the CORE group

360°

Nuusbrief van The Core Group | Uitgawe 5 | 4de Kwartaal | Desember 2014

Newsletter of The Core Group | Issue 5 | 4th Quarter | December 2014

Reaping the Harvest of 2014

as we stand at the end of a successful year

the future - now

INDEX

Breaking news: Anticipated tax amendments postponed!

Subsequent to Finance Minister, Mr Nhlanhla Nene, first medium-term budget in parliament on 22 October 2014, significant tax amendments have been announced.

Some of these anticipated amendments had already been announced on previous occasions and were included in the act, with an effective implementation date already established. However, some of these proposed amendments were postponed until a future date or postponed indefinitely.

Retirement Tax Reformed:

In the current taxation regime for retirement tax, pension funds and provident funds are not taxed in the same way. The same deductions which are available for pension fund contributions are not available for provident fund contributions. Provident fund members are also not required to convert two-thirds of their savings into retirement annuities and can therefore still cash them out as a lump sum on retirement.

In effect, the proposed amendment entailed that retirement fund contributions will be taxed in the hands of the employees instead of the employers. In addition to this, the cap on tax deductions will be increased to a more generous 27.5% of taxable income, and a R350 000 limit on tax-deductible retirement fund contributions will be introduced.

The reform is meant to harmonise the regime for pension and provident fund contributions. It also requires that two-thirds of provident fund savings be converted into an annuity on retirement, as is currently the case with pension fund members.

The looming implementation of the retirement reform on 1 March 2015 prompted thousands of workers to resign from their jobs to cash in their provident fund savings in the mistaken belief that they would have no access to it once the law takes effect.

Rather, the reform were implemented to encourage workers to preserve their retirement savings.
One of the reasons for the postponement, was the moratorium on the reforms requested by the Congress of South African Trade Unions (Cosatu), pending the finalisation of a comprehensive social security policy.
The implementation date for the proposed amendments has been delayed until 2017, so that further consultations could take place with the trade unions. If Mr Nene believes this to be sufficient, the delay could only be for one year.

High-income earners will benefit from the delay, since the cap of R350 000 on retirement savings will be a great disadvantage to them.

Small business tax regime:

Another welcoming change is the about-turn made on the proposed tax on small businesses, which was recommended by the Davis Tax Committee on tax reform.

The Davis Tax Committee is an advisory structure which was established to do research and make recommendations on tax reform to the Minister of Finance.

The Davis Tax Review Committee looked into the taxation of small businesses and found that the current Small Business Corporation (SBC) regime was not achieving its objectives. Only a relatively small number of businesses benefit from the provision, with those in a tax loss position being excluded. The Davis Committee proposed that the graduated rate structure currently available to SBCs be replaced, and that small businesses be taxed at 28% of their net profit. In addition, they will receive a refundable tax compliance rebate of R15 000 per year, which will be given to SBCs with a turnover of between R1 million and R20 million and are fully tax compliant.

Although the proposed amendments would have benefited enterprises in a tax loss position, it would have had a negative effect on the cash flow of profitable small businesses and would have resulted in a significantly higher tax burden for most of them. This would have placed an additional burden on small businesses in an already stressful economic climate, which will not contribute to creating more jobs, etc.
This proposed amendment has been withdrawn altogether.

Removal of zero-rating for some agricultural inputs:

Another major announcement which was widely welcomed, is the decision to delay a proposal to remove the zero rating of some agricultural inputs, because the agricultural industry felt that it would have a negative effect on cash flow.

SARS has detected that a significant number of VAT-registered vendors are abusing the authorisation granted them to acquire certain goods at the VAT zero rate:

- Vendors misrepresent themselves to their suppliers in order to acquire goods at the zero rate
- Vendors who are practising farming activities, collude with suppliers, resulting in fabricated invoices

It was therefore proposed that the zero rating of goods for agricultural, pastoral and other farming activities be withdrawn/repealed.

However, this zero rating on the purchasing of animal feeds, animal remedies, fertiliser, pesticides, plants and seeds by authorised vendors, was introduced to assist farmers with their cash flow on a short-term basis. If not zero-rated, input VAT may be claimed on these purchases, as it was purchased in the production of income.

