



BUSINESS PROMOTION & TOURISM

DEPARTMENT OF ECONOMIC AFFAIRS AGRICULTURE AND TOURISM WESTERN CAPE

9 Dorp Street, P O Box 979, Cape Town 8000. Tel: (021) 483 2628 Fax: (021) 483 4892
E-mail: jpeters@pawc.wcape.gov.za Website: www.westerncape.gov.za

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LOPHUHLISO LWEZOSHISHINO NEZOKHENKETHO • BESIGHEIDSBEVORDERING & TOERISME

START YOUR OWN BUSINESS WORK PACK



AIDS

**is everybody's
business!**



Government and countless AIDS organisations need your help to deal with HIV/AIDS – a pandemic that claims more vital economically active people every day.

Will some of these people be treasured members of your staff?

No – not if you do something about it now! This means talking with your staff honestly and openly about the dangers of unprotected penetrative sex – which is where most infections occur – and offering easy access to practical information, education and resources. Call one of your local organizations or the National AIDS Helpline on 0800 012 322 for advice. Put up a poster. Wear a red ribbon. And how about making condoms freely available in your workplace? They're still one of the most simple, effective ways we know right now to prevent STD's.

Just don't tell us that HIV/AIDS is 'none of your business!' With one new infection almost every two minutes in South Africa...it is!

| Department | Contact number | Support offered | |
|--|----------------|---|--|
| | | Financial | Non-financial |
| South Cape Skills Centre (George) | (044) 873 4903 | | Training, business advice (Micro- enterprises) |
| Cape Town Job Creation Centre (Philippi) | (021) 371 6100 | Facilitates access to finance and access to business premises (Micro- & very small enterprises) | Tender advice, training, information, advice (Micro- & very small enterprises) |
| West Coast Business Development Centre (Saldanha Bay) | (022) 714 1731 | | Training, information and advice (Micro- & very small enterprises) |
| Entrepreneurial Development (Goodwood) | (021) 592 4792 | Financial support for black contractors (Micro- & very small enterprises) | Training, business management for black emerging building contractors (Micro- & very small enterprises) |
| ED 2000 (Bellville) | (021) 951 8545 | | Training in business start-up, business management and finance, training or trainers and counselling (Micro- & very small enterprises) |
| Business Opportunities Network (Cape Town) | (021) 419 9641 | | Tender information, links small businesses with big businesses (Very small & small enterprises) |
| Clothing and Textile Service Centre (Clotex) (Mowbray) | (021) 448 8935 | | Technical and busines training, linkages for CMTs and small clothing manufactures (Micro- & very small & small enterprises) |
| Business Partners (Cape Town) | (021) 464 3600 | Loan finance between R150 000 & R5 million (Small & medium enterprises) | Business training, advice and information (Small & medium enterprises) |
| Stellenbosch Business & Learning Centre | (021) 883 8344 | | Business skills, advice, counselling networking (Very small & small enterprises) |
| Technology Enterprise Centre (Peninsula Technikon) | (021) 959 6044 | Assistance in accessing loans | Business skills, advice, setting up and running a small business (Micro, very small & small enterprises) |

| | |
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Many people dream of owning and running their own business and, despite the risks, growing numbers are taking the big step towards realising that dream. And there are risks, but these, can be significantly reduced, with careful planning.

We produced this work pack to help you reduce the risk of failure. It is not a total solution and is not a substitute for good, professional advice. However, it is a useful checklist and summarised guide of the things you need before taking that big step. Carefully following the checklist for each stage of starting your own business will help you assess the viability of your business idea.

If you do go ahead, the work you have done will give you a more focused, business-like approach. Having a comprehensive business plan will help you in your dealings with banks, investors and state agencies.

Remember one key point: Stay within your area of expertise. If carpentry is your strength then starting up a computer business is probably not a good idea. As a first step, take time to complete the checklist on entrepreneurship, then take time to list your key areas of knowledge and expertise. Review it a few times to make sure that nothing has been left out and that you have been realistic and not been blinded by optimism.

Using your Work Pack

The work pack breaks the process of starting your own business up into logical steps. Each step is a section on its own. Work through the sections in sequence – completing each one before moving on.



Besides government support, there are a number of organisations providing a service in various industries and fields.

