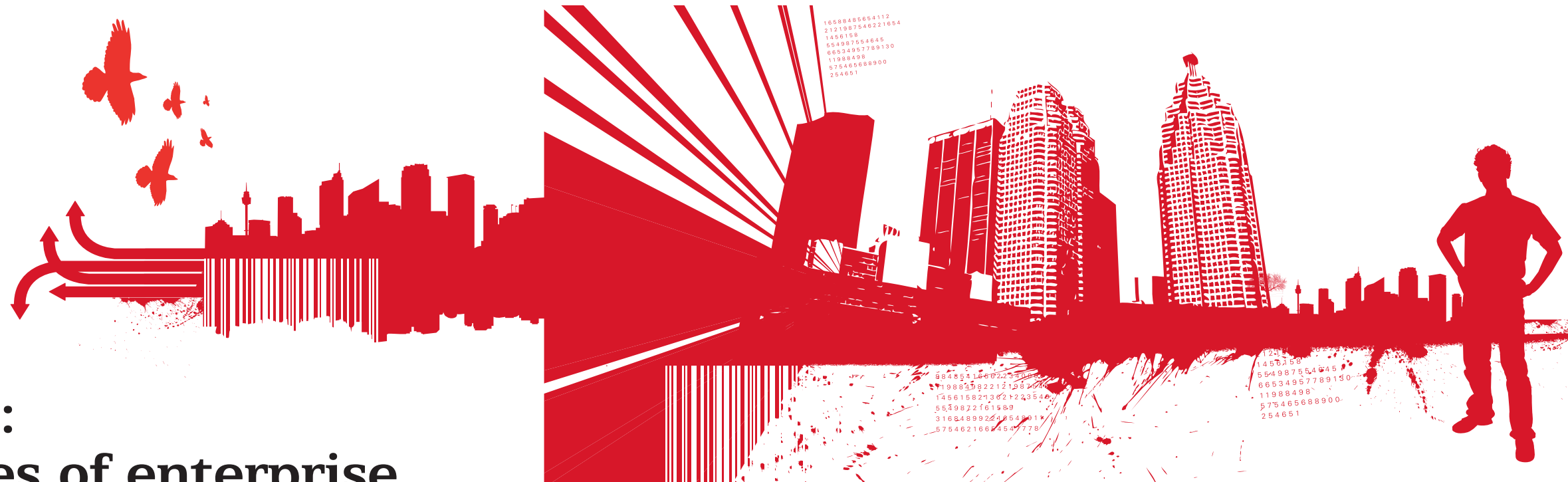


Baldwins
Scottish Pacific Business Finance
Continental Finance
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businessservices

CREATIVE SHOWCASE

You're creative. You're entrepreneurial. You're gonna rule the world! And we bet you hate doing the tax, right? To ensure your creative business remains, er, a business, we've found four great examples of service providers that support fast growing, innovative enterprise



Business services: The unsung heroes of enterprise

Behind every successful business is a group that's rarely acknowledged. Whether they're managing cash flows or broking insurance or guiding you through the intricacies of finance, law, technology, HR or marketing, these business advisors are critical to the creative economy. Here are four examples of service providers that support fast growing, innovative businesses.

Heard the one about the shoemaker? He was so good at making shoes that one day, while his boss was on a 'course' somewhere, he thought 'Dammit, I'm so good I'll do it for myself!'

And so the shoemaker opened his shop and soon found himself making wonderful shoes ... and filing tax returns, calculating GST, negotiating lease agreements, pouring through fine print on his insurance, worrying at night about bad debts and deadlines and the cost of leather and grumpy staff and and ... and very soon, the shoemaker was wondering just how sweet it was when all he had to do was make beautiful shoes.

Welcome to the world of small business—where the craftsman, the rubbish collector and book keeper are pretty much one and the same. For many thousands of entrepreneurs, business is dragging them down into a black hole of administration.

Michael Gerber, with his best selling book the *E-Myth*, captures it perfectly: "Where was the dream now? Why had it faded? Where was the entrepreneur who had started the business? The answer is simple: the entrepreneur had existed for only a moment. A second in time. And then it was gone."

Gerber's point is that a moment in time—the aha! moment—is not enough. In fact, being an entrepreneur requires those moments every day.

