

STARTING YOUR OWN BUSINESS


The Jewellery Council of
South Africa


MINING QUALIFICATIONS AUTHORITY





WHAT'S THIS ABOUT?

Welcome to the fifth 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 fifth instalment in a series that will run until the end of the 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 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 ques-

tions – 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 email 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 sellable product.

You know, jewellers are a funny lot. In my limited years of working in this field, I have been privileged enough to meet a few of the country's top names in jewellery design and manufacture. I have also had the (sometimes frustrating – for them, I am sure) pleasure of working with some of them. A manufacturing jeweller's hands are often ingrained with a dirty grey colour – the remnant of their day's labour. However, at

the same time there is grace and balance in almost all their surroundings – the way their offices are laid out, the way they doodle on a page or sometimes even their dress sense. Are they technical geniuses, manufacturers or artists?

While there is no harm in being either, or in having components of each in your approach to business, this series of articles will explore what this means for your business. What it means to be an artist or manufacturer or both and where the shortcomings are.

Sit back, relax and enjoy the read.

Remember these articles are about how to utilise every possible tool you have to improve your 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 setup 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) ■

DOUGHNUTS AND WEDDING CAKES

Where does your business fit in? Are you manufacturing everyday jewellery or pieces only for special occasions?

Let's take a closer look at the issue of doughnuts versus cakes, and go even further by suggesting a specific cake – a wedding cake.

When and where would you buy a doughnut and what would you expect from it? Now let's ask the same question for a wedding cake. Are the answers for both styles of confectionery the same? Probably not!

Doughnuts, for me, are something I might not purchase everyday, but that I might buy when I feel the munchies as I'm walking through a shopping centre. Once bought, I'll expect it to have some icing on the top (either vanilla or chocolate) and be fresh (that means being a little bit crunchy on the outside with slightly chewy, sweet dough on the inside). Where do I buy it? The closest doughnut shop my craving leads me to.

However, a wedding cake is a completely different affair. If someone were to serve me a traditional wedding cake that was slightly greasy or a cake that had been kept in the open air for an hour, I would think that they'd been ripped off. A wedding cake itself is a work of art. Although it also has icing and marzipan, neither the icing nor the marzipan has simply been poured over the cake but rather carefully laid and joined so no seams appear. Decoration and layers of

cake add to its complexity.

Where would you buy a wedding cake? If you're in the market for one, the first thing you would probably do is ask for references from friends and family. You might make an appointment to see the person who will be making the cake for you and even ask to see pictures of previous designs.

It is unlikely that you would simply walk into a bakery, lay down the money and walk out with a wedding cake. No, buying a doughnut and buying a wedding cake are two completely different things.

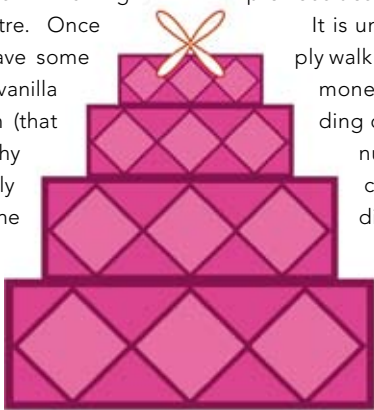
So what has all of this got to do with jewellery? The obvious question to ask is: Are you a doughnut or wedding cake maker?

In other words – do you produce something that is easily replicable and most people are willing to pay very little for? Or do you manufacture creations for special occasions – items of great intricacy that will be gazed upon and considered masterpieces?

As I mentioned in the introduction, jewellers are a strange lot of people. However, the situation they find themselves in is at least partially to blame for the

strangeness. Jewellery itself is an item that lends to this slight schizophrenia. It is an everyday accessory. Most people wear some type of jewellery every day. But there are also pieces of jewellery that are "special occasion" or "display" pieces. Which type of piece do you manufacture?

The reason I ask this is because the answer will have an impact on every aspect of your business. It will impact on how you communicate with your clients and potential clients. It will impact on where you locate your business. It will impact on your cash flow and on your procurement of raw materials. It will affect how your business is equipped, i.e., the machinery you purchase, your pricing structure, your marketing strategy and perhaps even the name of your business. Would you prefer to buy a wedding cake from a place called Awesome Creations or a shop called Doughnuts R Us? The first shop would probably inspire more confidence, unless of course you are looking for a wedding cake made of doughnuts! ■



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NEW PROCESS FOR REGISTRATION OF SDFS ON MQA-I-SHARE

The MQA has embarked on an extensive drive to register ALL (old and new) Skills Development Facilitators (SDFs) and upskill and equip existing SDFs with skills that will enable them to meet the demands of the mining and minerals sector. The MQA also implemented a new management information system in 2008 namely, MQA-I-Share to ensure the efficient management of SDFs for the benefit of themselves and the organisations they provide services to.

