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Business Skills

By

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With contributions from
Lyn Lambeth

Community Fisheries Training Pacific Series 7
USP Marine Studies Programme / SPC Coastal Fisheries Programme:
Training Materials for Pacific Community Fisheries



The University of the South Pacific



Secretariat of the Pacific Community

Canada-South Pacific Ocean Development
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International Ocean Institute - Pacific Islands



NZODA



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Preface to the Series

The majority of Pacific Island countries rely on the sea as a major source of food. While women are not involved in offshore deep sea fishing, they are active in collecting and gleaning shellfish and other edible sea species from the nearshore areas and inside the reef. Women also prepare fish either for sale or home consumption. In this preparation process, women are involved in cleaning, gutting, cooking and selling various seafoods. In many atoll countries, women are also involved in the preservation of seafood by drying or smoking. In view of women's role in fisheries activities and the importance of seafood in the region, it is vital that women learn not only the correct handling methods for seafood, but also how to use marine resources wisely for the future.

This manual is part of the Community Fisheries Training Series, and is designed to meet the wide need for community fisheries training in the Pacific, particularly for women. The series was originally developed for the SPC Community Education Training Centre (CETC). The fisheries course at CETC began in 1999 as a joint effort with the USP Marine Studies Programme. It was a response by the Centre to meet the needs of women in the region to improve their skills in small-scale fisheries activities. The USP Post Harvest Fisheries Project was also working to provide post harvest fisheries training for men and women in the region, hence the joint venture between the two institutions in 1999. The two groups of women who have since been through the course have found the training interesting and useful.

Since its inception in 1999, the course has been taught jointly by the USP Marine Studies Programme staff in Fiji Islands and the SPC Community Fisheries Section staff based in New Caledonia. Funding has come from Canada, New Zealand, Australia and the International Ocean Institute - Pacific Islands.

I wish to acknowledge the assistance of and major contribution by Tony Chamberlain, Lecturer of the USP Marine Studies Programme/Post Harvest Fisheries Project; Patricia Tuara, previous SPC Community Fisheries Adviser; Lyn Lambeth, SPC Community Fisheries Officer and other trainers in previous years.

I am grateful to the Marine Studies Programme technical staff who have given their time to training women and also the USP for facilities and equipment used during the course. I acknowledge Dr Jimmie Rodgers, Senior Deputy Director-General of SPC in Suva and the SPC Management for supporting CETC, by providing facilities and resources towards the *implementation of the Fisheries course*. We hope you enjoy this manual in the series.

Best wishes for a successful fisheries training programme.

Nu'ufou Petaia
Principal
SPC Community Education Training Centre (CETC), Narere, Fiji Islands
March 2001

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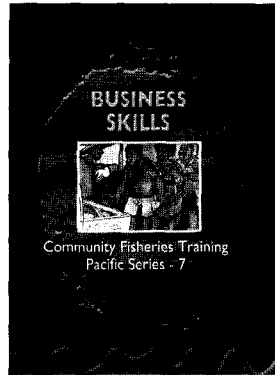
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Business Skills

Community Fisheries Training - Pacific Series 7



How to use this book

This manual is divided into three chapters: Chapter One describes what a business is and the sort of qualities a person needs to successfully run a business; Chapter Two examines ways to plan for a new business; Chapter Three looks at how to operate a business, and includes a focus on customers and the importance of quality and safety of food products. A series of Activities, and Discussion and Demonstration suggestions are included in each chapter to encourage further exploration of the subject. The Objectives listed below may serve as a guide for learning.

Objectives

After reading this book and completing the exercises you should know:

- what an entrepreneur is and whether you want to be one;
- if you are cut out to run a business;
- what a business is;
- how to estimate costs, prices and profits;
- how to write a business plan;
- the importance of good record keeping; and
- why quality and safety are very important to the success of a business.

You should also be familiar with:

- the problems encountered in starting or running a business;
- the six steps of business planning;
- marketing and retailing practices; and
- why good customer service is important.

Chapter One - Introduction to Business

What is a business?

A business is a commercial activity. It can involve buying and selling **goods** such as sea plants or fish **products**; or providing **services** such as transporting fish from boat to **market**. These business activities are carried out for money.

Anyone who wishes to start up a fisheries business in the Pacific Islands will face a number of challenges. Due to social and economic constraints, many **customers** cannot afford to absorb the increased cost of a large business. A high proportion of fishers and fish sellers are self employed and some only sell their catch when they have an excess.



Samoa: A successful business can be small-scale.

Successful businesses come in all shapes and sizes. A business does not have to be large to make a big difference to the local economy, or to the people running it. The type of operation that works best for you may vary depending on the needs of your community, the skills of local workers, and the willingness of people to work together. In some cases it is best if one person leads or manages, while others follow; in other cases, joint action by a community group is most effective.

Successful business people are not necessarily highly educated. Being successful depends on how you apply what you know, rather than on just what you know. To be successful in business requires hard work and dedication.

Every business activity should have some aims such as those listed below:

- to pay for the **costs** of making goods or services and make a **profit**;
- to save enough to expand the business;
- to provide the best possible **quality** goods or services.



Tuvalu: Selling fish products through a supermarket or middleperson.

A successful business must pay attention to both inputs and outputs. Inputs are the basic ingredients or tools an enterprise uses to make its products. Inputs include raw materials, labour, machinery, buildings and finance. Outputs are the products that come from the venture: goods, services, ideas or information that are packaged and sold.

There are two basic categories of business or profit-making activity. Most simply, goods can be sold directly to a **consumer**. For example, a person may catch a fish and sell it from their canoe or from a stall to an interested buyer. More and more, however, business is being

conducted through middlemen/women. In Pacific Island fisheries, for instance, people provide services as processors, exporters and secondary buyers – operating as one link in a chain between the original seller (i.e. the person who catches the fish) and the buyer.

So you want to be an entrepreneur?

An entrepreneur is a person who makes a living independently using his or her own skills and talents. Most entrepreneurs produce goods or services as well as take charge of other parts of the business.

To be a successful entrepreneur requires a clear set of goals and willingness and ability to work hard. You may not have a boss when you run your own business, but the job still has to get done and you may have to work at times when you'd rather not. You have to be a self-starter. Nobody will be there to tell you what to do next. You will also need to be able to organise, lead and communicate with others.

Activity

Discuss the following questions as part of the whole class:

1. Are you the business type?

Business people possess a number of qualities such as:

- hardworking;
- reliable; and
- able to make decisions quickly.

