the initiatives to accelerate the development.

Now local councils or local economic development agencies in each region will support businesses wanting to work together on an issue. They will help a cluster get up and running and support the group in working out how they might solve an issue or realise an opportunity, be it upskilling workers, developing an export market or creating more wealth.

For more information on clusters, look on the NZ Trade and Enterprise website: www.nzte.govt.nz under 'Business Clusters'. It has useful information on how to get started, including a starter kit to download.

Next Steps - Getting a Cluster Together

- If you detect an issue which is holding back your business and others as well, or see an opportunity which could move your whole industry forward, think about setting up a cluster group. In the first instance:
- Talk to others - your competitors may have similar ideas and by working together, your chances of realising an opportunity, or solving an issue, are higher than attempting to work in isolation.
- Seek government support - your regional council or local economic development agency can take the lead in forming a cluster group. Approach them to talk through your ideas.

Developing the cluster

There are several steps involved in developing a cluster group, which is why government agency support with trained facilitators is critical. Several initiatives might be undertaken over a course of many years. The role of the agency is to stay involved to keep things moving forward.

Who's Clustering?

- Successful clusters operating in New Zealand include:
 - Engineering Taranaki Consortium
 - Furniture network: FURNZ Limited
 - Fashion Industry NZ Cluster
 - Waikato Agriculture Biotech Cluster
 - Gisborne Winegrowers Cluster
 - Wood Hawke's Bay
 - Film Wellington
 - Nelson Bays Arts Marketing
 - Greenshell Mussels
 - Education Christchurch Cluster
 - Clotheslink Canterbury
 - Electronic South Cluster
 - Bulb Exporters of NZ Cluster
 - Southern Truffles Cluster
- Internationally, clustering has proved hugely successful. In some cases, such as the examples below, entire cities have effectively become a cluster group of businesses which all produce the same product or components of that product.
 - Dalton, USA, population 25,000, produces 45% of the world's carpets.
 - Datang, China, population 100,000, produces one third of the world's socks.
 - Udine, Italy, population 60,000, has 1,200 chair manufacturing companies.



Be sure to read each article with the mindset "How this could apply to our business". Thinking of it that way will guarantee that you get value. Also make copies for each team member. To really make sure something positive happens, work with your business development specialists to talk your team through ideas.

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Free Advertising Not to be Missed

When planning your advertising, don't forget the Yellow Pages. It's hugely important for small businesses.

Let's face it, when people need something, many still consider the Yellow Pages a handy first port of call, especially if they're looking for a local business. And, if they prefer doing their research online, they'll find the Yellow Pages there too. Thousands do every day.

If you're not listed, you could easily be overlooked by potential clients.

In New Zealand, 18 regional and 22 local directories are distributed every year - more than 2.7 million directories countrywide. That's a lot of readers.

Advertising cut-off dates vary from region to region, so make sure you find out the deadlines if you want to get listed for the first time. Entries are free if you just want your business name and land-line telephone number listed. If you want to go for something more attention-grabbing, think about the following points.

Stand out and be different

- Before planning your own ad, look at what your competitors are doing and make sure yours is different!
- Include a headline in the advertisement to grab attention
- Give information but don't clutter - keep wording simple and to the point
- Tell the reader what's in it for them - what do they get if they buy from you?
- Consider including a photograph of yourself - this can personalise your business amongst the hordes of other advertisers.

Go the Extra Mile for Your Customers

Many business owners would agree that customers are gold - without them you have no business. But do you regard and treat them as gold?