With effect from 17th March 2009, all Skills Development Facilitators, old and new must register on MQA-I-Share.

Why should I register if I am already on the system?

All SDFs need to register by completing an updated registration form in order for the MQA to update the SDFs information and to allow them to access the new system.

What are advantages of registering on MQA-I-Share for SDFs?

- The registration process will ensure that all SDFs' information is updated and is current;
- The updated information will be used as a contact list and this will ensure that regular communication and training opportunities are communicated to registered SDFs on a regular basis;
- It will allow registered SDFs access to the organisation's profile on MQA-I-Share. This includes: organisation information page (DoL data and current organisation information), levy-grant history, and Workplace Skills Plan (WSP)-Annual Training Report (ATR) status history;
- It will allow registered SDFs access to submit WSPs and ATRs online;

- It will ensure a more efficient evaluation process of WSPs and ATRs, therefore, preventing delays;
- It will improve the payments of grants; and
- Feedback will be more efficient

What are disadvantages of not registering as an SDF on MQA-I-Share?

If you are not registered as an SDF on MQA-I-Share, you will not have access to the system and will not be able to submit WSPs and ATRs electronically. You will not have access to the organisation details, such as grant status. The MQA will be unable to communicate with you on an ongoing basis to update you and your company on development, information and on relevant activities that take place at the MQA from time to time.

How do I register on MQA-I-Share as an SDF?

You can register as an SDF through the MQA website namely, <http://www.mqa.org.za/> by clicking on the MQA-I-Share link, followed by the SDF link.

Please note that:

- You will need to complete the new SDF registration form on I-Share;
- Once completed, the form must be printed, signed by the relevant persons and submitted to the MQA, preferably via the MQA-I-Share upload facility;
- It is only when the form is assessed and approved on the system that you will be allowed immediate access to your organisation's data on MQA-I-Share; and

Should you require assistance on completing the registration form on MQA-I-Share, please contact helpdesk@mqa.org.za.

For more information or assistance on SDF registration please contact:

- MIS-SDR@mqa.org.za; or
- Mahlatse Mabula on mahlatsem@mqa.org.za or 011 630 3518; or
- Motlalepula Matjila on motlalepulam@mqa.org.za or 011 630 3549.

IMPORTANT NOTE:

Organisations must complete and submit their WSP-ATR on MQA-I-Share by 30 June 2009. The SDF (Primary) for an organisation must be approved by the MQA in order for the SDF to have access to MQA-I-Share and to submit the WSP-ATR. Medium and large organisations are required to consult their Skills Development Committee on the appointment of the SDF(s). This is not a requirement for small organisations.

However, given the tight deadline for submission of WSP-ATR and the delays in getting SDFs registered and approved in order to access MQA-I-Share:

- The MQA will approve SDFs from medium and large organisations PROVIDED that the Authorisation Section of the form has been signed off by at least the Senior Organisation representative and the SDF to enable immediate access to MQA-I-Share; and
- The organisation is still required to get sign-off by the necessary Skills Development Committee members (Trade Union(s) and/or Employee representatives) BEFORE the Mandatory Grant will be paid to the organisation. This means that consultation of the Skills Development Committee regarding the SDFs must still take place in medium and large organisations. ■

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 Learnership 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 assembling of 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 re-production	
14	Make moulds, wax inject, invest and cast	
15	Jewellery design, quote and price jewellery	
16	Manufacture indigenous jewellery	Registered
17	Pavé set gemstones into jewellery	
18	Channel set gemstones into jewellery	
19	Tube set gemstones into jewellery	



IS IT ALL THE SAME?

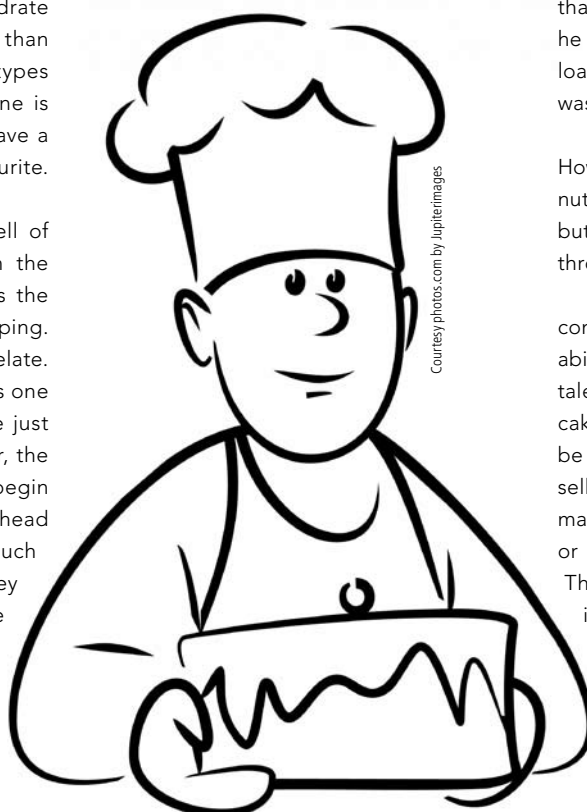
There are a number of issues to consider before a baker decides what he wants to bake.

