

## Issue Forty Nine

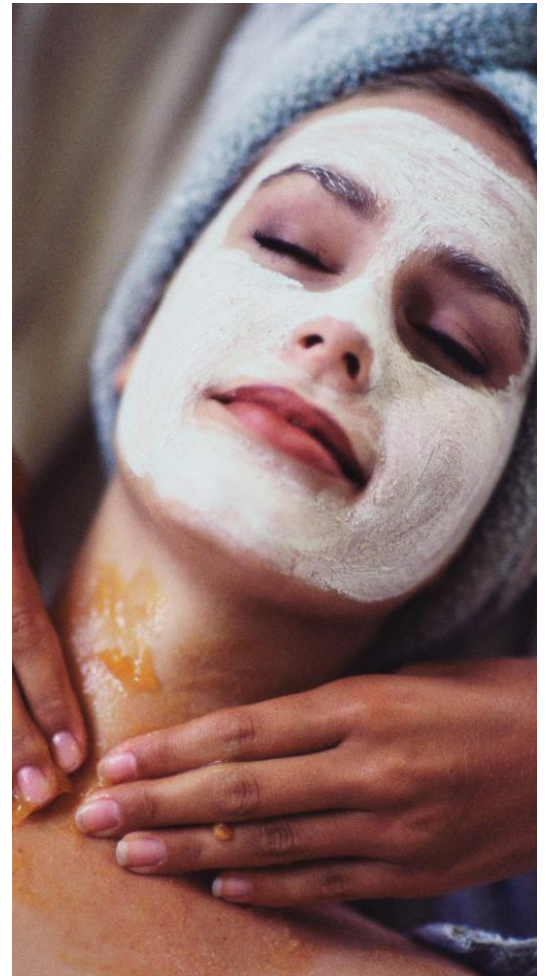
### First Impressions Count

Most people make up their minds within seconds of meeting someone whether they like them. Small business operators need to determine strategies to improve the chances of success from the first meeting of a potential customer or client. How are you going to influence these clients in the 5 seconds your business has to offer them outstanding service? Some ways this can be achieved include:

- determining greeting formats to be used when greeting visitors to your business premises
- determining telephone answering procedures - telephones should be answered courteously, promptly and in a way that the caller is made to feel very welcome

Businesses need to consider ways to improve their chances of getting a positive reaction from a first meeting or contact with a potential customer. One strategy would be to think carefully about what impressions you wish to convey to a visitor/prospect. How are you going to give them a positive message about your business?

Team managers need to understand that, after the initial judgement has been made by a visitor/prospect, it can be fairly difficult to change a negative view into a positive one. This highlights the necessity to ensure that team members are aware that first impressions count in establishing an outstanding relationship with a visitor/prospect to your business



### Business Plans - Questions to Consider

**Stock:** If your business is product-oriented, your approach to stock can be a key part of your business plan and a key to your success in the marketplace:

- Do you conduct regular stocktakes?
- Do you identify slow moving, obsolete or damaged stock?
- Have you used a stock matrix to identify your stars, problem lines, cash cows and dogs?
- Does your staff know what your 'star' stock items are?
- Does your stock ordering system enable you to have the 'right' amount of stock on hand?
- Does someone watch 'fashion trends' to make sure you are buying stock that will sell?
- Do you calculate stock turn reports on individual stock items?

Finding the balance between being able to satisfy your customers immediately and not having cash tied up in slow moving stock will have a direct impact on available cash. And a close watch on stock movement will tell you a lot about the effectiveness of your sales strategies. Ask us if you'd like a copy of the business planning questionnaire on stock.



Phone: 06 356 7103  
Email: [accounting@glendinnings.co.nz](mailto:accounting@glendinnings.co.nz)  
[www.glendinnings.co.nz](http://www.glendinnings.co.nz)

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## What Gives You an Edge?

The MYOB Business Monitor of August 2010 reported that for the first time since the Global Financial Crisis, more New Zealand business owners said they'd had revenue increases than those who said they'd had decreases. It's telling to look at where the increases were evident.

Business revenue gains were similar by location across New Zealand, though Wellington showed marginally more. Perhaps not surprisingly, bigger businesses reported bigger revenue increases. 52% of owners of medium businesses (20 - 199 employees) reported increases, against only 29% of sole traders. However, businesses with a website (37%) seemed more likely to report a revenue increase than those without (28%).

And if you reported increased revenues over the past year, you're most likely to have more in the pipeline and you're more likely to be optimistic about the future. Sounds like a no-brainer, but it's worth breaking down.

The August 2010 Business Monitor noted a direct relationship between those who presently have more sales than usual in the pipeline and those more likely to expect business revenue increases over the next year.

Manufacturing and wholesale businesses had most in the pipeline, closely followed by finance and insurance. Where an average of 34% of business owners said they had more work or sales in the pipeline than usual, 44% of those with a business website indicated they had more, against 30% of those without a business website.

The August Business Monitor reported that medium sized businesses and businesses in Christchurch showed most optimism about revenue increases for the coming year. Of all businesses, those whose revenue had increased over the previous year were most optimistic, at 64%. Next came those who identified themselves as 'Business Builders', at 54%, followed by owners of start-up businesses (51%), then business owners who have a business website, at 50% (as against 39% of businesses without a website).