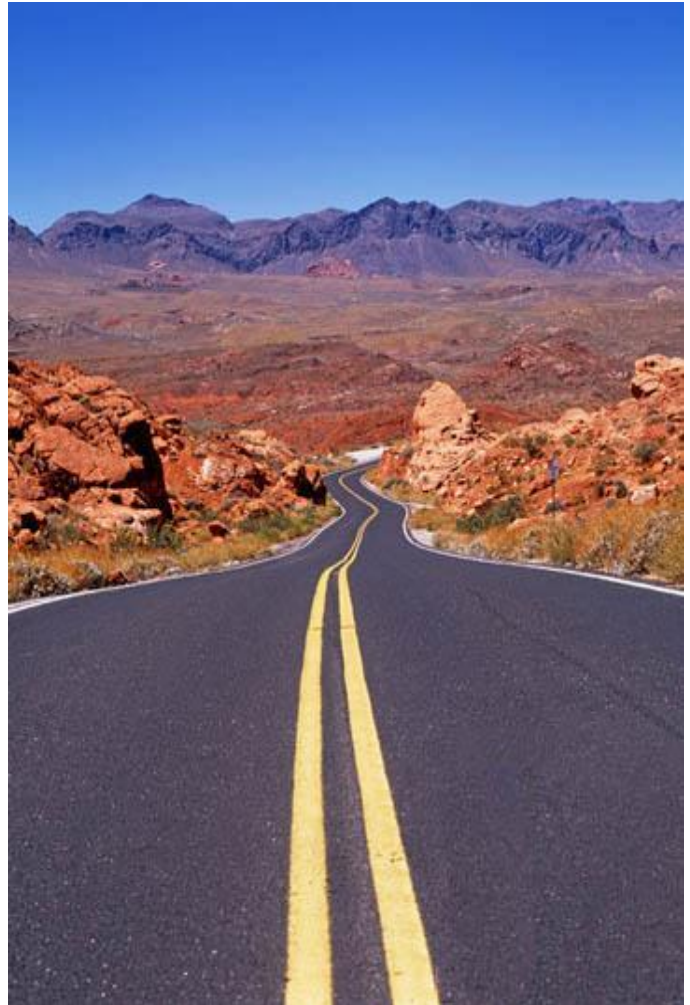
Do you know them inside and out? Do you understand their needs, desires and expectations? Do you go the extra mile for them? Do you even know *who* they are?

Successful businesses have excellent relationships with their customers. They get out and talk to them or make contact in other ways to learn as much as they can about each person.

Details on demographics, interests, what they buy, why they buy from you, and so on is collected and recorded on a customer database. This information is vital in understanding how a customer thinks and what they are interested in.

But that's not the database's only purpose. As you collect customer contacts you can now communicate with them on a regular basis.

You now have a means of telling them about new products or services you are offering, relevant courses or workshops or one-off special deals. With enough contact details at your fingertips, you could write to them, email, text, or simply pick up the phone. If you know your customer well, you'll know what deals they will be interested in and how they like to be contacted.



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Solve their problems

It's a known fact that customers tend to go for the big business brands but in doing so often compromise on the service they receive. As a small business, however, you have many more opportunities to meet and get to know customers one-on-one and offer a far more personalised service.

If you view yourself as being in business to find solutions to your customers' problems you're on the right road. But of course, you have to know your customers very well before you can help solve their problems. Talk to them, understand the issues they have and find ways to remedy them. Your best customers are your existing ones and they'll reward you for fantastic service by returning again and again.

Remember:

- Talk to your customers regularly.
- Find out about who they are and why they buy from you.
- Record information on a customer database.
- Use the database to communicate with them and offer something they will be interested in.
- Know their problems and issues and know how to solve them.



"It's hard for small businesses to grow. But if they have skilled labour, related businesses and specialised suppliers behind them, they will have a better chance of growing."
Ifor Ffowcs-Williams, CEO Cluster Navigators Ltd

Potholes on the road to marketing

Don't fall into these 10 common marketing mistakes:

1. Going into business without finding out what customers really want.
2. Launching the products or services without sufficient market research.
3. Competing on price rather than developing a Unique Selling Proposition.
4. Pitching prices too low so that not enough funds are left for sales promotion.
5. Expanding sales of products or services which offer very little profit.
6. Expanding sales when there isn't enough working capital.
7. Opening a business in the wrong location.
8. Using sales people who may have good technical knowledge but who have not been trained to sell.
9. Staying too long in dying or unprofitable markets.
10. Doing the same as last year - all the time.

An Important Message

While every effort has been made to provide valuable, useful information in this publication, this firm and any related suppliers or associated companies accept no responsibility or any form of liability from reliance upon or use of its contents. Any suggestions should be considered carefully within your own particular circumstances, as they are intended as general information only.

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