The following is a list of some of these support organisations.

| Department | Contact number | Support offered | |
|---|----------------------------------|---|---|
| | | Financial | Non-financial |
| Centre for Opportunity Development (Woodstock) | (021) 448 7501 | | Business skills, technical training (Micro-enterprises) |
| Atlantis Business Information Centre (Atlantis) | (021) 572 0254 | Loan facilities and referrals (Micro- & very small enterprises) | Business skills, technical training, information (Micro- & very small enterprises) |
| Enterprise Development Unit of UWC (Bellville) | (021) 959 2595 (021) 959 3223 | | Business skills, technical training, information (Micro-, very small & small enterprises) |
| Isibane Resource Centre (Athlone) | (021) 696 2028 | Accessing finance (Micro- & very small enterprises) | Counselling, job training, sourcing materials, information (Micro- & very small enterprises) |
| Mag Training Centre (Montague) | (023) 614 1175 | Assistance in accessing loans (Micro- & very small enterprises) | Basic business training, information (Micro- enterprises) |
| Nicro Business Centre (Mitchells Plain) | (021) 397 6061 | Loans available (Micro- & very small enterprises) | Business training, information (Micro- & very small enterprises) |
| Triple Trust Organisation (Mowbray) | (021) 689 6000 | Links entrepreneurs to micro-lending financial institutions (Micro- & very small enterprises) | Skills and business training, counsel and advice (Micro- & very small enterprises) |
| Zenzele Enterprises (Khayelitsha) | (021) 361 1840 | | Business training, counselling, advice, tender information (Micro- & very small enterprises) |
| Disabled People of South Africa (Cape Town) | (021) 465 0090 | | Business counselling, advice and training of disabled entrepreneurs (Micro- & very small enterprises) |
| Plettenberg Bay Business Service Centre (Plettenberg Bay) | (044) 533 3141 | | Business training, information (Micro- & very small enterprises) |
| South Cape Business Centre (George) | (044) 873 3431 | | Business training, information (Micro- & very small enterprises) |

The most important thing to know is that there is help available. You must simply investigate all options.

Help in starting-up your new business – in the form of grants, subsidised financing, training, business advice and market intelligence – can be obtained from a wide range of central government, provincial and local authorities and business organisations.

Some useful contact numbers of government and semi-government organisations are listed below:

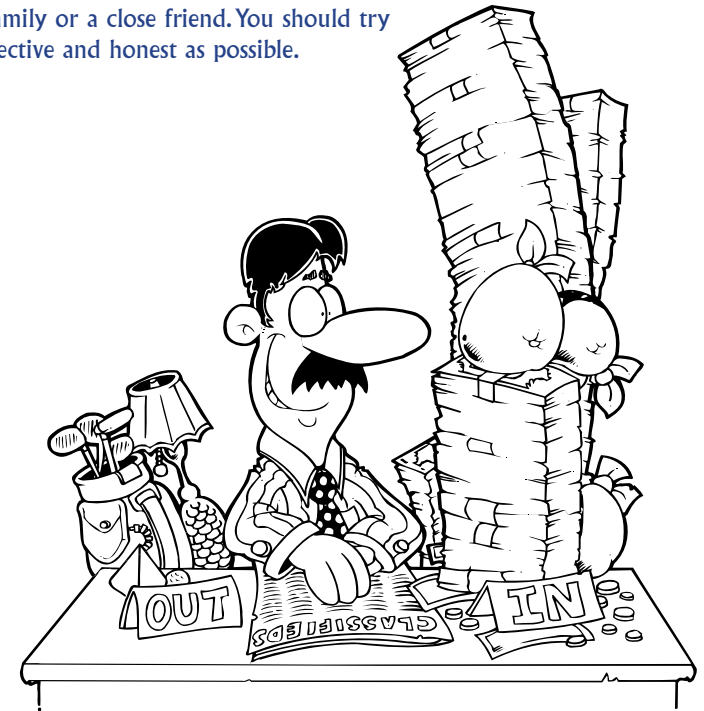
| Department | Contact number | Support offered | |
|---|----------------------------------|-----------------|--|
| | | Financial | Non-financial |
| Department of Economic Affairs, Agriculture and Tourism | (021) 483 2628 | | Referrals to small business support organisations |
| City of Cape Town: Blaauwberg Administration | (021) 550 1090 | | Tender opportunities, training, business plans, business infrastructure, research, linkages |
| Business Referral and Information Network | www.brain.org.za | | Small business service providers, setting up and running a small business, links to government departments |
| City of Cape Town: Tygerberg Administration | (021) 918 7376 | | Technical skills training, mentoring, access to premises, business linkages |
| City of Cape Town: Cape Town Administration | (021) 400 2605 | | Technical skills training, mentoring, access to premises, business linkages |
| City of Cape Town: Helderberg Administration | (021) 850 4335 | | Advice, information, access to tendering |
| City of Cape Town: Oostenberg Administration | (021) 980 6115 | | Informal trading stands, advice, referrals |
| City of Cape Town: South Peninsula Administration | (021) 710 8020 | | Business advice, training, tendering, access to informal markets |
| Western Cape Provincial Tender Board | (021) 483 3128 (021) 483 3808 | | Registration of SMMEs for tendering for provincial procurement |
| Department of Public Works: Emerging Contractor Development Programme | (021) 402 2098 | | Tender opportunities for maintenance of government property, training for contractors |

