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'the personal touch'

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4 Ways To Grow Your Business

It may sound simplistic but basically there are four ways to create a more profitable and valuable business:

- Increase the number of customers (of the type you want)
- Increase the number of times customers come back
- Increase the average value of each sale you make
- Increase the effectiveness of each process in your business.



1 Increase the Number of Customers (of the type you want)

In most businesses, 80% of sales and profits are generated from 20% of the customers so it's really important to be clear on the type of customer you want to attract. You also need to understand your customers' needs and preferences so you can market to those needs. It is vital that all of your advertising and marketing materials focus on the BENEFITS customers will receive rather than just the features of your products and services. Think about what you do differently from your competitors and make sure you thank your clients for any referrals and continually encourage additional referrals.

2 Increase the Number of Times a Customer Comes Back

Increasing the 'transaction frequency' - or the number of times someone deals with you is an important step to increasing your profitability. In fact studies suggest it costs up to 6 times more to win a new customer than it does to have an existing customer buy again. The most important customer list in the world is the one you already have. You need to provide awesome service that will keep your customers returning and referring. Things like 'thank you' letters to nurture your relationship with clients, invitations to special events liked 'closed door sales' or 'product launches' will all help to keep you uppermost in your clients' minds.

3 Increase the Average Value of Each Sale

Increasing your average sale makes every transaction more profitable. The cost of winning a new customer has already been covered in the original purchase, so additional sales are profit for you. Customers come to you for help and guidance. So it's important to let them know about all the options, including additional products or services that are available to add to the original purchase. Cross selling ('would you like fries with that?') increases the average value of a sale. While your business may be a little more sophisticated than fast food, you probably sell products or services that complement each other that can increase the average sale value. We can assist you with looking at the direct relationship between the 4 key variables in your business - price, volume, fixed costs and variable costs.

4 Increase the Effectiveness of each Process in your Business

This is more of an all-encompassing strategy. These days the **way** we do business can be just as important as **what** we do. When you start to look at your business as a series of processes you begin to define the quality of the outcomes. It is therefore important to develop functions, systems and manuals that clearly spell out how to do every single business task and make it easy to train team members and delegate work. This leaves you more time to develop your business.

The Compound Effect on Sales

To illustrate the compound effect of these 4 key profit drivers lets assume you have 1,000 customers and look to increase that by 10% to 1,100. Next, increase the number of times your customers come back to you by 10% (1

The greatest compliment we receive from our clients is the referral of their friends, family and small business colleagues. Thank you for your trust.

4 Ways To Grow Your Business Continued

time to 1.1 times per annum). Then, increase your average sale to the customer by 10%.

Number of Customers x Number of Dealings x Average \$ Sale = Total Sales

Now: 1,000	x	1	x	\$250	= \$ 250,000
Plan: 1,100	x	1.1	x	\$275	= \$ 332,750

Sales have grown by 33%. If your profit margin is just 30% your profit has increased by \$24,825 and the value of your business has also grown.

Work **ON** your business not **IN** it. The business owner stuck handling day to day tasks will only achieve slow growth if at all. You need to step outside these activities and look at the business objectively with our help.

Small Business is Our Passion and our goal is to help you build a better, more profitable and valuable business by combining the knowledge of your business with our consulting tools and expertise. Talk to us today about the '4 Ways to Grow Your Business'.

Recession Proof Your Business

In this country we seem to have a recession-like economy happening every seven to nine years and almost 75,000 Australian businesses were wiped out in the last downturn. While evolution in animals dictates that only the fittest survive, in a recession it is generally survival of the smartest.

With all the recent media attention focusing on the possibility of the current economic downturn turning into a full-blown recession, it's time to spend more time working ON your business. While we don't have a silver bullet to recession proofing a business, over the next few editions of On the Money we will examine some characteristics of successful businesses.

1. Improve the Quality of Your Financial Records

In boom times it's very easy for business owners to ignore the quality of their financial reporting system and turn a blind eye to financial management issues. Unfortunately when these bad habits spill over in to difficult economic times it can have catastrophic consequences.

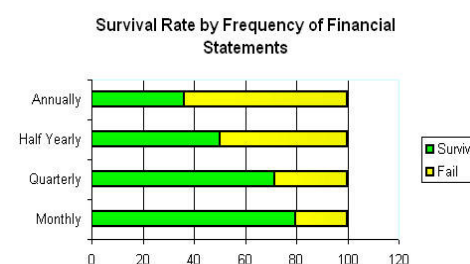
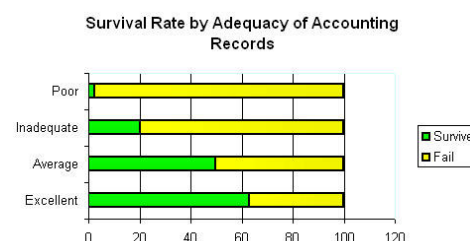
The most basic requirement for a successful small business is good accounting records. Up to date, accurate financial records lets you make informed business decisions. They provide vital management information needed to grow the business and monitor key performance indicators.

Despite the introduction of GST some 8 years ago, the majority of small business owners are still using accounting software beyond their business needs and level of accounting skill. The net result is they generally produce 'computerised shoebox' records that should not be relied upon when making financial or strategic business decisions.

If you don't understand double entry accounting principles including debits and credits, it is time to review your accounting software. As a rule of thumb, you should have financials available within 7 days of the end of each month. This is supported by an Australian survey that suggests that a business' very survival depends largely on timely and accurate records.

Well managed businesses also produce a 'weekly snapshot report' so they can monitor sales, debtors and creditors, cash at bank and on hand, sales in the pipeline and work In progress.

You also need good accounting records to demonstrate your financial position to banks, other lenders and prospective buyers at some time in the future. These parties will want to track your historical performance and will demand current trading data. Last but not least, the Tax Office also require you to keep and maintain business records including source documents for at least 5 years.



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