2. What other qualities should a businessperson have?

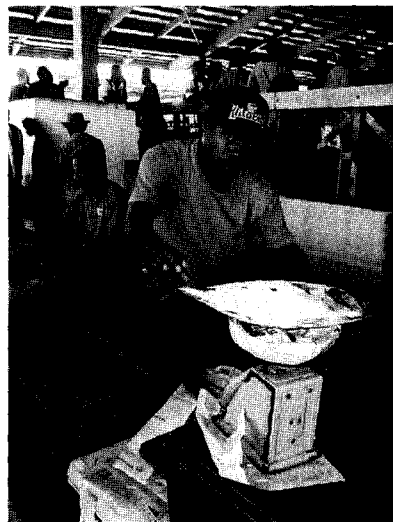
A successful businessperson should also:

- be good at managing people and dealing with customers;
- know their product or service well; and
- have time to operate and organise a business.

What are the personal costs?

Because a person may have many responsibilities, within the family and community, running a business may come with personal costs, such as:

- less time with your spouse and children;
- less time for socialising and community responsibilities;
- absences from home and the community to deal with business operations; and
- your funds are tied up with your business.



Honiara: A successful entrepreneur is willing to work hard.



Abaiang, Kiribati: Running a business may reduce the time you can spend with your family.

Activity

List some other personal costs of running a business. Work in a group and report back to the class. Discuss possible ways of minimising personal costs.

If you are having difficulty making a decision about whether to start a business, find an entrepreneur, preferably someone involved in a similar type of business to the one you are thinking of starting, and talk to them. Can you see yourself actually doing this type of work, and also being responsible for the business? Many people decide at this point that starting a business is not for them. It is much wiser to recognise this at the beginning before you waste time and money.

If the answer is yes, you are about to take a big step that will change your life. For those who have what it takes to be an entrepreneur, there is a great deal of satisfaction in meeting this challenge.

Activity

Most people set up a business to make a profit. But there are a variety of reasons why people go into business. In a group, answer the following questions and report back to the class:

1. Why do you want to start a business?

Some people start a business to:

- provide a service to the community,
- improve the living standard of the family,
- provide employment for the family, and
- improve their status in the community.

2. Can you think of other reasons?

Some may include:

- to be your own boss,
- for a change,
- for contact with people, and
- for pleasure.



Tonga: Artisanal fishers may have to explore new fishing grounds.

Business owners must cope with a variety of political, social, legal, cultural, technological and environmental forces. Although you may already have experience running a business, and have sound schedules and models to follow, your modes of operating may need to change in response to changing circumstances. As an example, if a fishing ground becomes polluted by industrial waste, an **artisanal fisher** may have to adapt by exploring other fishing grounds. An operator may need to cope with an increase in other businesses selling similar products, or changes in customer taste, or new food safety regulations, or any number of changes in production or running

costs. Having a thorough understanding of how a business works, knowing where to look for assistance, carefully assessing options, and formulating a sound **business plan** are the keys to building a successful operation and enduring influences that your business will face in the future.

Challenges in running a business

Family or community demands

In the Pacific, problems can arise in reconciling traditional family or community demands with running a successful business. For example:

- What do you do when a family member asks for **credit** or a **loan**?
- How do you keep business matters separate from family demands?

Collecting money from family or friends when they don't pay their bills on time is difficult, and yet it is essential if the business is to survive. Many small businesses have learned they simply can not offer credit to family and friends because of this. It may be difficult to say no, but it won't be difficult for the bank to demand payment from you on time.



Tonga: Sometimes an entrepreneur needs to say 'no' in order to survive.

Mistaking sales for profit

It is important to account for all production costs before pocketing or using what cash that remains after selling the goods or services. You can only do that if you keep good records, and keep business **costs** and **sales** separate from personal and family costs.

Good business practice means that money you earn from selling your goods or services should be:

- used to pay for the cost of making your next supply of goods, services or transport, so your business can continue running;
- used to pay your regular business costs such as rent, electricity, or **loan repayments**; and
- set aside for future costs such as replacing or servicing equipment.

After you have done that, what remains is your profit.



Majuro: Use your gross sales money to pay for services, transport, etc.

Maintaining a consistent supply and quality

Once you have taken the effort to build up a customer base it is important that you maintain a consistent supply and quality so that you do not lose customers.

Unreliable cash flow

If customers do not pay you, or are often late in paying you, then you will not have enough money to repay loans or pay bills on time. If this happens regularly, you can end up in trouble. Likewise, it is important that you pay your bills on time for the sake of other people's businesses - often, your business relies on those other businesses.

Borrowing money

Unnecessary borrowing

Borrowing money is not always necessary or advisable. It is important to ask yourself before borrowing:

- Could I start the business without a loan by being less ambitious - starting smaller, growing later?
- Is there some other way of raising the money needed for expansion or equipment, such as taking a bit more time and putting aside a little of the profit?



Tarawa: Don't spend your money on good times until you have paid out all your debts.

Misusing borrowed money

Money borrowed for a particular business should not be used for non-business related items. It is important to understand that money borrowed and goods bought with borrowed money don't actually belong to you - they belong to the bank until the loan is paid off.

The true cost of a loan

It is important to understand the true cost of borrowing money - the initial amount plus the **interest**. For example, a loan of \$10,000 at an interest rate of 8%, with repayments of \$200 per month, will cost an extra \$2000 or more in interest over the five years it will take to pay it off. The amount of money paid in interest varies depending on the type of loan, and the time taken to pay it back. The longer you take, the more you end up paying. Interest is how the bank covers the cost of lending you the money, while also allowing for their profit. A bank is another business, and lending money is a service, requiring profit for the bank's business to be sustainable.

Collateral

When borrowing money, the bank often requires the borrower to put up something they own as **collateral**, in case they default on repayments. To default on repayments means you don't, or can't, make the regular payments required by the bank under the terms of the loan. If you can't keep up with the repayments you may lose your boat, or house, or whatever you put up as collateral.

Keeping up with repayments

Most types of loans require repayments at regular intervals, usually monthly, and failing to make these repayments can result in penalties and the loan costing more. Sometimes the bank and the borrower are not in regular contact, or the borrower may be embarrassed to approach the bank if he or she is having difficulties making repayments. Discussing problems with the bank as soon as they arise is the best way of avoiding trouble - such as losing your collateral.

A story

Petelo and his wife Maria borrow some money from the bank to set up a small grocery store. They have completed a business plan and know the business can be successful if they rent a shop in a good location and have enough money to stock it with a variety of goods.

A loan is needed to buy the initial stock and pay rent on the shop until profits begin coming in. Unfortunately, before they can get the shop fully set up, Petelo's auntie dies and he needs to contribute to the funeral costs. Then Maria's mother finds she must fly to Hawai'i for treatment for her bad heart. Again, Petelo and Maria dip into the bank's money to pay her airfare. Relatives hear about the loan and ask to borrow money; a little here and there. Petelo and Maria feel it can't hurt and they don't want to say no when family ask for money. Before they know it, the remaining money is not enough to pay the rent on a shop in a good location, or buy the amount of stock they planned.

They settle for a cheaper shop in a quiet area, and stock it as best they can with the remaining money. The business struggles. There is not much in the shop to attract new customers and most of the ones who do come are family and friends who take goods on credit. How can Petelo and Maria say no to them?

