



**Financial Solutions for  
Business Owners**

Your Annual Business Game  
Plan For Success

Insurance

Financial Planning

Retirement

Investments

Wealth

# Contents

A game plan spells success .....	1
<b>PART 1: Review what did and didn't work</b> .....	4
Recognise your achievements .....	4
Recognise your failures .....	5
<b>PART 2: Review your market</b> .....	6
Assess your customers .....	6
<b>PART 3: Product/service review</b> .....	9
Assess your product or service .....	9
Match your product/services to your customer needs .....	12
Review your quality control .....	14
Review your pricing .....	15
<b>PART 4: Conduct a competitor analysis</b> .....	19
Direct competitors .....	20
Indirect competitors .....	23
"Stealth" competitors .....	24
<b>PART 5: Update your marketing plan</b> .....	25
Are your promotions stuck in a rut? .....	25
20 promotional ideas .....	26
<b>PART 6: Give your sales plan an overhaul</b> .....	32
Overhauling your sales plan .....	33
<b>PART 7: Review trends</b> .....	37
Why it is important to identify trends .....	37
The difference between a trend and a fad .....	37
Identifying trends in your industry .....	38
Making trends work for you .....	40
<b>PART 8: SWOT analysis</b> .....	42
<b>PART 9: Review your business systems</b> .....	46
A heads-up on systems .....	46
How to test your systems for success and sustainability .....	46
Assessing your systems .....	47
<b>PART 10: Review your technology</b> .....	55
<b>PART 11: Website evaluation</b> .....	59
Have the goals and objectives of your website changed? .....	59
Evaluating your website .....	59

<b>PART 12: Review your customer service</b> .....	65
What's the cost of poor customer service?.....	65
How to measure good customer service.....	65
<b>PART 13: Review your business premises</b> .....	70
<b>PART 14: Review your people</b> .....	73
Your employees.....	73
Your management team.....	76
A personal review.....	79
<b>PART 15: Image review</b> .....	82
Look at the exterior.....	82
Look at the interior.....	84
Look at your vehicles and equipment.....	86
Look at your employees' image.....	87
Look at your telephone image.....	88
<b>PART 16: Review your vision, mission and goals</b> .....	90
Vision.....	90
Mission statement.....	91
Goals.....	93
<b>PART 17: Control your cash flow</b> .....	97
Review the last 12 months.....	97
Do a cash flow forecast.....	97
Trim the fat.....	99
If you're having cash flow problems—get more cash in .....	100
<b>PART 18: Tighten up your working capital</b> .....	102
Managing receivables.....	102
Managing payables.....	105
Inventory management.....	106
<b>PART 19: Financial management review</b> .....	108
Do a break-even analysis.....	108
Draw up a working budget.....	109
Draw up a profit and loss statement (income statement).....	109
Draw up a balance sheet.....	110
Financial ratios.....	112
<b>PART 20: Keeping financial control</b> .....	115
<b>PART 21: Disaster recovery plan</b> .....	118
Data loss.....	118
Fire.....	118
Flooding.....	119
Theft.....	119
Other.....	120
Set up an emergency response plan.....	120
Determine how you will communicate with customers.....	120
Insurance.....	121

PART 22: Business continuity.....	122
PART 23: Value adds for the business owner available through the Sanlam SME value proposition.....	127
PART 24: Your personal financial planning.....	129
Building a diversified investment portfolio.....	129
Retirement for you and your employees.....	130
Your will and estate planning .....	132
Health insurance.....	132
Using a financial advisor.....	133
And finally. . . ..	135

# A game plan spells success

To win at anything worthwhile you need a game plan. Professional sports teams know this. Successful business owners also know this which is why they always have a game plan in place. Do you have a game plan for your business?

## 1. How would you rate this team's chances of winning?

- Imagine this rugby team: they are all fit and passionate about the game of rugby. As individual players they each have the potential of making it all the way to the top!
- However, their coach doesn't have a game plan beyond the team all running out onto the field and playing rugby.
- He has put no tactical strategy in place.
- He's never analysed their competitors.
- He's never got the team to test out new plays or assess old plays.
- The team has no idea of their strengths and weaknesses. And even less of their competitors' strengths and weaknesses.
- He doesn't even know what the weather's going to be on the day of their match!
- What would you rate their chances of winning any match? About zero? Maybe one percent if they have luck on their side?

## 2. Don't confuse a game plan with your original business plan

- Your original business plan got you in the game. A game plan keeps you in the game.
- Your business plan was a one-off overall guide to setting up your business and defining the initial goals and objectives of the business, its structure and processes, products and services, financial resources, costing, staffing needs and all of the basics which go into forming a business and getting it functioning.
- To continue the rugby analogy, it's easy to see how you are going to win the game from the locker room (your original business plan). But most businesses don't have a working game plan that takes into account what actually happens on the field once play starts. And that's where your game plan becomes the deciding factor between your business growing and succeeding, or not. In fact, without a game plan, it's hard, if not impossible, for any business to succeed.
- Although many business owners routinely plan their day-to-day operations, without a game

plan, you operate your business from a place of reaction—much like that unfortunate rugby team. A game plan gives you direction.

- Not only does a game plan give you the security of knowing that your business is going in the right direction, you also know that you are doing the right things and able to see better results because of it.
- Because it involves *thoroughly reviewing every aspect of your business—down to the smallest detail*—a game plan allows you to improve your business' performance, exploit opportunities, identify threats, and continually improve market share, volume and profitability.
- Drawing up your game plan forces you to laser in on the following:
  - Identifying the impact the changing business environment is having on your business and make the needed changes in direction.
  - Identifying your business' potential in light of its strengths and weaknesses.
  - Identifying and analysing available opportunities. This allows you to seize business opportunities that fit your mission and vision, and avoid those that don't.
  - Identifying and analysing potential threats. This allows you to have a plan in place to overcome threats before they impact your business.
  - Analysing your internal business culture and its impact on your business' performance.
  - Identifying and eliminating poor performing areas.
  - Gaining control of operational challenges.
  - Developing a frame of reference for budgets and short-range operating plans.
  - Placing focus on the important things so that resources (time, talent, money) are properly allocated to those activities that provide the most benefit.

### 3. So, when should you create your game plan?

- Ideally, the best time to prepare your game plan is at the start of your fiscal year. However, if you don't have a game plan in place, you should create one immediately!
- There are other occasions that call for an immediate revisit and update of your game plan during the year:
  - You have lost a key account/client
  - You have acquired a major new account/client
  - New competitors have appeared
  - You are not meeting financial projections
  - Key projects are falling behind schedule
  - There has been a shift in technology
  - Employee morale is sagging
  - Your business growth is out of your control.

## 4. How do you create your game plan?

- You need to review every aspect of your business—down to the smallest detail. Your business truly is the sum of all its parts. Let's say you only focused on the “big things” like your product/service and financials. Well, how's that going to work if your website is out of date and turning customers off? Or you don't know if and how your customers' needs have changed? Or you have no clue of the direction in which business trends are heading? Or your marketing is stuck in a rut and ineffective?
- This journal-style plan takes you through all the steps you need to follow in order to thoroughly review your business and create a good working game plan for your business.
- It's straight-forward and there are workspaces that allow you to record all the necessary info you need for each step and plan the actions you need to take.

# PART 1 – Review what did and didn't work

A good way to kick-start your review process is to look back over the last year and record both what worked and what didn't work. Our successes and failures can be the biggest source of the lessons we need to learn!

- Write down what worked and what didn't work. Don't begin to analyse *why* something did or did not work. That will happen automatically as you construct your game plan—at which point you will be in the best position to find ways to expand your achievements and decide what needs to be changed to prevent the same mistakes or failures from happening in the future. This is simply an exercise to get your energy, focus and insight going!

## 1. Recognise your achievements

- When it comes to their own businesses, most owners tend to be quick to criticise, slow to praise. What we have failed to accomplish always stands out in our minds, but our successes are where the opportunities lie. You increase your ability to make new things happen when you recognise your achievements.
- Take some time to think about what you achieved in the last year. Don't just think of the big successes like reaching a tough goal you had set or handling a crisis that arose. The small successes count, too, and are often the ones that really indicate you're doing something right—like a thank you from a customer or appreciation from your staff.
- Both our achievements and failures can provide valuable insights to secure future success and avoid failures. So take the time to consider what lessons you learnt from both of them.

My achievements

---

---

---

---

---

---

I have learnt the following from my achievements

---

---

---

---

---

---



## 2. Recognise your failures

- It is also important to examine where you missed the mark and identify what didn't work. We all know that if you don't recognise your failures they will probably occur again as you do not give yourself the opportunity to learn from them. This is critically important info for any game plan.

My failures

---

---

---

---

---

I have learnt the following from my failures

---

---

---

---

---

# PART 2 – Review your market

Successful business owners need to know with precision the wants, needs, likes, dislikes, expectations and buying behaviours of their customers. Businesses that possess this level of in-depth knowledge about their customers and use it to their profitable advantage are successful.

## 1. Assess your customers

- By knowing specifically what customers want, need, like, dislike and expect a business owner can build and deliver the precise solutions to meet those needs. They can also offer their products at the right locations, at the right price, and with the appropriate warranties. They can deliver the right features and support to create positive buying experiences.
- Because customer’s needs, wants and expectations change so rapidly, you need to do an indepth re-assessment of them on a regular basis. Otherwise you risk losing sight of who they are—what they buy—and why they would want to buy it from you.

1. Who are your major customers?

---

---

---

---

---

2. What are their demographics? (i.e. Age, gender, education, marital status, income bracket, ethnic and/or religious background, family life, etc.)

---

---

---

---

---

3. What motivates them to buy (i.e. price, quality, credibility, customer service, location, etc.)?

---

---

---

---

4. When do they buy?

---

---

---

---

5. What products and/or services have they purchased from you in the past?

---

---

---

---

6. What are their expectations regarding:

a. price

---

---

b. quality

---

---

c. sales and after-sales service

---

---

d. information

---

---

d. product / service systems

---

---

7. What makes them feel good about buying?

---

---

---

---

8. Why are customers *not* buying from you?

---

---

---

9. What about your business excites customers—and why?

---

---

---

10. What about your business irritates customers—and why?

---

---

---

11. How has social media (Facebook, Twitter, etc.) changed your customers' needs, wants and expectations?

---

---

---

12. What do they think about you? i.e. How "customer-centric" is your approach to business?  
(*Successful businesses watch the customer, become the customer, and involve the customer.*)

---

---

---

---

13. What do your customers think about your competitors?

---

---

---

---

14. In what other ways have your customers changed?

---

---

---

# PART 2 – Product/service review

Changing market conditions, changing customer needs and changing technology make it crucial to constantly place your product or service under a microscope, examine it and re-examine it carefully.

## 1. Assess your products/services

- Which of your products and services are succeeding? Which aren't performing as planned? Which products and services offer both a high percentage of sales and high profit margins. What's really behind the problems of a product or service? How effectively are you matching your goods and services to your customers' needs? Do you *really* know the answers?
- The only way to really know is to conduct a thorough assessment of your product or service. Answering these questions fully will help you assess your products/services:

1. Which products/services are succeeding? NB. Define your success guidelines so that you can be sure that they *are* succeeding and that you evaluations are consistent.

---

---

---

---

2. What makes them successful?

---

---

---

---

3. How can they be improved?

---

---

---

---

4. Which products and services offer both a high percentage of sales *and* high profit margins?

---

---

---

---

5. How can you optimise operations around the success of these?

---

---

---

---

6. Can you launch new or complementary products or services?

---

---

---

---

7. Which products / services are not doing as well as planned?

---

---

---

---

8. Are there any changes you can make to enhance their sales or profitability (production, distribution, sales, marketing, price, etc.)? Look for "quick wins" that give you the breathing space to make more fundamental improvements.

---

---

---

---

9. How have customers' changing needs affected their perception of:

a. your pricing

---

---

b. how you market your product / service

---

---

c. your sales and after-sales service

---

---

d. design

---

---

e. packaging

---

---

f. your product / service systems

---

---

10 What do you need to change?

---

---

---

---

11. What is the customer's perception of the *value* of your product/service? (Their idea of value may have little relation to the cost. On the other hand, many customers perceive price as a reliable guide to the quality they can expect to receive: the more you pay, the more you get!)

---

---

---

---

12. How do your staff feel about your product/service—and what needs to be changed?

---

---

---

---

13 Are you reviewing product/service costs frequently?

---

---

---

---

14. Are you keeping a close enough eye on your direct costs, your overheads and your assets? If not, what do you need to do to keep an exceptionally close eye on them?

---

---

---

---

15. Are there different ways of doing things or new materials you could use that would lower your costs?

---

---

---

---

16. Can you negotiate better deals with your suppliers?

---

---

---

---

## 2. Match your products/services to your customer needs

Having conducted a review of both your customer and your product/services, you are in the best position to determine how well you are meeting your customers' changing needs.

1. Are your products/services still aligned with your target market?

---

---

---

---

2. How effectively are you matching your products/ services to your customers' needs?

---

---

---

---



3. What must you change?

---

---

---

---

4. How will you make these changes?

---

---

---

---

5. What controls can you put in place to ensure you are making the correct changes at the correct time?

---

---

---

---

6. How can you keep a sharp eye on your customers' needs, so that you can continue to deliver the right features and support to create positive buying experiences—and stay way ahead of your competitors?

---

---

---

---

### 3. Review your quality control

- When it comes to your product/service, it all boils down to quality. The thing about quality is to remember that quality starts at home: if you are not obsessed with producing a quality product/service, you won't deliver quality consistently. And that very well could mean bye-bye customers.

1. What do you have in place to measure and maintain quality control?

---

---

---

---

2. What's not working and why?

---

---

---

---

3. What measures must you put in place to ensure excellent quality all the time?

---

---

---

---

4. How will you be alerted if the quality starts to drop?

---

---

---

---

5. Who is responsible for quality control - and do they have the authority to act?

---

---

---

6. How do customers' changing needs and expectations affect your quality control?

---

---

---

---

### 3. Review your pricing

- One of the biggest challenges facing business owners is figuring out how much to charge customers for their products or services. If prices are set too high, you scare away customers. If prices are set too low, you get a line-up around the block, but end up losing money.
- Many businesses base their pricing decisions on a combination of previous experience, guesswork and a “gut” feeling for what the market will bear. Seeing that your pricing can make or break you, this is clearly not an overall winning combination. Pricing should be based on facts, not feelings—and developing a formal approach and reviewing it regularly pays big dividends.
- Before you can determine which pricing strategy to use in setting the right price, you need to know the costs associated with the products. Two key elements in factoring product cost are:

#### 1. The cost of goods:

The cost of goods includes the amount paid for the product, plus any shipping or handling expenses.

#### 2. Your operating costs:

Your operating costs includes overheads, payroll, marketing and office supplies.

- Accuracy is everything when it comes to determining these costs. Missing out a couple of crucial costs can make the difference between making a good profit and barely covering costs. Arrive at accurate figures by using facts and not guesses or estimates.

My cost of goods:

---

---

---

My total operating costs:

---

---

---

## Pricing strategies

- You need to re-evaluate your pricing to ensure you are maximising its value to both your customers and your profits. Otherwise, you are running your business on borrowed time.
- Your pricing approach must be tied into a long-term relationship that enables you to:
  1. penetrate the market
  2. maintain and increase market share in a competitive environment
  3. make a profit.
- Many pricing strategies exist and each is based on a particular a set of circumstances. Here are the more popular pricing strategies to consider as you review your pricing strategy:

### 1. Mark-up pricing

Mark-up on cost is calculated by adding a pre-set (often industry standard) profit margin, or percentage, to the cost of the merchandise.

**Challenges:** You do not keep the mark-up high enough to cover price reductions, discounts, shrinkage, etc. and still achieve a satisfactory profit.

### 2. Vendor pricing

Manufacturer suggested retail price is a common pricing strategy used by businesses to avoid price wars and still maintain a decent profit. Some suppliers have minimum advertised prices, but also suggest the retail pricing. This is referred to as recommended prices.

**Challenges:** Manufacturer suggested pricing takes you out of the decision-making process with regard to your business costs. Using pre-set prices doesn't allow you to have an advantage over the competition.

### 3. Competitive pricing

Setting your prices based on the prices charged by competitors.

**Challenges:** If you offer a competitive pricing strategy you will need to provide *outstanding* customer service to stand above the competition.

### 4. Pricing below competition

Setting your prices lower than those of all your competitors to boost sales.

**Challenges:** Lower prices do not automatically equate to increased sales. You have to sell more in order to maintain the same level of profitability. This only works well if you negotiate the best prices with suppliers, reduce costs and develop a marketing strategy to focus on price specials.

## 5. Pricing above competition

Businesses that stock high-quality or exclusive merchandise that isn't available at any other location may be quite successful in pricing their products above those of competitors.

*Challenges:* Your location or product do not justify higher prices (or if they do, your customers don't think so).

## 6. Discount pricing

Selling at a very low mark-up is common with businesses who sell mass cheap products to mass markets.

*Challenges:* It relies on huge volume sales to make a profit. Rising costs, shrinkage and damaged goods rapidly deplete your profit.

## 7. Psychological pricing

Psychological pricing is when prices are set at the level where a customer perceives the price to be fair. The most common method is odd-pricing, using amounts that end in 5 or 9. It is believed that customers tend to round a price of R9.95 down to R9, rather than up to R10.

*Challenges:* Those pesky customers who round UP, not down!