However, this will put an additional cash-flow burden on the farmer, since the process for a VAT refund can sometimes be a long and tedious process and are usually subject to an audit first.

This burden on cash flow will add to an already unfavourable climate for agriculture in South Africa.
The Department of Finance has agreed to delay it for at least 12 months for its effect to be analysed in greater depth and allow for further consultation.

Wessel Smit and Jean Coetzee
Core Tax (Pty) Ltd

Interview tips you may not have heard before

You've already got the interview – great! That means your cover letter and CV stood out from other candidates. Now it's time to prepare for your interview. Unlike anything else you've read on the internet, these interview tips will set you apart and put you right where you need to be – on the path to securing that job.

1. Research what your interviewers read. You're reading this article because you've already read what everyone else has to say about interviews – you want something more, something different. That's why you should be reading what your interviewer is reading. Find out what they should look for in a candidate and why they should ask certain questions – you're looking for instructions specifically aimed at interviewers. It's important that you get inside the mind of an interviewer to understand what's really required.

2. Practice with a friend, but you should be the interviewer. Ask a friend, who is also in the job market, to practice with you. Take turns to play the interviewer and interviewee to better understand what is needed. You'll be surprised how comfortable you become answering interview questions.

3. Know the questions that make you nervous. If you're nervous about answering questions about salary or why you left your last job, for example, it's important that you work out how to best answer it and then practice it out loud again and again until you're no longer nervous about it.

4. Morning interviews are often best. Most people fret about the interview all day if it's in the afternoon. If you're like most people, you'll probably fret about the interview all day – making you increasingly nervous. A morning interview will help you stay calm and confident.

5. Know who your interviewer is. This question helps you figure out whether it'll be a panel interview or you'll be meeting with one or two people. It also gives you a chance to research your interviewers.

6. Forget letters of recommendation. While all your letters might look impressive to you, a conscientious interviewer will want to speak directly to your references and ask their own questions. Everyone knows letters of recommendation always only include good things – nothing critical, which is of little use to the interviewer. Only provide references and contact information if the interviewer asks.

7. Don't stress about the interview afterwards. You could drive yourself crazy thinking about everything you said, what you didn't say, what you should've said … stop second-guessing yourself and let things be. If you haven't heard back from the interviewer in a week or two, follow-up, but don't dwell on it.

Dr Kulu Ferreira
D.Tech HR Management
Direkteur/Director: Core Labour

CORE
business development

The medium-term budget compared to farming

In many aspects, the South African economy finds itself in trouble and, given the regional inter-dependence, the impact thereof will be visible in the region for the foreseeable future. The downward adjustment of the economic growth rate is bad news, because this may be the beginning of the way in which slowing global growth prospects can impact on developing countries. Alternatively, global investors are seeking opportunities to grow their money, which are no longer successful in traditional markets. In this regard, the maiden speech of the South African Minister of Finance is of interest.

For the past few days, business news was dominated by reviews on Minister Nene's maiden budget, which has to give direction to the South African economy over the medium term. The basis on which this budget was compiled, describes the economy as one struggling with a lot of issues and reminds strongly of an issue faced by many farmers – too little income to meet the demands of rising costs. The budget showed clear evidence of gaps in the government's finances, because, amid decreasing revenue from taxes and other business activities, among others, the enormous civil service is demanding salary adjustments which will certainly not be less than the expected inflation rate. As in the case of the current post office strike, with a salary adjustment of 15% demanded against an expected inflation rate of 6%, it is only reasonable to believe that other unions will insist on the same adjustments. Without agreements, crippling strikes can be expected.

Government is struggling with an enormous debt burden – therefore the new medium-term budget is geared to limit debt dependence. Of course it is an altogether different matter if they would be able to manage that, because government's revenue sources are implicated. The economy growth is slowing, with a resulting decrease in revenue from taxation. One can only hope, keeping in mind the Namibian government's credit to agriculture due to the sector's growing contribution to exports, that government will do much more to encourage export-driven activities to the maximum, but that will demand much more than simply removing export impediments.

