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Create an Unfair Advantage!

Now is the time to create an unfair advantage in your business.

Many people are struggling but you still hear stories about businesses which are trading quite successfully during these difficult economic times.

It is important to allocate some quality time to think about your business:

- Undertake planning to review your products
- The prices that you are charging
- The promotions and marketing strategies that you are implementing
- Any alliances or networks that you could form to add to your strength and presence in the market place

Have you reviewed your position with your bank or lender?

Now is the time to implement strategies so you can show your bank that you are planning your business. With banks increasingly looking to their loan covenants and starting to enforce them, many business operators are actively implementing strategies so that the business' ratios, performance and reporting to banks will enable the business to continue to qualify for bank loans without breaching any of the bank's lending covenants. Another important matter to consider is what state your business will be in, when it is expected that market conditions will have picked up a little from where they are now.

Planning now will help you create an unfair advantage in the market place and should give you a greater advantage as the economy strengthens, hopefully, later in the year.



Survival in Difficult Times

Many business operators have already taken steps to ensure that their businesses will survive these difficult times.

Suggestions on implementing planning for survival in difficult times include:

- Review costs: Can any business cost be reduced or eliminated?
- Review labour productivity: Talk to your team members and see if agreement can be reached on improving productivity
- Review management of cashflow: Including checking applications from new credit customers to ensure that you are not inheriting someone else's problem account. Are you receiving directors' guarantees?
- Ensure follow-up of customers from the due date to ensure prompt payment, answer customer queries, so that you can resolve them as soon as possible
- Ensure tax invoices are prepared in accordance with the customer's requirements and sent promptly
- Monitor debtors' aged analysis on a weekly basis
- Ensure any payment arrangements made with a customer are confirmed in writing including details of key dates that the customer has indicated payments will be made. Follow-up with the customer to ensure that payments are made by the due dates
- Prompt referral of problem debtors to a debt collection agency
- If you are an importer or exporter, should you consider locking in currency contracts?
- Review cost controls throughout the organisation on a monthly basis
- Contact suppliers and try to negotiate improved payment terms
- Prepare monthly financial accounts, review KPIs with managers and team members
- Review marketing expenditure: If the expenditure is directly related to current sales, it is probably worth continuing. If not, consider curtailing some expenditure until market conditions return to normal
- Monitor stock holdings: Can stock be reduced?
- Monitor stock turns: Will relocating stock within the store, or running special promotions, help move stock?
- Monitor work in progress: Are jobs being completed and invoiced as fast as possible?



We can assist you in implementing strategies for the present difficult business environment. Please contact us if you would like to have a discussion.

Be sure to read each article with the mindset "How this could apply to our business". Thinking of it that way will guarantee that you get value. Also make copies for each team member. To really make sure something positive happens, work with your business development specialists to talk your team through ideas.



Corporate Governance - Directors' Meeting Agendas

One of the foundations of a sound corporate governance system within a company is to hold regular Board of Directors' meetings. The Board of Directors' Meeting highlights accountability in that key members of the management team should submit written reports that are distributed to the directors at least 72 hours prior to the directors' meeting.

Suggested agenda for a Board of Directors' meeting is as follows:

- Persons present
- Apologies
- Confirmation of minutes of previous meeting
- Business arising from the previous meeting
- Reports submitted:
 - Chief Executive Office
 - Chief Financial Office:
 - Departmentalised Trading and Profit & Loss Report
 - Month and Year-to-Date
 - Balance Sheet: Year-to-Date
 - Comparison of actual performance to budgeted performance
- Key Performance Indicator report
- Marketing
- Sales
- Debtors
- Stock/Work in Progress
- Bank position
- Creditors
- Research and Development
- Risk Management Strategy
- Business plan implementation update
- Team Member Report
- Cashflow Forecast
- Customers
- Competitors
- Quality Control
- Internal Audit/Review Reports
- General business

"It's not the employer who pays the wages. Employers only handle the money. It's the customer who pays the wages."
Henry Ford

Cashflow Is KING!

Many businesses are finding conditions very difficult at present. Not because they are unable to make sales, but because they are experiencing severe cashflow problems. Some commentators are forecasting that around 12% of small businesses are at risk of failing because of poor cashflow control. If you are giving credit to customers, now is a good time to fully review your credit management systems (if you haven't already done so).

One of the best systems you can introduce is to prepare a short-term cashflow forecast each week, whereby you analyse your anticipated cashflow performance over the next 4 to 5 weeks. If this analysis indicates that you are going to have a problem, then now is the time to rectify the situation by contacting debtors and trying to ensure that payments are made, having discussions with suppliers to slow down payments or presenting a case to your bank for a temporary overdraft facility.

Many businesses are considering alternative methods of getting payment including establishing direct debit facility, confirming payment terms to all customers and then being proactive on the due date for payment. If a customer has not paid, contact them immediately to encourage prompt payment.

It is a good time to review your systems to ensure that invoices are being dispatched promptly as soon as goods or services are provided. Are the invoices in accordance with the customer's requirements? (Otherwise the invoice will be delayed in its processing, which will delay payment). Are you preparing a debtors' aged analysis each month and is the analysis being used to chase up any customer who has an amount outstanding for more than your stipulated payment time? If so, these people should be immediately contacted and arrangements made with them for payment.

If you would like more information to assist you in the short-term management of your cashflow position or any other advice on cashflow management, please contact us.

Lifetime Value of a Customer

Most businesses need to ensure ongoing education of their team on the lifetime value of a new customer.

Lifetime customers represent repeat business and repeat business equals profits:

- Assume that the lifetime period of a customer is between 7 to 10 years on average
- Multiply the average sale by the number of times you expect to see that customer each year
- Multiply the projected annual sales by the number of years' expectancy for 'lifetime'

This will give you some idea as to what the customer is potentially worth to your business. This means that one of the most effective ways of marketing your business is to increase the number of visits that your long-term customers make to your premises, as this will add to the lifetime value of the customer.

To develop lifetime value of customers, you could consider the implementation of a referral system where current customers are encouraged to refer new people to your business with an appropriate incentive being given to the referrer. This could be a weekly lucky prize or a discount off a product in your business.

How do you develop lifetime customers?

- Improve your referral system
- Create outstanding service to all customers to encourage them to become lifetime customers
- Create a database of customers and offer them outstanding service
- Keep improving the level of service to customers
- Offer special events and promotions for your customers
- Go the extra mile
- Get them to say 'wow'!



Romalpa Clause

Are you selling goods on credit?

If so, have you included a Romalpa Clause in the tax invoice and any other contracts for the sale of the goods?

The Romalpa Clause is a provision in a contract for the sale that the title of the goods remains vested in the seller until certain obligations (usually payment of the purchase price) are fulfilled by the buyer.

Credit Insurance

If you are selling a large proportion of your sales by credit, consideration could be given to taking out a Credit Insurance Policy. This policy will give you an insurance cover against pre-approved debtors not paying a legitimate account. The fact that you have taken a credit insurance policy may assist in negotiating ongoing loans with your bank or financial institution.

An Important Message

While every effort has been made to provide valuable, useful information in this publication, this firm and any related suppliers or associated companies accept no responsibility or any form of liability from reliance upon or use of its contents. Any suggestions should be considered carefully within your own particular circumstances, as they are intended as general information only.