If you're not starting up your business, do you see yourself as building your business? If neither, it might be worthwhile looking at your website with fresh eyes. It might be what gives you an edge.



## Your Website: Highway or Byway?

Have you thought lately about whether your website is advancing your business?

- Do customers know where to find you online?
- Does your website look attractive and easy to read?
- If you search for the products or services you deal with, does your company come up near the top of the list?
- Do you publish regular newsletters with links back to your website so clients can follow up items of interest?
- Is your site easy to navigate so prospective and existing customers can find what they're looking for quickly?
- Is it easy and secure for customers to order online?

Even if you don't sell directly from your site, make sure your site is clear about the products you're marketing and how to contact you to find out more.

Do you track activity on your website? It can tell you a lot about whether your site is working for you. Not only that. It can tell you if other sites are working for you. Social media and other sites can funnel traffic to your website.

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

## Twitter about your business

How do people find your business? And what makes them want to? Does traffic on your website come in from other sites? If you're not already, it might be time to look at social media to see if they can benefit your business.

In her article, 'Kiwis social marketing savvy' (BusinessDay on stuff.co.nz, 22 November 2010), Claire McEntee noted how Kiwi firms are using social media in clever ways to promote their businesses. The article noted how businesses are using sites such as Facebook, Twitter and YouTube to promote their businesses, conduct market research and even as a customer service tool.

It's easy to see why a certain amount of battle fatigue might hold some business owners back. There's so much to do now just to keep your businesses ticking along, with both feet on the ground. Taking it to cyberspace can seem like just one more thing to do, and one you don't know much about.

McEntee's article made the point that using social media to further your business is a long-term investment. It's a mistake to approach it in the same way as other marketing tools. Attempts to publish anything customers perceive as unadulterated marketing hype or to dictate what customers should want or need can backfire badly.

It's not easy to measure the impact of social networking on increased revenues. However, you can start to measure web traffic directed from social media sites. And you can monitor how often your products are mentioned in social networking forums. If you do this over time you can see if there's a correlation between social metrics and actual revenue or other business goals.

Look for blogs or forums touching on your industry or product range which could influence potential customers to check you out. These are proving to be key influencers on people's thinking and behaviour. Why not comment, to introduce your name, your business and your point of view. Once you see what's out there, you might like to think of hosting a blog of your own with regular news feeds that make people want to check your site.



## Navigating the Business Minefield

There are so many things to keep track of, when you're running a business. However, keeping a close eye on how you're doing can really help you.

Do you review your business' activities relative to:

- financial performance - actual versus budgets
- key performance indicators
- benchmarking your business against comparable businesses or against industry benchmark
- debtors' days outstanding
- stock and work in progress levels
- stock turn rates and cashflow position

Do you know how current events affect your business?

- Interest Rates - how will an increase affect you? Have you factored in an increase in interest costs in your forecast? It's also a good idea to review your cashflow forecast, factoring in higher interest charges
- Exchange Rate. If you are an exporter, a high NZ dollar against the US dollar will affect your business. Should you be taking currency contract covers?
- What does your forward order book look like?
- Are inflationary pressures affecting your business?
- Are there potential problems in Britain, Europe and the USA which could cause upheaval in international financial markets? What can you do about all of these factors?
- Debtors - Have you done all that you can to reduce the debtors' days outstanding? Should you be talking to your bank, or a debtors' financing/factoring organisation about raising debtors' finance?
- It's good management practice to brief your bank on the performance of your business for the year and present a summary of your expectations for business activities in the coming year.

If you'd like our assistance in conducting a review on your current business performance, please don't hesitate to contact us.

## What's It Mean?

**Accounts Payable...** (also known as **Sundry Creditors**) are short term or current financial obligations that are created through the purchase of merchandise, obtaining of services etc.

At the end of each month it is normal to prepare a list of moneys owing, (known as Accounts Payable or Sundry Creditors). Many businesses prepare an Aged Analysis for Accounts Payable (Sundry Creditors) which details the relative time period of the outstanding tax invoice e.g. 30-days, 60-days, 90-days. Businesses should keep a close eye on the level of debt owing for accounts payable to ensure that the business is paying its bills in accordance with the terms of trade of the supplier.

**Inventory...** (also known as **Stock on Hand**) is the value of goods, being purchased or manufactured, that the business expects to sell to customers during the next accounting period or year. Businesses should closely monitor their investment in inventory (stock on hand). Inventory can tie up a lot of money and can expose the business to financial difficulties if too much money is invested in inventory.

## Insurance Review of Your Key Asset

Many businesses are not carrying adequate insurance for one of the key assets within the businesses - the human beings that work within the business.

The type of insurance policies that should be considered include:

- sickness and accident cover (particularly for owners and directors)
- key person insurance (directors/shareholders) and
- insurance cover within buy/sell agreements (these relate to partnerships and companies to enable funds to be available to enable a buy out to occur in the event of the death or serious injury/illness of a shareholder)

Have you reviewed the adequacy of these types of insurance policies of the key people within your business?

If you would like us to review the adequacy of your insurance covers and determine the current valuation of your business so the adequacy of insurance covers for buy/sell agreements can be determined, please contact us.



*Love is the only kind of fire which is never covered by insurance.*

**- Anonymous.**

### An Important Message

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