The similarity between farming and the circumstances in which the medium-term budget was compiled, is quite striking. Farmers are, for the greatest part of their welfare, dependent on timely and adequate rainfall. As price takers, these producers are also dependent on what the market dictates and the nature of no single farmer's business is such that he or she can influence the price of the product. The only way the income of such a farmer can be increased, is to make the crop as large as possible. In this way crop farmers can partially compensate for the expected lower price levels which might be enforced in the new season. Price per ton times the number of hectares, equals the income the farmer has available to meet his obligations. Should input prices rise, the farmer has to accommodate it, and inputs could rise to such a degree that it might put farmers in a tight spot. If the income space is too marginal for a profit to be made, farmers will try to plant as much hectares as they could, in order to make good the expected lower price per ton. This is unlike the case of the government, because, as Minister Nene warned, tax increases are inevitable and will be addressed in the main budget in 2015. Treasury is in trouble, because income levels are inadequate to cover expenses. As with farming, deferred debt is also eroding the reserves. The obvious thing to do is to subdue expenses and guard against leakage of scarce funds.

Therefore, any attempt to curb corruption, should be encouraged. It is like a leaking dam, and in a case like this it won't help to keep pumping more water. The leak should be fixed first in order to control the outflow from the dam. Herein lies meaningful parallels for Africa and the hope is that the new minister, as well as other governments in Africa, will succeed in doing that.

Kobus Laubscher (PhD)
Agricultural Economist/Landbou-ekonoom
M.Inst.D & Fellow, World Academy of Productivity Science
Direkteur/Director: Core Business Development (Pty) Ltd

CORE
cloud accounting

Why use financial management software?

Accurate financial data is vital for planning the growth of your business. How must small businesses use accounting data to help them grow and improve?

How your business can grow if accounting processing is kept up to date

Whatever type of business your run, success depends on the figures. Revenue, expenses, overheads, inventory, sales figures, profit – all of these figures are important.

Sometimes it can be hard to put them into context. Small business owners often have to focus on day-to-day operations, making it hard to see the big picture. After all, if you don't keep a close eye on your business every day, it won't perform at its best.

Yet, there are times when you need to step back for a clearer view. If you're thinking of applying for extra financing, or moving into a new market, or even selling your business, you will need more than just the daily figures.

In fact, the bigger the financial picture, the better when your business is ready for the next stage of growth. That's when you might ask yourself: What steps do I need to take today in order to be successful tomorrow? Financial management software can help. In this article, we'll take a look at what it could do for your business.

The figures that count

When your business is at a transition point – for example, when you're applying for funding or raising equity – some figures are more important than others.

Anyone thinking about lending you money or investing in your business will want to know that their money is safe. This means they'll want to take a good look at the financial details, such as:

- Historical financial statements
- 3-5 year business forecasts
- Personal financial statements
- Tax returns
- Business plan
- Commercial collateral (including real estate)
- Guarantor information

Gathering this information can take weeks or even months for a busy small business. And even when you have it all, it still has to be presented in the right way. That's where financial management software comes in.

Learn from big businesses

Financial data can give you useful insight into the way a business is being run. That's why large organisations use financial analysis to help them decide when, where and how to expand.
It's complicated work for big businesses, requiring detailed spreadsheets and powerful software. It's time consuming, too. But the results can be very useful.

When you analyse your financial data, you learn much more about the way your business is operating now. This can tell you where there's room for growth and improvement, and where you should cut back or redeploy some resources.

Many big businesses became big because they made good decisions on how to manage their growth. And those decisions were based on the right financial information. But how can smaller businesses hope to compete?

Four financial management options for small businesses

It might sound like the odds are stacked against small businesses when it comes to financial analysis and management. If you're already running your business, you probably won't have time to learn how to become a qualified financial analyst. So what are your options?

1. Hire a CFO
A Chief Financial Officer should have the skills and tools necessary to analyse your business and extract the information you need. But hiring someone new involves time, hassle and ongoing expense.