## 8. Multiple pricing

Selling more than one product for one price, such as three items for R20.00.

*Challenges:* This is great for markdowns or sales events, but it can lower customers' perceptions on quality and value if used almost extensively. And there are always the customers who only want one, no matter how good the multiple price is.

## 9. Pricing to close a deal

A strategy used by salespeople when they want to close the deal and the customer is stalling.

*Challenges:* It provides every customer with an incentive to negotiate for lower prices. Salespeople are put through a 'meat grinder' of price negotiations for every sale. The process in turn, gives salespeople every incentive to respond with lower prices. You can end up with a closed deal, but no profit.

## 10. "Thumb suck" pricing

This pricing strategy relies on simply sucking prices out of your thumb with no market/pricing/customer research. It's more common than you may think.

*Challenges:* It doesn't work. You may be lucky and hit the correct price for your product or service. But the odds against that are enormous.

## My pricing strategy

Evaluate your pricing strategy. Ask yourself:

- How are you pricing your products/services?
- Is it working for you? If not, why not?
- What must you do to correct your pricing strategy?

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

# PART 4 – Conduct a competitor analysis

Do you know what your competition is doing? You can bet they know exactly what *you* are doing! If you want to stay competitive, you should! Thoroughly understanding your competition is key to keeping your competitive edge.

- Becoming an expert on your competitors is not only a vital strategy in today's business world if you want to gain a larger slice of the market share pie, it will also put you in a better position to see an upcoming competitive assault that could otherwise shake your business to the core. It will also help you be better prepared should a really large predatory fish comes swimming into your pool.
- Always remember that competition creates threats, but also provides opportunities, and how you handle both is a determining factor in the success of your business. There are three types of competitors to assess:

## 1. Direct competitors

These are the businesses that compete directly with you. They offer the same products/services as you are offering to your customers. They have the same targeted field of customers and they use the same tactics in advertising products/services to your targeted demographics. Customers compare you to them in terms of price, quality and service.

## 2. Indirect competitors

Indirect competitors offer slightly different products and services, but target the same group of customers with the goal of satisfying the same need. By considering all the possible ways your customers' needs can be satisfied, and creating a strategy for handling that competition, you will create a powerful advantage over other business owners who believe they only need to be better than their direct competitors in order to win.

## 3. "Stealth" competitors

The "stealth" competitors are those who go after your customers in different and unexpected ways. Their products usually serve as alternatives to yours. But make no mistake about it, they need to be assessed because there is no telling what rabbits they might pull out of their hats when you least expect it. It's better to be prepared.

## How to find out more

### 1. What they say about themselves

- Sales literature • advertisements • press releases • shared suppliers • exhibitions
- websites • competitor visits • business accounts.

### 2. What other people say about them

- Your sales people • customers • local directories • the Internet • newspapers • analysts' reports • market research companies.

# 1. Direct competitors

1. Who are your direct competitors—and what is their market share potential?

---

---

---

---

---

2. How does your product/service compare with these competitors in price, service, warranties, and other features?

Feature	Direct competitors	My business
Price		
Service		
Warranty		
Other		



3. What can you do about the areas where your product/service doesn't measure up?

---



---



---



---

4. What must you do to keep a (weekly) eye on these competitors?

---



---



---

5. What are these competitors' strengths and weaknesses in the financial, marketing, and operational areas of management?

	Direct competitors' strengths	Direct competitors' weaknesses
Financial management		
Marketing		
Operations management		

6. How can you minimise the negative impact their strengths have on your business?

---



---

---

---

---

7. How can you capitalise on their weaknesses?

---

---

---

---

8. What threats do your direct competitors pose?

---

---

---

---

9. What can you do to minimise these threats (and even turn them to your advantage)?

---

---

---

---

10. Now challenge yourself to find 5 (or more!) opportunities that allow you to exploit your direct competitors and diminish their market share:

1. 

---
2. 

---
3. 

---
4. 

---
5. 

---

## 2. Indirect competitors

1. Who are your indirect competitors?

---

---

---

---

2. How do they compete with you?

---

---

---

---

3. What threats do these competitors pose to your business?

---

---

---

---

4. What can you do to minimise the threats they pose to your business?

---

---

---

---

### 3. “Stealth” competitors

1. Who are your stealth competitors?

---

---

---

---

2. How do they compete for your customers?

---

---

---

---

3. What can you do to minimise the threats they pose to your business?

---

---

---

---

4. What could they do in the future that will bring them into direct competition with you?

---

---

---

---

5. How can you be prepared?

---

---

---

---

# PART 5 – Update your marketing plan

Your marketing plan is the heart of your business, because it describes how you plan to attract and retain customers, the most crucial aspect of any business. An effective marketing plan will certainly boost your sales and increase your profit margins.

- Everything you do in your marketing plan is about reaching your target market and fitting your promotional approach to their preferences.
- You must be able to convince customers that you have the best product or service for them at the best possible price. If you cannot convince potential customers of this, then you are wasting your time and money. This is where the marketing plan comes into play, and this is why it is so important.
- What you have reviewed thus far puts you into the best position for reviewing your marketing plan. You have conducted a customer analysis. You have reviewed your product/service—and matched customers' changing needs to your product/service. And you have conducted a competitor analysis so you now know who they are, what they're doing and how you measure up against them. Now it's time to bring all that knowledge to bear on your marketing plan.

## 1. Are your promotions stuck in a rut?

- The problem with ruts is how easy it is to fall into one and the sense of false security they give you! Your promotions may be stuck in the same-old-same rut to the point where no-one even notices you anymore. The danger is that false sense of security you experience, because you *are* marketing your product/service and getting your name out there.
- However, promotion must do *much more* than just get your name out there. It must:
  1. educate
  2. qualify (meet the criteria of your customers' needs)
  3. convince
  4. persuade and above all. . .
  5. start the sales process.
- If a promotion doesn't meet these 5 critical criteria, it's a waste of both your money and time.
- There are hundreds, if not thousands of ways to promote your business without spending a fortune. Think outside the box. Most people notice things that are different, something that draws their attention or even makes them laugh.
- With the right mix of activities, you can identify and focus on the most effective marketing tactics for your business.

## 20 Promotional ideas

- Here are 20 promotional ideas, ranging from the traditional to the unusual to help you as you assess your current marketing plan and formulate your new plan. Remember that all sales promotions should dovetail with and support your selling strategies and your company image, as well as meet the five criteria of what a promotion should do.

### 1. Advertising

- Print advertising such as trade journals, magazines, newspapers, programmes for events
- Direct mail
- Outdoor advertising, such as billboards
- Broadcast advertising on radio and TV.

### 2. Marketing collateral

- You might choose to produce and distribute materials such as:
  - Brochures
  - Newsletters
  - Flyers
  - Posters.
- Be sure your package design is appropriately informative and catchy. (For a service business, your "package design" will be the atmosphere of your business, the design of your business collateral and, most importantly, the appearance of you and your staff.)

### 3. Vehicle advertising

- The reason you see so many vehicles emblazoned with advertising is that it works!
- Vehicle advertising is very visible business advertising.
- If you're not ready for custom graphics, go for a magnetic sign that you can take off when you want.

### 4. Set up joint promotions with other businesses

- Contact some non-competing businesses serving customers in your market.
- Offer to publicise their products or services to your customers in exchange for their publicising your services to their customers.

### 5. Grab as much free promotion as possible

- Use a unique promotional event to generate a buzz about your business.
- Get free coverage by sending a press release to the local or community media.
- Get involved with community events.
- Host classes, meetings, charity events, or other networking events in your business.

## 6. Register your business website on free listing directories

- There are a number of excellent free directories which can help increase the online traffic on your business website.
- If you Google “free business advertising South Africa” and “free business directory South Africa” you will be able to find the ones best suited to your business.
- And while on the topic of the Internet, why not arrange links to and from complimentary websites?
- Send an e-mail to the websites you are interested in linking with, inviting them to visit your website and suggesting links both ways.

## 7. Write articles related to the product/service you offer

- Post the articles on different websites. Include a link to your website.
- Also submit these articles to local newspapers, magazines, trade journals and industry specific websites.

## 8. Thank people in ways that will increase sales

- Thank customers with a special offer.
- Thank anyone who refers business to you with a personalised thank you card, phone call, discounts, flowers, or even commission.

## 9. Send promos with invoices

- Little advertising ideas can be powerful.
- If you're sending out an invoice, why not take the opportunity to include some small business advertising?
- To attract new customers, try something such as a “bring-a-friend” promotion.

## 10. Do what the winners do

- Analyse the marketing strategies of companies you admire.
- Adopt the ones you can use.
- Improve on them.
- Collect advertising that attracts your attention and adapt it to your business needs.

## 11. Put your website address everywhere

- Your website address should be on every piece of material your customers will see - business cards, brochures, postcards, flyers, ads, signs, delivery vehicles, etc.

## 12. Sponsor a school sports team

- A great way to get involved in the community is to sponsor a sports team. The parents

of the team members will almost certainly visit your business. Add your website address on any team literature or signage.

### 13. Create a blog for your business

- Don't only create your own blog—visit and comment on other blogs regularly.

### 14. Print some gift certificates

- These allow your customers to introduce you to new customers.
- Since you get paid up front, they are good for your cash flow.

### 15. Ask for referrals

- This is an often neglected form of marketing.
- Ask satisfied clients, business associates, suppliers, etc. for referrals.

### 16. Design your business for sales

- Take advantage of cross-merchandising strategies—for example, a paint shop offering a discount on a paint brush/roller when you buy a tin of paint.
- Take advantage of impulse sales opportunities—for example, displaying sweets at the check-out counter.
- Use lighting techniques and creative displays to attract customers.
- Play videos for product education, customer entertainment and any other “up-sell” or promotional tie-in.

### 17. Set up a customer rewards programme

- We're all familiar with the customer rewards programmes that so many large businesses have in place.
- There's no reason your business can't have a customer rewards programme.
- It can be as simple as a discount on a customer's birthday or as complex as a points system that earns various rewards such as discounts on merchandise.
- Done right, rewards programmes can build customer loyalty and increase sales.

### 18. Distribute free samples to customers

- Why do so many businesses include free samples of other products when you buy something from them? Because it can increase sales in so many ways.
- A customer might try the sample, like it and then buy it, too.
- Or they might give the sample to someone else, who might like it, and buy that and other products from your business.

### 19. Showcase your product or capabilities at a trade show

- Trade Shows - Your product or service might be one that is suited to exhibiting at a trade show attended by your target audience. Trade shows are typically one- or two-



day events that allow businesses to set up exhibits or booths showcasing their products or capabilities.

## 20. Finally. . . get it “write”

- Everyone agrees on this one.
- Nothing will put off a prospective client – or undo your marketing efforts – more than sloppy errors in marketing material. Spelling mistakes, bad grammar or even a simple transposed *i* and *e* can undo your marketing strategy's good work. This kind of error looks incredibly sloppy and does nothing to engender belief in the quality of your products or the credibility of your business.

### NB!

- Before you implement any of the above, be sure you know who your target market is, and that you select the most appropriate of these tools to reach them.

## Think cost—but also think “return on investment”

- Successful business people always work out the return that they will get from hiring a new person, buying a new piece of equipment, moving to new premises, etc. They look at the “return on investment”. If the return doesn't justify the expenditure, they normally don't go ahead with the purchase.
- Promoting your business is no different.
- Clearly it is important to estimate the cost of any promotion as accurately as possible. However, it is also important to carefully consider its return on investment. However, don't allow this to spook you into staying with the “tried and trusted” promotional tools you've been using for years—they may also be the “dead as a doornail” promotional tools in today's rapidly changing world!

## NB! An often-overlooked promotional tool

- One of the most important—but over-looked—promotional tools is image.
- The exterior and interior of your premises, your vehicles, your staff, your business cards, your website, etc. all promote, endorse, publicise and market your business—or not. (You will review your image later in this review—but be sure to keep it in mind as you review and update your promotional planning.)

## Review and up-date your marketing

1. How are you currently promoting your business and its product/service?

---

---

---

---

---

2. What's NOT working for you – and why? (Apply the 5 criteria: • educate • qualify (meet customers' needs) • convince • persuade and above all • start the sales process.)

---

---

---

---

---

3. What IS working for you - and how can you make it better? (Again, apply the 5 criteria)

---

---

---

---

---

4. What are the costs of your current promotions?

---

---

---

---

---

5. What *new* and *exciting* ways can you use to use to promote your business? (The 5 criteria!)

---

---

---

---

---

6. What are the costs?

---

---

---

---

7. What must you do to put these ideas into action — and *when*?

---

---

---

---

8. Who is going to monitor these promotions?

---

---

---

---

# PART 6—Give your sales plan an overhaul

A sales plan sits within, or alongside, a marketing plan to direct the efforts of your sales team. Without a sales plan, how can your sales team achieve your sales targets? The fact is, the success of your sales plan rests on your sales team.

- To be successful, a sales team requires regular planning, tracking, and review to achieve the targeted results. It's important to remember that your strategic sales plan is not cast in stone. It needs to be constantly reviewed and updated. A common sales management blunder is not reviewing your sales plan on a regular basis to help manage the sales team.
- In addition, every member of your sales team requires their own action plan to direct day-to-day activities and set up accountability. Here are some guidelines:

## 1. Develop your sales plan with your team

- Most plans will fail if they are developed without the involvement of the sales team. Have your team 100% involved in developing your strategic sales plan. Guide them toward the right business objectives.
- Encourage the team to work together when developing their own personal sales plans. It is a great way to strengthen the team dynamics.

## 2. Build in regular reporting and review

- Sales plans should be reviewed on a weekly basis to provide flexibility in the planning cycle. Review the results against the plan to determine missed opportunities and areas for improvement.

## 3. Focus on results and activities

- Establish the proper sales data to drive your business results.
- This can include: number of client procurement activities, appointments secured, appointments kept and sales closed.
- However, be careful of overwhelming your sales staff with excessive tracking numbers. Focus on the few measures that matter the most to your business. An integrated procurement strategy should be pursued.

## 4. Encourage sales accountability

- There will be times when members of the sales team will fail regardless of the support and training they receive. It is easy to attribute the lack of results to external forces such as competitors, the economy, or poor marketing.
- When support, training, and market potential are available, a lack of results often means it's an individual's performance that is at fault. Remedy the situation at once. And always remember that the sales team was hired to bring in sales.

## Overhauling your sales plan (with your sales team!)

1. What is your current sales plan?

---

---

---

---

---

---

2. What's NOT working — and why?

---

---

---

---

---

---

3. What IS working — and how can you make it better?

---

---

---

---

---

---

4. What are the objectives of your strategic sales plan?

---

---

---

---

---

---

5. What needs to be done to achieve these objectives?

---

---

---

---

---

---

6. What are your sales targets?

---

---

---

---

7. What sale strategies are suited to your target market?

---

---

---

---

---

8. What are your sale tactics?

---

---

---

---

---

9. What motivates your customers to buy?

---

---

---

---

---

10. How can the sales team stay activated, focused and motivated?

---

---

---

---

---

11. How can you improve your business' approach to sales?

---

---

---

12. What are your sales customer service standards?

---

---

13. What about after sales? This is an extremely important—often ignored—part of a sales plan.

---

---

---

---

14. How will you measure results?

---

---

---

---

15. What personal sales plan (or action plan) can each member of the sales team develop to direct their day-to-day activities and set up accountability?

---

---

---

---

---

16. What is the sales budget?

---

---

---

---

17. *What must the sales team do to put the sales plan into action — and when?*

---

---

---

---

---

18. *What must you do to put the sales plan into action — and when?*

---

---

---

---

---

---

19. How can “marketing” support the sales strategy?

---

---

---

---

---

---

20. How can “training” equip the sales staff to meet knowledge requirements to sell the relevant products and services to the target market?

---

---

---

---

---

---

21. When will you schedule your next review of your sales plan? (*Think monthly, not annually!*)

---

---

---

---

---

---



# PART 7 – Review trends

As a business owner, identifying business trends is one thing that you absolutely need to do in order to make sure your business is able to stay relevant. Is trend-watching an automatic part of your life? If not, why not?

## 1. Why identifying trends is important

- Business trends change because the wants, needs, and tastes of the consumer change. Since the customer is what drives your business' success, you want to make sure that your products and services are always in line with what they want and need.
- There's no way that a business would be able to stay relevant or, in some cases, even exist, without knowing about how the customer is spending his or her money. With that in mind, one of your business processes should be staying current with developing trends and making sure that you devote some of your marketing efforts to taking advantage of those trends.
- Business owners who spot trends can discover ways to innovate their businesses to make them more profitable or to beat competitors to market with exciting new products. This is especially important in shaping your business' marketing and sales strategies.
- It will alert you to changes in consumer buying habits and allow you to adjust.
- It allows you to follow business innovation and this can be valuable in acquiring and servicing an increasing number of clients.
- You'll make better decisions, and you'll spot threats early on, which can give you a competitive edge.
- Keeping up-to-date with your industry is key for building expert power. By developing expertise in your business and your industry, you'll earn the trust and respect of your customers. From a leadership perspective, this is invaluable!

## 2. The difference between a trend and a fad

- It's important to be able to discern the difference between fads and trends, and concentrate on the latter. Although there's money to be made by catering to faddish appetites, in the long-run there is a steadier and more reliable stream of revenue in capitalising on trends.
- A fad is basically a craze—something taken up with huge enthusiasm, but only briefly. Most fads can appear out of the blue and vanish just as quickly. Think pet rocks. Mood rings. The latest pop star.
- By comparison, a trend constitutes the general direction in which something tends to move. Trends have staying power, and are able to change entire industries. Think television. Computers. Cell phones.