By the end of the first couple of months, there is no money to buy more stock, no money for paying rent, and no money to make loan repayments. They close the shop and Petelo looks for a job to pay off the loan.



Santo: Make sure your financial planning is realistic.

Chapter Two - Planning Your Business

Introduction

Planning is the key to a successful business. It helps answer important questions - Am I suited to this business? Is a fresh fish shop better than a fish and chips shop? Is there a demand for my business? - and reduces mistakes that can cost time and money. Because not every idea is workable, it is better to brainstorm, explore, discuss, research and make mistakes on paper before jumping into a venture.

Where to begin

Whether you want to open a small fish stall or start a fish **export** company, it is best to think and ask questions before you begin, while little is at risk. The following six steps will guide you through the process of business planning.

Step 1: Your present position

Begin by asking honest questions about yourself:

- What experience do you have?
- What skills do you possess to run a business?
- What personal qualities?
- What are your assets and limitations?
- Who can you call on for assistance?
- Can you learn the necessary skills? From whom?

Resources

In any business activity you must determine what resources are needed to make your goods or services. These include raw materials and equipment needed to produce your goods or deliver your services, and the necessary labour to run various parts of the business.

Money matters

The resources you decide on are sometimes defined by the amount of money you have available to start a business. Asking questions can help determine how much you'll need.

- How much money do you think you will need to start your business?
- Do you have enough money already? Will you borrow money from another person or bank?
- Will you ask someone you know who has money to be your business partner?

If you do not have enough money to start your business and you want to borrow some money from a bank, it is important that you



Santo: What sort of business do you want?

determine the ability of the business to make loan repayments.

Where can you get assistance?

- small business advisory units;
- banks, especially development banks with credit schemes for small business;
- government departments and agencies;
- non-government organisations; and
- development institutions.

Step 2: Type of goods or services to sell

You'll need to decide on the type of goods or services you want to make and sell. That is, whether you will sell:

1. a variety of resources such as fresh fish, shellfish, seaweed and beche-de-mer.
2. a few resources such as fish and shellfish.
3. only one type of coastal resource such as fish, or shellfish, or seaweed, or beche-de-mer.

Step 3: Market research

Market research involves collecting information that will show you the potential of your business idea. Visit stores or similar businesses. Take note of similar products that people buy. Ask questions, interview consumers, deliver a questionnaire or run a trial with your prospective product (e.g. a taste test). Particular emphasis should be on discovering customer needs, identifying target markets, and learning the strengths and weaknesses of your competition. Talk to people who have small business experience and ask them their opinions on what contributes to success or failure.

All goods or services are bought and sold at a market. A market also includes the people who are likely to buy your product or service. Before you start making your goods or services, you should have already decided on the market, and the goods or services that you make should be suitable for that market.

Will people buy the product or service?

Ask the following questions:

- Is there a demand for your product or service?
- Where should you locate your business to attract the most customers?
- How much competition will you have?
- How many potential customers will you have?
- What is a suitable price to ask for your product?

Visit a market or store and observe what similar products customers buy. Talk to people who are selling a similar product.



Suva: What sort of products do you want to sell?



Efate: Port Vila central market.

Step 4: How will your business operate?

It is important to devise a strategy of how you will run each aspect of your prospective business. The more you plan, the fewer unpleasant surprises will await you when business begins. Ask yourself the following questions:

- What raw materials will you need?
- Where will you get them? Will they be purchased from fishers or will you harvest them yourself?
- What equipment will you need?
- What professional services (transport, **bookkeeping**, etc.) will you need?
- How long will it take to locate or manufacture your product?
- From where will you sell your products?
- Who will do the work – you, family members, employees?
- Where will you find employees? How will you pay them?
- How will you keep records (of finances, **inventory**, plans, customers, employees)?



Nukufetau: What sort of equipment will you need?



Nuku'Alofa: Will family members be a part of your business?

Who will own the business?

1. Sole ownership
2. Partnership (owned by more than 1 person)
3. Company (owned by shareholders)

Activity

Write down the type of business you plan to start and the advantages and disadvantages of such a business.

Sole ownership – you own the company by yourself	
Advantages	Disadvantages
You are your own boss	All responsibility is on your shoulders
You are aware of all sides of the business	You will have to put up all the money
Decisions can be made quickly	You are responsible for all the debts
Partnership – you own the business jointly with at least one other person	
Advantages	Disadvantages
Extra capital means the business can expand more rapidly	A partner may be committed to a debt incurred by another partner
Each partner can handle one aspect of the business	Shared management can result in disagreements between partners
If a partner is ill, the other(s) can carry on	Disputes can arise regarding the time and effort put in by each partner
Company – is usually set up for larger businesses and involves shareholders and boards of directors. Many small businesses will likely operate as either a sole owner or a partnership.	
Advantages	Disadvantages
More money is available to set up the business	You share the management of the company with all shareholders
Shareholders can help in attracting customers	Shareholders can block your decisions

Type of business activity

1. Are you going to sell your goods directly to the consumer?
2. Are you going to sell your goods to another person, the middleman/woman, who then sells the to the consumer?
3. Are you going to buy (you become the middleman/woman) the goods and sell them to the consumer or to another business person or company?

How often should you make and sell goods or services

It is important to decide before starting your business the number of times you are going to make and sell your goods or services. You must always meet the demand for your goods or services. Whether you supply the market only once a week, or everyday, or fortnightly, or monthly, you must show that you are an efficient and competitive businessperson.

Transport

The market you choose to sell your goods or services will determine if you need transport. For example, if you are living in a rural area and you plan to sell your goods or services in an urban area, you will need transport. When you are deciding on the transport to use, think about the following:

- the distance to the market;
- the best and cheapest way to sell your goods or services;
- how you will pay for the transport;
- whether you can share costs for travel with other people;
- the cost of transport weekly, or fortnightly, or monthly, and yearly.



Nauru: What sort of transport will you need?

Step 5: Forecasting results

Determine the feasibility of your proposed business by estimating costs, potential sales, prices and profits. You need to know how much it costs to bring your product to the market so that you know whether you will get enough profit from the estimated sales.

Profit is how much you really make from selling the product. It is not the money that you receive when you sell the product; there will have been certain costs in the production process. This not only includes the cost of materials, transport, etc. that occurs every time you produce your product, but should also include the eventual cost of replacing the equipment you use.

Different businesses have different methods of working out a price for their product to ensure they cover their costs as well as make a profit. Care must also be taken not to put too high a price on a product or it will be difficult to sell.