2. Pay for once-off financial analysis
If you don't think you'll need a CFO on an ongoing basis, you could hire one temporarily or use one of our specialists. This might be a good choice if you're applying for a loan, because banks will want to see the detailed figures for your company. It might also be a sensible option when you come to sell your business.

3. Do it in-house
If you have a head for numbers, you could try to do financial analysis yourself. It's a complex topic, though, and you'll need to get to grips with the finer details of spreadsheet manipulation. Be prepared to put aside plenty of time to learn, and even more time to do the actual work.

4. Let software do it for you
There are software programs available today that can analyse the financial information in your accounting package and give you a clear, useful overview of your business – and a lot more besides.

The benefits of financial management software

For many small businesses, software will be the best way to manage your finances and cash flow.

That's because:
- It's cheaper than hiring a CFO

Even on a consultancy basis, CFOs don't come cheap. The cost of their skills and knowledge might be more than your business can afford.

- Software works when you want it to

You might want to review your financials during a quiet evening at home or during the weekend. Cloud-connected software will let you do this – and unlike an employee, you don't have to pay any overtime.

- It turns numbers into something more useful

Good financial management software will help you visualise your business – as it was, as it is and as it could be. This makes much more sense than reading through endless tables of figures. Strengths, weaknesses and the performance of different parts of your business can all be clearly seen.

- It contains condensed business knowledge

Instead of hiring just one CFO, the best software will give you the accumulated knowledge of many. That kind of analysis could be worth its weight in gold.

- It can help you learn

Nobody can pick up the details of financial analysis in just a few minutes. It takes time, but good software will help you learn by explaining the terms and output in a way that anyone can understand.

Finding the right software

How do you find the right financial management software for your business? There are several points to consider here:

- Powerful features

The ideal package will work for you just like a CFO would. That means it will have powerful analytical features that can explain your business choices in simple terms.

- Actionable output

If you put figures in and get figures out, that won't be very helpful on its own. You'll want software that can give you options that you can actually carry out. You'll need ideas and goals that you can incorporate into a freshly updated business plan that will help your business succeed.

- Strategic goals

Business goals should be aligned with your overall strategy, so you can proceed from one goal to the next in a clear direction. Good software will help with that.

- Integration with your accounting software

Nobody wants to type in figures more than once. Financial management software that connects directly to your accounting software will save you on entering your accounting data twice.

- Ease of use

All software has a learning curve, and that's especially true of financial software. But the best tools will have you up and running within a few hours, by making the learning process easy. Read online user forums to see what customers say about different products.

- Customised insights

Generic messages and reports might not be of much help to you. Detailed reports that are custom-made for your business are likely to be more useful. The best software will take the nature and size of your company into account, suggesting actions that can really work for you.

- Links to useful services

Let's say the software detects that you will need funding to achieve certain business goals. Wouldn't it be great if you could then apply for a loan with the click of a button? Good software will do this for you.

Only you can make it work

It's not enough to import your accounting data into a financial management package and look at the results. You also need to act on those results. Computer software can't tell you exactly how to run your business, but it can provide a useful overview and suggest areas for improvement – that's all.
At the end of the day, you still have to sit down and review the data. The right software will help you make informed choices, but the only person qualified to make strategic decisions about your business, is you.

Take the guesswork out of growth

Plenty of small businesses lack the insight and understanding they need in order to grow. That's not their fault – it's a consequence of the time pressure associated with running a small business. But thanks to cloud-based accounting and financial management software, there are ways of seeing the bigger picture.

With the right tools, you'll be able to clearly understand where your business was, where it is now and where it might be in the future. Like a virtual CFO, this can help you make the right decisions to help your business grow and flourish.

We have in-house specialists available to assist you in taking your data to the next level. Contact us to help you to get a clear view of the 'Big picture'.

Dirk van Velden
B.Compt (Hons) CFA(SA)
Direkteur/Director: Core Cloud Accounting (Pty) Ltd

CORE
trusts & estates

Wills: Usufruct and other provisions

In this edition we look at the effect of usufruct and its application in a will.

Full ownership of any asset is made up of two elements, namely bare dominium and usufruct. Bare dominium means that a person owns an asset, while usufruct implies that the usufructuary may use the asset to his advantage and earn income from it.

