BY RUWAYDAH LILLAH

CUT OUT BUSINESS LESSON

DEALING WITH GROWING PAINS

Becoming an entrepreneur is all about laying a solid foundation. Mistakes, experts say, allow you to grow. But some mistakes could cost you big time. So try to avoid common mistakes that first-time entrepreneurs often make. Here's how . . .

RUBBERBALL/DIGITAL SOURCE

WHEN 24-year-old charismatic radio personality Faith Mangope started a recruitment and PR company, NFM Recruiters, two years ago she was bursting with excitement about her new venture.

Registering the business was a breeze and she believed she had everything prepared. She identified, researched and studied her target market well and had a clear idea of the identity, character and nature of her business. But when it came to clinching deals, Faith fell short.

"I couldn't understand why I received so many rejection e-mails or why people weren't prepared to invest in me. I'm in the media industry, I thought. They should be able to trust me."

She set up meeting upon meeting with prospective clients over coffee and lunches, which she had to pay for.

"I later discovered that I had often met with the wrong person, sometimes several times! It was really difficult to come to terms with that and the fact that all the coffees and meals I paid for, not to mention the petrol costs and the time I spent going to these meeting were all a waste.

"I had nothing concrete to show for it at the end of the month and my business was running at a loss," says Faith, who is currently the head of current affairs at YFM in Joburg. She also presents a current affairs show every Tuesday evening at 7 pm and a business talk show, Ydidi, on Saturdays between 8 am and 9 am.

Business guru and mentor to young entrepreneurs Pamela Mashiane says young people who start their own businesses often fail to identify who the real decision-maker is in the company they are targeting.

"You have to be sure that the person you're meeting with is the real deal," says Pamela. This is one of the reasons why you need to know the company, its staff and their respective portfolios as well as their responsibilities.

LEARNING THE ROPES

Fortunately, Faith's entrepreneurial growing pains have given her good experience and ideas to share with her listeners and she is able to offer practical tips.

"I almost threw in the towel," admits Faith, "but I realised that if I don't have the deal by the third meeting, chances are it's not going to happen.

Pamela partly agrees with Faith about not wasting too much time on deals that take too long to materialise but she advises that you separate business deals into high-investment and low-investment deals.

"High-investment deals involve a great deal of money, often millions of rands, and these deals will naturally take months, even a a year or two, before they're finalised. These are worth hanging on for and doing the necessary follow-ups from time to time, as long as you have some sort of commitment from the client.

"Low-investment deals involve less money and are the ones you would have to make a quick decision about when things drag on. Ask yourself if it's worth pursuing," says Pamela.

She adds that in business no rules are cast in stone, but advises that as a young entrepreneur you should:

* Stay focused.
* Prioritise what's important and what can be put on the back burner.
* Draft an action plan based on what your priorities are.
* Keep checking your action plan against your actual achievements and those that are still outstanding.
* Follow-up. But remember, a good follow-up is always in writing, via e-mail.
* Be persuasive, but never pushy as this could kill the deal for you.
* Take responsibility and be a responsible entrepreneur.
* Young people tend to be irresponsible, impatient and unreliable. Know that one mistake could not only cost you a deal but also be the death of your company. People talk and if one person finds you unreliable, you'll get a bad reputation.
* Show initiative and don't accept the "don't call me, I'll call you" line.

START-UP TIPS

Pamela also says as a first-time entrepreneur you're entitled to make mistakes, but making sound business decisions in the first few months of starting your business is crucial for future success.

Here are her top tips:

1. TIGHTEN YOUR BELT FROM THE START

Cost-effectiveness is key when doing business, especially when you're a start-up.

2. SCHEDULE "COLD" CALLS

Depending on how and what motivated you to start the business, you could be starting with nothing in the bank. In this case you'd have to schedule cold (unrequested) calls to as many potential clients as possible. Remember, if you have 10 potential leads, chances are only one or two may yield positive results.

3. HAVE BACK-UP MONEY FOR SIX TO 12 MONTHS WHEN YOU START OUT

If you were previously earning a salary you should have put money away to sustain you for at least six months. Don't start a business without reserve capital.

4. PUT QUICK TURN-AROUND STRATEGIES IN PLACE

Find cost-effective ways of doing business and have quick turn-around strategies. This is important for cash-flow management. Cash is king and if your cash flow is not up to scratch, you'll go under.

5. KNOW YOUR CLIENTS' BUSINESSES WELL

It goes without saying that you can't provide a good service if you don't understand your potential client's business. □

* If you've missed previous parts of our entrepreneur series call 021-446-1057 or e-mail archive@drum.co.za

"ALONG WITH SUCCESS COMES A REPUTATION FOR WISDOM"
– EURIPIDES

'Do a short business course if you can, spend time with successful entrepreneurs, and learns as much as possible about your prospective business and industry'
– BUSINESS ANALYST, NOBANINGI VILAKAZI

FAITH'S TOP TIP

Know who you are and what you want, otherwise you'll go with every new trend and be too easily influenced by others

SELL YOURSELF!

An entrepreneur is also a salesperson says Denvor Phokaners, the CEO of Enterprise Development Essentials.

He advises that you sharpen your salesmanship by reading up on and researching everything you need to know about clinching the deal before your appointment with a client.

Top tips on making a good impression:

* Don't arrive late for an appointment.
* Don't follow up every day. Agree with your buyer when you'll next be in touch with them.
* Don't resell your product every time you meet.
* Don't celebrate or talk about how well the sales meeting went while you're still on the client's premises.
* Don't wait for the client to contact you – take the initiative.
* Don't assume that the deal is in the bag until there's money in your bank account.
* Chase deals you can deliver on. The worst thing is to make promises and not fulfil them.

Chase the deals that make economic sense for your company. Sometimes you may have to sell a product for less for the sake of landing a big client.

This client may enhance your business profile and add a lot of credibility to your company. But make sure you have made a calculated decision because, as a rule, you need to make a profit on every deal if you company is to survive.

HANDLING REJECTION

Rejection of your product or service is something you have to deal with as an entrepreneur, says Denvor. "You'll never get away from that, which is why it's so important to do thorough market analysis. Make sure that your product or service is needed and wanted by your prospective buyers.

When you're rejected

Don't take it to heart. It's not personal, it's business. Rejection happens every day in the business world and you'll just have to develop a thick skin if you don't have one already.

Get useful feedback

Ask why your product or service has been rejected. If most of your prospective buyers are rejecting your offer because of price, then that's what you need to address, or you have not clearly explained the benefits of your offering.

Always see it as a chance to learn something new, for example brushing up on your sales pitch.

DO YOU HAVE A QUESTION ABOUT RUNNING YOUR BUSINESS?

SMS BUSINESS and your question to 32113. Each SMS costs R1. You can also write to us at DRUM Entrepreneur, PO Box 7167, Roggebaai 8012 or send a fax to 021-406-2937 marked for the attention of DRUM Entrepreneur. E-mail us at business@drum.co.za