- Certainly, numerous fads have been profitable. Millions of pet rocks were sold! But the difficulty in capitalising on fads is that they have such brief life spans. By the time you've recognised the latest craze, it's probably already on its way out.
- Trends, on the other hand, indicate something much different. They are longer term experiences. Trends indicate where buying habits are going, and usually growing.
- With this in mind, tune in on signs of trends, and tune out fads, which probably will only cost you money playing catch-up.

## 3. Identifying trends in your industry

Identifying trends in business is fairly simple. Evaluate your own level of trend-spotting by looking at some of the different ways you can keep abreast of trends within your industry:

### 1. Google it

Want a quick snapshot of the hot topics or key players in your industry? Google it. Scanning the search results can give you some insights on what's top of mind today, as well as links to articles that you can quickly read or print to read/study later. Get as specific as you can with the search terms you use; it will give you more relevant results.

---

---

### 2. Sign up for relevant newsletters

Visit the websites of leading trade organisations, publications or companies in your industry. Do they offer newsletters or distribute reports? Most e-newsletters are free. Review the most likely, decide which are worth your time and sign up.

---

---

### 3. Follow industry bloggers

Blogging has taken off as one of the largest mediums to share information. What's interesting about blogging is the sheer number of people discussing various topics at amazing depth. It doesn't take long to figure out who the key bloggers are in your industry. So follow what others are talking about and you'll be able to capitalise on it.

---

---

### 4. Scout out forums and discussion boards for your industry

Online discussion boards are one of the most effective forms of communication on the Internet. People from around the world share opinions and discuss their thoughts. The benefit of frequenting these online forums and discussion boards is that it is accessed by a diverse and huge audience. As such, you get to read varying takes on an emerging trend, allowing

you to gather a more well-rounded set of information about the matter concerning you.

---

---

## 5. Join industry organisations

Industry organisations can offer access to events, forums, and resources not available to the general public. They can keep you current on emerging trends.

---

---

## 6. Talk to your business banker

A good business banker will make it a point to keep up to date with the latest trends in finance and will also have access to useful economic data, industry reports and research.

---

---

## 7. Follow what your competitors are doing

Visit your competitors; take note of what they are doing well and what they are not. Don't be afraid to use your competitor's ideas to strengthen your own business or to highlight the things that your business does better. Knowing what your competitors are doing, will not necessarily get you ahead of the curve. However, it will prevent you from eating their dust. Paying attention to their financial performance, press releases and any other notables will let you know what they're doing.

---

---

## 8. Network with the right people

Business owners want to connect with people like themselves – people who know what it's like to own a business and who face similar challenges every day. Talk with other business owners in your area. What networks do they take advantage of? It's a great way to discuss your business, meet new contacts, learn creative solutions to challenges and find out about emerging trends.

---

---

## 9. Do enough market research

If you want to get information straight from the source, then you should set up some way of gathering information right from your customers. Try surveys, providing polls through social media, or conducting market research that will offer insight into the behavior of people who buy from you.

---

---

## 10. Look at the industry leaders

The leading companies in your industry may be in their position in part, because they jump on trends before anyone else. Keep that in mind when identifying business trends and you may notice newly-adopted practices that are keeping those companies ahead of the game.

---

---

## 11. Attend industry trade shows or conferences

There are trade shows and conferences for virtually every industry, from high tech to pest control. Find out about conventions through industry organisations.

---

---

## 12. Follow consumer spending habits and lifestyle changes by reading magazines

Magazines are often very quick to pick up on emerging trends. Reading them will allow you to tweak your business to accommodate the changing tastes and habits of consumers.

---

---

# 4. Making trends work for you

Here are the 6 steps you can follow:

### 1. Identify the trends that could have an impact on your industry and business.

You need to be rooted in the real world, and you need to be rigorous. Don't make the mistake of dismissing a trend because you don't like it or you don't think it's important.

---

---

---

---

---

---

---

---

---

---

## 2. Determine which trends are opportunities and which are threats

---

---

---

---

---

## 3. Know all the facts

Carefully analysing trends will allow you to make informed decisions—*a/ways* a good thing! Sloppy analysis = uninformed decisions—*never* a good thing! You need to gather as much data as possible, and then crunch it until you are sure you understand the bigger picture of the trend and the impact it will have on your business.

---

---

---

---

---

## 4. Determine *what* you need to do in order to profit from the trend long before your competitors do

The whole point of trend-spotting is to strengthen your business and gain that all-important edge over your competitors. Being known as a leader in your industry is invaluable.

---

---

---

---

---

## 5. Plan the actions you need to take in order to achieve do this.

Like everything, what gets planned, gets done.

---

---

---

---

---











# PART 9 – Review your business systems

Let systems run your business and people run the systems. People come and go, but the systems remain constant. Optimising your systems brings order and control to every facet of your business. The more order you bring to your business, the more business you can handle.

## 1. A heads-up on systems

- If you want a business that provides consistent quality and performance in all areas of your business—customer service, marketing, sales, delivery, billing and collections—whether you are there or not, then make systems a priority in your business.
- Many smaller businesses assume that only big businesses need systems. They'll say things like, 'We're small, we talk to each other, and we all know what needs to be done'. That may have been true for now. But what happens when you grow and suddenly you are serving more customers? What happens when you need to hire and train new staff? What happens when people leave and take the knowledge with them? What happens when you want to outsource work? What happens when you need to delegate? What happens when you, as the owner, want to go away for a couple of weeks with your family?
- A typical business has a range of systems—from software to a “how to” manual to a typed checklist—their sole criteria being that they make your business stronger, more efficient and easier to run.
- Although systems are meant to put parts of your business on autopilot, they should be reviewed and revised regularly so they don't become rigid and stale.

## 2. How to test your systems for success and sustainability

Good systems take waste and inefficiency out of your business. Poor systems do the opposite! Here are seven handy tests that a system must pass if it is going to have successful and sustainable implementation:

### 1. The convenience test

Any system should make life easier for your team members; not harder. It should save them time, not take more time. This may sound simple, but it's amazing how many businesses invest money in something that their people rebel against because, they neglected to ask, “Does this make things easier for everyone?”

### 2. The intuitive test

Is the system easy to use just by looking at it? That doesn't mean that it has to be *simple*—great systems are often quite robust—but it does have to be something that someone can sort of feel and find their way around without lots of training and endless hassles. Otherwise you are just creating more work than you had before.

### 3. The automated test

Ask yourself if a system automates dull, boring, routine tasks. If it takes monotonous tasks and makes them automatic then you probably have a winner. If it creates more tedious tasks like hours of data entry—then scrap it immediately. No-one needs more boring!

### 4. The uniformity test

Systems should have a high degree of uniformity. Dozens of systems, all operating differently, does nothing but confuse and add to the work load. If you can't process 85% of things in a similar methodical fashion then you need to give your systems some attention.

### 5. The decentralisation test

A great system puts the power into the hands of your people who are interfacing with customers every single day. It pushes the control and workflow out from the back office to the front lines. It makes the lives of everyone easier.

### 6. The benefit test

If a system does not benefit your business—either by making a real difference to your business efficiency, or really making a difference to the quality of product or service your business provides—what's the point?

### 7. The growth test

Does the system cater for future growth and expansion? If growth means re-designing all your systems, one or the other is going to suffer.

## 3. Assessing your systems

Assess the systems you currently have in place in the following areas:

### 1. Sales

List the systems you currently have in place:

---

---

---

---

Do they pass the seven tests? If not, what must you do?

Convenient  intuitive  automated  uniform  decentralise  beneficial  cater for growth

---

---

---

## 2. After sales

List the systems you currently have in place:

---

---

---

---

Do they pass the seven tests? If not, what must you do?

Convenient  intuitive  automated  uniform  decentralise  beneficial  cater for growth

---

---

---

## 3. Customer service

List the systems you currently have in place:

---

---

---

---

Do they pass the seven tests? If not, what must you do?

Convenient  intuitive  automated  uniform  decentralise  beneficial  cater for growth

---

---

---

## 4. Order fulfilment

List the systems you currently have in place:

---

---

---

---

Do they pass the seven tests? If not, what must you do?

Convenient  intuitive  automated  uniform  decentralise  beneficial  cater for growth

---

---

---

### 5. Shipping

List the systems you currently have in place:

---

---

---

---

Do they pass the seven tests? If not, what must you do?

- Convenient
- intuitive
- automated
- uniform
- decentralise
- beneficial
- cater for growth

---

---

---

### 6. Purchasing

List the systems you currently have in place:

---

---

---

---

Do they pass the seven tests? If not, what must you do?

- Convenient
- intuitive
- automated
- uniform
- decentralise
- beneficial
- cater for growth

---

---

---

### 7. Inventory Management

List the systems you currently have in place:

---

---

---

---

Do they pass the seven tests? If not, what must you do?

- Convenient
- intuitive
- automated
- uniform
- decentralise
- beneficial
- cater for growth

---

---

---

### 8. Pricing

List the systems you currently have in place:

---

---

---

---

Do they pass the seven tests? If not, what must you do?

- Convenient
- intuitive
- automated
- uniform
- decentralise
- beneficial
- cater for growth

---

---

---

### 9. Hiring

List the systems you currently have in place:

---

---

---

---

Do they pass the seven tests? If not, what must you do?

- Convenient
- intuitive
- automated
- uniform
- decentralise
- beneficial
- cater for growth

---

---

---

## 10. Training

List the systems you currently have in place:

---

---

---

---

2. Do they pass the seven tests? If not, what must you do?

Convenient  intuitive  automated  uniform  decentralise  beneficial  cater for growth

---

---

---

## 11. Accounting

List the systems you currently have in place:

---

---

---

---

Do they pass the seven tests? If not, what must you do?

Convenient  intuitive  automated  uniform  decentralise  beneficial  cater for growth

---

---

---

## 12. Collections

List the systems you currently have in place:

---

---

---

---

Do they pass the seven tests? If not, what must you do?

Convenient  intuitive  automated  uniform  decentralise  beneficial  cater for growth

---

---

---

### 13. Operations

List the systems you currently have in place:

---

---

---

---

Do they pass the seven tests? If not, what must you do?

Convenient  intuitive  automated  uniform  decentralise  beneficial  cater for growth

---

---

---

### 14. Payroll

List the systems you currently have in place:

---

---

---

---

Do they pass the seven tests? If not, what must you do?

Convenient  intuitive  automated  uniform  decentralise  beneficial  cater for growth

---

---

---

### 15. Health and Safety

List the systems you currently have in place:

---



---

---

---

Do they pass the seven tests? If not, what must you do?

- Convenient
- intuitive
- automated
- uniform
- decentralise
- beneficial
- cater for growth

---

---

---

16. Custodial (*i.e. physically looking after the business, such as locking up, opening up, safekeeping of keys to the business and vehicles, setting alarms, safeguarding of equipment, etc.*)

List the systems you currently have in place:

---

---

---

---

---

Do they pass the seven tests? If not, what must you do?

- Convenient
- intuitive
- automated
- uniform
- decentralise
- beneficial
- cater for growth

---

---

---

17. Other

List other systems, and procdures you currently have in place:

---

---

---

---

---

Do they pass the seven tests? If not, what must you do?

- Convenient
- intuitive
- automated
- uniform
- decentralise
- beneficial
- cater for growth

---

---

---

## 18. New systems

What new systems do you need to implement?

---

---

---

---

---

2. What needs to be done?

---

---

---

---

---

# PART 10 – Review your technology

Are you embracing technology in your business and allowing it to help you grow and be more efficient? Utilising it wisely in your business can provide huge benefits, making your life easier and your business more successful.

- There is absolutely no doubt at all that you can do more, better and faster if you utilise technology correctly. However, using the latest and greatest technology for the sake of using the latest and greatest technology is a bad idea and can often cause more harm than good. But, when technology is understood and applied correctly, it can be your business' best friend and boost you to the next level.
- As the world of technology is not only highly specialised but, also constantly changes, it can be difficult to keep on top of what will benefit your business. It can be a bewildering issue for even the most tech-savvy.
- How do you review your current technology and find the right technology solutions for you and your business? Here are some steps to help you:

## 1. Take an inventory of the technologies you use

- List them, along with *why* you use them and *how* you use them.
- This step will focus your research.

## 2. Assess your needs by looking at what is going to help you achieve a goal

- Start with a business outcome—and then look at the technology that will help achieve that outcome. There is no point in investing in technology without knowing if it will help you.
- Do you want to communicate with customers better? Attract new customers? Make more sales? Spend less time on admin? Marketing automation and email marketing software can help boost sales, while accounting and stock management software can save you time, money and stress. Do you want to go mobile beyond a cell phone? Give you a competitive edge? Take payments online? Use social media? Upgrade software? Upgrade hardware? Better mobile apps? Need a small office network? Video conferencing? Use cloud solutions? Better cyber security?

## 3. Now comes the hard part—research!

- Do a Google search. There are countless sites offering articles, blogs and newsletters.
- Check out product online reviews, product ratings and buying advice.

- Visit online forums, ask questions and see what people are saying. They can be a great source for best practices and unbiased recommendations.
- Check out YouTube videos of the technologies you are interested in.
- Read up. Technology and trade magazines are an excellent source of information. Many trade magazines offer a technology section targeted to your industry.
- Talk to a techie friend. Most of us know someone who works in the technology field or simply loves technology and is hip to new products.
- Ask other business owners. When you're networking at events, bring up the topic of technology to learn what other business owners in similar industries are using.
- Visit IT stores. But be aware that not all the salespeople actually know the finer details about many of the products they are selling. You may get the guy who was working in a camera shop last month and has only had some basic product info training.
- Another option is to work with a technology consultant. Find at least three companies that cater to the size of your business. Ask them to come in, evaluate your business and make suggestions. These types of evaluations are normally free. Keep in mind, though, that the goal of the consultant is to get your business, which can cause a conflict of interest. You want advice, suggestions and truly beneficial and cost effective technological solutions. They want your business, so remember to think very carefully before acting on the suggestions offered.

## 4. Think before you buy!

- Many of us will admit to being swayed by glossy sales presentations or high pressure sales-people! Consider the goals of your business and carefully make the decision to purchase new technology only after you are assured that this technology purchase will help further those goals.
- Be informed about what others are doing in your industry, but do not let competitors choices influence your decision entirely as each businesses needs concerning technology are unique to them.
- Do not be hesitant about shopping around comparing prices and quality in similar products. An informed and thought out purchase of new technology is always a better move than an impulsive and rushed purchase for something new.
- Research the lifecycle of any technology you are interested in. No business wants to use a solution that will be obsolete shortly after they start using it. It has to have at least a three-year lifecycle.
- Also keep in mind that a technology you adopt doesn't necessarily have to be the most cutting edge—they have to be the ones that bring real business benefits while keeping costs low or offer convenience at a price that suits your budget.
- Don't overlook your staff. While you may be ahead of the curve in your familiarity with different technologies, don't assume your employees are right there with you. Some may actually be tech-averse and rather than benefit from it, be increasingly frustrated. You may need to consider not jumping too far ahead with the technology.

## 5. Look at the cost of both buying—and not buying

- Once the cost of a solution is known it can be very hard to see past that cost. It's important to remember that *not* using the technology also has a cost. The cost can be lower productivity, reduced efficiency and speed. A solid cost/benefit analysis will give you good idea of what you can really expect to gain.
- Your focus should be on finding the optimal solution. A solution is optimal if you gain more than you spend. This isn't just about what you gain or spend financially.

## 6. Lastly, will you actually use the technology once you've invested in it?

- We all know someone who's invested in a treadmill, only to end up using it as an expensive coat hanger. Make sure you're really committed to the change before you take the leap.

1. My technology inventory—and *why* and *how* I use it

---

---

---

---

---

---

---

---

---

---

2. Assessing my needs by looking at what is going to help me achieve a goal

---

---

---

---

---

---

---

---

---

---

3. Research findings

---

---

---

---

---

---

---

---

---

---

4. The costs of both buying or not buying it

---

---

---

---

---

---

---

---

---

---

5. Will I really use it to its best advantage—or is it a glitzy nice-to-have?

---

---

---

---

# PART 11 – Website evaluation

You have between 8 and 10 seconds to impress someone with your website. Its design and, more importantly, your content will either draw in and convert someone into a loyal customer or allow them to remain a digital transient. You only have seconds to convince them.

- Your website is a reflection of you, your business and your product/services and therefore it needs to look impeccable. It must engage and impress your target audience. If it doesn't, then it is not doing its job. Your customers are necessary for your success, and you do not want to jeopardize your professional image and relationships because of a shoddy website.
- That is why it is so important to put a lot of effort into evaluating your website and doing whatsoever is needed to ensure it is functional, engaging, impressive and, above all, useful to your audience.

## 1. Have the goals and objectives of your website changed?

What goal or purpose did you have in mind when the site was originally designed and launched? It may have been to promote brand awareness, drive sales leads, sell more product, etc.

As the first step of the process to evaluate your website, confirm that these goals have not changed, and if they have changed, determine what your new goals and objectives are.

Throughout the process of evaluating your website, continually ask yourself if each site element helps to meet the goals of the site.

What are the goals and objectives of your website?

