

Five tips for your small business

According to **The CPA Australia Asia-Pacific Small Business Survey 2013**, global economic uncertainty is continuing to have an impact on many small businesses. We offer the following five tips to help small businesses manage through uncertainty.

1. Seek professional advice

With the survey results indicating that many businesses can improve on how they run their business, we recommend that small businesses seek the advice of qualified professionals, such as accountants, on a regular basis. Independent professional advice can be very useful in assisting businesses improve their strategic direction and their business management practices, and hence better position businesses for growth.

2. Invest in marketing

The survey indicates that many small businesses are relying on increasing sales in 2014 for growth. It is therefore important that businesses have a marketing strategy to achieve that increase in sales.

We recommend you:

- develop an annual marketing plan that is supported by adequate resources
- ensure that there is sufficient cash flow to implement the plan
- understand what your existing and potential customers want
- ensure that any promotion is supported by appropriate stock levels
- have separate strategies for attracting new customers and retaining existing customers
- undertake activities that are measureable

3. Review your business plan for the changed environment

If business conditions change, it is good practice to revisit your business plan and budgets and amend them to reflect current circumstances. We recommend you:

- review the assumptions underpinning their business plan and, if those assumptions have changed, amend the plan to reflect the changes
- evaluate their performance and incorporate strategies to improve performance in the business plan
- reflect any amendments to the business plan in budgets and forecasts

4. Review your cost structures for savings

Increasing business costs are a concern in most of the markets surveyed. If a business cannot bring costs under control, or pass increased costs onto customers, it reduces cashflow and profitability and can impact the future viability of the business. We recommend you consider:

- reviewing costs under their control – businesses should be strategic when cost-cutting as it is not uncommon for businesses to cut aggressively, only to have to reverse some of those cost-cutting measures later on
- asking suppliers for discounts and/or changing how and when they deliver stock. This can, for example, reduce warehousing costs if suppliers can give "stock on consignment" or if they supply on a "just-in-time" basis
- comparing their cost structures with both past results and other businesses in the industry to identify areas for improvement

5. Improve your efficiency

The survey results indicate that some businesses need to focus on getting more from existing assets and staff. For a business to be successful in good times and bad, it needs to ensure that the business is operating as efficiently and effectively as possible. We recommend:

- evaluating the current performance of the business by collecting data on business performance and comparing that performance to previous performance, industry benchmarks and the strategic goals of your business
- identifying key drivers of the business and setting goals for such drivers
- regularly evaluating the performance of identified key drivers against goals and identifying areas for improvement. The best way to do this is to develop a system that presents evaluations in a clear and concise way, such as dashboard reporting
- implementing strategies from evaluations and monitoring their effectiveness, and thus adjusting the strategy as necessary

Although business conditions seem to be challenging, opportunities remain likely to emerge. Small businesses should not turn a blind eye to such opportunities if they are consistent with the strategic direction of the business, and can be properly funded. Businesses can also create their own opportunities, such as by seeking out new markets.



Liability limited
by a scheme approved
under Professional
Standards Legislation

736 Waverley Road, East Malvern Victoria 3145
PO Box 167, Chadstone Centres Vic 3148
T 03 9530 4722 F 03 9563 3018
E enquiries@profitfocus.com.au
W www.profitfocus.com.au
ABN 40 359 253 386



Profit Focus Partners Pty Ltd
is a CPA Practice