To assess whether you will be able to cope with the demands and challenges that lie ahead, check yourself against the following list of qualities that are typical of the successful entrepreneur.

Do you have:

- a high degree of drive and energy?
- a high level of self-confidence?
- the capacity for long term commitment?
- independence, initiative, and the ability to be innovative?
- integrity and reliability?
- the ability to set clear goals?
- the ability to cope with uncertainty?
- the high level of determination to solve problems?
- enthusiasm for taking moderate but challenging risks?
- the ability to accept failure as part of the learning process?
- thorough knowledge of the proposed business?
- awareness of the need to make use of experts?

Work through the list, evaluate your own qualities and ask yourself whether you are truly equipped to face the demands of starting your own business. This is a very important exercise, so it may be a good idea to discuss this list with your family or a close friend. You should try to be as objective and honest as possible.



- Small businesses are divided into:
- small businesses
 - medium businesses
 - very small businesses
 - micro-businesses

Small businesses are grouped as follows:

| Sector or subsectors in accordance with the standard industrial classification. | Size or class | Total full-time equivalent of paid employees | Total annual sales | Total gross asset value (fixed property excluded) |
|---|---------------|--|--------------------|---|
| | | Less than | Less than | Less than |
| Agriculture | Medium | 100 | R 4.00 m | R 4.00 m |
| | Small | 50 | R 2.00 m | R 2.00 m |
| | Very Small | 10 | R 0.40 m | R 0.40 m |
| | Micro | 5 | R 0.15 m | R 0.10 m |
| Mining & Quarrying | Medium | 200 | R 30.00 m | R 18.00 m |
| | Small | 50 | R 7.50 m | R 4.50 m |
| | Very Small | 20 | R 3.00 m | R 1.80 m |
| | Micro | 5 | R 0.15 m | R 0.10 m |
| Manufacturing | Medium | 200 | R 40.00 m | R 15.00 m |
| | Small | 50 | R 10.00 m | R 3.75 m |
| | Very Small | 20 | R 4.00 m | R 1.50 m |
| | Micro | 5 | R 0.15 m | R 0.0 m |
| Electricity, Gas and Water | Medium | 200 | R 40.00 m | R 15.00 m |
| | Small | 50 | R 10.00 m | R 3.75 m |
| | Very Small | 20 | R 4.00 m | R 1.50 m |
| | Micro | 5 | R 0.15 m | R 0.10 m |
| Construction | Medium | 200 | R 20.00 m | R 4.00 m |
| | Small | 50 | R 5.00 m | R 1.00 m |
| | Very Small | 20 | R 2.00 m | R 0.40 m |
| | Micro | 5 | R 0.15 m | R 0.10 m |
| Retail and Motor Trade and Repair Services | Medium | 100 | R 30.00 m | R 5.00 m |
| | Small | 50 | R 15.00 m | R 2.50 m |
| | Very Small | 10 | R 3.00 m | R 0.50 m |
| | Micro | 5 | R 0.15 m | R 0.10 m |
| Wholesale Trade | Medium | 100 | R 50.00 m | R 8.00 m |
| | Small | 50 | R 25.00 m | R 4.00 m |
| | Very Small | 10 | R 5.00 m | R 0.50 m |
| | Micro | 5 | R 0.15 m | R 0.15 m |