An example of a testamentary provision where a usufruct is created, is the following:

"I bequeth my farm, Mooifontein, to my son Ben, subject to the lifelong right of usufruct by my wife Susan, free from the obligation to provide security to the Master of the Supreme Court."

The result of the above usufruct is that Susan may utilise the farm for her own profit or she may lease it. When Susan passes away, Ben automatically has full ownership of the farm. While Susan enjoys the usufruct, Ben only has the hope of receiving full ownership when the usufruct expires and has no expectations concerning the income generated from the property during this time.

A usufruct is commonly used to make provision for a surviving spouse, while at the same time ensuring that the property will eventually go to the intended heir. Therefore, according to the will, the spouse, who enjoys the usufruct, cannot bequeath that property to someone else, in terms of her will.

There are adavantages and disadvantages to the use of a usufruct in a will.

The advantages include the following:

- Can be used to provide for one heir and at the same time ensure that the property will eventually go to the intended heir.
-
- The value of the usufruct inherited by a surviving spouse is, from an estate and capital gains tax perspective, deductible in terms of the estate of a predeceased spouse.

The disadvantages are as follows:

- The bare dominium holder cannot trade the property and have no security value in the property while the usufruct applies.
- The base cost of the property (from a capital gains tax perspective) is – for the bare dominium holder – the bare dominium value, which is much less than the market value and will result in a large capital gains tax liability when the bare dominium holder wish to sell the property later on.
- At the death of the usufructuary, the termination of the usufruct is deemed an asset in her estate and the bare dominium holder will be responsible for the pro rata estate tax which resulted in the termination of the usufruct. This could have a negative effect on the cash flow of the bare dominium holder.

- If VAT is applicable, the VAT on the bare dominium ownership part will be payable and can only be claimed back when the usufruct comes to an end.

In general, usufruct nowadays has a limited use, but could be a suitable solution to some situations.

Please watch this space for more information regarding wills and estate planning. You are also welcome to contact us any time, should you have queries.

Piet Swanepoel
B.luris LLB Adv Tax Cert Adv PDFP
Direkteur/Director: Core Trusts & Estates (Pty) Ltd

CORE BEE

B-BBEE: Revised Qualifying Small Enterprise scorecard promulgated

Just about one year after promulgation of the Amended Codes of Good Practice on Broad-Based Black Economic Empowerment, the DTI ended speculation and finally issued the Revised Specialised and Qualifying Small Enterprise (QSE) scorecards for public comment.

Although the Revised QSE scorecard is in line with the requirements of the Generic Scorecard (promulgated on 13 October 2013), it is a simpler scorecard with relaxed requirements in some areas compared to the Generic Scorecard. Overall, it will definitely be a much more difficult scorecard to comply with compared to the current QSE Scorecard, but one which may also have more impact on sustainable empowerment initiatives.

When the Amended Codes of Good Practice on B-BBEE was promulgated in October 2013, some indication was provided of what QSEs could expect:

1) The revenue threshold for QSEs was increased – entities will in future qualify as QSE if their annual revenue is between R 10m and– R 50m;

2) The number of elements was reduced from 7 to 5, but it was stated that QSE's would be measured on all 5 elements in future and would not have the choice to select only some elements to comply with;

3) It was indicated that Ownership would be a priority element for QSE's as well, and that a QSE's overall B-BBEE compliance level would be discounted with one level, if the sub-minimum requirements for Ownership and at least one more of the priority elements were not met.

With promulgation of the draft Specialised and QSE Scorecard, more detail was provided on the aspects that QSE's would be required to comply with. The key aspects of the Revised QSE Scorecard are:

1) Ownership:
Ownership is a priority element. The scorecard is similar to the Generic Ownership scorecard, and include points for economic interest and voting rights of Black persons (target = 25% + 1 vote), Black women (target + 10%) and designated groups (target = 2%).

2) Management Control:
The scorecard makes provision for points to be allocated for Black executive top management (target = 50%) and all other Black management (target =60%). The target for Black female management is 50% of each individual target. No points are allocated for Black non-executive directors or for non-management Black employees.