---

---

---

---

## 2. Evaluating your website

As you evaluate your website remember this: impressions count. Not just first impressions, but all the way from first to last and at each stage in between. You can lose someone at any point in the process and, as many have learnt the hard way, the web is one of the most unforgiving forums. The questions that follow will help you evaluate your website.

As you work through the questions, write down each item to be modified (page, copy, graphic, link, etc), the desired action, (add, remove, update), and the priority (low or high).

## Purpose

First and foremost, the purpose of your website MUST be clear. Is it easy for users/visitors of your website to know what your website is about?	
Does your home page set out clearly, quickly and simply - what's on your site - where to find it - how to contact you - why they should explore further?	
Does your home page make visitors want to explore the site further?	

## Navigation

Is it easy to navigate around your website? Your website needs to be so easy to navigate that even an 8-year-old can get around on it.	
Any info in your site should be only 3 clicks away from any page. Is this true of your website?	
Are the menu links working or are there broken links?	
Does your home page set out clearly, quickly and simply - what's on your site - where to find it?	
Are links labelled with anchor text that provides a clear indication of where they lead?	
Is a response given immediately after a click is made on a hyperlink?	
Do clickable items stylistically indicate that they are clickable?	
How intuitive is it to navigate? Are signs obvious or obscured?	
Are the menu labels clear and meaningful? Visitors want to know what they are clicking on and where it will lead them to.	
Are there dead-ends in your website? Every page should have a working link to another.	
Is your menu consistent throughout the website?	
Is there a sitemap for your website? If your website contains thousands of pages and many products, do you have a Search function?	



Do you make use of Google Translate—Google’s free online language translation service?	
Is your contact information easily accessible on your website? If you have an enquiry form, make sure to test that the form works.	
Does everything work properly? Websites that don’t work properly are not professional, which translates into decreased credibility.	
Can you return to home page from any page, thus ensuring users don’t get lost?	

## Design

Your site has seconds to engage your user, but also must effectively inform them about your products or services. Does it?	
Does your site have the right feel, making it welcoming and a pleasure to visit and use?	
Does your site grab interest and provoke visitors to come in deeper?	
Is your site branded? i.e. Do you have an identity that you want to project and then stick with it?	
Do you have too many colours on your website?	
Do the colours reflect your business? Your website should use colours that someone would expect to see for whatever business it is you’re in.	
Has your background colour or pattern become outdated or tiresome? It’s a very quick and painless procedure to give the entire site a fresh look.	
Is the text/copy on your website easily readable? i.e. is there good contrast?	
How are your fonts? It’s easy to get caught up in the thousands of creative fonts available online, but don’t lose sight of your basic goal: to get people to read your website. If they can’t read it, they won’t. There’s a reason you see so much Arial, Verdana, Calibri, and Helvetica on the web: because they’re extremely readable!  Less readable but more creative fonts can still find a home on your website. If there is a font that you love and feel like it embodies the spirit of your website, consider using it for the title.	

Is the text easy to read or is it too small to read?	
Are your pages over-filled or too "busy"? Will your visitors feel overwhelmed and be left wondering where on earth to start?	
Are ads and promotions unobtrusive? There are few things more annoying than seeing affiliate ads all over your website, especially when they make your content hard to find.	
How's your website's consistency? i.e. Do all your web pages look the same?	
Do you provide immediate contact details such as e-mail addresses and telephone numbers on the home page? It gives the site an open feel and add a personal touch, thus increasing user confidence and trust in your site.	
Do you have an "About" page? You should <i>always</i> have an "About" page or section to tell people who you are, why you're in business, and who the relevant people at your business are (with photos).	
How much info do you ask for? For example, if you have a contact form, do you really need to know anything other than the person's name, email, phone number, and their comment? No, you don't, so don't ask for it - they'll wonder what you're doing with it.	
Do you have a good FAQ? Frequently asked questions provide a site with the ability to quickly introduce a site's content to an unfamiliar user quickly.	

## Content

Do you have fresh original content—or is it exactly the same content as all your competitors? Worst of all—is it their content?	
Does the copywriting style suit the website's purpose and 'speak' to its target audience?	
Within articles, do you have links to more detailed explanations of subjects, or definitions of jargon terms?	
Do you update your content frequently. Nothing is worse than a website that was last updated three years ago.	

Does your content stay on topic? You should only publish content on your website that's related to the services you provide or the expertise that you have. Don't talk about random other topics.	
Is the text broken down into small readable chunks, highlighted with headers and sub-headers?	
Do you use bullet points, headers, sub-headers, lists, etc. so the user can easily scan the content?	
Is the content organisation meaningful? i.e. the content should make sense to a typical user of your website.	
Is the important information visibly located at the top of the page?	
How much scrolling do user have to do? Remember that only 10% of users scroll beyond the information that is visible on the screen.	
Is yor webbbpage ful of stoopid speling mistakes? There is no excuse for poor spelling!	
There is also no excuse for grammar or punctuation errors.	
Do you always include prices? Nothing irritates users more than having to send an e-mail in order to find out what something on your website costs.	
Is your info up to date? If your site proclaims that your "next" event is 10 months ago, or your "coming soon" has "gone and went", bring the site back up to the current date by addressing these types of issues. If you don't have the time or resources to continually update your website, make sure that you add as little time-sensitive information as possible.	

## Graphics

Do the graphics aesthetically improve your site?	
Are the graphics appropriate and do they gel with the look and feel of your website?	
Are your graphics sharp and vibrant?	
Do your graphics load quickly?	

Are there too many graphics in one page?	
Do you have sparkly animation, blinking text, Flash intros, pop-ups, dazzling backgrounds and anything else that will irritate your visitor and detract them from the information they seek?	
<b>Technical aspects</b>	
Does your website load quickly? If a home page does not load within eight seconds, as many as a third of site visitors will get frustrated and leave.	
Do you have a responsive design that allows for optimal viewing across desktops, tablets, iPads and smartphones? If not, it's time to invest in a new site.	
Do you practice keyword optimization? It means researching, analysing and selecting the best keywords to target in order to drive qualified traffic from search engines to your website.	
Does your website load correctly on the popular web browsers?	
Are visitors asked to login unnecessarily? Don't ask your users to log in to view content on your website if they don't need to. What's the point?	
Is your site online for at least 99.5% of the time? This relates to your choice of host and this is where the cheapest is not always the best choice. Uptime needs to be tested at all times of day and night, in order to gain an accurate picture.	
<b>Other people's feedback</b>	
<i>Feedback goes beyond sending the link to a few friends and family members and asking, "What do you think?" To get useful feedback, the best bet is to ask direct questions about your website design, what they look at, where they navigate, what gets their attention, what turns them off, how it compares to your competitors' websites, etc. Also be sure to ask the people you can trust to give you clear, unbiased and constructive feedback that will help you optimise your website.</i>	
What do your staff think of your website?	
What do your friends and family think of your website?	
What do your customers think of your website? Feedback from the people your site is targeting is invaluable. Try offering an incentive for taking a quick and easy online survey. (The key words are "quick" and "easy" - if it's arduous, you'll register in a negative way in your customers' minds!)	

# PART 12 – Review your customer service

Many businesses have no real idea if they provide good customer service or not. They assume that they do, because they don't get a lot of complaints. The number of complaints about customer service is a fine yardstick for bad customer service—but it doesn't tell you if you're providing good service.

## 1. What's the cost of poor customer service?

- The cost of poor customer service is astronomical. It leads to:
  - rapidly dwindling customers
  - rapidly falling sales
  - high inventory levels
  - harmful business reputation
  - high levels of complaints
  - unhappy staff
  - a bad atmosphere in the business
  - conflict among staff and customers
  - potential failure of the business.
- Excellent customer service, on the other hand, is the key to increasing sales, retaining customers and attracting new customers. Best of all - it costs nothing!
- Don't mistake lower prices for good service; they're just lower prices.
- And don't think that lower prices compensate for poor service standards. They don't.
- And *never* make the mistake so many companies make of thinking that telling customers that you have excellent customer service is all it needs! Like most things, actions speak louder than words.

## 2. How to measure good customer service

- You need to get outside views if you want to find out if your business is providing the kind of customer service you want it to provide.
- Staff views of customer service are not reliable, because staff view transactions with customers from their personal points of view, coloured by what's going on in their personal lives and their own expectations of customer service.
- In order to properly measure your customer service, you need to get the views of customers

and potential customers. After all, they're the ones you're trying to impress enough to buy more from you over the long-term and to tell others what a great experience buying from you has been.

- There are three main ways you can find out:

#### a. Hire some mystery shoppers

- Mystery shoppers pose as normal customers and then report about their experiences. Hiring mystery shoppers can give you real insight into exactly what your customers experience when they shop at your business or website.
- You can hire mystery shoppers through a market research company or by advertising for and hiring your own mystery shoppers. If you are hiring them yourself, make sure they are clear about exactly what they are going to be investigating and how they are going to report their findings before they visit your business or your website.

#### b. Ask customers directly.

- Surveying your current customers for their opinions is another tried and true method of finding out how your customer service measures up.
- A good way of doing this is by asking customers to complete a questionnaire about their most recent customer experience with your business.
- You can encourage people to fill out your customer service survey by offering them a reward for doing so, such as a prize draw or a discount coupon to be applied to their next purchase.
- Online versions of customer service surveys are an excellent way for business doing business online to get feedback.
- All customer service research doesn't have to be formal; ad-hoc conversations can be useful sources of information, too. Personal conversations with customers can also be revealing. When you're in your business or at a job site, engage the customer in a conversation about the level of customer service they experienced.

#### c. Study the competition

- Study your competitions' customer service and ask your self:
  - What are their weaknesses when it comes to customer service?
  - How can you exploit their weaknesses?
  - What are their strengths?
  - What can you learn from their strengths?
  - What can you offer your customers that is better than the competition? There are sure to be aspects of your customer service that you can promote as "Special" so that you stand out from the crowd.

## Reviewing for excellent customer service:

1. Examine every aspect of your customer service.
2. Assess the results very carefully and decide *exactly* what you must do to get it there.
3. Decide what checks and controls you will build in to ensure your service remains excellent.

### 1. Mystery shoppers

What do your mystery shopper experiences tell you about your service?

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

### 2. Customer service surveys

What do your customer service surveys tell you about your service?

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

### 3. Personal conversation

What have you learnt about your service by engaging your customers in conversation?

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

### 4. Studying your competition

What have you learnt about your service by studying what the competition do?

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---





# PART 13 – Review your business premises

When it comes to your business premises, you should always have one eye on the future - say five, 10, or even 20 years ahead. This element of flexibility requires you to review your premises on a regular basis.

## 1. Review your premises

1. What are your long-term commitments to the property?

---

---

---

---

2. What are the advantages of your current location?

---

---

---

---

3. What are the disadvantages of your current location?

---

---

---

---

4. How does your location compare with your competition?

---

---

---

---

5. How do your premises compare with your competition?

---

---

---

---

6. Do you have room to grow, or the flexibility to cut back if necessary?

---

---

---

---

7. How well does your location match your customers' needs?

---

---

---

---

8. How well do your premises match your customers' needs?

---

---

---

---

9. Where do you see your business going in the next five years regarding premises?

---

---

---

---

10. What improvements do you need to make?

---

---

---

---

11. How will you fund improvements?

---

---

---

---

---

12. If you move premises, what will be the cost?

---

---

---

---

---

13. Will there be long-term cost savings and improvements in efficiency?

---

---

---

---

---

14. Ask employees how they think your premises could be improved. Involving staff is good for morale and they may suggest changes which improve their productivity.

---

---

---

---

---

# PART 14 – Review your people

It doesn't matter if the quality of your website pops from every pixel or you have the best widget this side of the Moon, it is the people you hire who have the most impact on your bottom line.

## 1. Your employees

- Employees have a tremendous effect on sales and profitability, both positive and negative. One good employee can draw in 100 customers. On the flip side, one bad employee can drive away 100 customers. If that happens, it can take 10 good employees to replace or restore all those lost customers.

1. Do you have the right people to achieve your objectives?

---

---

---

---

2. Are they crystal clear on their roles and responsibilities?

---

---

---

---

3. Do your staff share your business' core values?

---

---

---

---

3. Do you operate a training and development plan?

---

---

---

---

4. Do you pay as well as the competition?

---

---

---

---

5. Do you suffer from high staff turnover? If so—what are the problems?

---

---

---

---

6. Are staff motivated and satisfied?

---

---

---

---

7. Do your staff need new or improved skills or to be retrained?

---

---

---

---

8. If so, how can you implement the correct training?

---

---

---

---

9. Do you have high expectations of your employees (people rise to high expectations)?

---

---

---

---

10. Do your staff get along with each other?

---

---

---

---

11. Do you have a bad apple among your staff? If so, what must you do?

---

---

---

---

12. Are your staff happy to be working for you?

---

---

---

---

13. Are your staff proud of themselves, their job and your business?

---

---

---

---

14. Can they advance in their careers or are they stuck in the same-old-same until they change jobs? (Career advancement isn't just about promotions. It's also about skills and personal growth development.)

---

---

---

---

15. Do you offer an annual performance evaluation process? If not, why not?

---

---

---

---

16. Do your staff feel valued and respected?

---

---

---

---

17. Are your staff treated as individuals—and do they know this?

---

---

---

---

## 2. Your management team

- A strong management team will keep things running smoothly. It will ensure that everybody knows what they are supposed to be doing and what the goals of your business are. This will keep everyone on the same page and working towards the same goals.

1. Do you have the right management team in place for growth?

---

---

---

---

2. Do you have the skills available that you need in areas such as human resources, sales and IT?

---

---

---

---

3. How well do they run your business? What needs to be changed?

---

---

---

---



4. Do your management team need new or improved skills or to be retrained?

---

---

---

---

5. Do you put a lot of effort into building and maintaining a strong team—or is it left up to them?

---

---

---

---

6. Have you made the mistake of promoting a successful employee into a management role for which they are unqualified? If so, what can you do?

---

---

---

---

7. Are your management team involved in this business review? If not, it might be a good idea to start it over again and include them!

---

---

---

---

8. Check your management team members against these qualities of top-notch leaders:

#### i. Adaptability

Top-notch leaders adjust their management style to suit the needs and personalities of those on their teams. For instance, they might hold brainstorming sessions to generate new ideas on a business process, but also welcome suggestions in writing, to encourage employees who won't speak up to participate.

How does your management team's adaptability measure up?

Excellent       Good       Fair       Poor       Very poor

What improvements need to be implemented?

---

---

## ii. Strong communication skills

Top-notch leaders promote open, two-way communication with staff members. They're able to convey complex information effectively, both verbally and in writing. They also listen intently to feedback from employees and follow through with appropriate action.

How does your management team's communication skills measure up?

Excellent       Good       Fair       Poor       Very poor

What improvements need to be implemented?

---

---

## iii. Ability to inspire

Top-notch leaders inspire their staff and lead by example.

How does your management team's ability to inspire measure up?

Excellent       Good       Fair       Poor       Very poor

What improvements need to be implemented?

---

---

## iv. Vision

Top-notch leaders explain to employees how their work ties into the business' goals and priorities so they feel connected to the business' s long-term success. They also work one-on-one with employees to identify career paths and provide the necessary support for people to be successful with their goals.

How does your management team's vision measure up?

Excellent       Good       Fair       Poor       Very poor

What improvements need to be implemented?

---

---

## v. Delegation

Top-notch leaders know they can't handle all of the group's key projects themselves. They delegate authority to employees, giving them the power to do what's needed to accomplish their assigned tasks without being micro-managed.

How does your management team's ability to delegate measure up?

Excellent       Good       Fair       Poor       Very poor

What improvements need to be implemented?

---

---

## vi. Decisiveness

Top-notch leaders have strong decision-making abilities . They manage to walk the fine line between wavering and making decisions too quickly.

How does your management team's adaptability measure up?

- Excellent       Good       Fair       Poor       Very poor

What improvements need to be implemented?

---

---

## 3. A personal review

Do you still have the entrepreneurial edge that got you into your own businesses in the first place? Or are the day-to-day challenges of running the business blunting that edge? If so, it's time to get your mojo back!

Here are the top traits successful business owners have in common. Are you still measuring up? If you tick a "No" box, take some time and write down what you need to do to get that edge back.

1. A commitment to purpose with passion  Yes  No

---

2. Courage/willingness to take risks  Yes  No

---

3. Positive attitude/remain optimistic in the face of adversity  Yes  No

---

4. Strength of character/fortitude  Yes  No

---

5. Integrity  Yes  No

---

6. Ability to engender trust/confidence/respect  Yes  No

---

7. Creative/innovative  Yes  No

---

8. Self-confident/ assured  Yes  No

---

9. Dedication/commitment  Yes  No

---

10. Self-starter/proactive  Yes  No

---

11. High energy level  Yes  No

---

12. Vision/ability to see things as they might be and to anticipate change  Yes  No

---

13. Decisive/results-oriented  Yes  No

---

14. Inspired leadership skills  Yes  No

---

15. Team building/teamwork abilities  Yes  No

---

16. Ability to develop win/win results  Yes  No

---

17. Clarity/consistency of thought  Yes  No

---

18. Resourceful  Yes  No

---

19. Perseverance/persistence/ resilience  Yes  No

---

20. Flexible/adaptable  Yes  No

---

21. Strength in concept development/implementation  Yes  No

---

22. Broad knowledge base in critical areas/know what you don't know  Yes  No

---

23. Act with a sense of urgency  Yes  No

---

24. Monitor results diligently  Yes  No

---

25. Ability to turn failures into learning opportunities  Yes  No

---

26. Open minded/willing to listen to others' views  Yes  No

---

27. Strong negotiating skills/ ability to develop win/win results  Yes  No

---

28. Ability to create strategic alliances  Yes  No

---

29. Expect to win. Start each day knowing that no matter what happens, you eventually succeed, because that is who you are. Failure is part of the game, but quitting is serious defeat.  Yes  No

---

# PART 15 – Image review

If your business fails to promote and maintain a favourable public image, no amount of promotions will have any long term effect.