- your pricing, product, promotion and distribution strategy (e.g. pricing will be higher than that of competitors, offering a more reliable 24 hour service, operating with three vehicles)
- * **Financial plan and strategy**
 - Financial forecasts:
 - profit and loss (show calculations of expenses vs income) cash flow (show monthly inflow and outflow of cash) break-even analysis (show how many clients must be transported or trips undertaken to cover costs)
 - source of funds (e.g. the owner will be contributing R80 000, a family member has agreed to contribute R20 000 as a loan; a further amount of R30 000 will be requested from the bank)
 - use of funds (e.g. the funds will be used to purchase three mini-buses and office furniture to pay salaries)
 - security offered (e.g. the owner will offer his/her house as security for any loan)
- * **Operating plan and strategy**
 - staff and key personnel (e.g. the owner, three drivers, receptionist)
 - suppliers (e.g. ABC Hotels, CBD accommodation providers, tour operators)
 - description of the manufacturing/distribution of the product (e.g. vehicles will respond from call centre once request has been received; clients will be picked up at point A and dropped off at point B)
- * **Conclusion**
 - motivation as to why business will be successful (e.g. we offer an excellent service with exclusive contracts with the ABC group of hotels)
 - motivation as to why finance should be granted (e.g. we have thoroughly researched the market and are convinced that our service will meet the needs of the client, providing an above average return on investment)
- * **Additional annexures (copies of supporting documents)**
 - credit reports (e.g. bank statements of owner for past 12 months)
 - contracts (e.g. written agreement with ABC Hotels)
 - legal documents (e.g. CC registration document, PDP)
 - leases (e.g. copy of lease agreement with Airports Company for site)

Your business plan is the blueprint for your business. It should give you a clear view of what you are aiming for, your business's strengths, weaknesses, opportunities and threats in your business environment. Use your business plan as your map. Like all plans, it will not be fixed in stone but will be subject to constant review and change. Try to prepare a comprehensive but succinct plan. This will make it easier for investors and lenders to review and comment on it.

Your business plan must indicate the following:

- What you intend doing
- How you will do it
- When you intend doing it
- Why you believe the venture will succeed

Your business plan could be compiled in the format below. Simple examples are provided as a guide and cannot be taken as sufficient for a complete well-written business plan. Your SMME support centre can be of great assistance here.

*** Professional-looking front page and contents page**

- Name of business (e.g. *Careline Shuttle Services*)
- Your personal information (e.g. *Kim Buthelezi, 12 Green St., Nyanga, Tel: 668-6000*)

*** Summary/important features**

- Description of product (e.g. *shuttle service between Cape Town Airport and hotels in the CBD*)
- Why venture will be successful (e.g. *We will provide 24 hour, safe, door-to-door pick-ups and drop-offs and secure exclusive rights with ABC Hotels*)
- Short-, medium- and long-term objectives (e.g. *objectives are to initially secure the CBD market and then expand to a national level*)

*** Business description**

- General description of your business (e.g. *shuttle service between airport and CBD, operating 24 hours, three vehicles*)
- Type of ownership (e.g. *close corporation, 1 member*)
- Uniqueness of the product (e.g. *24 hours operation, exclusive rights with ABC Hotels*)

*** Marketing plan and strategy**

- target market (e.g. *overseas tourists requiring reliable transport from airport to accommodation and back*)
- competitors strategy (e.g. *most competitors charge low prices, low reliability, only operating 8 am to 6 pm*)