But how do you achieve constant entrepreneurship? The answer is simple: don't do it all. Getting the specialists to do the things you aren't good at or don't want to do, is the first rule of success in business. And let's face it, you didn't go into business to spend your time completing an IR13.

Creative businesses face many of the same issues that bedevil small business worldwide. Common problems shared by all SMEs are:

- Cashflow & capital
- Retaining and recruiting skilled staff
- Compliance, tax and red tape
- Innovation and staying ahead of the competition

The order may change, especially in recent years; according to the Deloitte Fast 50 survey, recruiting skilled staff has replaced cashflow as the most important challenge. Many of these problems can be outsourced to specialists. Take recruitment and retention: it's unlikely most SME owners could imagine their staff driving around in

flash European cars. Yet fleet leasing has helped many owners include classy cars in staff packages that previously only large corporates could afford.

Or take cashflow. The number-one bugbear of business, tardy payers, can be dealt with by someone else: a factoring company. By taking on responsibility for chasing unpaid invoices, a company such as Scottish Pacific Business Finance has relieved many hundreds of business owners of the midnight terrors.

The often overlooked problem of health and wellbeing can never be fully outsourced: it's your body, buddy! But a decent risk management service and insurance broker can minimise the downside of you suddenly keeling over. See the story of Dean Young from Brave Day.

Here at *Idealog*, our obsession is with the creative enterprise and the thrill of invention. But there's no enterprise without the back-up of business services. Do yourself a favour and free yourself from thankless tasks and concentrate on the fourth item in that list: innovation and competition. That's why you went into business, right?

True value

How Frucor, A2 and Donaghys use Baldwins to create value

As well as helping companies commercialise innovation, Baldwins is a leading expert in intellectual property protection, enforcement and strategy.

Its clients range from Kiwi icons such as New Zealand Post and Kiwibank to globally-focused exporter Enza and dairy products licensor, A2 Corporation.

Baldwins' client list isn't confined to New Zealand companies. The firm has become a point of contact for multinationals seeking to protect their intellectual property here. Baldwins continues to act for CIVC Comité Interprofessionnel du Vin de Champagne, the group that represents the interests of the Champagne Houses of France.

"We acted for CIVC when it took action against several wine industry bodies in New Zealand in the 1990s for incorrect use of the Champagne appellation, and we continue to monitor such use today," says Baldwins partner Penny Catley.

Working with the best

Baldwins' advice more often than not involves taking a global view. Take for instance its relationship with beverage maker Frucor, who took the popular V energy drink brand overseas in 1997, initially to Australia then further afield.

"Right from the beginning, Frucor realised the need to protect the brand outside of New Zealand," says Baldwins senior advisor, Chris Ross.

"We were involved in clearing the V brand for registration and use worldwide. The V brand is now registered in over 35 countries and is in use in New Zealand, Australia, China, France and the United Kingdom to name a few."

"Strong brands command a premium in the energy drinks market so it's vital that we protect our brand equity, especially now that we've

updated our look for the first time since launch," says Jo Turner, senior brand manager for V.

Baldwins has also worked closely with A2 Corporation to protect a suite of international trade marks and patents relating to A2 milk technology. "Baldwins is our security blanket" says chief strategic and scientific officer for A2 Corporation Dr Andrew Clarke. "We've had obstacles to our patents over the years and Baldwins has been instrumental in helping us overcome them." Baldwins partner Dr Greg Lynch says, "A2 is a great example of a New Zealand company with solid awareness of the value of IP to its global business and the commercial savviness to negotiate good deals."

Baldwins' client Donaghys started out in Dunedin in 1876 as a rope-maker but has since expanded to become an integral part of the rural community supplying everything from animal management tools to herbicides.

Donaghys' has benefited from the scientific expertise of the Baldwins team, particularly the advice of resident US patent attorney Dr Caryn DeHoratius.

"We have conducted freedom-to-operate search and novelty searches globally to confirm that Donaghys' new products do not infringe any patents relating to herbicides," says DeHoratius.

"There are a range of options you have when you take a product to market and Baldwins talked these through with us. Having gone through the process, we found that it can sometimes be better to keep your innovation secret rather than disclosing it to the world," says CEO of Donaghys, Jeremy Silva.