Review your image by carefully assessing and evaluating the following areas of your business:

## 1. Look at the exterior

Approach your business as a customer. Be extremely critical.

Write down *what* you must do - and *when* you must do it.

1. How's the exterior of your business? As cracks appear and paint begins to fade, so does your image.

---

---

2. Is your parking lot well-maintained or are weeds taking over?

---

---

3. Is the pavement clean and free of litter? (Don't forget that drunks and beggars lounging around your entrance are terrible image-busters.)

---

---

4. Are the windows sparkling clean? (i.e. smudges, dirt and water streaks are removed from windows the moment they appear.)

---

---

5. Are awnings clean and bright - or fading, tatty, or covered in bird droppings?

---

---

6. Is your outdoor lighting adequate and appealing?

---

---

7. Is your signage appropriate, well-lit and professionally created? Flickering lights and half-lit signs say, “we can’t take care of ourselves, so how can we take care of you?”

---

---

8. Are entrances easy to find and navigate? Also for handicapped people?

---

---

9. How’s the condition of the front door? And the security gate?

---

---

10. Are window displays up to date and representative of the stock inside?

---

---

11. Are the window displays changed often—or fading away in the sun?

---

---

12. Are any business vehicles that a customer may see clean and well polished, even if it means a visit to the car wash three times a week?

---

---

13. Are outside trashcans emptied regularly or are they overflowing and smelly?

---

---

14. Is your exterior so appealing that it says, “Come on in!” or is it so unappealing that it says, “Enter at own risk?”

---

---

15. What does your exterior say about your interior?

---

---

16. What else can you see that is impacting negatively on your business’ exterior?

---

---

## 2. Look at the interior

Now walk into - and around - your business as a customer. Again, be extremely critical.

1. What does your interior say about your business?

---

---

2. Is signage clear?

---

---

3. Are the aisles uncluttered and wide enough for a browser to wander in?

---

---

4. Does your layout make the shopping experience easy for your customers?

---

---

5. Is the presentation of your products good?

---

---

6. How professional and customer-friendly is the counter/pay point area? And what about queuing during busy periods?

---

---

7. Do you use lighting effects and creative displays to attract customers?

---

---

8. Are paths through your store systematic so that it's easy to access?

---

---

9. Is stock arranged so that it is easy for customers to find what they need?

---

---

10. How's the lighting?

---

---



11. How's the background music?

---

---

12. How's the atmosphere?

---

---

13. Does your colour scheme complement your type of business and the professional image you wish to convey?

---

---

14. How's the condition of furniture and fixtures?

---

---

15. Do your displays encourage impulse buying?

---

---

16. Do they encourage cross-buying?

---

---

17. Is it your interior inviting and hospitable?

---

---

18. What does your interior say about your business?

---

---

19. If you have a window display—is it changed regularly (otherwise, customers may think you have nothing new to offer them)?

---

---

20. Is your window display uncluttered, well lit, super appealing and displaying timely contents?

---

---

21. What else can you see that is impacting negatively on your business' interior?

---

---

### 3. Look at your equipment and vehicles

Look at your equipment and vehicles as a customer. Again, be extremely critical.

1. Do your vehicles and equipment say "we're doing well" or "we have challenges?"

---

---

2. Is your equipment in good working order?

---

---

3. Is it modern and professional?

---

---

4. What does it say about your business?

---

---

5. Ask employees what they think about your equipment . They may suggest changes which improve their productivity.

---

---

6. Can you see other ways in which your vehicles/equipment impact negatively on your business?

---

---

7. What message does your business car portray?

---

---

8. Would *you* feel confident to see a business representative show up in your vehicle?

---

---

9. What type of vehicles and equipment do your competitors have?

---

---

## 5. Look at your employees' image

Evaluate your employees from a customer's point of view. Be tactful and sensitive when suggesting changes. But don't compromise. It's your business. Your future.

1. How are they dressed and is their dress code appropriate to your business?

---

---

2. How does their hair, nails, and facial hair look?

---

---

3. Are they well-trained and informed for their duties?

---

---

4. Do they have any issues with you or the business?

---

---

5. Do they look happy?

---

---

6. How's their body language?

---

---

7. Do they move, act and work in an energised way or as if they are dead beat and bored?

---

---

8. Do they smile a lot?

---

---

9. If they came to offer you their services, how would you respond?

---

---

10. What do they say about your business?

---

---

11. How's their customer service?

---

---

12. Are they willing to go the extra mile for clients. . . and then some?

---

---

13. Do your customers like them?

---

---

14. How do they get along with one another?

---

---

15 How are their communications skills?

---

---

## 7. Look at your telephone image

1 What is the first impression someone gets of your business when they phone?

---

---

2. Is the phone answered in a professional and informative manner? (If you don't know, pick up a phone and call. Listen as a potential customer.)

---

---

3. Is it answered on the first ring - or does your customer have to listen to 8 ring tones before the phone is answered? (They might hang up before you even answer.)

---

---

4. Do you have a voicemail service? How does it sound? Inviting? Off-putting?

---

---

5. If you want the maximum impact from your phone calls, do you have calls routed to your

cellphone, home phone, or someplace where somebody can take the call? (Even if you are out in the field, it is better to take the call rather than let it be handled by voicemail.)

---

---

6. If it is necessary to put callers on hold, do you use that 'hold' time to play them a message that describes to them the benefits of doing business with you? Or do you just play "elevator music"? (If you play music, is it appropriate to your customer base?)

---

---

7. Can you see other ways your phone image impacts negatively on your business?

---

---

# PART 16 – Review your vision, mission and goals

Businesses often ignore the importance of reviewing their vision, mission statement and goals. These tell you why you are in business, where you're going, and how you want to get there. If you don't know why you are in business and why someone would buy from you, then your customers won't know either and will go to your competition.

## 1. Vision

- Your vision should paint a future picture of the business you would like. It should get you thinking about your business and dreaming about what is possible.
- You can't exaggerate your vision so go wild and have large dreams. You won't know where it will take you unless you give free reign to those ideas and get excited. Look up at the stars and dare to dream what you want for your business in the future.
- What would you like out of your business? Your vision can contain what you would like to see in revenue in a number of years. You could want to become a "world leader" in something, or become a "specialist" in something else. Let it be more specific than flowery language that hangs on the wall and looks pretty.
- You need to distil your vision into a usable form. Here is a very handy formula to shape your vision statement:

*Five years from now, (my business name) will \_\_\_\_\_ by \_\_\_\_\_.*

- Using this formula will force you to choose what you consider to be the most important accomplishment of your business and give you a time frame for accomplishing it.
- For instance, here's a sample vision:

*Within the next five years, Nature's Harvest will be a leading provider of healthy fresh vegetable choices to South African consumers.*

My current vision:

---

---

---

---

My new vision:

---

---

---

---

## 2. Mission statement

Your mission statement is a concise statement of business strategy developed from the customer's perspective and it should fit with your vision for the business. Your mission should answer these four questions:

- Who are we?
- What do we do?
- How do we do it?
- For whom do we do it?

Here is a handy formula to help you review/write your mission statement:

### Step 1: Describe what your business does:

- Write down in as few words as possible what your business will do. For example:

*Grow fresh vegetables.*

### Step 2: Describe how you do it:

- Don't write down a detailed description of your business' physical operations here—just give a general description of how your business operates.
- This means incorporating one or more of your core values into your description, so list the core values that are important to you. For example:
  - *Provide high quality product*
  - *Protect precious environment*
  - *Practice sustainable farming practices in every way.*
- Focus on your business' core competencies when considering which values are worthy of being a part of your mission statement.
- Once you've decided which core values are most important, add one or two to your description of what your business does.

*Grow fresh vegetables using organic, sustainable farming practices.*

### Step 3: Add why:

- Why does your business do what it does? What is the passion behind your business? Think about why you started this business. That's where the passion lies! For example:

*Grow fresh vegetables using organic, sustainable farming practices  
to give people healthy food choices.*

- Now put it all together:

*At Nature's Harvest we grow fresh vegetables using organic, sustainable farming  
practices to give people healthy food choices.*

- Finally, make sure you actually believe in your new mission statement. It's no use developing a great new mission statement just because it looks and sounds great. Be sure you live your mission statement!

My current mission statement:

---

---

---

---

---

---

---

---

My reviewed mission statement:

---

---

---

---

---

---

---

---



## 3. Goals

- Goal setting is one of the fastest routes to achievement. They establish where you intend to go and tell you when you get there. They help improve your overall effectiveness as a business — whether you want to increase your share of the market, or improve your customer service. Yet many business owners find setting goals and achieving them a difficult task. This review is all about making it easier!

### Three rules for setting your goals

Here are three rules for setting goals. Follow them when you're setting your business goals and you'll find that you're automatically achieving more, because you'll no longer be wasting time setting goals that defeat the purpose of the exercise.

#### 1. Business goals need to be relevant

- Business owners sometimes make the mistake of choosing business goals that are pointless. For instance, you could set a business goal to hand out one hundred business cards a month. And if you do hand out a hundred business cards every month. . . so what?
- If your intention in setting this business goal is to bring in more business, we all know that the way to do that is to establish relationships with people, and you don't accomplish that by just handing someone a card. The whole exercise would end up being a waste of time, energy and money and achieve little if anything at all.
- To be relevant, a business goal has to be profitable in some fashion. That doesn't mean that every business goal has to be measurable in money, but it does have to possess a clear advantage or benefit to your business.

#### 2. Business goals need to be actionable

- An even more common mistake when setting business goals is to choose business goals that are too vague. Business goals such as "Improve our customer service" sound nice—but how exactly are you going to do that?
- When you're setting business goals, be sure that you have developed them from general statements, such as "Improve our customer service", to specific actions that can be performed and evaluated. Goals without action plans are just pretty words.

#### 3. Business goals need to be achievable stretches

- The purpose of your business goals is to move your business forward and to motivate you and your staff. That means you need to position the bar very carefully when you're setting your business goals. If the bar is set too high, you set yourself up for failure and disappointment. Setting the bar too low, so all you have to do is step over it, isn't going to motivate anyone for very long, nor is it going to move your business forward much.
- A goal has to *stretch us* to be worth doing. A business goal must not only move your business forward, it also has 'feel' worthwhile. So be sure to set business goals that will accomplish this dual purpose.

## Examples of business goals

Goals need to be specific to your particular business. However, the following 12 examples can act as a starting point for you and help you figure out the type of goals you should be setting. Keep in mind that it is important to look at all aspects of your business in order to make sure that you set worthwhile business goals.

### 1. Increase volume of sales

This could consist of increasing annual sales by 10 percent or landing three new accounts each month. (A good idea to encourage customers to spend more is to offer frequent buyer cards that give a free item after purchasing a certain number of products. This helps you meet your goal of increasing sales even when you haven't acquired new business.)

### 2. Grow your profits

Selling *more* products or services doesn't always translate into making a larger profit. For example, if your prices are too low in comparison to the costs of goods sold, you might have a high volume of sales, but a low profit. Meeting a goal of growing profits in conjunction with the number of sales may mean researching your competition and surveying suppliers to understand your costs and the percent of profit you can reasonably charge.

### 3. Lower costs:

This could involve cutting monthly utility or travel bills by 15 percent, or finding lower cost suppliers, or cutting deals with existing suppliers. (A good idea is to reward employees for cost-saving ideas that are implemented, so they know that you'll listen to their suggestions and keep them coming.)

### 4. Develop new product line(s):

This could involve offering more or new product lines that will attract new customers and entice customers who already like your brand or services to continue to use you.

### 5. Expand into new markets

If you already have captured all the market share you can, a goal might be to think about new markets your business can appeal to.

### 6. Expanding into new locations:

This could involve a new branch to increase your market or even franchising your business.

### 7. Improve customer service:

This could include training staff on delivering the best customer service, or developing the perception that your business is easy to do business with, or improving your response time to customer complaints, or ensuring that customers are guaranteed to receive a return phone call or e-mail before the end of the business day.

### 8. Increase the effectiveness of marketing:

This could involve creating a more effective marketing programme, or a lower cost marketing programme, in order to reduce wasted money and gain new customers.

### 9. Increase the efficiency of manufacturing:

This could involve strategies to manufacture products more efficiently, so that you cut costs and get products to the consumers more quickly.

## 10. Enhance your public image

A business' public image can build customer loyalty, attract new customers, establish trust and a more visible community profile. While the job of advertising is to increase sales directly, public relations work builds a business' public image, which indirectly affects sales. Ideally, your activities should be newsworthy, such as sponsoring charitable events, allowing employees to represent your business in fundraisers, or offering free educational seminars.

## 11. Retention

If you are experiencing a problem with employee turnover, a goal could be to improve retention. (A good idea is to develop and implement worthwhile training programmes that add to the employee's life, or implementing one-on-one meetings with your employees to build rapport and find out what's on their minds.)

## 12. Exploit Technology

This could involve implementing appropriate software programmes, such as bookkeeping programmes, thus saving money and time, and digital storage saves space.

## S.M.A.R.T. Goals

- When you set your business goals, apply these 'S.M.A.R.T' guidelines. They will help you to develop goals that will lead to creating real and lasting results.

S.M.A.R.T. Goals	
<b>Specific</b>	Vague or fuzzy business goals can't be reached. A vague goal is: "To make more money" or "To have better customer service." What do you mean by "more money" or "better"? The clearer you can make your goals, the better.
<b>Measurable</b>	There has to be some way to measure your progress. Basically, all this means is a way of answering the question: "How are we doing?" Most often goals are measurable in rands or units
<b>Achievable</b>	If business goals aren't achievable given the resources and the conditions, then those responsible for achieving them will be frustrated no matter how hard they try and eventually your goals will be ignored.
<b>Responsibility</b>	Goals have to be someone's responsibility. They're not likely to be achieved if they are just a vague "something" that "everyone" must "somehow" do. Unless you are a solo act, they should be the collective or the individual responsibility of other people. They can't all be your responsibility. This is a good time to delegate... which means trusting people to do the job!
<b>Time-based</b>	Goals have to have a deadline. Not only must you know what you have to <i>do</i> to achieve each goal, you must know <i>when</i> you are will do it. However, keep in mind that your deadlines must be flexible. This means they must be able to shrink and expand according to how things are going. But beware of deadlines so flexible that they disappear altogether



# PART 17 – Control your cash flow

Cash is the lifeblood of your business. If you run out of cash, and can't turn the situation around, the game is over. You cannot review or plan your cash flow too carefully.

## 1. Review the last 12 months' accounts

- Check for peaks and troughs in your accounts over the past trading year. These patterns show 'pinch points' in your cashflow and help predict when your finances are likely to be strained in future.
- 
- 
- 

## 2. Do a cash flow forecast

- A cash flow forecast is an absolutely vital tool, because it predicts the cash that will come in, and the cash that will go out of your business in a given period (usually weekly or monthly).
- If you are not already doing it routinely, here is the formula. It's incredibly simple:
  - a. Take your cash balance at the beginning of the week/month.
  - b. Add the cash you are going to receive that week/month (income).
  - c. Deduct the cash you are going to pay out that week/month (expenses).
  - d. The balance is a forecast of your cash reserves at the end of the week/month.
- There is an example on the following page. You'll see there are two columns for each period. This allows you to enter the real figures and monitor your actual performance against your forecast. Where they differ ask yourself why: is this telling you anything that you need to take into account to improve your forecasting?
- When projecting sales for cash flow purposes, don't be the optimist. Use worst-case-scenario estimated sales figures or historical monthly averages. Remember, this process is used to make sure that the business has sufficient capital to operate, not an exercise in projecting success.

### NB! Don't manage your cash from your bank balance.

Your bank balance and your cash balance are two different forms of cash. Don't make the mistake of confusing them. It's a prescription for failure to attempt to manage your cash flow by using your bank balance. You reconcile your bank balance. You don't manage from it.

### Cash flow forecasts

	Week/month 1		Week/month 2		Week/month 3		Week/month 4	
	Forecast	Actual	Forecast	Actual	Forecast	Actual	Forecast	Actual
Opening cash balance	R0.00	R0.00	R0.00	R0.00	R0.00	R0.00	R0.00	R0.00
<b>INCOME</b>								
Item 1								
Item 2								
Item 3								
Item 4								
Item 5								
<b>TOTAL</b>	R0.00	R0.00	R0.00	R0.00	R0.00	R0.00	R0.00	R0.00
<b>EXPENDITURE</b>								
Item 1								
Item 2								
Item 3								
Item 4								
Item 5								
Item 6								
Item 7								
Item 8								
Item 9								
Item 10								
Item 11								
Item 12								
Item 13								
Item 14								
Item 15								
Item 16								
Item 17								
Item 18								
Item 19								
Item 20								
<b>TOTAL</b>	R0.00	R0.00	R0.00	R0.00	R0.00	R0.00	R0.00	R0.00
Ending cash balance	R0.00	R0.00	R0.00	R0.00	R0.00	R0.00	R0.00	R0.00

## 3. Trim the fat

- Go through your cash flow forecast and cut costs. Think of every rand you can reduce in expenses as a new rand in cash flow (and certainly an easier rand to come by!)
- When it comes to cost cutting you only have three options:
  1. Keep it.
  2. Reduce it.
  3. Eliminate it.
- Look everywhere for savings. Question every expense. If it is not adding value to your business – and if it is not contributing to your bottom line – cut it. If you do keep a cost, see how you can reduce it. Don't fall for the argument, "It's just a couple of bucks." The bucks all add up.
- Use "Zero-Based Thinking". Take each expense in turn and ask yourself, "Knowing what I know now, would I still start incurring this cost?" If not, you have identified a cost to be cut.