Follow the example below for a tuna jerky business:

i) Estimate costs of operation

Example: estimated monthly costs - January (including initial start-up costs)

Description	cost	number	total monthly costs
Production costs	cost per packet	number per month	
Fresh fish	3.00	80	240
Marinade ingredients	0.25	80	20
Plastic bags & labels	0.25	80	20
Transport to market	5.00/trip	4	20
total monthly production costs			300
Start-up costs			
Building solar dryer	100.00		100
Total costs (first month)			400

ii) Set a price and estimate how much you will make from sales

After talking to potential customers and observing similar businesses you should have an idea of how much of your product you can sell in one month. The price you charge for your product now needs to be considered. After determining the total start-up and operating costs of doing business, such as the tuna jerky business in the example above, you'll be ready to calculate how much to add to the cost of your products, to make a profit. The price of your goods or services will depend on several things:

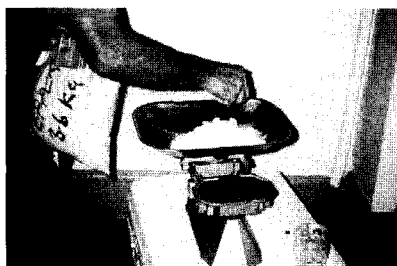
- the type of goods or service,
- your operating costs,
- the number of businesses already selling the same product,
- the price of similar goods or services, and
- the preferences and tastes of your potential customers.

For a business to be feasible, the potential price of the product or service, multiplied by the number of sales, should more than cover your ongoing operation costs for the business. In the example above, after allowing for the start-up cost of \$100, ongoing monthly costs will be \$300 for producing 80 packets of dried tuna jerky. The cost per packet is therefore $300/80 = 3.75$, so a reasonable price needs to be more than that, while keeping in mind the points listed above.

Once you have set prices for your product or service, you can then prepare a sales estimate. To estimate your monthly sales, simply multiply the number of sales you expect to make in one month by the price you will be asking for your product. In the tuna jerky example the price is set at \$6.50 a packet and the total monthly sales are estimated as follows:



Nukufetau: The cost of raw material.



Nukufetau: The cost of marinade.



Nukufetau: The cost of plastic bags and labels.

Example: estimated monthly sales

Item	Number	Price	Total
Tuna jerky (250g)	80	6.50	520

iii) Estimate expected profit

Subtract expected monthly costs from expected monthly sales to calculate your anticipated profit. Start-up costs must also be covered before you can turn a profit. It is also a good idea to include the cost of replacing equipment in the cost of producing your product, but we will not consider it in the simple example used here. Just remember that the equipment will eventually have to be replaced and the money for that should come from the business. If your business includes several different products, then these should be included on the estimated costs of operations, estimated sales and profit tables.



Tarawa: Tuna jerky on sale at the Otuntaa Hotel.

Example: estimated monthly profit for January

Item	Sales	Costs	Profit
Tuna jerky	520 (80 × 6.50)	300 (80 × 3.75) 100 (start up costs)	
Total	520	400	120

The example business shows a small potential profit of \$120, which will increase once start-up costs have been recovered.

Activity

- Split up into groups of four or five and plan a new business. The business may be something as simple as catching and selling fish (in which case remember to estimate the costs of gear, ice, transport to market, etc.) or be more complex such as producing a product or providing a service.
- List all the **expenses** you will face in this new business including the costs of starting up the new business (buying equipment, buying materials and ingredients for the initial stock, etc.).
- Set up a table like the first costs table in the example above and estimate what your monthly costs will be.
- Now decide on a sale price and see if your business will be profitable.
- Report back to the class.

Activity: Setting a price for your catch

Fisheries businesses often charge high selling prices; however, setting prices that are too high discourages people from buying fish. Another consideration is that fish must be sold while they are still fresh and of good quality. It is much better to set an affordable selling price so that unsold fish do not have to be dumped because of spoilage.



Sell affordable, fresh, good quality fish.

Note: You may need a calculator to work through this price setting exercise. Fill in the blanks.

Jone began working as a fish retailer. He opened up a small shop in town. Every day, Jone walked down to the wharf, bought fresh fish and returned to his shop by foot.

Jone's monthly operating costs were:

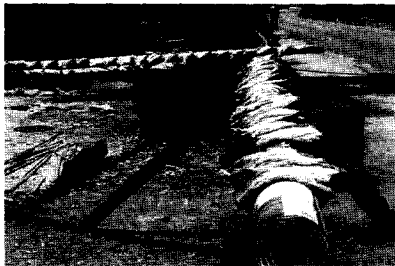
Labour	-	Nil
Electricity	-	\$45.00
Water	-	\$24.00
Miscellaneous expenses	-	\$100.00
Loan repayments	-	\$200.00
Total operating costs		

Jone's weekly fish buying costs were:

Item	Total Weight (Kg)	Price/kg (\$)	Total Buying Costs (\$)
Lobster	12.35	6.00	74.10
Mud crab	10.50	7.00	
Tuna	20.50	2.50	
Reef fish	50.00	4.50	
Total Fish Buying Costs (per week)			

Jone's total expenses in one month were:

$$\begin{aligned}
 \text{Total Costs} &= \text{Operating Costs} &+& \text{Fish Buying Costs} \\
 &= \$ &+& (\$423.85 * 4) \\
 &= \$ &+& \$ \\
 &= \$2064.00 \text{ per month}
 \end{aligned}$$



Tarawa: Find a balance between costs and sale prices.

To earn a living, Jone needed to make a profit from his fish retailing business. He decided that a profit of about \$300.00 per month would be reasonable. Jone now had to set the prices for the fish that he sold from his shop.

First, the money from total sales for one month would have to be approximately:

$$\begin{aligned}
 \text{Total Sales} &= \text{Total Costs} &+& \text{Desired Profit} \\
 &= \$ &+& \$300.00 \\
 &= \$ && \text{per month}
 \end{aligned}$$

Next, the percentage mark-up on his fish (i.e. the amount Jone charged over and above his buying price) would have to be approximately:

$$\begin{aligned}
 \% \text{ markup} &= (\text{Gross Profit} / \text{Total Fish Buying Costs}) \times 100 \\
 &= ([\text{Total Sales} - \text{Total Fish Buying Costs}] / \text{Total Fish Buying Costs}) \times 100 \\
 &= ((\$2364.00 - \$1695.40) / \$1695.40) \times 100 \\
 &= (\$668.60 / \$1695.40) \times 100 \\
 &= 0.394 \times 100 \\
 &= 39.4\%
 \end{aligned}$$

Finally, Jone had to calculate the selling price for his fish. (He decided to make things simpler — and to increase his profit — by rounding off the percentage mark-up to 40%.)