Winter has arrived. The highveld sky is definitely a few shades lighter. The midday sun becomes a welcome relief to the chilly shadows of early morning and evening. They say that confession is good for the soul so I have to admit that I'm a bit of a carbohydrate junkie. Nothing brings this out more than the onset of winter. There are various types of carbs, and in a pinch I suppose one is very much like the other. But if you have a choice you'll certainly go for your favourite. My favourite? Bread.

There's nothing quite like the smell of freshly baked bread wafting through the air on a cold winter day – that keeps the blood pumping and the saliva dripping. I'm sure a great number of you can relate. You'll walk into a shopping centre, pass one of the local bakeries, the temperature just 1°C above chilly. As you pass the door, the air just seems to grow richer, the hairs begin to stand up on your arms, you lift your head and point your nose to capture as much of the aroma as possible. What are they baking? It doesn't really matter, it's the smell that gets you going.

It doesn't matter what's being baked, if you're not planning on buying. However, if you're on the other side of the till, handing over hard

earned cash, you want to make sure that you receive what you expect to receive. Did you order doughnuts, cake, ciabatta, rye bread, or croissants? You will have something that is appropriate to your needs.



I had a bunch of friends round for breakfast the other day. In preparing for breakfast, I ordered some rolls and loaves from the local bakery. I went to collect them the following day and the manager informed me that the rye bread wasn't ready. In exchange he gave me an extra couple of other fancy loaves to make up for the inconvenience. It was a kind gesture but not quite the same.

So how does a baker decide what to bake? How does he decide whether to make doughnuts or normal bread? I've never been a baker but I guess there are a number of steps to go through before making a decision.

One of the first things that need to be considered probably revolves around the ability of the baker – does he or she have the talent or skill to make doughnuts or wedding cakes or both? Another thing that will have to be considered is whether wedding cakes will sell to the target market (remember the target market all the way back in an earlier issue?) or whether they would prefer doughnuts. The baker also needs to think about costs involved and cash flow, as well as his or her own interests and aptitudes.

We will explore each of these and more in this series of articles – but in the meantime I am sure I smell doughnuts.... ■

ARE YOU DOING WHAT YOU THINK YOU'RE DOING?

What type of jewellery are you producing and does this tie into the target market that you have already identified as well as with what you think you do best?

Although this sounds like a simple question, you would be surprised at how many businesses think they are doing one thing, and in fact are involved in a different field.

Owners of bed & breakfast establishments often find themselves running restaurants for locals. Restaurant owners realise they are running mostly corporate functions. IT supply companies find themselves designing websites. Often success comes with knowing what you are in fact doing, not what you thought you were doing, and then doing this as effectively and as best as you can.

I was speaking to a group of jewellery students about a year ago and we had this exact conversation. The topic was costing (which we will deal with in a little bit) and one student said that the costing exercises were not applicable to her as she wasn't going to be producing large sums of jewellery but rather one-off pieces. She was quite correct at the time – the exercise that we were going through focussed on the production of numerous pieces of the same design.

But the conversation opened another facet of the jewellery design and manufacturing business – the huge spectrum that it covers. From the production of relatively inexpensive trinkets that might be sold at a flea market to the creation of commissioned pieces hewn for socialites. There is a demand for all of these pieces, and because of this demand there is a place in the market for all of them. My question to you is whether you have identified your place within this spectrum?

There are pros and cons to both sides of your placement in this diverse market. Of course, you could argue that you will do both, and you could prove quite adept at doing both. But this would be similar to the doughnut maker being commissioned to bake wedding cakes – it's not impossible as

the skills and machinery are in place, but it is unlikely simply because of the perception and fickle demands of the market.

If you opt to go for the more mass produced route you have distinct advantages: you are likely to have a more regular cash flow, you have a wider diversity of clients, and your risk in producing pieces is less simply because of there being less time and material involved in producing the pieces. At the same time you will face a number of challenges: you will need to communicate with a wider target market so your marketing costs (and strategy) are likely to be more diverse. Costs in terms of administration are likely to be higher because you will be selling more items, and every item comes with its own hidden, back office costs. In terms of your time, the work is likely to be quite repetitive. You will always be on the lookout for new ways of increasing volumes or speeding up production.