3) Skills Development:
The scorecard is far simpler than that of the Generic scorecard, with points to be allocated for skills development expenses of Black persons (target = 3% of annual payroll) and skills development expenses of Black women (target = 1% of annual payroll). No specific points are allocated for learnerships, but the cost of learnerships would be included as part of general skills development expenses.

Note that the Skills Development element now refers to skills development spend on Black people rather than Black employees. This will imply the inclusion of black unemployed people.

4) Enterprise & Supplier Development (including Procurement):
The Procurement section has two sub-indicators, namely total procurement from Empowering Suppliers (target = 60% of total annual procurement) and procurement from 51% Black- owned Empowering Suppliers (target = 15% of total annual procurement).

The current Enterprise development scorecard has been sub-divided into two sub-indicators, namely Supplier development (which refers to enterprise development of the entity's own suppliers) (target = 1% of NPAT annually) and Enterprise Development (for non-suppliers) (target = 1% of NPAT annually).

5) Socio-economic Development:
The criteria remains the same as it is currently, but will now only count 5 points on the scorecard (previously counted 25 points). The target remains 1% of NPAT per annum.

For white- owned family enterprises, the Revised QSE scorecard will not bring good news. Previously white-owned QSE's were able to get as good as a Level 1 rating, but with the introduction of the new requirements, entities with no Black Ownership and no Black Top Management, will at the most be able to get 68 points on the QSE scorecard. That would result in a Level 7 rating, but due to the priority element (Ownership) not being met, the entity would be discounted with one level and would become a Level 8 contributor to B-BBEE. Our advice to all businesses (QSE and Generic), is to have an analysis done on the Amended Codes to get an indication of the change in level that the entity can expect. Once you have an idea of how the changes will impact on your business' overall B-BBEE compliance level, and then start identifying initiatives that can be implemented as solutions to once again earn maximum points in the areas that would be possible for your entity.

Keep in mind that the Revised Codes for all entities will come into effect on 1 May 2015. Any B-BBEE certificate that is issued from 1 May 2015, must be issued based on the requirements of the Revised Codes.

In saying that, should your business want to obtain one last B-BBEE verification certificate based on the current (less stringent) requirements, please contact our firm urgently to make arrangements, as we do expect very high volumes of certificates to be used during the first quarter of 2015.

For any advice on the impact of the Revised Codes of Good Practice on your business, or how to improve your enterprise's B-BBEE compliance, contact the CORE BEE team.

Colette Cilliers
B.Com (Hons)
Direkteur/Director: Core BEE (Pty) Ltd

Insuring you have Happy Holidays!

It seems that this year has flown by at an enormous speed. It is hard to believe that it's almost that time of year again – for rest, relaxing, holiday and family time. Before we leave on our annual holiday to enjoy the sun and surf, or maybe the bush, there are some important items that need to be checked to ensure the safety of our assets.

If you intend travelling with luxury items, such as tablets, laptops, cameras and other valuable items, please make sure that these items are sufficiently insured in your policy under all risk cover.

- Keep your jewellery in a locked safe at you holiday destination
- Never leave valuable items in plain sight in your car
- Never put valuables in your check-in luggage
- Always keep allcash on you

It will take some planning to ensure that you home will be safe on returning from your holiday, but here are a few pointers to take into consideration:

- Make sure that your burglar alarm is fully operational and test the response of the security company, as well as the backup battery, in case of a power failure
- Don't leave lights on all night and all day, as this is a sure sign that you are not at home – rather invest in timer switches
- If possible, find a house-sitter to switch lights on and off, feed the pets and keep an eye on your property
- Cancel delivery of all newspaper and other subscriptions to your home
- If you leave any vehicles behind , take the spare keys with you and immobilise the vehicle as best you can – cases were reported where the intruder drove off with the stolen goods in a car that was left on the property
- Any valuables left on the property should be kept in a safe. Take the keys with you or consider using a safety deposit box at a bank
- Unplug all electronic devices – not only will it save electricity, but will provide protection against possible lightning and power surges
- Get to know your neighbours, they can be your eyes and ears while you are away – leave your contact details with them.