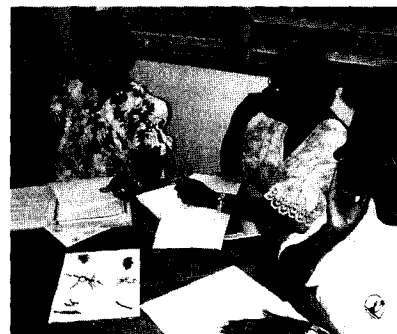
Item	Buying Price (per kg) (A)	40% markup (A x 0.4 =)	Selling Price (per kg) (A+B)
Lobster	\$ 6.00	\$2.40	\$8.40
Mud crab	7.00		
Tuna	2.50		
Reef fish	4.50		

Jone thought that these selling prices were reasonable and that \$300 a month was a fair profit to make - this is what he would see if all his fish were sold. (At a 40% mark-up, Jone actually stood to make \$309.56. To see for yourself, take the total weight for each species from Jone's weekly fish buying table, multiply those by 4 for monthly weights, then multiply by the selling price; add these sales figures, subtract the total costs for one month and the figure remaining is Jone's net profit.) Of course, he could make more money if he set his prices even higher, but Jone knew that he would then risk not selling all of his fish. His customers would shop elsewhere, and Jone's waste and losses would add up. Fish that sit too long in the refrigerator can only be sold at a discount, given away or discarded.

Step 6: Writing a business plan

A business plan is a formal document that will help you carefully design all aspects of your business, and anticipate the ability of the business to cope with changes and outside influences. This is especially important in the fisheries sector where catches vary from season to season, and cyclones may disrupt your routines.

A written plan is merely the product of working through the five steps listed above. It should include clear statements of your business idea; management experience; proposed products; required materials, equipment and facilities; target consumers; selling and distribution



Efate: Think through your business plan.

strategy; necessary **investment**; and financial forecast. While it is unreasonable to expect that you will get every detail correct or that things will unfold exactly as in the business plan, the process of putting your plan on paper ensures that your ideas are well thought out.

Although a business plan is especially valuable when presenting your ideas to others, e.g. potential partners or investors, it also demonstrates your skills in planning, management and communication. It explains how much money you need, how the money will be used and how quickly you need to access it. While having a business plan does not mean that your business idea will be successful, it does make it easier for your ideas to be accepted and supported – and your funding approved.

Activity

Read the following story and answer the question: what actions might have saved Reuben a lot of money and time?

Reuben, an entrepreneur in Western Province, Solomon Islands, was planning to buy rock cod cheaply in Western Province and transport them by freezer boat to his fish shop in Honiara once a week. Reuben knew that another man from the same area was also intending to buy rock cod from fishers, but despite this information, he went ahead and began to operate his freezer boat.

After six months, however, it became harder and harder for Reuben to buy rock cod: his competitor, working with a foreign partner, was paying an attractive price to local fishers. In response, Reuben raised his buying prices and offered a bonus per kilogram of fish sold. For a time, he influenced some of the fishers to supply him with fish, but they continued to demand higher prices. To recover his money, the entrepreneur was forced to increase his selling price, but many customers were unwilling to pay higher prices and began to shop elsewhere for their fish. Eventually Reuben had to close his Honiara fish shop.

A story

Selina was interested in starting a business. She had little money or business experience, but knew that she was good at catching fish. Selina had big visions: she imagined how she would borrow some money from a commercial bank to buy freezers, a generator and chilled display cabinets. However, when Selina carried out market research and began working on a business plan, she discovered that the demand for fresh fish in the local area was high: most people did not like frozen fish. She also learned that it was cheaper to go to the fishing grounds and return to sell fish directly to the customer on the same day, rather than to operate a fish shop.



Solomon Islands: Rock cod, etc. ready for market.



Tarawa: Business planning can save unnecessary spending.

Selina's planning and information gathering revealed that her original idea was not well suited to the local situation. She modified her plan and was pleased to discover that a large sum of money was not necessary to start her business. Writing a business plan before jumping into her operation was a wise decision.

Another story

A community in Isabel Province, Solomon Islands tried to secure funding from the Development Bank of Solomon Islands to start a fishing business. Three times they submitted their proposal, and three times they received a negative response. Finally, community leaders made an appointment to discuss their submissions with a loans officer. To their surprise, the loans officer reported that the bank found the proposal unrealistic.

Not satisfied with these claims, the community representatives went to visit a fisheries officer from the Marketing and Inspection Section of the Fisheries Division. The fisheries officer listened to the story and then asked to see the proposal that had been submitted. After examining it, the fisheries officer said, 'Let me explain one reason why your submission may have been turned down by the bank. Under the Financial Projection heading of your proposal, you state that you will fish for 365 days of the year. Is this realistic?'

The fisheries officer reminded the community leaders that Solomon Islands sees up to three months of bad weather each year. He also pointed out the need to account for equipment breakdowns, repairs and maintenance, and holidays and social obligations.

He explained, 'A simple way to assure somebody that you are genuine with your proposal is to calculate fishing days this way:

$$\begin{aligned}
 \text{Fishing days} &= \frac{\text{Total number of days per year}}{2} \\
 &= \frac{365 \text{ days}}{2} \\
 &= 182 \text{ days}
 \end{aligned}$$

'This calculation divides the whole year into two parts. So, in one year, consider 182 days as the minimum number of days that you will fish. The other half of the year allows for bad weather, breakdowns, repairs and maintenance, Sundays and social activities in the village.'

'I would suggest that you rewrite your business plan and then see the Commerce and Primary Division', said the fisheries officer.



Solomon Islands: You need a realistic plan to get a bank loan.

In the end, the business plan was amended. The community developed a more realistic picture about their proposed fishing business, and the Development Bank approved their funding application.

Activity

- Break up into four groups.
- Make a very simple fisheries business plan.
- In your plan show who will own the business, what you are going to make and sell, and where you will get the money to start your business.
- A spokesperson for each group should read their business plan to the rest of the class.

Chapter Three – Keys to Running a Successful Business

Marketing

A market is a central place for selling and buying products such as fruits, vegetables, fish and handicrafts. When people hear the word **marketing** they often think about a stall owner selling wares to a customer. Marketing, however, involves much more than this.

Marketing deals with how products are presented and sold, how goods and services are promoted, and how consumers are created. To understand the behaviour of a consumer, let us examine the difference between wants and needs.

Wants versus needs

People need food, water, clothing and shelter to stay alive. Apart from these needs, people want to look nice, feel good, be happy and so on – and they do this through, among other things, buying consumer goods such as stereos, televisions and sporting goods.

Customers are ‘created’

Business professionals understand how people form desires. They spend a lot of time and money convincing people that their products and services are useful, enjoyable or in their best interest. For example, they explain why fresh juice is healthy, indoor plumbing is convenient, a car will save time or a new pill will cure your headache better. They also do this through portraying a strong and positive image of their products – through printing recognisable logos, employing ‘attractive’ people in advertising spots and outfitting popular movie stars or sporting heroes in their products. Indeed, sponsorship and related advertising is a multi-billion dollar industry.

The final result is that people’s thinking and purchasing behaviour are *influenced*. For example, where once they bought soap bar X, now they buy laundry powder Y; where once they relied on simple foods, now they buy processed foods and vitamin tablets. This is what we mean by saying that consumers are ‘created’.

What does marketing mean to a fish stall owner?