Costs I can cut

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

## 4. If you're experiencing cash flow challenges—get more cash in

When it comes to improving cash flow, there are a couple of simple and straightforward approaches that can make all the difference for businesses.

### 1. Offer cash discounts to customers

Instead of offering customers payment terms or some other method of payment, tell them that you will give them a discount if they pay cash. Many customers will come up with the cash in order to save some money. Even though you are losing one or two percent on the transaction, you are getting the cash much quicker so that you can use it.

### 2. Sell off/return your inventory

One of the most common mistakes that businesses make is keeping too much inventory on hand. This inventory is tying up cash that you could have in your bank account. Try to get rid of the excess inventory that you have and keep the inventory at a low level. These days, you can usually get the inventory you need within a few days.

### 3. Have a sale

A sale can be an excellent way to bring in cash. However, keep this in mind: If most of your sales during your sale are made on credit, your accounts receivable will increase, not your cash. Meanwhile, inventory is depleted and must be replaced. Because receivables usually will not be collected until 30 days after sales, a substantial increase in sales will further deplete your business' cash reserves.

### 4. Sell assets

Do you have surplus / unproductive / obsolete assets that you can turn into cash very quickly?

### 5. Reduce your debtor's book

Provide your customers with an incentive to pay your invoices on time. You can give a discount to customers who pay the invoice within five days instead of waiting until the end of the month.

Offer customers whose payments are seriously overdue a negotiated amount to settle up immediately. You may be losing some money on the deal, but you stand to lose a whole lot more if it just sits on your books as a bad debt.

### 6. Cut your workforce

There are times when laying off employees is unavoidable. It's better to cut jobs than to go bankrupt. Remember, though, that layoffs necessitate certain expenditures, such as severance pay. However, if you have an under-performing employee, or one who is not adding value to your business in any way whatsoever, it might well be worth letting them go.

If you decide to lay off an employee, set up clear, non-discriminatory criteria for choosing which workers to let go and then follow those procedures without exception. Also ensure that you comply with all employment laws and regulations. Seek advice from a labour specialist once you have decided on your plan of action. You can land yourself in deep and murky legal waters if you don't know what you are doing.





# PART 18 – Tighten up your working capital

Working capital – the amount of cash tied up in accounts receivable, inventory and accounts payable – is vital to your cash flow and business, supporting all transactions.

- It's time to review the formal processes you have in place to manage and monitor this critical resource. Poor working capital management can drive the most successful business to insolvency through the unnecessary consumption of critical capital resources.
- Today, with ever-changing market dynamics, deflated revenue levels, and tightened credit, working capital management is key to survival.

## 1. Managing receivables

- A business' receivables is a crucial asset. Getting the money you're owed is crucial to the long-term success of every business. Late payments and delinquent accounts wreak havoc on your business' cash flow and liquidity.
- Remember that having outstanding receivables means that the customer has your money and you don't. By improving the receivables turnover, you can boost cash flow.
- You need to do a thorough review of existing systems and procedures. Don't tolerate a single inadequate policy, no matter how small. Remember that a continuation of old practices will almost certainly result in the same old results. Here's a handy checklist:

If you answer "no" to any point, be sure to figure out what you need to do to correct the situation .

### 1. Create an effective invoice

Ensure that your invoices are clear, accurate, detailed and easy to decipher. If possible, itemise the charges. It is harder to contest an itemised invoice and, if there is a dispute over one of the charges, you can legitimately ask to be paid for the uncontested, itemised charges.

Yes  No \_\_\_\_\_

---

### 2. Mail invoices promptly

Sending invoices out monthly, rather than within a day or two of delivery of your product or completion of a project, can delay some receivables by two to three weeks.

Yes  No \_\_\_\_\_

---

### 3. Send the invoice to the right person

Sending a bill to the wrong person in the business can delay payment as much as 30 or 60 days, as it gets shuffled from person to person.

Yes  No \_\_\_\_\_

---

### 4. Follow up

A quick check-in can confirm that your invoice was received and is being processed. If payment does not arrive by the due date, check again to determine when the invoice will be paid. Follow up until you receive the money.

Yes  No \_\_\_\_\_

---

### 5. Require deposits

Both service and product businesses can ask for advance payments. Product businesses can request a deposit amount based on standards for their industry. Service businesses might want to ask for 20-50% up front, with remaining payments due when certain milestones are met.

Yes  No \_\_\_\_\_

---

### 6. Outline your terms

Outline how you expect to get paid, and what interest or penalties you charge for late payment. State these clearly on your contracts and invoices. You cannot request that these terms be met if customers did not know about them beforehand.

Yes  No \_\_\_\_\_

---

### 7. Get a signed agreement

Never extend credit without a signed agreement. If there's ever a collection problem, having a signed agreement makes your case much stronger.

- Use a purchase order or contract that details how much a client will owe and when it will be due.
- Review payment deadlines with clients. State that you expect to be paid on time.
- Point out the terms for late payment.

Always record changes or compromises in writing.

Yes  No \_\_\_\_\_

---

## 8. Accept major credit cards

Make it convenient for customers to do business with you by accepting charge and credit cards. While you will pay out a small percentage of each transaction for processing, you also will get paid within days.

Yes  No \_\_\_\_\_

---

## 9. Do a credit check

Never extend credit without a credit check. Get the information you'll need to run a credit check – then run it. Get at least three good credit references – then contact them all.

Yes  No \_\_\_\_\_

---

## 10. Have internal procedures to handle slow-paying customers

Have a consistent procedure to handle the slow payers. For example:

- As soon as an invoice becomes a week overdue—you send a reminder.
- If the invoice is still unpaid a week later—you send a second reminder.
- If the invoice is unpaid after 2 of those reminders—you phone and politely ask for payment.
- If the payment is still not forthcoming—you issue a written warning that the invoice is seriously overdue and requires immediate payment.
- If the previous, “friendlier” collection tactics have not resulted in the customer paying their debt, then you may be left with no other option than to threaten them with legal action. This demand letter should come from your attorney’s office, and should state in no uncertain terms that legal proceedings will be started if the customer does not pay the debt by a certain date.

Yes  No \_\_\_\_\_

---

## 11. Have a process in place for handling customer satisfaction problems

Customers may delay or even withhold payment if they have complaints about your product or customer service. Have a process that handles *every* complaint when it is made to prevent things escalating to the point where payment is compromised.

Yes  No \_\_\_\_\_

---

## 2. Managing payables

- The financial cycle of your business depends on a proper accounts payable process. Paying your bills late or leaving them unpaid can snowball into major credit problems, that will cripple your ability to function. It is essential to deal with the accounts payable in an effective manner.
- Review your systems and procedures. Ensure they encourage communication, provide for staying current with payables, and lessen the risk of duplicate or incorrect payments and other mistakes. Some general guidelines to follow include:
  - Take advantage of payment terms. Don't pay in 15 days if it's only due in 30 days.
  - Use electronic fund transfers to make payments on the last day they are due. You will remain current with suppliers while retaining use of your funds for as long as possible.
  - Never allow bills to remain unpaid, unless you have made a special payment arrangement in advance with the vendor. At 60 days, your business credit rating could be jeopardised. This could make it more difficult to deal with other suppliers and/or lending institutions in the future.
  - Outstanding balances can drive interest penalties way up. This is obviously compounded if many bills are overdue at the same time. Excessive interest payments can seriously damage a business' bottom line.
  - Reconcile creditor accounts. This will bring to light wasteful charges, such as interest penalties for late payment. Worse, there may be invoices that have not been captured in your accounting system in which case your accounts payable balance is inaccurate and your liabilities are understated.
  - Communicate with your suppliers so they know you. If you ever need to delay a payment, you will need their trust and understanding.
  - Carefully consider suppliers' offers of discounts for earlier payments. These may provide you with a chance to reduce overall costs.
  - Don't always focus on the lowest price when choosing suppliers. Sometimes more flexible payment terms can improve your cash flow more than a bargain-basement price.

This is what I need to do in order to manage my payables effectively and efficiently

---

---

---

---

---

---

---

---

## 3. Inventory management

- Managing inventory is a juggling act!
- Having too much inventory places a heavy burden on a business' cash resources through unnecessary purchasing, storage fees, and loan interest. It can even leave you holding merchandise that you may never be able to sell, especially if that merchandise is seasonal or holiday-related. Also, there is more chance of theft and damage occurring.
- The dangers of holding too little inventory are equally great. It can end up costing you big bucks in lost sales and missed opportunities. Then, as sales decrease, the money you need for more inventory is not available. This destructive cycle ends not only with dissatisfied customers, but also with possible business failure.
- Review your inventory management system. It must achieve the right balance of inventory for your business. And always remember that tolerating old practices will almost certainly result in the same old results.

### 1. Do you know your turnaround time?

- Turnaround time is a major consideration in inventory control and management. Not all products sell at the same rate.
- Some products move quickly.
- Other products can be expected to move slowly.
- Knowing which products move quickly and which move more slowly will go a long way toward helping you achieve a balanced and efficient supply of inventory.

Yes  No \_\_\_\_\_

---

### 2. Do you purchase the right products?

- Use market research to identify the proper products for your target market.
- Analyse sales from previous years.
- Study economic forecasts and determine how your target market's purchasing power might be affected.
- Look for new products for your target market.
- Compare the effects competitors' sales have on your sales.
- Study your records to determine what products to buy and in what quantities to buy them.

Yes  No \_\_\_\_\_

---

### 3. Do you have an efficient inventory tracking system?

- Inventory tracking systems come in a variety of formats from paper to computer programmes.

- Given the amount of affordable inventory tracking software on the market, there's no reason not to go with a computerised system.
- Not only do they provide inventory data in an endless variety of formats, but they also save money, because they require significantly fewer staff hours to maintain.

Yes  No \_\_\_\_\_

---

#### 4. Do you buy correct quantities?

- Establish inventory levels (minimum, maximum and at what point to reorder).
- Know *what* to order.
- Know *how much* to order.
- Know *when* to order.
- Know when to expect the products to arrive.
- Know what quantities should be in stock during which business cycle.
- Know when you should no longer be submitting re-orders.
- Know when products should no longer be in stock.
- Ensure suppliers are reputable and will provide products in the quantities required.
- Study lead times for supply and delivery to ensure ordering at the correct time.
- Don't over-buy simply to take advantage of special supplier deals.
- Review buying plans weekly and adjust as needed. If inventory is selling or being used faster than expected, source more product as soon as the trend is spotted.

Yes  No \_\_\_\_\_

---

#### 5. Do you maintain a built-in buffer?

- No matter how advanced your inventory tracking system is, you will never be able to predict 100% how much inventory you need to have on hand at any given time.
- For that reason, it's best to establish a built-in buffer – a reserve stock of inventory.
- Although you should always stock only the volume of inventory you need, having a little extra on hand never hurts.

Yes  No \_\_\_\_\_

---

# PART 19 – Financial management review

A thorough review of your financial management allows you to analyse your business' financial data, measure your business' success, and have an accurate and on-going comprehension of your fiscal bottom line.

## 1. Do a break-even analysis

- The break-even point is defined as the point where sales or revenues equal expenses. No profit is made or loss incurred at the break-even point.
- Many business owners consider determining the break-even point an exercise that adds little value. This is a dangerous perception and there are many businesses that find out too late that if they had known where their break-even point was, perhaps their business would not have failed.
- It's not difficult to apply a break-even analysis:
  - Let's say the monthly fixed costs for your business are R50,000 (rent, insurance, interest on debt, equipment expenses, utilities, salaries of permanent staff, etc.)
  - You sell a product for R100. The product has direct costs per unit of R60 (cost of buying/manufacturing, packaging, advertising, vehicle fuel and salesperson's telephone calls, commission, etc.) These costs are also known as "Cost of sales".
  - Thus, each unit sale makes a contribution of R40 (revenue per unit) towards the fixed costs of your business.
  - Therefore, you need to sell 1,250 units ( $R50,000 \div 40$ ) in order to break even.

### Example: Break-even point

Monthly fixed costs:	<u>50,000</u>
Product / service's selling price per unit:	<u>100</u>
Direct costs (Cost of Sales) per unit:	<u>60</u>
Revenue per unit: ( <i>selling price - direct costs: R100 - R60</i> )	<u>40</u>
My Break-even Point: ( <i>monthly fixed costs ÷ revenue per unit: R50,000 ÷ R40</i> )	<u>1,250 units</u>

### NB!

- If your business provides a service, like consulting, your direct costs are what it costs you, per rand of revenue or unit of service delivered, to deliver that service.
- The break-even point indicates the number of billable hours you must work / number of delegates you require in a workshop, for example, in order to cover your costs.



## My break-even point

Monthly fixed costs: \_\_\_\_\_

Product / service's selling price per unit: \_\_\_\_\_

Direct costs (Cost of Sales) per unit: \_\_\_\_\_

Revenue per unit: (selling price - direct costs) \_\_\_\_\_

My Break-even Point:  
(monthly fixed costs ÷ revenue per unit) \_\_\_\_\_

## 2. Draw up a working budget

- Your working budget is one of the most powerful planning tools you have. It will help you control your all-important cash flow, make important decisions and assist you in staying on course throughout the year.
- The term "working budget" means that it is a work in progress. The owner looks at it every day, consults it, follows it, and makes adjustments. It's the game plan for the business.
- You can use pen and paper, an Excel spreadsheet (you can download excellent ones off the Internet) or business accounting software. . . the important part is to budget consistently.

## 3. Draw up a profit and loss statement (income statement)

- A Profit and Loss Statement (also known as an Income Statement) is a summary of a business' profit or loss during any one given period of time (monthly, quarterly, annually). It records all revenues and operating expenses for a business during this given period.
- It allows you to:
  - determine the operating performance of your business over a period of time
  - find out what areas of your business are over- or under-budget
  - pinpoint specific items that are causing unexpected expenditures
  - track increases in product returns or cost of goods sold as a percentage of sales.
- You should draw up a Profit and Loss Statement monthly every quarter. There is an example of a Profit and Loss Statement on the following page.

## 4. Draw up a balance sheet

- A balance sheet gives you a “snapshot” of your business’ financial condition at this specific moment in time. It should be drawn up annually.
- It doesn’t have to be a complex or time-consuming process. Here is a simple example:

<u>Balance sheet</u>			
<u>ASSETS</u>		<u>LIABILITIES</u>	
<b>Current Assets</b>		<b>Current Liabilities</b>	
Cash	R0.00	Accounts payable	R0.00
Accounts receivable - net	R0.00	Interest payable	R0.00
Inventory	R0.00	Wages payable	R0.00
Supplies	R0.00	Tax payable	<u>R0.00</u>
Prepaid expenses	R0.00	<b>Total Current Liabilities</b>	<u>R0.00</u>
Prepaid insurance	<u>R0.00</u>		
<b>Total Current Assets</b>	<u>R0.00</u>		
<b>Investments</b>	<u>R0.00</u>	<b>Long-term Liabilities</b>	
		Long-term loans payable	<u>(R0.00)</u>
<b>Fixed Assets</b>		<b>Total Long-term Liabilities</b>	<u>R0.00</u>
Land	R0.00		
Land improvements	R0.00		
Buildings	R0.00		
Equipment	R0.00	<b>Total Liabilities</b>	<u>R0.00</u>
Less: Accum. Depreciation	<u>(R0.00)</u>		
<b>Fixed Assets - net</b>	<u>R0.00</u>		
		<b>CAPITAL</b>	
<b>Intangible Assets</b>		Owner’s Equity	R0.00
Goodwill/Registered Trademarks	R0.00	Net profit	<u>R0.00</u>
Registered Patents	<u>R0.00</u>	<b>Total Capital</b>	<u>R0.00</u>
<b>Total Intangible Assets</b>	<u>R0.00</u>		
<b>Other Assets</b>	<u>R0.00</u>		
		<b>Total Liabilities &amp; Capital</b>	<u>R0.00</u>
<b>Total Assets</b>	<u>R0.00</u>		

## Profit and Loss Statement

Period:

(1)	<b>REVENUE:</b>		
	Gross Sales	R0.00	
	Less returns and discounts	R0.00	
	<b>Net Sales</b>	<u>R0.00</u>	
(2)	<b>COST OF GOODS:</b>		
	Purchases	R0.00	
	Freight	R0.00	
	Other Costs	<u>R0.00</u>	
	R0.00		
	Less ending inventory	<u>R0.00</u>	
	<b>Cost of goods sold</b>	<u>R0.00</u>	
	<b>Gross profit (loss)</b>	<u>R0.00</u>	
(3)	<b>EXPENSES:</b>		
	Salaries	R0.00	
	Rent	R0.00	
	Utilities	R0.00	
	Office supplies	R0.00	
	Insurance	R0.00	
	Advertising	R0.00	
	Telephone	R0.00	
	Travel	R0.00	
	Entertainment	R0.00	
	Repairs & maintenance	R0.00	
	Interest paid	R0.00	
	Bank charges	<u>R0.00</u>	
	<b>Total Expenses</b>	<u>R0.00</u>	
(4)	(5)	<b>Net Profit (or Loss)</b>	<u>R0.00</u>

Notes:

(1) Source "Gross sales" from copies of sales invoices issued by your business, the rolls of till receipts if using a cash register, the totals from your cash receipts book, and/or bank deposit slips.