| Sector or subsectors in accordance with the standard industrial classification. | Size or class | Total full-time equivalent of paid employees | Total annual sales | Total gross asset value (fixed property excluded) |
|---|---------------|--|--------------------|---|
| | | Less than | Less than | Less than |
| Commercial Agents and Allied Services | Medium | 100 | R 50.00 m | R 4.00 m |
| | Small | 50 | R 25.00 m | R 2.00 m |
| | Very Small | 10 | R 5.00 m | R 0.40 m |
| | Micro | 5 | R 0.15 m | R 0.10 m |
| Catering | Medium | 100 | R 10.00 m | R 18.00 m |
| | Small | 50 | R 5.00 m | R 4.50 m |
| | Very Small | 10 | R 1.00 m | R 1.80 m |
| | Micro | 5 | R 0.15 m | R 0.10 m |
| Transport | Medium | 100 | R 20.00 m | R 15.00 m |
| | Small | 50 | R 10.00 m | R 3.75 m |
| | Very Small | 10 | R 4.00 m | R 1.50 m |
| | Micro | 5 | R 0.15 m | R 0.10 m |
| Storage | Medium | 100 | R 40.00 m | R 15.00 m |
| | Small | 50 | R 10.00 m | R 3.75 m |
| | Very Small | 10 | R 4.00 m | R 1.50m |
| | Micro | 5 | R 0.15 m | R 0.10 m |
| Communications | Medium | 100 | R 20.00 m | R 5.00 m |
| | Small | 50 | R 5.00 m | R 2.50 m |
| | Very Small | 10 | R 2.00 m | R 0.50 m |
| | Micro | 5 | R 0.15 m | R 0.10 m |
| Community | Medium | 100 | R 10.00 m | R 5.00 m |
| | Small | 50 | R 5.00 m | R 2.50 m |
| | Very Small | 10 | R 1.00 m | R 0.50 m |
| | Micro | 5 | R 0.15 m | R 0.10 m |
| Social Services and Personal Services | Medium | 100 | R 10.00 m | R 5.00 m |
| | Small | 50 | R 5.00 m | R 2.50 m |
| | Very Small | 10 | R 1.00 m | R 0.50 m |
| | Micro | 5 | R 0.15 m | R 0.10 m |
| Finance | Medium | 100 | R 20.00 m | R 4.00 m |
| | Small | 50 | R 10.00 m | R 2.00 m |
| | Very Small | 10 | R 2.00 m | R 0.40 m |
| | Micro | 5 | R 0.15 m | R 0.10 m |
| Business Services | Medium | 100 | R 20.00 m | R 4.00 m |
| | Small | 50 | R 10.00 m | R 2.00 m |
| | Very Small | 10 | R 2.00 m | R 0.40 m |
| | Micro | 5 | R 0.15 m | R 0.10 m |

All behaviour is motivated. The question is, “By what?” And this is a question you have to answer for yourself before going any further. Why? Because running your own business involves responsibility, risk and potential reward. The responsibility and risk will not be worth the effort if the business does not give you what you want. Results can take time to achieve and delays may cause you to become demotivated. But remember, strong self-motivation is fundamental to business success.

So take time to think through what you really want from your own business. For instance:

- Is it personal wealth?
- Is it status?
- Is it a future for your family?
- Is it the freedom to be your own boss and make your own decisions?
- Is it that you simply have a good idea and know you could make it work?

Whatever it is, make a list. Prioritise it and refer to it whenever making a decision – to make sure that each one will contribute to giving you what you want.

Remember, too, that others who may lend money to you or take a share in your venture will want information on the motivating factor behind your decision to set up this particular business.

Other Legal Considerations

Department of Labour

There are certain laws regulating the hiring, management and dismissal of workers. You have to be aware of your rights as an employer, as well as the rights of the persons in your employ. You must approach the regional office of the Department of Labour for more details.

Receiver of Revenue

You should contact the offices of the nearest Receiver of Revenue to find out about the need to register for tax purposes in terms of VAT, employees tax and income tax.

Trading licence

Trading licences are no longer required for certain types of businesses. However, the following types of businesses need a licence:

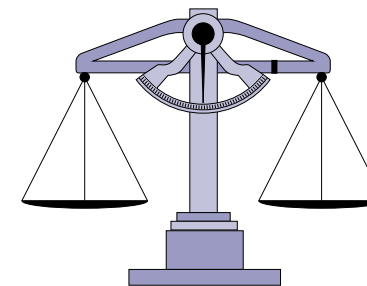
- Sale of meals and perishable foods from business premises
- Sale of take-ways and perishable foods from the roadside
- Certain classes of health facilities and entertainment (discos, movies)

Contact Numbers

Labour issues : Department of Labour : (021) 462 3680

Tax Queries : Receiver of Revenue : (021) 481-6100 (Cape Town)

Trading licences : Local Municipality : Consult your telephone directory



Business and the law are inseparable – both in forming your new business and its subsequent operations. As a first step you have to decide on the structure of your new business – sole trader, partnership, close corporation or company, and it is important to take professional advice on this before you finalise your business plan. Professional advice will ensure you understand which structure would be most suitable for you.