Obviously, the owner of a small fish stall is not going to follow the same marketing campaign as a huge multi-national business. Still, an artisanal fisher would be wise to create a positive perception about his/her products and services, and to refine their business practices to appeal to the specific needs of the customers.



Suva: Selling seafood products.



Samoa: Good marketing requires giving customers what they want.

Marketing:

- identifies the range of potential needs and wants;
- attempts to satisfy a select group of customers by providing them with what they need or want;
- explores new and more efficient ways of conducting business (i.e. satisfying these needs and wants).

Consider all the customers that could possibly visit a fish shop. Some are looking for a large, whole reef fish to feed their whole family; some are looking for a small, packaged tuna fillet that is convenient and easy to cook; some are looking for 100 kg of frozen prawns to supply a hotel or restaurant; and so on. The truth is that no single fish shop can satisfy all potential consumers.

However, being aware of all the possible needs and wants of consumers enables a fish shop owner to make informed choices about which segment of the total market he or she wishes to serve. They can assess which consumer needs exist in sufficient quantity to justify establishing a business, and rule out those markets that are too small to support a business enterprise. They can also decide which needs they are best able to fulfil, and how best to tailor their products and services to meet these needs.

Market research

Making business decisions requires information about the number of consumers in the area around your shop, the kinds of products and services they are looking for, and how much money they are willing to spend. This kind of information is called market research. It can be done informally by observing and talking to people in your area, and by gathering reports from newspapers, magazines, government ministries or regional organisations (for example, SPC or INFOFISH).



Suva: Market research means gathering information.

Market research can also be done through a questionnaire. The process usually involves the questionnaire being developed, pilot tested, reviewed and administered (by phone, leaflets or face-to-face) to potential customers. Finally, the research data (i.e. consumers' answers to the questions) are tabulated and analysed so that an entrepreneur can make sound judgements about how to structure the business and which products to stock.

Marketing is an ongoing process

Marketing is not limited to the start-up phase of a business, or carried out at special times of the year. A business owner must always be aware of who the customers are and to understand their needs – the business' products and services must be regularly evaluated on this basis.

Think of marketing as a tool that can help build a successful business.

It is a strategy that provides understanding about how to:

- listen and respond to customers,
- add value to products, and
- create a positive reputation.

Categories of customer needs	Considerations about the company's products and services
Economic	Can consumers afford it? Does it offer value?
Technical	Does it suit customer requirements (e.g. size, weight, ease of use, intended purpose)?
Physiological	Does it satisfy (e.g. hunger, thirst, security, pleasure)?
Chemical/Biological	Does it offer high-quality nutrition? Safety?
Psychological/Social	Does it provide peace of mind? Does it offer status? (e.g. brand name, popular label, attractive)?

A fish business provides rock cod, crab and lobster, but it can provide much more: the assurance of good quality seafood, premium service, reasonable pricing and valuable product information. An understanding of marketing enables a business owner to appreciate how customers are willing to pay not only for tuna, mussels and prawns, but for convenience, wide selection, and a constant and regular supply. Tasty seafood is only the first step to building a respected, memorable image of your business. It is this image that helps convince potential consumers that you are supplying what they need, makes them happy to use and talk about your products, and keeps them coming back for more.



Suva capital: Listen and respond to customers.

Keeping records

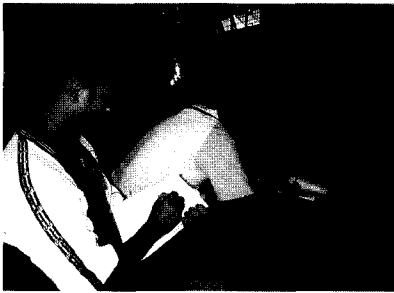
A key to managing your business is to know how well it's doing financially. The goal of keeping records, or bookkeeping, is to keep track of money going into and out of the business, or, **income** and expenses. These records help you make business decisions based on past and predicted future performance of the business. It is important that you keep all your **receipts**. If you spend any money on the business but did not get a receipt, make sure you note these expenses in a monthly log sheet, on a daily basis if possible. Also record all your sales on a monthly log sheet. If you keep accurate, up-to-date records you will be in control of your business venture.



Samoa: Create a positive reputation.

A simple system:

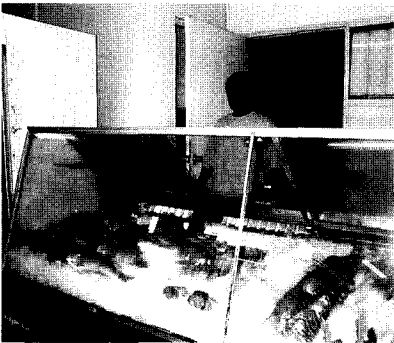
1. If possible, keep separate bank accounts for business and personal purposes.
2. Set up some kind of **ledger**, or book of financial accounts. This contains a record of various accounts showing financial receipts and



Keep records.

payments, money owed, and money owing to the business. What you record and how you record it will vary for different businesses. Many office supply or stationary stores sell different types of ledgers, or you can make your own using accounting paper with columns.

3. Record all sales or income earned by the business.
4. Record all costs or expenses as soon as possible. When you write a cheque to pay a bill, write the cheque number and the date on your receipt. Save all receipts in an envelope or file. If you have any questions on an expense, or have done something unusual, write the information on a note and attach it. You may not remember what you did later.
5. Summarise your income and expenses on a regular basis (usually daily, weekly or monthly).
6. Use your summaries to create financial reports that give specific information about your business, such as how much monthly profit you are making or how much the business is worth at a specific point in time.



Port Vila: Promote your business.

Business promotion

The retailer must constantly demonstrate to customers how good the products are and how well the business can serve them. Good fish businesses train their sales people in how to promote the produce they carry and how they should present themselves in the shop and in public. Sales people should learn how to:

- greet customers,
- appreciate customer needs, and
- handle customer doubts and respond to complaints.

Customer service

Whatever your business, remember that 'the customer is king'. Your business depends on your customers; without them, you have no business.

Some helpful guidelines for dealing with customers are:

Treat customers with respect

Customers are human beings, just like you. They enter your shop prepared to exchange their hard-earned money for good quality fish products. To win their business - and to keep them coming back - you must be polite and respectful in your behaviour and your speech. *Respect your customers and they will respect you.*

Receive complaints graciously

Think of complaints as helpful information, as a way to improve your business. When customers complain about a problem (e.g. high prices, slow sales staff, dirty floors, or foul smells) your response should be: 'Sorry, I will try to improve on that. Thank you for pointing it out'. Never argue with a customer. Record complaints in a notebook and take action so the problem does not occur again.

Speak plainly and with humility

Customers do not appreciate sales staff who appear arrogant or disinterested. They prefer straight-forward language instead of explanations full of technical words.

Customers also do not appreciate distrust or an unpleasant manner. For instance, if an item disappears from your counter or refrigerator, it is best not to ask 'Why did you take that?', but rather say nicely, 'Hello, may I help you with that fish?' or 'Excuse me, is that part of your order?'