(2) "Cost of Goods" does not usually apply if you provide a service only.

(3) "Expenses" are all the on-going expenses associated with running your business.

(4) Calculate your net profit (or loss) by deducting your "Total Expenses" from your "Gross Profit" figure.

(5) Review your net profit (or loss) in light of the circumstances surrounding your business.

# Financial ratios

Financial ratio analysis is one of the simplest techniques you can use to measure where your business stands, where it's been and where it's heading. It will also help you see how you're progressing against your business turnaround plan.

## 1. Asset management ratios

Asset management ratios measure the efficiency with which the business uses its assets to produce sales.

### i. Debtors' days outstanding:

This ratio indicates how long the business takes to collect outstanding amounts from debtors. Shorter periods mean the business collects outstanding monies relatively quickly, which should improve the cash flow of the business.

#### *How to calculate:*

Divide debtors outstanding (accounts receivable) by average daily sales.

### ii. Creditors' days outstanding:

This ratio indicates how long the business takes to pay its suppliers. These terms are negotiated with suppliers, but longer terms often indicate that the business uses creditors' monies to fund operational activities. Shorter periods can result in better trade discounts from suppliers.

#### *How to calculate:*

Divide creditors outstanding (Accounts payable) by cost of sales of the business.

### iii. Stock Turnover Times:

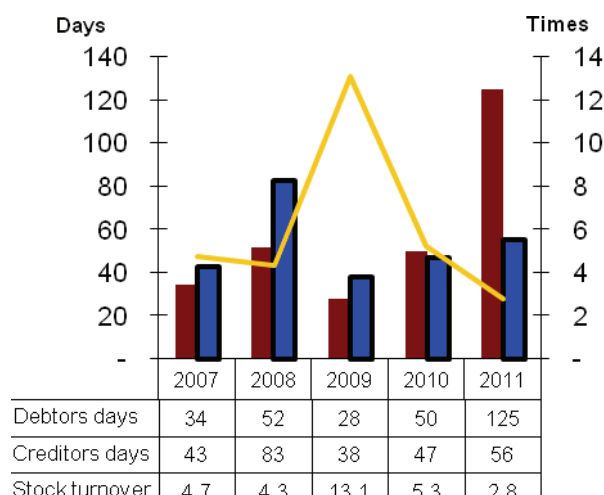
This ratio indicates how many times per annum stock is sold and replaced by the business and can indicate if the business holds too much or too little stock. Dividing the answer of this ratio by 365 gives the number of days' inventory that the business holds.

#### *How to calculate:*

Divide cost of goods sold by average stockholding of the business.

The average stockholding is the sum of the inventory (stock) at the beginning and at the end of the accounting period divided by 2.

*Example: Asset management ratios*



Asset management ratios information kindly provided by *Business Partners*.

## 2. Debt management ratios

### i. Debt ratio:

Gearing focuses on the capital structure of the business—that means the proportion of finance that is provided by debt relative to the finance provided by equity (or shareholders). A result of more than 100% means the business has more debts than assets which can severely impact its ability to repay debt. Lower gearing, which is preferred by lenders and creditors, means that the business is less dependent on borrowings for its operations.

#### *How to calculate:*

Total debt is divided by total assets of the business.

(All assets and all debts, excluding owners' equity, are used in calculating the ratio.)

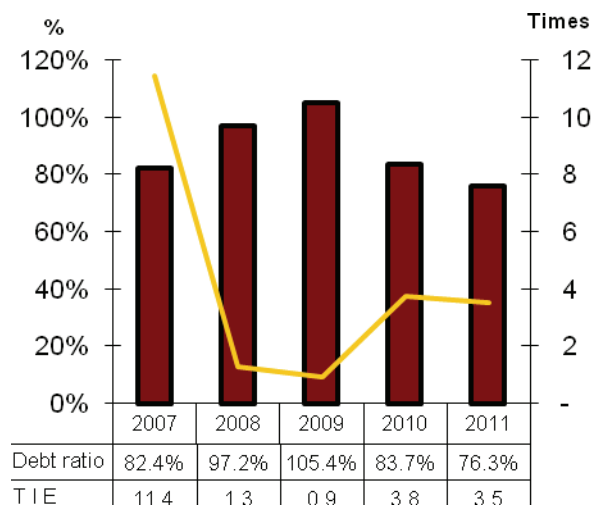
### ii. Times-Interest-Earned:

This ratio measures the ability of the business to pay interest on borrowings and the extent to which operating income can decline for the business to be unable to meet its interest obligations. This ratio is often inversely correlated to the Debt ratio.

#### *How to calculate:*

Earnings before interest and taxes (EBIT) is divided by the interest paid by the business. (Interest includes all forms of interest on borrowings, overdrafts and funding of operational assets.)

*Example: Debt management ratios*



### 3. Profitability ratios

**i. Profit after tax%:**

The profit margin after taxes indicates how profitable the business is by expressing profitability as percentage of sales. The ultimate goal of the business should be to have a steady, but increasing profitability ratio.

*How to calculate:*

Net profit after payment of taxes divided by sales revenue.

**ii. Return on total assets (ROTA):**

This ratio expresses the income-generating ability of the business from the assets it has and is influenced by the value of assets, as well as the funding source (borrowing bearing interest) of such assets. High value assets that are not fully utilized will reduce this ratio. Over-utilized assets, that are often not properly maintained, can falsely indicate a high return ratio.

*How to calculate:*

Income available to owners (typically profit after taxes) divided by total assets of the business.

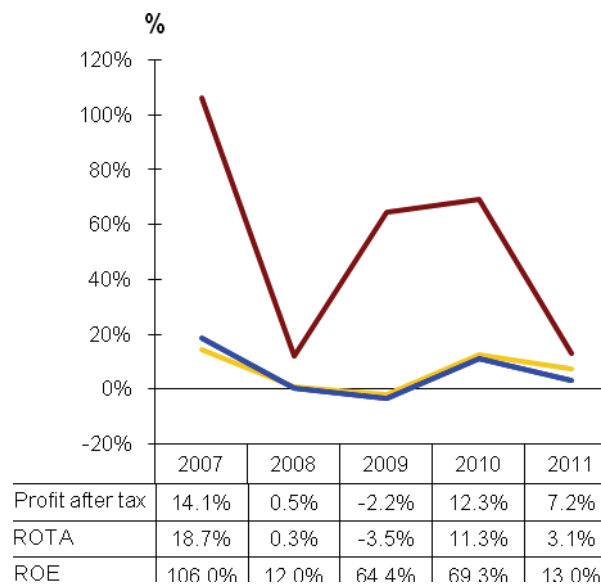
**iii. Return on equity (ROE):**

Return on equity measures the rate of return that the owners or shareholders achieve through their investment in the business. Since business carries a higher risk than, for example, a fixed deposit at a financial institution, the investors and owners should receive a higher return than lower risk options.

*How to calculate:*

Income available to owners (typically profit after taxes) divided by equity invested by the owners in the business.

*Example: Profitability ratios*



Profitability ratios information kindly provided by *Business Partners*.

# PART 20 – Keeping financial control

Maintaining strict internal financial controls are important aspects of running a successful business.

Review the checklist below. Owners of a well-managed business should answer “yes” to the following questions (the ones applicable to their business. If you answer “no” to any of the questions, work out the appropriate action to be taken on the page following this checklist.

## 1. General

- Are you satisfied that all employees are competent and honest? Yes No
- Did you check job references? Yes No
- Is an appropriate bookkeeping system used? Yes No
- Do you understand the form and contents of the bookkeeping system? Yes No
- Do you use budgets and cash projections? Yes No
- Are major discrepancies between projections and reality investigated? Yes No
- Are the books and records kept up-to-date and balanced? Yes No
- Is access to accounting records restricted when appropriate? Yes No

## 2. Income

- Do you keep accurate records of all the money coming in? Yes No
- Are all accompanying documents kept? Yes No

## 3. Cash receipts

- Do you have a way to ensure all cash is receipted and accounted for? Yes No
- Are cash sales controlled by cash registers or cash receipts? Yes No
- Are cash receipts deposited on a daily basis? Yes No
- Are cash receipts posted promptly to appropriate journals? Yes No

## 4. Cash disbursements

- Are all disbursements, even petty cash, recorded? Yes No
- Does each cash disbursement have a supporting document? Yes No
- Are supporting documents cancelled to avoid duplicate payment? Yes No
- Are bank statements and cancelled cheques:
  - i) received directly by you? Yes No
  - ii) reviewed by you before they are given to the bookkeeper? Yes No
- Are bank reconciliations prepared:
  - i) monthly? Yes No
  - ii) reviewed and approved by you? Yes No
- Are disbursements from petty cash funds supported by approved vouchers? Yes No
- Are there maximum limits on amounts of individual petty cash disbursements? Yes No

- Are petty cash funds:
  - i) kept in a safe place? Yes No
  - ii) controlled by one person? Yes No
  - iii) periodically counted by someone other than the custodian? Yes No

## 5. Accounts payable

- Are all invoices reviewed for correctness of:
  - i) quantities received? Yes No
  - ii) prices charged? Yes No
  - iii) clerical accuracy? Yes No
- Are all available discounts taken? Yes No
- Are invoices properly processed before payment, e.g. stamped? Yes No
- Do you verify that the accounts payable balance and are accurate? Yes No
- Are any expense reimbursement requests (such as petrol, for example):
  - i) submitted properly? Yes No
  - ii) adequately supported? Yes No
  - iii) approved before payment? Yes No

## 6. Receiving

- When you receive any goods or products are they:
  - i) inspected for condition Yes No
  - ii) independently counted/measured/ weighed when received? Yes No
  - iii) signed for by an appropriate person? Yes No
  - iv) approved by you? Yes No
- Are damaged goods/products returned promptly? Yes No
- Are damaged goods/products accurately documented? Yes No

## 7. Payroll

- Are all employees hired by you? Yes No
- Are wages approved by you? Yes No
- Are adequate time records for employees paid by the hour? Yes No
- Do you keep piecework records for employees whose wages are based on production? Yes No
- Are you aware of the absence of any employee? Yes No
- Do you check the clerical accuracy of your payroll? Yes No
- Do you review payroll registers ? Yes No
- Do you approve, sign, and distribute the payroll cheques? Yes No
- If an employee is paid in cash, do you control this? Yes No

## 8. Systems

- Do you regularly check ALL your financial systems? Yes No
- Do you understand all your systems? Yes No
- Do you regularly check on the accuracy of all your records? Yes No
- Do you review your systems for loopholes? Yes No





# PART 21 – Disaster recovery plan

What wthe financial impact be if your business shuts down as a result of a disaster, like a fire, major theft or complete loss of data? What would be the impact for a day, a week or an entire revenue period?ould

Whether it's a major storm, a burst pipe, a fire or a computer hard drive that has crashed, disasters happen. A disaster recovery plan identifies the critical measures that can be taken to protect your business' bottom line from disaster.and is key to recovery.

Analyse what each of these disasters could do to your business and then design a recovery plan that meets your business' specific needs.

## 1. Data loss

- The most common business disaster is data loss, which can result from a number of causes including human error, hardware failure, natural disaster and theft. Fortunately, data loss is easy to recover from if you have a backup solution in place. But if you don't perform this easy task religiously, the loss of that data can spell doom to your business. What happens when you lose your entire client database—all of your accounts receivables—your vast inventory records- all your accounting records—basically your entire business records?
- Unbelievably, many businesses never bother to back up their data. Don't be one of them! Back-up daily. And keep your backed up data off site.
- Install good antivirus software. Update it regulary.
- Use surge protectors to protect your electronics from power surges in your electrical system.

---

---

---

---

---

## 2. Fire:

- Have enforced non-smoking policies in place. Warn staff about the dangers of sneaking a smoke in a hazardous area.
- Train staff on fire prevention.—smoking, overloading power plugs, faulty wiring, etc.
- Routinely check for fire hazards.
- Install good fire detectors—and check the batteries frequently.

- Have appropriate fire extinguishers at hand to deal with all types of fires. Have them serviced and checked on a regular basis.
  - Train staff on how to evacuate in the event of a fire and also ensure the safety of customers.
- 
- 
- 
- 
- 

### 3. Flooding

- Damage caused by water flooding your business can happen at any time – because a pipe can burst without warning (a municipal pipe out in the road, too). Water flooding causes great damage to stock, equipment and the building itself.
  - Train staff to treat even the smallest leaking drip as an urgent matter. There is no telling if that small drip could suddenly burst and turn into a flood.
  - Train staff on what to do in the event there is flooding as everyone needs to act quickly if there is any water flooding your business. Water damage happens very quickly and is very expensive.
- 
- 
- 
- 
- 

### 4. Theft

- You can not secure your business too well against break-ins and theft.
  - Have state-of-the-art burglar proofing installed. Conduct routine inspections.
  - Hire a good security company and make sure you have regular checks with them to make sure everything is working well.
  - Control who has keys to your business.
  - Train staff on what to do in the event of a power failure as your business can be very vulnerable to theft when the lights go out.
  - Train staff on what to do in the event of an armed robbery.
-

---

---

---

---

## 5. Other

- Make sure your plan addresses all of the likely emergencies that might occur to your business. For example, if you have refrigeration and freezers, having a back-up generator in the event of a major power failure is imperative.
- Examine your business carefully and identify where any type of disaster could occur that would have a major effect on your business. Identify the preventative measures you could put in place. Identify the measures you need to have in place to recover from the disaster. Don't forget about staff training.

---

---

---

---

---

## 6. Set up an emergency response plan

- Set up an emergency response plan and train employees how to carry it out. If you are not there, staff not knowing what to do is an appalling oversight. Make sure employees know whom to notify about the disaster and what measures to take to preserve life and limit property losses.
- Write out each step of the plan and assign responsibilities to employees in clear and simple language. Practice the procedures set out in the emergency response plan with regular, scheduled drills.
- Compile a list of important phone numbers and addresses

---

---

---

---

---

## 7. Determine how you will communicate with your customers

- External communications is extremely important if disaster strikes, Your plan should include

how you will communicate with your customers—letting them know what has happened and how long the business interruption will last. The better your communication, the less chance your customers will migrate to your competitors. Post notices outside your premises; contact clients by phone, email or regular mail; place a notice in local newspapers. You can also place a message on your phone’s voicemail to let customers know what the situation is.

---

---

---

---

---

## 8. Insurance

- Having the correct insurance cover in place is vitally important for business recovery after a disaster. By now you should have addressed *all* of the likely emergencies that might occur to your business. Now it’s time to determine the adequacy of your insurance cover with regard to these specific risks associated with *your* business and *your* disaster recovery needs.
  - Determine the scope of your policies (including any stated exclusions), that the amount of coverage is sufficient to cover your business’s needs, and that the policies are current and in force.
  - Here are some solutions that you ought to be considering, although the list is by no means exhaustive:
    - Buildings
    - Fire
    - Business interruption
    - Theft
    - Office contents
    - Money
    - Glass
    - Goods in transit
    - Business all risks
    - Accidental damage
    - Fidelity insurance (fraud by employees)
    - Public liability
    - Personal accident cover
    - Vehicles
    - Electronic equipment
    - Machinery breakdown
    - Deterioration of stock.
- 
- 
- 
- 
-

## PART 22 – Business continuity

Your business is probably your most valuable asset. Protecting it from risks is vital to its continued existence. This is a vital step to review as it can help protect you, your business and your dependants against financial hardship.

- Business continuity is all about ensuring it remains a going concern after an unplanned event. For example, if you have stood surety in your personal capacity for the liabilities of your business, you will want to ensure that the loan will be repaid should you die or become permanently disabled, without any adverse consequences for your business, your business partners and your dependants.
- And what would happen if a critical asset or piece of equipment reached the end of its productive lifespan, and you couldn't afford to replace it? It could jeopardise your business.
- Although different businesses have different types of risks, it's well worth your time to review/investigate the following eight common risks that could have a significant negative impact on any business. The accompanying solutions are a good starting point to help you make what could be some of the most important decisions to your company's survival.

### 1. The implications of signing surety (Contingent Liability)

The creditors of a business often expect someone - usually the owner - to stand surety in his personal capacity for the liabilities of the business. Should that person die or become disabled, and the suretyship cannot be transferred to somebody else, the creditor may call in the loan immediately. If the business cannot repay the loan, that person's estate will be held liable for the debt.

#### *A good solution to consider. . .*

The business and the surety enter into an agreement in terms of which the business effects an insurance policy on the life of the surety. The business then cedes the policy to the bank to cover the liability.

When benefits become payable as a result of death or permanent disability of the surety, the proceeds of the policy are paid out to the bank and the surety is then discharged.

#### *The benefits of a contingent liability plan. . .*

- The outstanding loan for which the guarantor stood surety will be settled on the death or disability of the guarantor.
- The business can pay debts without having to utilise valuable cash reserves, or relying on having to fall back on surety.
- A substitute guarantor is not required and the business can continue operations without delays caused by uncertainties about debts that might be called up by creditors, who in turn are unsure about the future of the business after the death of an owner.
- The executor of a deceased estate will not be required to utilise cash or assets to pay business debts. The full benefit can therefore be applied to the dependants and heirs, and the estate may be wound up speedily.