Business Structure

The type of structure you choose will determine how you are taxed and the business records you must keep. Before proceeding you should consider the following:

1. Sole Trader

- The business is easy to set up and subject to minimal laws/regulations.
- You are personally and totally responsible for all the debts and liabilities of the business.
- It is possible to alter this business structure to, for example, a private company.
- You make all the business decisions.

2. Partnership

- The business is easy to set up and subject to minimal laws/regulations.
- The responsibility is shared.
- Partners might frequently disagree.
- Experience, finances and expertise are combined.

3. Close Corporation

- The owners (1-10) are not personally responsible for the debts.
- It is easy and relatively inexpensive to register.
- The business has growth potential.
- The type of business is more credible for dealing with suppliers and customers.

4. Company (Private or Public)

- It is a lengthy procedure to establish this type of enterprise.
- Double taxation takes place. The company is taxed on profits and dividends taxed in hands of shareholder.
- The owners are not held responsible for the debts of the enterprise.

Many entrepreneurs who start their own businesses stand to lose most of their possessions should the business fail. A feasibility study cannot guarantee that you will succeed, but it can help you understand exactly what you are letting yourself in for.

The main reason why most small businesses fail is management incompetence. This incompetence is normally a result of inexperience with regard to marketing, financing, purchasing and production.

In order to minimise the chances of failure, bear the following in mind:

- Do not fall blindly in love with your business idea.
- Do research to prove there is a big enough demand for your product.
- Seek expert advice before you start your business.
- Do not underestimate your financial requirements when starting a new business.
- Consider the competition before you start your business.
- Ensure that your product is different from that of your competitors and that customers will be aware of this.
- Ensure that you are aware of all laws affecting your type of business.

Work through the following checklist:

- Define your business carefully.
- How big is the market? Is the market growing, static or declining?
- List all the factors for success (e.g. good location, low price, high quality, etc.)
- Analyse the situation by:
 - (a) listing your strengths and weaknesses in comparison with your competitors, and
 - (b) listing all the obvious market opportunities and threats.
- List the advantages you have over your competitors.
- List advantages that your competitors have over you.
- List ways of using your advantages to your benefit.
- List how you will deal with the disadvantages you face.
- Roughly estimate your returns (profit) and compare this against estimated costs.
- List what must be done, when it must be done, how it must be done, paying special attention to marketing, manufacturing, financing and administration.

If the business still looks viable, move on to a more detailed study.

Make sure that you know *exactly* what business you are in. Only by precisely defining your idea will you be able to stay focused on your core business. You will also need this definition to identify your market and your competitors.

Keeping your eye on the ball is as important in business as it is in sport. New businesses fail or suffer unnecessary setbacks if their owners stray away from their original idea into areas in which they have less expertise or knowledge. As a result, they spread themselves too thinly and increase the risk of failure.

Define your business as precisely as you can by preparing detailed answers to the following questions:

- Exactly what product or service will I be supplying to my customers?
- Will I be supplying it myself or through others i.e. partners, employees or distributors?
- Will I be a manufacturer? An assembler? A distributor? A service provider?
- Will I be going into business as a franchise?
- Am I buying an existing business or company or am I starting up a new one?

Bring your answers together to create a precise and comprehensive definition of your new business idea.

For example:

- *I will be in the computer service business, supplying a personal, on-site, computer colour printer repair service.*
- *I will be in the hospitality business, supplying to pubs, guesthouses and small hotels.*
- *I will be in the retail outlet support services business, supplying computer systems – designed and programmed by myself and installed on existing hardware – that control stock and re-ordering levels.*