Understand that customers sometimes make comments without knowing how they might be hurtful. When a person pushes into your shop and insists, 'You should ice your fish this way, and clean the guts that way...' and so on, it may be difficult to remain silent. However, it is in your best interest to take careful note of what is said, and not offend the customer with a sharp remark.

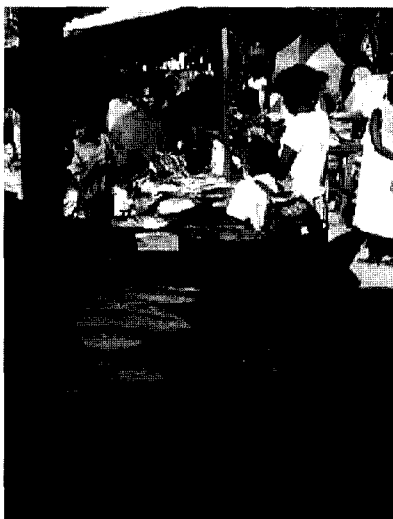
Address customer inquiries promptly

People do not like to be kept waiting. When customers ask for something, they want an answer as soon as possible. Suppose you receive a complaint about a rotten fish. The first thing to do is to say how sorry you are to hear of the problem, and to assure the customer that you will investigate the matter. Then, resolve the situation quickly and efficiently, and inform the customer - by phone, letter or personal visit - about what action you have taken to prevent the problem from happening again.

Customers judge your business through the actions, words and attitude of your workers. The behaviour of your sales staff and front-desk workers are especially important to the reputation of your operation. No matter how good your business may be or how good a manager you are, unfriendly, inattentive or sloppy workers will discourage customers. A negative comment from one disgruntled customer can spread to twenty other customers and eventually through the entire village.



Efate: Listen to your customers.



Solomon Islands: Treat your customers with respect.

A story

Luisa visited a fish stall and bought a fish for supper. When her family sat down to enjoy the meal, they discovered, to their surprise, that the fish was rotten. The next morning, Luisa brought a sample of the rotten fish to the stall and asked the sales worker to replace it. The sales worker said he could not help and told Luisa to go home. When Luisa persisted, the sales worker got angry and called her a liar. Luisa tried to talk to the stall owner, but her phone messages were never answered.

What happened next?

Luisa was disappointed in the poor behaviour of the fish stall owner and workers - and this behaviour cost the business money. Luisa told her friends how she had been badly treated and how she had lost her money. Her circle of friends decided not to buy fish from that stall, and news of Luisa's mistreatment spread to many other customers.

The lesson of this story?

It is not easy to find new customers. It is better for your business to put effort into keeping loyal customers rather than searching for new ones. To have customers returning, you must provide what they need and continue to satisfy them.

Assessing your effectiveness

Shop owners can examine how well their businesses are running by recording the:

1. number of people passing by the shop,
2. number of people who drop in,
3. number of people who drop in and buy, and
4. average amount purchased by each customer.

From this you can work out what proportion of people passing by the shop are dropping in, and what proportion are actually buying something when they do. Once you know exactly what customers are doing and not doing, you will know where to make corrections:

Problem	Action Needed
Few people pass by	Relocate the fish shop
Few drop in	Improve window displays and promotion
Many drop in, but few buy or buy only a little	Improve the quality of your fish, reduce prices, and/or improve customer service

Quality and safety

Seafood spoilage and seafood-borne diseases can lead to loss of business and are also public health problems. Seafood-borne diseases are more common than many people think and often go unreported. If everyone involved with seafood handling, processing, marketing and distribution ensures that seafood is maintained at a high level of quality, then seafood consumers will not get ill and markets will have more confidence in seafood products.

What is quality?

'Quality' is a word that has different meanings. Good quality food is uncontaminated and safe to eat. Quality food is more than this, however; it is food that has extra characteristics that influence its acceptability to the customer. When customers buy fish from the market they may think it is acceptable if it:

- looks attractive and fresh;
- will keep fresh for a few days;
- is easy to cook; and
- makes a tasty meal.

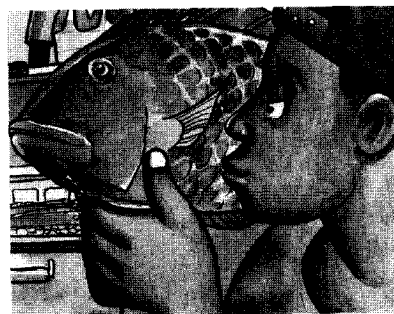
If the customer buys a piece of fish from the fish market and keeps it for one day and it does not smell, and then cooks it and finds it was easy to cook and had good flavour, then he or she would say that fish was good quality.

The fisher's customer is not always the person who eats the fish. The fish often passes through several hands before it reaches the consumer. The market, processing plant, or freezer ship that buys fish from the fisher can be the customer. The initial quality of the fish sold by the fisher to the freezer ship or market operator must be very high for the consumer at the end of the handling chain to have an acceptable fish.

The initial quality required by a fish processor buying fish for canning may be different to that required by a market operator buying fish to sell fresh to the consumer.

Quality is a somewhat subjective term and can be broadly defined as the degree of fitness for purpose or use; those characteristics that make it acceptable to the person buying or consuming the fish.

Quality, and how to achieve and maintain seafood quality, is discussed in detail in *Seafood Handling, Community Fisheries Training Pacific Series - 5*.



Fresh fish.



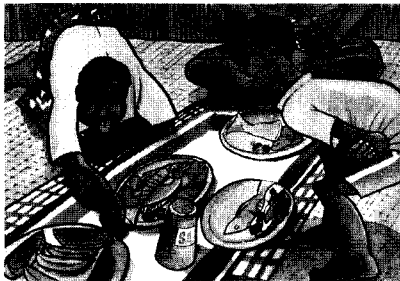
Spoiled fish.

Activity

What do you think the word 'quality' means? Describe quality in your own words.

The importance of quality

How important is quality to you and your business? Can you afford to take less money or reduced profits because of poor quality that could have been avoided? Quality is a key aspect of a successful seafood business.



Poor quality fish can make consumers sick.

Many people have had a buyer ring and say 'that product is not what I was expecting from you, I can not pay what we agreed upon, the only way I can get out of it is to pay you less and sell it for less'. Smart sellers listen and take action to see that this does not happen again; they are the ones that realise that many customers will not complain, they simply do not return to do business there again.

Seafood can sometimes be inherently (biologically) unsafe (e.g. ciguatera) or become unsafe through carelessness, contamination or inadequate handling. You must consider your legal responsibilities, and the consumer's health.

