

Succeeding in tough times

**Collins
Hume**

ACCOUNTANTS
BUSINESS ADVISERS

Office
97 Tamar St, Ballina, NSW, 2478
Mail
PO Box 731, Ballina, NSW, 2478
Telephone
(02) 6686 3000
Fax
(02) 6686 7854
Website
www.collinshume.com.au
Email
mail@colhum.com.au

For business owners, running a successful business is often challenging enough, but succeeding in business in the current tough times for many has become a real nightmare.

However, there is **good news**: you can implement simple measures to improve the probability that your business succeeds even in these tough times. Here are 3 examples:

1. Protect and grow your revenue

Contact your key customers and ask them how their business is faring. Meet regularly with high value customers and offer your support. Understanding their situation means you will be better informed about what you can do to assist them and thus **protect** and potentially grow your business' revenue. To grow your own revenue, invest in new innovative (low cost) sales strategies, increase (low cost) sales and marketing programs and show leadership by spending more time with your customers and sales team.

2. Reduce your costs

A reduction in revenue and/or profit means you will need to examine your cost structure to maintain your profitability. Be prepared to make some **hard decisions**. Low fixed and high variable costs is the ideal cost structure for doing business in tough times.

- Non Trading Costs - try to reduce or eliminate non trading costs. For example, examine wage productivity reports and restructure non productive roles or encourage multi-skilling to maximise your employee return per hour. Staff reduction is not necessarily a given in tough times!
- Variable Costs - examine all your expenses and investigate ways to transfer your business's fixed costs to variable costs. Outsourcing is a variable cost strategy.

3. Collect your cash

Collecting cash from your customers may become more difficult. Watch your cash flow. Consider amending your policies for debtor collection and stock management.

- Debtors Collection: place tighter limits on the amount of credit you extend to your customers. If you have exposure to large customers, seek assurances and guarantees on how they will pay their account. Enter repayment schedules and offer 'cash only' terms until your customer accounts are in order. If the decision is between being flexible and survival there is really only one choice.
- Stock Management: don't over invest in stock. Place strict controls over stock ordering and management. If customer sales slow down so should your ordering.

Minimise your risks

It is important you **move quickly** to minimise your business risk. The **FIRST STEP** is to re-examine or prepare a new Business Plan to review and assess your current situation and plan the future. When preparing your Business Plan obtain independent and objective advice. Your Accountant or Financial Planner is best positioned to provide this advice.

Seeking advice early will mean the difference between your business thriving or simply surviving.

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