The holidays is a time for family and relaxing, and making sure that your property and other assets are adequately insured, will give you the peace of mind that, if something does go wrong, you will be covered. Always keep your broker's and/or insurer's contact details at hand if travelling by road to ensure emergency assistance.

Wickus Pelser
B.Com (Hons) (Accounting) ICBS
Direkteur/Director: Core Short-Term (Pty) Ltd

Is your brand dying?

Accidents seldom kill brands. Dying brands send warning signs before the eventual collapse. For the observant entrepreneur, this disaster could be avoided by implementing certain measures. For the non-observing entrepreneur, however, this disaster seems to sneak in unnoticed.

There are many obvious reasons why brands die; no innovation, poor financial management, no differentiation (not being unique), decreasing sales, inexperience, negligence, greed, etc.

What will it take to make your brand not only survive, but THRIVE?

The No 1 killer of brands is clichés. Although the following examples of branding clichés are obvious, it should be removed from all your branding efforts immediately.

Describing your brand as:
The Best, Committed to Excellence, A Dedicated Team, Cutting Edge, Going the Extra Mile, State of the Art, Knowledgeable Staff, The Cheapest Option, World Class - it is assumed that your brand must be all of these things and even more. These clichés are no longer a point of differentiation, it is a minimum requirement. It is no more special hearing it from you, than from all the other thousands of brands using the same, and many other clichés.

Brands usually grab hold of clichés because of a lack of understanding of their brand personality. Just like you and me, brands have values, characters and personalities which make them, and us, unique. Not knowing your personality, character, etc., makes it impossible to position your brand as unique and appealing. It is therefore crucial for the survival of your brand to understand what makes your brand unique and then use that uniqueness to position your brand in the hearts and minds of your customers.

Most brands experience a brand identity crisis.

A brand has two sides – seller and buyer. Understanding this principle is as crucial as understanding your brand personality. Ask yourself the question: what does your brand sell and is this what your customer is buying? Does it sound confusing? First answer the question. Nike is an example of a company that sells a product, but their customers are buying something completely different. Nike sells sneakers and sportswear, but their customers are buying the hope of better athletic performance (or the appearance thereof). No cliché about that. Nike understands who and what they are and that translates into the message the consumer buys into.

Not knowing these basic branding principles usually manifests in bad design. Brands dress according to their brand character or personality, i.e., corporate identity (ci) design is dictated by character and personality. Not knowing the core of your brand, makes it nearly impossible for your brand to wear the correct apparel, look and feel of the brand. The design of your brand makes it either attractive or unattractive for the consumer. Remember, we make 90% and more of our purchasing decisions by using only one of our five senses. Sight! If something looks good – it is good. Image i.e., good design, and perception contribute to value. Bad design has the opposite effect. Brands can be perceived as unprofessional, fly by nights, unreliable, etc., because of a poorly designed ci.

Do you know the perception of your brand in the marketplace? Remember, a brand is a collection of perceptions in the mind of the consumer. When you know what the perceptions are, you can manage it and create your own – good design and communication is critical when it comes to influencing the perceptions of your customers. Nike sells sneakers and the perception of athletic performance is created with the customer.

Another symptom of a brand that has a brand identity crisis is that there is no consistency in the way they look or communicate. The source of the problem is, again, not knowing the personality, character and values of the brand. Inconsistency weakens your brand's presence and confuses your consumers, leaving your brand defenceless and compromised. Brands that stand strong never waver in their message or actions and always present a single, solid personality.

Creativity is the opposite of routine. You constantly have to break out of your mould. What makes your client stay loyal is, of course, consistency, but that doesn't necessarily mean that your tactical executions have to stay the same and eventually become boring. As long as your activities are on brand, according to brand personality, your brand will thrive.

For your brand to thrive and not just survive, it must be tended to. You have a responsibility. Once you create it as unique and individual, your customers will ensure its survival. Ultimately they decide whether it lives or dies, so be sure to cultivate it!

Hein du PLessis
Direkteur/Director: Core Brand Management

www.thecoregroup.co.za