

Brought to you by the team at WG Chartered Accountants

Organising Your Credit Control Processes

Most small businesses greet the credit control process the same way they would greet a venomous snake in their kitchen. No one wants to deal with it until their life is at stake or in this case their business. With some preparation and a little courage, you can charm the snake right out of your business.

You may want to keep your records yourself, hire a third party or invest in a software programme. To get started, consider these important questions:

How will I keep track of overdue accounts? There are a number of bookkeeping software programmes on the market that will help keep track of customers

(each with different terms) buying on credit throughout the month. You can also create a report by hand, but manually keeping records of this magnitude may be a liability to your business when software programmes are cheap and user-friendly.

'..charm the snake right out of your business.'

How often should I review my accounts? Exercise some flexibility. You may want to review some accounts that are 30 days overdue on the 35th day and some

on the 40th day. Doing this will prevent 40 files one day and none the next. This is also a task that can be handed to a team member to do.

How do I verify that the accounts on my report are still overdue? You will need to coordinate your account files with the record-keeping system that tracks your sales and payments, whether it is a ledger or a software program.

To discuss any of these ideas or for assistance implementing an organised collections process, please feel free to contact us. We will be happy to assist you.



Important Profitability Ratios

The following business ratios are commonly referred to as profitability ratios. You can use them to monitor how well your business is performing.

Whether you choose to do your own financial statements or to have someone else do them for you, understanding these important ratios will help you manage your business more successfully.

Gross Profit Margin Ratio = Gross Profit / Sales. This ratio indicates

if you need to make changes in your pricing and/or your cost of goods and services sold.

Net Profit Margin = Net Profit / Sales. This ratio tells you what your net profit is as a percentage of sales revenue.

Return on Assets = Net Profit / Total Assets. This ratio lets you know how well your business is using its assets to produce profit.

Return on Equity = Net Profit /

Owner's Equity. This ratio indicates what you've earned on your investment in the business during the accounting period.

Ask us to run a Business Performance Review for you.

You'll see for yourself how various metrics combine to tell you how your business is performing and most importantly what aspects of it you need to work on.

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There Are Just 4 Ways To Grow Your Business

Understanding that there are basically just four ways to create a better business can play a crucial part in your entire business planning process.

The four ways are:

1. Increase the number of customers of the type you want to have
2. Increase the number of times customers come back
3. Increase the average value of each sale
4. Increase the effectiveness of each process in the business

(or, increase your productivity)

That's it. There are no more.

These four factors will give you critical focal points for growing your business. When combined together, they also give you enormous leverage.

For instance, given that you could increase each one of the factors above by just 10% (not too difficult a task), the total combined effect of that is an impressive 46.4% increase in

your business.

Is it possible to do that? Yes, it is.

By applying the four ways to grow judiciously, you can make that percentage increase not just possible, but highly probable.

We can help you discover dozens of strategies to help grow your business. And it all relates back to these four ways to grow. Ask us how today.

"Desire is the key to motivation, but it's the determination and commitment to an unrelenting pursuit of your goal - a commitment to excellence - that will enable you to attain the success you seek." - Mario Andretti

Play to win-win-win

Trying to garner customer loyalty without paying attention to team loyalty is like bungee jumping without the bungee. You'll kill yourself trying.

Today's experts identify an unyielding link between customer and employee loyalty. Leaders with a sense of responsibility and commitment to treating people well are far more likely to attract and retain the best employees.

They also command the respect of their employees who will see it as their responsibility to fulfill the company's mission to deliver superior customer service.

This has immediate and long-term benefits. When the service is good, there is an immediate appreciation from the customer. Additionally, it gives employees a sense of pride, ownership and

purpose.

Making a commitment to your team and your customers is a win-win-win situation. Customers are happy. Team members feel a sense of ownership and purpose. And your business will gain the trust of its customers and employees.

Brain Teaser

Answer the following question instantly. You can't take your time. You have to answer immediately. Let's find out just how clever you really are.

First Question:

You are participating in a race. You overtake the second. What position do you finish?

Answer: Nope, not first. You overtake the second and you take

his place so you arrived second!!!