Armed with the right knowledge

Scan the biographies of Baldwins' partners and staff, and a number of letters will jump

out at you: MSc, ME, PhD, BEng, BSc, BTech among them. That's because in addition to the qualifications to practise as patent attorneys in New Zealand and Australia, they also boast impressive scientific and technical expertise.

Chris Way BEng (Hons), MSc practised in London for eight years before moving to Auckland in August 2006. He qualified as a UK chartered patent attorney, a European patent attorney and a community trademark and designs attorney.

Dr Caryn DeHoratius, BA, PhD (Princeton) JD, practised for seven years as a patent specialist in New York City. She qualified as a US lawyer and patent attorney specialising in biotechnology and pharmaceutical patents.

Baldwins believes in putting its best and emerging talent at the disposal of clients. That hasn't changed in over 100 years of doing business.

More than just patents

Baldwins has also become adept at handling the specialist IP needs of small-to-medium sized companies so that management teams can get on with their primary goal of running successful companies.

Many however still leave themselves exposed to the tactics of competitors or in some cases fail to establish that they are infringing the intellectual property rights of others.

It's often only when something goes wrong, when a document written on legal letterhead arrives in the mail, that management gives thought to intellectual property issues.

"We see it all the time. Suddenly they become IP aware," says Catley. Being proactive is the key—not reacting retrospectively, she adds.

While a company may have an assets register which lists various business chattels,



PHOTOGRAPH BY MATT GRACE

The Baldwins team bring intellectual horsepower. Pictured from left: Chris Ross, Penny Catley, Dr Caryn DeHoratius, Dr Greg Lynch

not many have a register which records the company's intangible IP assets such as trade marks and confidential information.

While securing patents locally and abroad is seen as one of the primary means of protecting innovation, Ms Catley says Baldwins' business comprises a much more complex mix of IP-protection provisions.

"A lot of protection can be covered in IP agreements. You might decide not to apply for a patent because in so doing you're giving up your knowledge," she says. "You can end up locking up the technique but in the process tell

everyone how you do it. We can help you avoid this pitfall. That's what coming to a specialist IP law firm is about."

Tailoring advice to your needs

"While we provide tailored IP advice to clients every day we will not push them towards filing a patent or trade mark or spending a lot of money because it may not be the best option for them at the time," says Ms Catley.

Jeremy Silva agrees "Baldwins provided

us with a range of options and we decided in partnership what would work best for us. They have the specialist expertise we needed. We will not bring a new product to market without them."

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The cash factor

How to turn growth into cash: delegate the debts

It's a perennial problem of high-growth businesses. On paper you're making good money. You have good clients who pay on time. Only trouble is, "on time" is next month, but your suppliers need money this month.

It's a cashflow gap that many entrepreneurs fill with bank overdrafts. That's what Tuapeka Gold Print did for the first 13-odd years of its life. The company supplies custom-printed promotional products, sourcing unbranded product from overseas which often requires upfront payment, and customising the products to meet client needs.

The problem

The promotional products field is a growing one, but also a field that can pummel a company's cashflow. Tuapeka Gold Print managing director Jim Robertson says while the bank was always happy to offer his company an overdraft, the constant need to renegotiate the overdraft was becoming a real problem for the business.

"The faster we grew, the more money we needed," explains Robertson. "But we had to organise more—go back to the bank and start a whole new overdraft agreement."

Seven years ago, Robertson found a different way of keeping Tuapeka Gold Print running smoothly. He partnered with Scottish Pacific Business Finance using their factoring service.

The solution

Factoring offered Robertson a way to ensure cashflow kept pace with the need for growth. Essentially he handed his invoices over to Scottish Pacific Business Finance, including administration and collection. Scottish Pacific Business Finance then makes 90 percent of the invoice value available immediately, and the

remaining ten percent available on collection, less an admin fee. If Robertson needs to access those funds, he's charged interest, but if he chooses not to draw on those available funds, he's charged no interest. "With factoring, the more you invoice, the more money is available automatically," explains Robertson. That's because the amount of credit available is solely dependent on the invoices coming in.

Robertson sees huge value in Scottish Pacific Business Finance's close involvement with the collections process. "They value our invoices higher than the bank does, because they see the money coming in and they do the collection," he says. "Because of that, they have a lot more confidence."

