

WE KNOW

FINANCE

MAXIMISE PROFITS AND MINIMISE RISK

QUICK GUIDE

QUICK TIPS TO HELP YOUR BUSINESS

To improve the *cash position* of your business:

- Prepare regular cash flow forecasts.
- Generate cash through sales - but watch that you do not end up underselling your products or services.
- Only pay sales commission once payment is received.
- Negotiate extended terms of trade with suppliers.
- Take modest personal drawings or wages.
- Don't hide any problems from your bank. Tell your bank early if you need money to overcome a cash flow problem.

To improve the *profitability* of your business:

- Prepare financial statements on a regular basis and use them to analyse performance and benchmark your business against industry averages – your accountant can help you with this.
- Understand the profit you generate on each item of stock or service you provide.
- Concentrate on improving sales of your most profitable stocks or services.
- Don't discount prices on lower margin products and services.
- Don't discount your most profitable products or services unless the discount encourages increased sales that lead to at least the same profit.

To control costs:

- Identify the expenditures that are essential to keep your business running. Don't cut these costs.
- Look at costs carefully, but don't unnecessarily criticise every transaction.
- Conduct a review of the business' processes to see whether some expenses can be eliminated completely.
- Focus marketing expenditure towards direct response advertising (e.g. direct mails, emails and coupons).
- Review staffing arrangements.
- Work to retain good staff. Remember that replacing staff can be expensive.

To reduce your customers' debt:

- Keep in regular contact with customers, particularly customers who have outstanding debts.
- Prepare an aged debtors report.
- Negotiate periodic payment if that helps customers to clear overdue amounts.
- Before you sell to a customer on credit, perform a credit check and agree on proper commercial terms of trade.
- Encourage your customers to pay immediately by offering discounts on cash sale, for example.

To control stock:

- Keep the right amount of stock – too much or not enough stock can damage a business.

- Identify slow moving and dead stock and try to sell it. If you can't sell it, write it off and destroy it.
- Identify items you simply must never run out of.
- Negotiate deals with suppliers but avoid volume-based discounts.
- Tighten the buying of stock by knowing when to buy. To do this you will need to know the volume sales per item. Don't let discounts drive your buying decisions.

For more in-depth information on stock control please refer to quick guide on Stock and Inventory control.

To improve sales:

- Focus on the most profitable sales. Don't chase just any sales.
 - Create added value with your offers by for example, providing a gift or training.
 - Undertake companion selling and up-selling.
 - Use in-store signs to highlight the product of the week.
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