Second Question:

Very tricky math!

Note: This must be done in your head only. Do NOT use paper and pencil or a calculator. Try it.

Take 1000 and add 40 to it.

Now add another 1000.

Now add 30.

Add another 1000.

Now add 20.

Now add another 1000.

Now add 10.

What is the total?

Answer: Did you get 5000?

The correct answer is actually 4100. Don't believe it? Check with your calculator!

Be Picky when it Comes to Your Customers

That's right. It's your job to make them want you as much as it is to give them what they want. It will be a whole lot easier if you know exactly whom you want.

If you haven't done so already, be sure to clearly define the type of customers you want to have. Be as precise as you can in identifying them. For example: We serve family and individual outdoor recreational enthusiasts of the Gloucestershire area. Our

customers are likely to be in the middle to top income bracket, will likely shop the Internet and are drawn to the latest and greatest gadgets, equipment and outdoor sports. An example that is too general would be: Our customers are campers.

Like everything else, success requires communication. Be sure that everyone on your team knows who they are serving and

why they were chosen to work for you. Membership as a customer or an employee is a privilege.

Think about your most desirable customers. How would you describe them? What characteristics do they share? It pays to know this when you consider that the majority of business comes from repeat and loyal customers.

Resistance to Change

Resistance to change often stems from the extent to which the changes impact each worker personally.

Remember that reluctance is often the product of insecurity or threats to one's feeling of competence. Some people feel comfortable with old systems and fear learning new systems. Complaining, camouflaging errors, withdrawal, apathy or overt anger are common manifestations of

fear and reluctance. Stay positive and focused during these periods. These behaviors are signs that your team is actually going through the change process. Address these behaviors head-on and make opportunities for people to *constructively* address their hesitation or reservation. Now is the time for support and encouragement. Some will need more than others.

Look forward to more discussions about change in future editions of this newsletter.

If you're in the process of introducing change in your business, we are happy to assist.

*"Your one big opportunity may be right where you are right now."
- Napoleon Hill*

Great Leadership Builds Great Businesses

According to a survey of business coaches, leaders need to pay more attention to, and focus more closely on, their people skills in order to remain productive and efficient. These are five common pitfalls.

1. Poor communications skills - both written and verbal, which 41% of survey respondents selected as the main top-level management

problem in their organisations

2. Failure to develop subordinates - chosen by 32% of human resource managers

3. Rigid and inflexible management behaviour - 29%

4. Indecisive and/or nonassertive management behaviour - 20%

5. Not being a team player - 18%

Consider getting some feedback from your team, to see if you can improve in any of these areas.



5 Tools for Handling Criticism

Criticism doesn't have to hurt or elicit anger. Here are five ways to lessen its impact.

1. Consider an Apology: When appropriate, it shows your regret that a conflict or misunderstanding is occurring.

2. Agree: If the criticism is valid admit your responsibility and apologise. You might agree by saying, "You're right, I do interrupt sometimes. I'm sorry." Then drop it and move on.

3. Share Your Perspective: If you do not agree with the criticism, communicate how you see things without placing blame or personalising the situation. Wait awhile after hearing the criticism so you don't seem "defensive." Give it some time and then state

your side.

4. Make amends: If you did or said something deserving of the criticism, think about what you can now say or do to "mend fences" with the other person.

If you are unsure, ask the

*'Criticism.
Lesson its
impact.'*

person, "What can I do or say to make this up to you or to help make things better between us?"

5. Set Some Boundaries: Use this technique when you get criticism in an abusive manner.

Even if you did do something to warrant some criticism, you have the right to put limits on how you are treated! Be polite, clear, and firm.

Make sure your limits are clear and reasonable.

We can help you increase trust and improve communication in your organisation.

Benchmarking - Where are you?

- How can you find out how well or badly you're doing?
- How much better or worse are your competitors performing?
- And how can you improve?

businesses in the same sector

No two businesses are the same, but ALL businesses work in competition against each other to gain market share

across sales growth, profitability, staff costs, cash/loans, and return on investment, to others in your sector

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Contact Simon

on 01242 260445 and Benchmark your business today

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