If you opt to produce one-off commissioned pieces your cash flow is likely to be a lot more sporadic. You will only have cash flowing into your business when you sell a piece, but the flip-side of this is that when the cash flows it will be like Victoria Falls. Unfortunately your cash flow out of your business is likely to be of the same magnitude. Your production process initially is going to be quite simple – you will

be producing the goods and your quality control might therefore be ongoing. Your work is likely to be very creative in that one piece should never be like another you have produced. You will always be on the lookout for new designs.

Your risk in producing pieces is going to be significantly higher – imagine purchasing material to make a one off piece and the client changes their mind when you are 80% finished. You are left with an almost complete piece and no buyer. Your challenge then is to either find a replacement buyer or to break the piece down and hope to resell the material, or to simply incorporate this into your stock – an expensive option.

Your marketing strategy in this latter option is going to be very different. It will be much focussed, but also quite precarious, in that if you make one error in your message or approach your whole strategy will need to be redesigned.

What about your business premises, or at least the premises that the public see? Well let's have a look at the doughnut manufacturer again. What would you expect to see when you walked into the doughnut shop? An array of their goods would be expected. You would expect it to be clean. Where would you expect to find this shop? Would you expect stimulating conversation with the person who sold you the confectionary? Would you expect high fashion finishes in the shop? Would you expect to wait for a while before being served? Would you expect to wait a few days or weeks or months before getting



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your doughnut?

Now what about the business selling wedding cakes? You would also expect it to be clean. You might also expect to see examples of their previous work, but it is unlikely to be actual cakes but rather photos or models of cakes. You would expect the owner or the manager to listen to your thinking and ideas and make suggestions of their own, engaging you in conversation. Would you expect to smell a whiff of hot oil for deep frying? What would you think if you ordered the cake and they told you to come back in three minutes to pick it up?

See the two different scenarios? At which end of the spectrum do you expect your business to be located?

The purpose of this series of articles is not to ask you whether you have the skills and the expertise to address the needs of the business. We have already looked at that question in an earlier issue. Here I want you to look at other facets of your business: your business name; your business premises; the appearance of your shop or workshop; the speed at which you return messages and answer queries; how you interact with customers; your marketing ideas and plans;

your back office support; the depth of your bank account (can you withstand a long period of cash "drought"?).

I want you to look at your business (or your proposed business) as a whole and ask: What impression does this business create? What image does the business promote? What types of clientele are attracted to this image? Is there a match between what my business produces and the type of clientele that my business attracts? Is my business doing what I really think it is doing?; and finally, Is my business doing what it is designed to do?" ■

MEETING YOUR EXPECTATIONS

Identify what you want from your business, even if your expectations change over time.

Lots of businesses never actually make it to this level of examination. There are many businesses that open up in the morning, earn money throughout the day and pay their bills and close again at night only to repeat the cycle the next day. There is absolutely nothing wrong with this – expect if you want your business to be successful in all aspects.

Imagine if a doughnut maker, who started a business aiming to make wedding cakes, was sidetracked early on in his career to meet an immediate market need. He'll wake up frustrated every day because he never managed to find a client who wants a magnificent icing and marzipan coated doughnut with little figurines on top. Although the business might be making money, it is failing in one

important area – meeting the expectations of its owner.

You are now in a position of being able to identify what you want from your business.

And don't worry – these expectations can change as your own needs and expectations change. But at the moment, what are your own expectations of your business? What do you want your business to achieve? Are all aspects of your business geared up to meet these expectations? What will you put in place to make sure your business promotes the image to meet these expectations? Have you got the support and the infrastructure as well as the social and business network to meet these expectations? Can you develop these? ■



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YOUR HOMEWORK FOR THIS MONTH IS THE FOLLOWING:

Take your time to think through these questions – there are no correct answers. Carefully write down your answers and ideas. Keep these in a file with all the other homework you have completed.

1. Go back and revisit your company name and your logo - if you have one. Does this name promote the image that you are hoping to promote? Does it attract the type of customers that you think you want to work with? Does it promote the type of jewellery that you will produce?
2. Ask friends and family about the name and logo. What image do they think it conveys? What aspects would they change; if you allowed them to?
3. Look at the location and infrastructure of your business. Does this promote the image you are trying to convey as well as your expectations for your business?
4. Finally – ask yourself – are you pleased with the answers? If you are not pleased with the answers now, then you will be even less pleased in a few years time. Now is the time to start changing the name, the goals and the strategies to get to those goals.

If your idea is to become a maker of wedding cakes, ensure that you start out in the right direction. If you want to make doughnuts, keep the goal in mind every step you take.

NEXT MONTH

Next month we will look at costing within a business. Remember to send questions and queries to articles@spi.org.za. ■