There are many incidences of food poisoning throughout the Pacific. Often it is difficult to monitor and control the disease. Pacific Islanders have, on the whole, learnt to live with seafood-related illnesses such as ciguatera poisoning, by avoiding fish from certain areas. Sometimes, however, these fish may find their way onto the market, or poor handling practices may cause the spread of other illnesses. The business that sells the fish to the consumer is usually blamed, even if the problems were caused somewhere else along the handling chain, from capture to market. No business wants to be responsible for causing a serious illness or even a death. Furthermore, media attention in such cases is often sufficient to destroy an otherwise good business.

Perhaps more common is the bland seafood meal, that comes from cooking old seafood - safe but tasteless or perhaps even bitter. These unsatisfactory meals can harm the seafood industry more than isolated incidences of food poisoning as people come to believe all seafood is tasteless and stop buying it.

Incidences of food poisoning or the sale of poor quality seafood can cost a business its money, reputation and good customers.

How much is your good name worth? Are you prepared to jeopardise it through buying poor quality seafood from the fisher, careless

handling of seafood in your shop, or poor staff supervision or training?

There are many positive reasons for having better-than-average handling practices and maintaining seafood quality. The incentive for providing good quality seafood is that:

- fresh, good tasting seafood means satisfied consumers;
- satisfied consumers mean repeat business and increased turnover;
- satisfied customers are the best and cheapest form of advertising;
- positive feedback from customers helps staff morale and reinforces good practices, thus avoiding the tension and aggravation that comes with customer complaints;
- good quality raw material also means better yield of fillets, longer shelf life and better tasting products (this applies to fresh seafood, smoked seafood, dried, crumbed or canned as well as other products); and
- the business profits and sales increase, no matter if it is a fishing, processing, wholesaling, restaurant or retailing enterprise.

Food safety is highly valued. Most consumers want to know where fish was caught and how safe the area is from pollution and from outbreaks of natural poisons. When a food scare occurs, purchasing habits are quick to change.

Beyond the basic signs of freshness, fish are appealing to a customer if they come from areas free from poison outbreaks, and are stored or displayed in clean containers.

Once you provide the type of quality your customers expect, you must keep it up. If you cannot maintain a consistent supply, or for some reason try to sell customers what they do not normally get from your business, your customers will lose their trust and will eventually look for other places to buy fish.

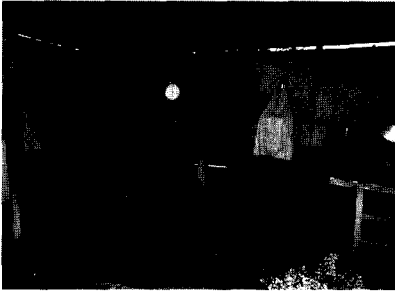
Total quality management

The aim of a successful business is to keep your business one step ahead of the competition. The business should be proactive and ready to meet consumer expectations and needs.

Be aware that 'quality is a journey, not a destination'. A high standard of fish quality is not something that you reach and then stop – quality is a moving target.



Palau: Provide your customers with fresh wholesome products.



Santo: Does your business meet local or overseas standards and regulation?

If you are starting a fisheries business you should always remember to do the following:

These questions can be asked before, during or when you are delivering the fish products for your consumers. In other words you should always build into your business a total quality management approach.

Food standards and the law

The business of selling food involves the obligation to sell food that is not a danger to the buying public. To ignore food quality and safety may not only cause your customers to buy elsewhere, you can also be held legally accountable for not maintaining certain standards in your food handling practices, or selling seafood that causes people to become sick.

In most countries, procedures for handling, processing and selling seafood must comply with laws covering food safety standards. Laws vary from country to country, and depend on the type of business, and whether the product is sold locally, or exported. Businesses exporting fresh or processed seafood must comply with the standards of the country they are exporting to. Domestic regulations may require a food preparation business to have a permit to operate. Fish processing establishments may be subject to inspection. Failure to comply with standards can result in the loss of a permit, or a fine.

In addition, businesses selling seafood may be governed by fisheries regulations covering the sale or export of certain species, or the size of certain species. For information on these and food safety regulations it is best to visit your local fisheries agency, health department and other agencies responsible for environmental health and food safety in your country.

In some countries a consumer can, as a result of some alleged negligence on your part (e.g. did not take enough care with seafood and food poisoning occurred), sue you for damages. A court may decide you have to pay the consumer a certain amount of money to cover the costs and damage to the consumer caused by the food poisoning. It is essential that anyone in the food business has good food safety standards in place and, if possible, public liability insurance cover.

Words and Their Meaning

Artisanal fisher	-	someone who captures or collects fish or seafood for local sale and consumption.
Bookkeeping	-	keeping records of the financial affairs of a business
Business plan	-	a document setting out the goals and strategies of a business..
Collateral	-	something of value belonging to the borrower, pledged as security for repayment of a loan.
Consumer	-	person who buys goods or services for direct personal use.
Costs	-	the money paid out by a business in producing goods and services and running the business. These include the costs of raw materials, rent, transport, electricity, bank interest on loans, labour, etc.
Credit	-	goods or services lent or sold based on the trust that payment will be made in the future.
Customer	-	person who buys goods or services from another, either for personal use or to resell.
Entrepreneur	-	a person who makes a living independently using his or her own skills, initiative, and talent. Entrepreneur is often used to describe a person who sees the potential for a business opportunity and takes financial risks to see it through.
Expense	-	a cost incurred by the business in producing goods or services for sale.
Export	-	send goods or services to another country for sale.

Goods	-	items harvested or produced for sale to the public, such as fresh or smoked fish.
Income	-	money received by a business through the sale of goods or services.
Inputs	-	the basic ingredients or tools an enterprise uses to make their products, including raw materials, labour, machinery, buildings and finance.
Interest	-	a sum paid to a bank or money lender for the use of money or for delaying repayment of a debt. Usually calculated as a yearly percentage of the amount owed.
Inventory	-	a complete list of items such as goods or stock in a business, including materials and finished product.
Investment	-	money placed in a financial scheme or business with the expectation of making a profit.
Ledger	-	an account book where business transactions are recorded.
Loan	-	a sum of money borrowed, usually from a bank or money lender, that is expected to be paid back with interest.
Loan repayments	-	the amount of money to be paid back in instalments to the bank or money lender. Repayments are usually a set amount and paid regularly depending on the terms of the loan.
Market	-	the place where goods and services are bought and sold, also including the people who are likely to buy the goods or services.
Marketing	-	promoting and selling goods or services.

Market research	-	collecting information that will show the potential of a business idea or to analyse the success of various business strategies.
Outputs	-	the goods or services produced by a business.
Products	-	another term for goods and items harvested or produced for sale to the public.
Profit	-	the amount of money earned after subtracting the costs.
Quality	-	the characteristics and properties of a product that influence its acceptability to the customer.
Receipt	-	written acknowledgement for an item or service bought.
Sales	-	the exchange of goods or services for money - in business, usually referring to money received from the sale of goods.
Services	-	supplying assistance for sale to the public, such as providing transport or cleaning services.

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