| NAME OF LENDER | CONTACT NUMBER | CRITERIA AND TYPE OF SMME | AMOUNTS AVAILABLE | AREA |
|--|----------------------------------|--|----------------------------|-------------------------|
| Greenfields Venture Capital | (021) 671 2820 | * Small and medium enterprises | R 250 000 – R 2 million | Claremont |
| Business Partners | (021) 464 3600 | Fishing, agro-industry, manufacturing, services and trade businesses * Small and medium enterprises | R 150 000 – R 5 million | Cape Town |
| Industrial Development Corporation | (021) 421 4794 | Manufacturing, tourism and agricultural enterprises * Small and medium enterprises | Minimum amount R 1 million | Cape Town |
| Nedenterprise | (021) 683 8410 | Training provided by Nedcor Business College * Very small, small and medium enterprises | R50 000 – R 2 million | Claremont |
| Standard Bank – SME Unit | (021) 448 4209 (021) 401 2891 | SNew and emerging businesses * Very small, small and medium enterprises | Up to R 600 000 | Salt River / Tygervally |
| ABSA New Enterprise Banking | (021) 940 7833 | Starting up a new business or expanding existing businesses * Small and medium enterprises | R 20 000 – R 600 000 | Cape Town |
| First National Bank Small and Medium Enterprise unit | (021) 419 5858 | Owner must contribute at least 10% of capital requirements * Small and medium enterprises | R 100 000 or more | Parow |
| African Harvest Business Access | (021) 670 4600 | * Small and medium enterprises | Contact lender | Claremont |
| Brimstone Investment Corporation | (021) 670 4500 | * Small and medium enterprises | Contact lender | Claremont |
| Land bank | 0800 00 52 59 | * Very small and small enterprises | R 250 – R 18 000 | Nationwide |

| NAME OF LENDER | CONTACT NUMBER | CRITERIA AND TYPE OF SMME | AMOUNTS AVAILABLE | AREA |
|--|---|--|--|---------------------|
| Khetani Business Finance | (021) 683 7656 | Individuals with existing businesses for more than two years * Micro- and very small enterprises | R 6 000 – R 1 50 000 | Claremont |
| Sizanani | 08601 333 000 | Business must operate from a fixed premise * Micro- and very small enterprises | R 10 000 – R 50 000 | Countrywide |
| South Cross Business Development Trust | (021) 683 7100 | Existing manufacturing, service and retail businesses * Micro- and very small enterprises | R 2 000 – R 25 000 | Claremont |
| Nicro | (021) 397 6060 (021) 422 1225 | Individuals * Micro- and very small enterprises | R 300 – R 20 000 | Cape Town |
| Nation's Trust | (021) 424 5853 | Youth (18 – 35 years) * Micro- and very small enterprises | R 1 500 – R 5 000 for Sole prop. & up to R 10 000 for partnerships | Cape Town (CBD) |
| THUSO | (021) 686 3130 | Starting up a new business or expanding existing businesses * Very small, small and medium enterprises | R 100 000 to R 1 million | Rondebosch |
| Cape Metropole Savings & Credit Co-operative | (021) 418 5976 | * Very small and small enterprises | Contact lender | Cape Town |
| EDSA | (021) 592 4792 | Bridging finance for building contractors * Micro- and very small enterprises | Up to R 100 000 | Goodwood, Cape Town |
| Emerging Enterprise Zone (Online forum for capital seekers and providers) | http://www.eez.co.za | Any unlisted company, partnership, corporation or individual requiring capital * Small and medium enterprises | R 200 000 or more | Countrywide |

No business can survive without sales. So before starting out, you need sufficient proof that your product or service will sell, that the potential market is large enough and, that there will be a reasonable long-term demand for your product.

The first priority will be to establish a marketing plan, but for this you need to know how to conduct a market research analysis. You will need to know the following:

1. What is the size of the market?
2. What is my likely share of the market?
3. What are the really important product features?
4. How do I go about pricing, promoting and distributing my product?

Your research must be done on two main aspects - firstly, your industry (e.g. computers, motorcars, etc.) and secondly, your market (e.g. used-car buyers).

1. Researching your industry *(Complete the following questionnaire:)*

- What is the industry's main activity?
- How large is the industry?
- How long has it been established?
- What are the current trends (e.g. increased use of computers)?
- How competitive is it (is there much competition)?
- Do barriers to entry exist (e.g. high capital costs, strict licensing)?
- What risks are related to the industry?
- What are the legal considerations (e.g. laws affecting you type of business)?

2. Researching your market *(Complete the following questionnaire:)*

- What is the approximate size of the total market?
- Who are my likely customers? Describe them in terms of age, sex, income group, level of education, location and cultural differences.
- What do customers consider to be important when buying? Is it price, product appeal, service provided, etc.?
- How many similar products or services are available?
- Who are my major competitors in terms of price and product quality?
- How much do I really know about my competitors?
- What are the strengths and weaknesses of my competitors and how will I deal with it?
- Is it possible that I can compete on price (e.g. selling at a lower price), or provide better value for money (e.g. packaging, delivery, etc.) or both?
- What methods will I use to distribute my product or service?