## 2. Protecting your investment in the business (Credit Loan Account)

The capital structure of a business usually includes loans from its shareholders in the case of a business, partners in the case of a partnership or members in the case of a close corporation. This is reflected in the balance sheet as a credit loan account. The problem is that these loans are usually assets that diminish in value and usually remain unrecovered in the event of the death of such owner. The business may not be able to repay the loans, or to refinance the loans, leaving it in distress.

### *A good solution to consider. . .*

Loan account assurance covers the life of the owner of the business in the event of his/her death (and permanent disability if the client wishes to include disability) to pay out an amount of capital which will, after estate duty, be equal to the loan account. This cover will enable the business to repay the loan and thus protect the capital structure of the business.

There are essentially two methods to address the stated problem that arises at the death or permanent disability of the owner with an outstanding loan account.

- The one method is to include it in the buy-and-sell agreement as part of the member's interest and claims.
- The second method is for the business to insure the life of the owner for an amount equal to the outstanding loan account. In this case, the business settles the loan account.

## 3. Protecting your shareholding in the business (Buy and sell agreement)

This is a written agreement between the owners of a business entity, obligating themselves — on their deaths or in the event of permanent disability—to sell their interest to the survivors and likewise committing the survivors to purchase the deceased member's (s') interest. In most cases, the personal assets of the various partners are tied up in the business, as profits are often kept in the business.

### *A good solution to consider. . .*

Life assurance is the only safe and sound way of creating the necessary funds in terms of the agreement. The members/partners/shareholders enter into an agreement in terms of which they effect policies on each other's lives. The co-owners other than the assured pay the premiums. If a credit loan account exists, it can be included in the buy-and-sell agreement by including the loan account amount in the cover on the life of the creditor.

### *The benefits of a buy and sell agreement. . .*

- In the absence of a bona fide agreement the surviving owner(s) may be faced with serious problems. Such an agreement, gives the surviving owners immediate, full and unhindered ownership of the business.
- Funded by insurance, it provides the ready cash the moment it is needed.
- The surviving owner(s) pay(s) a fair value for the acquired share of the business and hence the needs of the deceased owner's heirs are also met.
- It prevents the business from being drained of its capital resources.
- Instead of borrowing money and paying interest, a life policy is usually much cheaper and readily available.

## 4. Protecting your business by insuring key personnel (Key person insurance)

Your business may have an employee - apart from yourself - who fits the description “key person.” For example, if you own a cheese factory, then the cheese maker—someone with a very specialised skill—is a key person in your business. You might not know the first thing about making cheese if you simply bought the business, because it was a good investment! The illness, disability, or death of the cheese maker could bring your business to a grinding halt.

### *A good solution to consider. . .*

As the employer, you take out a policy of insurance on the life of the key person (usually a term assurance policy). In the event of the death or disablement of that key employee the proceeds are paid out to your business. This money may be used to compensate you for loss of profits as a result of the death or disablement of the employee and also for recruiting and training some other suitable substitute.

### *The benefits of key person insurance. . .*

- Should there be any loss of business profits, the proceeds of the policy will compensate for this.
- Cash is available to finalise uncompleted projects.
- A new employee may be recruited and trained.
- The other employees are not affected because they perceive that the business is equipped and has a contingency plan to cater for setbacks.
- The credit standing of the business is not affected.

## 5. Debit loan account protection

A business often makes considerable loans to shareholders, directors or employees for their own purposes. This is reflected in the balance sheet as a debit loan account. If the borrower dies, the borrower’s estate must pay the amount in the debit loan account back to the company. If the estate cannot repay the loan it could lead to bankruptcy of the business.

### *A good solution to consider. . .*

The solution is to cover the debit loan account with a policy and to cede the policy to the business as security. Should the borrower die, or become disabled, the proceeds of the policy can be used to settle the debt. This relieves the owner of the debt, and the business recovers its capital.

There are two ways to address this problem:

- The borrower effects a policy with life cover on his life to ensure liquidity in his estate for the purpose of settling the outstanding debt. The policy is ceded to the business.
- Bequeath shares in the business to a testamentary trust provided that the trust takes over the debit loan account.



## 6. Business overhead protection

When the inevitable happens and a co-owner dies, the business normally faces a turbulent time. The business may be catapulted into a crisis. The operations may be temporarily impeded to such an extent that the business will not be able to pay its overheads. This problem is compounded if the business had a single owner. Remaining owners, employees and clients need to come to grips with the fact that one of the main drivers of the business is no longer there. Normally in spite of their best efforts, it is in the critical six to 12 months after the death of a co-owner that the business feels the impact.

### *A good solution to consider. . .*

The goal of the overhead protector is to protect the business against the turbulent time directly after an owner dies. It does so by creating funding to secure at least the overheads of the business for a period of between six and 12 months. This is done by insuring the lives of the owners. The business would typically take out a policy on the life of the owners. In the event of the death of an owner or a co-owner, the proceeds of the policies will be paid to the business.

## 7. Replacement of income (at death)

In the event of the death of an owner, his/her family is left seriously financially exposed. The income that the owner drew from the business cannot continue, since the owner can no longer contribute to the business. If the income had been earned as a salary, this salary stops at the death of the owner, leaving the family without an income. This is especially important if the business is going to close down or if the family cannot harvest the true value of the business after the death of the owner.

### *A good solution to consider. . .*

With the income replacement solution, the objective is to minimise the financial shock on the owner's family by replacing his/her income that he/she drew from the business. This can be achieved by capitalizing the existing income of the owner, and funding the capital with life assurance. This creates funding in the form of a capital amount that can provide the family with an income.

## 8. Asset replacement

Businesses need to build up reserves for the replacement of equipment or assets over time. The loss of a critical asset or piece of equipment could spell financial disaster for the business if there is no money available to replace it.

### *A good solution to consider. . .*

An endowment policy (funded by single or recurring premiums) is a sound way of pre-funding future expenses. The depreciation or wear and tear in respect of assets can be claimed as a tax deduction according to section 1(e) of the Income Tax Act. This income tax saving can be used as a contribution towards the endowment policy.

### *The benefits of an asset replacement plan. . .*

It can fund future liabilities such as:

- the replacement of assets due to depreciation or wear and tear
- the payment of trade restraint agreements
- the compulsory refurbishing of franchises (two to five years).



# PART 23 – Value adds for the business owner available through the Sanlam SME value proposition

To run a business effectively requires that a business owner has a keen understanding of the associated complexities. For this reason Sanlam created practical instruments, tools and articles to support you with your business endeavours, and to protect the continuity of your business.

The following resources can be used FREE OF CHARGE

## 1. Business Plan Book

Download the Business Plan Book at [www.sanlam.co.za/businessplanbook](http://www.sanlam.co.za/businessplanbook).

## 2. Business Turnaround Book

Download the Business Turnaround Book at [www.sanlam.co.za/businessturnaroundbook](http://www.sanlam.co.za/businessturnaroundbook).

## 3. Sanlam Business Market articles

Register to receive the Business Tips, Labour News, IT Tips and Tricks, Economic Overview and Sanlam Trust articles from [www.sanlam.co.za/articles](http://www.sanlam.co.za/articles).

## 4. Sanlam Business Market articles archive

Visit our article archive at [www.sanlam.co.za/articles](http://www.sanlam.co.za/articles).

## 5. Podcasts

View our podcasts which explain the signing of surety for business debt, the necessity for buy and sell insurance, and the protection of key people in your business by [clicking here](#).

## 6. Online Financial Fitness Analysis

Evaluate the financial fitness of your business by completing the **Sanlam Financial Fitness Analysis (FFA)** either online or request a telephonic analysis at [www.sanlam.co.za/ffa](http://www.sanlam.co.za/ffa) or phone 0860 100 539. The FFA evaluates the continuity of your business, your wealth creation strategy and employee benefit offering.

## 7. Online Business Fitness Analysis

Evaluate the fitness of your business by completing the **Sanlam Business Fitness Analysis (BFA)** either online or request a telephonic analysis at [www.sanlam.co.za/bfa](http://www.sanlam.co.za/bfa) or phone 0860 100 539. The BFA evaluates the continuity of your business, your wealth creation strategy, employee benefit offering as well as the financial/financing practices of the business, business management elements and information technology requirements.

## 8. A 1-2-3 of Business Analysis

By requesting a 1-2-3 of Business Analysis you can identify and quantify the most crucial financial planning risks in your business. Go to [www.sanlam.co.za/123ob](http://www.sanlam.co.za/123ob) for more information.

The following pages include four inserts detailing tools that you may find particularly valuable at this point of your annual business game plan!

# PART 24 — Your personal financial planning

As a business owner, you have a personal connection to your business that goes beyond a traditional nine-to-five commitment. This connection extends to financial matters as well. Your business finances and your personal finances are closely intertwined. Your personal financial planning is a very important aspect of your business' game plan.

Here are some important aspects of your personal financial planning to consider and review:

## 1. Building a diversified investment portfolio

- A diversified investment portfolio is a very important thing for any business owner to have. Business owners frequently focus all of their investment money, including for their retirement, on their business.
- The challenge with investing everything solely in your own business is one of risk— for every successful business, dozens either fail or return only modestly. It also doesn't make good investment sense. Putting all your funds into your business is the same as owning shares in only one company—something that most investors know is plain foolhardy.
- That's why financial planners typically advise business owners to diversify some of their investment money. As any economist will tell you, diversification is the only sure way to create security in the long run. Your business is one stream of income. An investment portfolio that allows for other streams of income is what provides financial security in the longer term—especially in an uncertain environment.
- And as your business develops and grows, use your diversified portfolio as a receptacle account for harvesting business profits from your business.
- This is not meant to suggest that you shouldn't reinvest money back into your business to generate its long-term growth—or take advantage of business opportunities to further its success. After all, as a business owner, you probably look to the continued success and growth of your business to generate a major part of your personal income. It certainly deserves priority when it comes to necessary working capital.
- But building a strong investment portfolio is like growing a pot of gold outside of your business that will:
  - be your safety net for the tough times that can (and usually will) come with just about any business
  - build a cash cushion for your business and your family
  - keep your finances steady through rough times
  - facilitate you in meeting your life goals beyond your business, such as buying a home, saving for your child's education or planning for retirement.
- And if your business is spectacularly successful. . . what a bonus your long-term investment portfolio will be!

## 2. Retirement for you and your employees

- Retirement is probably the last thing on your mind at this point! But unless you plan on running your business until you drop, it's imperative that you review your retirement strategies.
- And what about your employees? These days, in order to compete with larger businesses to attract and retain the best employees, you have to offer a competitive benefits package.
- That means offering them a means to save for their future.

### Your retirement plan

- Many business owners assume their business will fund their retirement. They expect to sell the business when they're ready to stop working and live off the proceeds.
- While every business owner would like to believe that they will sell their business at retirement, this is in reality not the case for most. In fact, a very small majority of business owners are able to sell their businesses at retirement.
- Also, like any investment, putting all your "retirement eggs" into your "business basket" can be a risky proposition. You need to have an alternative plan.
- A good alternative to look at is a retirement annuity, or RA, which provides a disciplined and easy way to save for retirement. Here are five reasons why it makes sense for business owners to invest in a retirement annuity:

#### 1. Great tax advantages

- Contributions are deductible from taxable income up to a certain limit. Amounts which exceed the limit can be carried forward to later years. Or used to increase the tax-free portion of any lump sums at retirement. Or deducted from your retirement income as if they were current contributions and reduce your taxable income. The fund into which your money is being invested, is in terms of present legislation, not being taxed at all.
- At retirement you may take up to a third of the proceeds in cash, which could be partially or even totally, tax free.
- If you don't need the money when you retire, you can leave your investment in your retirement annuity, where it continues to earn returns.

#### 2. Protected income source

- A retirement annuity is a very safe investment, since with one or two exceptions, it can't be attached by creditors.

#### 3. Extended retirement age

- By investing in a retirement annuity, you spread your investment, and hence, your risk.

#### 4. An investment

- The retirement age for retirement annuities was, until recently, limited to age 69. A change in legislation now makes it possible for people over age 69 to join, or carry on investing in, a retirement annuity fund.

#### 5. Protection from creditors

- As the funds in the retirement annuity fund falls outside your business as well as your personal estate a retirement annuity will provide a protected income source for the business owner and/or his dependents at death or retirement.

#### Notes and To Do's

---

---

---

---

---

#### Retirement plan for employees

- As an employer, you have an obligation to your employees to offer them opportunities to save for their futures. It would be miserable for employees to have to rely on a state pension, welfare and help from their families after decades of service to your business.
- Two good alternatives to consider are:
  - **Pension fund**  
A retirement fund set up by an employer, consisting of money contributed by the employer and employees to provide pension fund benefits at retirement. Subject to tax, an employee may take up to one-third of the total retirement benefit as a cash lump sum. The remaining two-thirds must be used to provide a pension.
  - **Provident fund**  
A retirement fund set up by an employer, consisting of money contributed by the employer and employees to provide a one-off payment at retirement.

#### Notes and To Do's

---

---

---

---

---

### 3. Your will and estate planning

- Safeguarding the financial interests of your loved ones is your biggest priority when it comes to planning your estate: ensuring that the needs of your family and your business are taken care of, and that tax liabilities are kept to a minimum. There's no need to see your life's work go to waste due to a non-executable will. Proper planning will spare your next of kin and business partners as much trauma and inconvenience as possible.
- You need to consider the following:
  1. Drafting a will
  2. Estate planning
  3. Estate administration
- Depending upon your needs, you may also need to consider the following:
  1. Trust administration
  2. Inter vivos trusts.
- Setting up trusts and drafting a will require specialised legal knowledge.

#### Notes and To Do's

---

---

---

### 4. Health Insurance

- Your personal health is your most valuable business asset. If you do not have medical cover to help pay bills, a serious injury or illness can be financially devastating to you, your family and your business.
- However, securing reliable, affordable self-employed medical cover is one of the most challenging aspects of owning your own business. It isn't easy, and it isn't cheap. But for the business owner, it's a must. It takes most of the financial burden for medical care off your shoulders.
- Your financial planner can assist you in finding the affordable, flexible, comprehensive medical scheme that suits your needs.

#### Notes and To Do's

---

---

---



## 5. Using a financial advisor

- Do you need the services of a professional financial advisor? Well, the world of insurance and investments is extremely complicated. Expertise and specialised knowledge is often required to be able to make effective decisions.
- Remember this—just about every decision in both of these areas will impact your business—or your personal finances—or both. So, unless you know your stuff, it's probably a good idea to seek professional advice.
- Not all financial advisors are created equal. So do your homework and hire someone good. A talented financial advisor is a great asset; but a bad or even mediocre advisor can create a mess for you, and even put your financial security at risk.

The following two pages include an insert detailing some useful info on choosing a financial advisor, as well as a handy financial advisor checklist.

# Choosing a financial advisor

Meet with potential financial advisors and interview them. This means asking questions. But which questions should you ask? Experts pinpoint four critical topics:



## Credentials

Make sure the financial advisor you choose is licensed to give advice on the financial planning event where a need has been identified. It generally takes years of experience and ongoing education (not to mention integrity and ethics) to become a truly good advisor. Find out what other formal training they have.



## Experience

Experience matters a lot. How long have they been in business? Ten months, or ten years? You also need a financial advisor with experience with clients whose situations are comparable to yours. Ask for the names of clients in similar circumstances to yours. Then call and ask for a reference.



## Payment method

How does the advisor get paid? Look carefully at how the financial advisor is paid and be sure you are confident he or she would put your interests first. Advisors can charge commission only (which includes trail fees on investments), fee only (includes hourly rate, rate per job or retainer) or a combination of both.



## Personal chemistry

Gauge the advisor's personality. Do you feel comfortable talking with him? Does he listen to you or rush on to the next question? This may seem trivial; after all, you are hiring a financial advisor, not a best friend. But you will be discussing a lot of personal information, along with business challenges. Trust your instincts before making any hasty decisions.



COACH

## Financial advisor checklist

### Advisor details:

Name			
Telephone No.			
Cell No.			
E-mail address			
Name of business			
Financial Services Provider Licence No.			

Do you have professional indemnity insurance?	NO	YES	Value:
---	----	-----	--------

### FSP licensed to provide the following services

Business assurance		Medical schemes	
Estate planning		Retirement planning	
Investment planning		Short term insurance	
Life and disability assurance			

Other services (specify)

Areas of specialisation

Other formal training

### Remuneration

How are you paid?

Commission only (includes trail fees on investments)	
Fee only (includes hourly rate, rate per job or retainer)	
Fee and Commission (combination of both above)	

### Experience:

How long have you been in business?

References: clients in similar circumstances to mine (name and phone no.)


## And finally. . .

Use your game plan! Use it as your business compass. It will point you in the right direction for continuing business success. Don't only USE your game plan, also...

### Update. Update. Update

- Update daily. Update weekly. Update monthly.
- Update *whenever* your game plan needs updating.
- And update immediately you see a need for change. Putting it off until “the end of the week” or even the “end of the day” is a good way of, well. . . putting it off.
- Remember that no plan is perfect. If a planned result does not materialise, revise your strategies. Update them. Then review your game plan against actual weekly/monthly results.
- When you revise or update your game plan, be sure that you inform the people who need to know the results.