An added bonus of working with Scottish Pacific Business Finance has been not having to worry about collections. "We decided we should be doing as much in-house that would improve our service, and outsourcing everything else," says Robertson. "Debtor control came under 'everything else'. Scottish Pacific Business Finance does a great job, and it frees our people up to fill orders—which is what we'd much rather be doing!"

Robertson initially faced scepticism from his accountant, who felt the service was expensive. "But if you look at it in a commonsense way, just how it can help the mechanics of your business work, it's a no-brainer," he says. "The people who said to me seven years ago that it looked expensive can't believe how good it is when they look into it."

But what about the administration fee? It's paid for itself, according to Robertson, because Scottish Pacific Business Finance's collection service has reduced the average debtor days—the length of time between issuing an invoice and the invoice being paid—from 58 to 45 days, leading to earlier payments and more

bank interest. "I can't understand why more companies aren't using it," says Robertson.

"All you've got to do is improve that collection ten or 15 days and the interest pays for itself."

As well as improving cashflow and collection time, Scottish Pacific Business Finance also offers a comprehensive statistics package to its clients through the Internet. "Our web-based system is called 'Open Account'," says Scottish Pacific Business Finance national manager David Cooper. "It gives our clients everything—detailed correspondence of every contact we have with their customers, exact copies of all statements, historical reports, and dynamic, active current reports."

The results

Robertson isn't involved in the day-to-day use of Open Account, but says the feedback from his team has been excellent. "One thing you have to do if you factor is link your systems together," he says. "Scottish Pacific Business Finance has saved us a heap of time. We can download the debtors' ledger, and upload invoices. All automatically." He says the seamlessness of the system helps avoid mistakes that could occur if the process was manual.

As Robertson looks back on the past seven years his business has used factoring, he's a happy man. "Factoring is the best thing since sliced bread!" he says sincerely. And it's no wonder he's happy; Tuapeka Gold Print has tripled in size over that seven-year period.

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PHOTOGRAPH BY SIMON YOUNG

Dave Cooper of Scottish Pacific Business Finance: "Let us handle the debts and you get the cash"

Six secrets of leasing

How to stay in the driver's seat—and keep your staff

New Zealand is one of the few places in the world where a car can make or break a job offer. In a global skill shortage, that should get managers and employers to sit up and take notice.

Paul Hillier says cars are one of the things that can really enhance salary packages in New Zealand. "Kiwis like cars!" says the Brit who's worked in this country for four years, and before that worked at Audi throughout Europe and the Mediterranean.

Hillier is business manager at Continental Financial Services, the finance arm of Continental Cars. He's heard of cases where perfectly qualified job candidates may be reticent to take on a company car with kilometres already on the clock. "They don't want someone else's leftovers," he observes. He says companies need to structure their leases flexibly so they can replace or upgrade vehicles part way through their contract.

Ensuring a flexible structure is just one thing to consider when designing a vehicle lease programme. Hillier offers six things you need to know about leasing.

1. It's not about the cars

Mark Bycroft, Audi division manager for Continental Car Services, warns that too many potential lessees are taken in by a shiny car and a low monthly payment, but "low monthly payments can cost a lot."

Often the lease arrangement is structured to incorporate a low number of kilometres, with penalties of up to 40 cents per kilometre over the limit. "It's all written in the fine print, but people don't read it," says Hillier.

Sometimes the fault with lease agreements is that they're not tailor-made to the needs of your business. "Deal with a company that's

going to understand what your business needs—not just from a vehicle or fleet point of view, but also from a tax and accounting point of view," says Hillier.

2. Free up capital

As nice as it is, a car is a depreciating asset, and in most cases is not a healthy thing to have on your balance sheet. The costs of depreciation can drain a company's value, and the arrangement misses out on some vital tax efficiencies. Leased vehicles, on the other hand, can be up to 100-percent tax deductible expenses, resulting in a healthier business and greater tax benefits.

Hillier tells of one client that owned its fleet outright. Continental Financial Services was able to buy the fleet and lease it back to the client, resulting in greater tax savings and greater ease of cashflow forecasting and budgeting, with monthly payments.

3. Pay only for what you use

Some vehicle lease contracts use what is known as the 'rule of 78s' which loads interest components at the beginning of a contract.