3. Researching your competitors

To gather information on competitors is neither expensive nor time-consuming. Low-cost ways in which to gather information include the following:

- Reading business magazines and the business sections of daily newspapers.
- Questioning the customers of your top three competitors.
- Buying the products of your competitors to examine their quality, pricing, etc.
- Visiting trade shows or exhibitions and manufacturers.

You will almost certainly need finance to bring your new idea to the market place and to grow and develop your new business. You need to do a financial feasibility study before committing any resources to your business idea.

A financial feasibility study will help you to determine -

- whether the business will show a profit
- how much money you will need to invest in the business
- how much money you will need to borrow
- what the operating or running costs will be
- how much you must sell to cover your costs
- what the cash flow will be
- whether the expected profit is worth your while given the risks involved

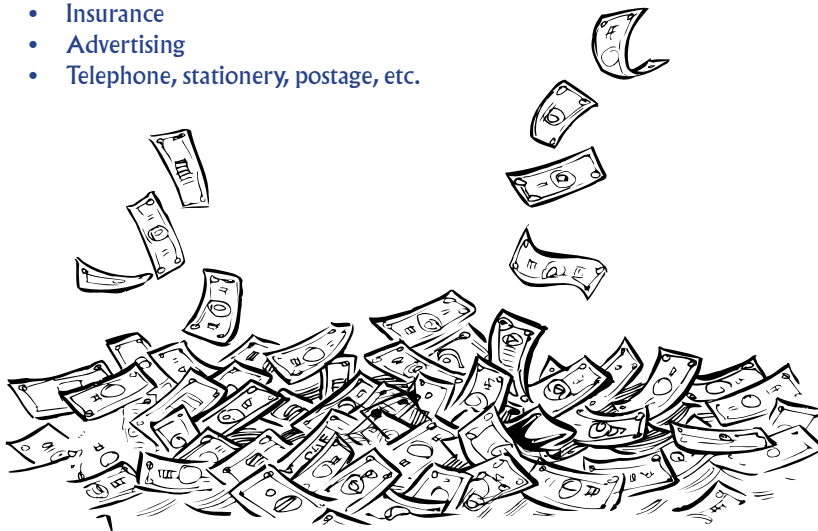
The two main groups of costs you need to consider are:

1. Establishment /Start-up costs

- Legal costs (e.g. contracts)
- Machinery and equipment
- Stock
- Market research
- Provision for operating costs for at least six months (e.g. salaries, advertising, rental, etc.)

2. Budgeted operating/running costs

- Salaries and wages
- Rental of premises, equipment
- Municipal services, e.g. water, electricity
- Insurance
- Advertising
- Telephone, stationery, postage, etc.



• Simple presentation

In raising money for a small business, you need to make a quick, simple presentation to a lender.

- You need to show:
- why the business is sound or why your idea will work
 - how much money you need
 - when the money will be paid back
 - what security can you offer

• Providing numbers

If your business is up and running, bring your latest annual and/or monthly income statement sheets. If your business is a sole proprietorship or a partnership, you may have to personally guarantee any loan. In this case, bring a statement showing your personal net worth (assets less liabilities). Also, you should provide a cash flow projection indicating when borrowings will be repaid.

• Playing the part

The financier's opinion of your capability and trustworthiness will be a major factor in the bank's (or any lending institution's) loan decision. Appear relaxed and confident about your business prospects. If you are seeking funding for a relatively new business, include a résumé (list) of your previous accomplishments in your presentation package.

• Customising your presentation

Appeal to the needs of the person you are approaching for money. If you are seeking loan finance, emphasise the certainty of your ability to repay the loan – don't emphasise prospects of sky-high profits. Remember, debt financiers do not share in profits. Big talk about profits will make a debt financier view you only as a risk taker or unrealistic dreamer.

On the other hand, if you are making presentations to equity (share) investors, you certainly want to emphasise your profit potential.

Here again, refer to persons and organisations who have expertise in the field of business financing.

The following table lists a few service providers in the field of financing.