Continental Financial Services offers a choice: either rule of 78s or CCCFA (Credit Contracts and Consumer Finance Act), which recalculates interest every month based on what the lessee pays. "In other words, you only pay for what you use," says Hillier.

4. Tailor your insurance

The problem with most vehicle insurance policies, particularly for premium brand vehicles, is that if you crash within three months of signing the lease, you only receive

market value, which can be as low as 80 percent of the vehicle's value.

Continental Financial Services has partnered with Platinum Insurance to provide full replacement value cover for up to two years. The insurer is able to provide low monthly premiums because of the volume of vehicles leased through Continental.

Hillier says the insurance deal is just another example of the holistic approach they aim for, identifying their clients' business needs as well as vehicle needs.

5. Know your usage patterns

A fleet vehicle in Auckland will have different kilometres on the clock than one in Otago. Yet most leases don't take the specific needs of your business into account.

It's better to seek out a lease agreement that exactly matches your requirements, says Hillier. That can mean from one to 100 vehicles, or even non-vehicle pieces of plant or machinery that need financing. "I've dealt with some very interesting plastic mould-injecting machines," says Hillier.

It's important to choose the vehicle, and the financial structure, that's right for your company.

6. Match the car to the employee

As hinted at the beginning of this article, many companies face trouble when an employee leaves part way through a vehicle lease contract. They're stuck with a used car—albeit a premium used car—that is unlikely to appeal to a potential new hire.

Hillier advises structuring a deal that allows

a car to be replaced mid-contract, allowing you to match the specific car to a specific employee. This is where it helps to be able to structure deals independently of vehicle brands. Hillier cites a client where one employee wanted a hybrid car, and another wanted a high-performance European sports car. Because of the way the deal was structured, both employees were able to get the cars they wanted.

Anatomy of a leasing deal

The process Hillier describes for setting up leasing is an intensely collaborative one. It begins with a referral, and then Hillier proceeds to gain an in-depth understanding of the client's background.

"We talk more to accountants than anyone else," says Hillier. "They can be a bit cautious at first but end up being our greatest advocates." That's because Continental develops a bespoke plan that keeps everyone happy—client, end user of the vehicle, and accountant. "We fit the products around the people," says Hillier.

The service doesn't stop there. Continental provides driver training days for staff and families—a prudent measure, particularly when teenagers are eagerly awaiting their first drive of mum's (or dad's) company car.

Hillier also says an informal community has formed among Continental's clients. "We have launch events here in Newmarket, and we have accountants talking to artists, artists talking to kiteboarders and so on ... there's a lot of unexpected synergy," he says.

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Paul Hillier: it's not (just) about the car

Risk and reward

Protecting your biggest asset: you

As any Kiwi entrepreneur who has succeeded on the world stage will tell you, reward is seldom gained without risks being taken.

But the shrewd ones will also tell you to hedge your bets with some good insurance cover.

That's where Brave Day, a specialist insurance broker set up by finance industry veteran Dean Young, comes in.

The Auckland-based risk specialist has in five years built up a healthy book of clients who rely on Young and his team to handle their insurance requirements from policy sign-up to claim day and deliver impeccable service throughout.

Surprisingly perhaps for an industry as big as insurance, decent service is hard to come by.

"We are trying to shelter our clients from the inept service of the insurance industry," says Young.

"It's literally as bad as that."

As a money market dealer for HSBC in the 90s, Young advised corporate clients and high net-worth individuals on their investment strategies and management for both their interest rate and foreign exchange portfolios.

The job gave him an insight into the insurance needs of business people and revealed just how badly this high-value market segment was treated by insurance companies and brokers alike.

"What struck me was the extremely poor service that high-end clients had to endure," says Young who, following stints at AMP and an independent insurance brokerage, struck out on his own in 2003 with Young Financial Solutions.

"Insurance is an old-school industry," says Young.

"It's been done the same way with the same ideas by the same people for the last hundred years."

Reinventing insurance

In contrast, Young wanted to attract executives and entrepreneurs who saw value in a broker willing to look at their insurance requirements from the inside out and handle the paper work and red tape that goes with insurance claims.

"These people are very busy, very successful. They want things done properly, but they're not detail people," says Young of his clients, who include software entrepreneurs through to executives of publicly-listed companies.

"They want to pick up the phone with the peace of mind that everything will be sorted for them.

"We're creating our own market space based around service delivery," he adds.

If people tend to give their personal insurance needs—house and contents, car insurance and the like, only fleeting attention, business people are no different, says Young.

"Insurance is generally something people think about for five minutes and put in the bottom drawer. They don't think about it again until something goes wrong," he says.

Braving claim day

As a result, YFS tailored every aspect of its business towards preparing for claim day—typically when something goes wrong requiring an insurance policy to be redeemed and money to be paid out. Young's outlook on the business and the entrepreneurial characteristics of his clients underpin the rebranding YFS undertook earlier this year to Brave Day.

"Our mindset is 'when they claim, not if', that's what we base everything around," explains Young.

"Bottom line, our job is to get claims paid, not to sell insurance."

A general distrust of insurance companies typically makes people dread claim day, says Young.

"There's a school of thought that insurance companies don't pay or will do everything to avoid paying."

Some clients assume they simply aren't eligible to make an insurance claim.

"You only get to find out how good your insurance cover is when you need to claim," says Roy Jenkins*, a client of Brave Day, who recently discovered a cancerous growth in his neck.

At first, Jenkins didn't think that this condition was covered by his insurance policy.

"He didn't see it as a life-changing event so he didn't think to claim," recalls Young, who promptly determined that Jenkins had a valid Trauma claim to make and got the ball rolling with the insurance company.

The gratitude Jenkins feels towards Young for taking the proactive steps to protect his interests shines through in a letter he wrote to him last year.

"The money came in most useful at a very stressful time. Your advice to take the cover as a standalone product was also excellent advice as the payout has not had any impact on my remaining life cover," he wrote.

The letter is just one of many Young has kept and they share a common theme—business people who have been through a traumatic event writing to express thanks for a well-handled insurance claim.

Take the case of Maurice Savage*, a Brave Day client who went to his doctor for a routine check-up in 2003 and soon after received some shocking news.

Savage was suffering from a rare congenital heart condition called Sinus Venous Atrial Septal Defect and urgent surgery was required to treat



PHOTOGRAPH BY SIMON YOUNG

"Our job is to get claims paid—not sell insurance."
Dean Young of Brave Day

it. But the rare nature of the disease meant Savages' insurance position wasn't clear.

As claims and underwriting staff at the insurance provider became involved, Young stepped in to gather the appropriate medical information and take the stress off the Savage family.

Let us deal with it

"Most insurance brokers run for the hills at claim time," says Young.

"They let the client deal direct with the insurance companies. Our attitude is different. We say 'don't contact the insurance companies, call us first.'"

Savage's claim was paid out, something aided by the fact that prior to his fateful check-up, Young had consolidated his insurance coverage to better suit the businessman's needs.

Serious health crises and the claims that often go with them are a sensitive area Brave Day has become adept at operating in.

It's not often an insurance broker will accompany you to a doctor's appointment, but for Young, it's all part of the service.

"Yesterday I spent two hours with a client at an occupational therapy session at North Shore Hospital," he said.

"It's about making sure they're not led down the garden path and giving up information that may not help them at claim time."

All bases covered

Brave Day's insurance expertise ranges from Shareholder Protection and Key Person Cover, Income Protection, Trauma and Life Insurance through to Medical and Travel Insurance—"everything except insuring physical buildings," says Young.

Even then, Brave Day will typically bring in an experienced Fire and General specialist if required.

"We stick to our area of expertise, we're specialist risk advisors," he says.

Importantly, Brave Day handles all interaction with insurance companies and other insurance specialists on their clients behalf, so that one phone call to Brave Day is all that's required to organise insurance cover or make policy changes.

"We'll take care of your needs, no matter what. No one's gone out on a limb and said that."

Something that will no doubt give comfort to Brave Day clients, the entrepreneurs who live with risk and indeed relish it for the rewards bold thinking attracts.

As the great New Zealand writer Katherine Mansfield wrote: "Risk! Risk anything! Do the hardest thing on earth for you. Act for yourself. Face the truth."

*Names have been changed to protect client privacy

For more information go to www.braveday.co.nz or call 0800 BRAVEDAY