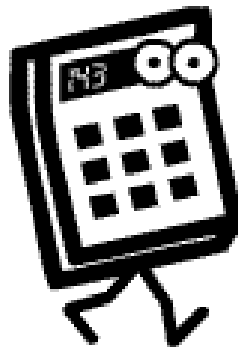


SPECIAL E-REPORT

Doing Business Through The Economic Downturn



Boogles Ltd

“It’s a numbers game!”

By Boogles

www.booglesltd.com

About Boogles



Boogles Ltd is primarily a bookkeeping service, operating in the London UK region, looking after clients in a wide variety of industries on an ongoing basis. We manage the payroll function for many businesses across the UK, we run bookkeeping courses, sell bookkeeping programmes of partner software companies.

Established in 2004, Boogles has a full appreciation for the numbers when operating a business. Managing the books and accounts for clients, has given us a real insight into cash flow, budgeting, credit control – and the mistakes that owner/manager make, which effect their profitability. During an economic downturn, efficient businesses will profit and survive.

Boogles loves working with numbers. And has even created a maths game on CD for primary school children called ‘Making Numbers Fun!’ see www.boogles.biz for an online demonstration. The numbers simply tell a story, and as business owners, it’s our jobs to make that story a good one.

About the Author

Lisa Newton founded Boogles Ltd in the same month of graduating from City University with a Masters degree in Investment Management. Having never held down a full time 9-5 job in her life, Lisa started the business with just £150 and has successfully grown the operation to employ around 20 staff. Having worked closely with companies, looking at their figures, she is in a unique position to really understand what goes on in a business... the good, the bad and the ugly!



Lisa is an award-winning entrepreneur (Enterprising Business Award Feb 08 & Precious Online Young Entrepreneur of The Year Award Nov 07) and the author of the ‘Busy Manager’ series of Boogles books. Lisa write a regular money column called ‘Money Talks’ and can be contacted via her blog at www.boogles.tv

Managing your cashflow

CASH is the lifeblood of any business. A business can be profitable on paper (by selling goods on credit), but if there is no CASH forthcoming, to pay for those sales, then that business will fail. Cash is King.

There is a saying:

Turnover is vanity, but CASH is sanity.

To keep on top of your cashflow, you need to have good bookkeeping systems in place, so that you invoice efficiently, and manage your debtors effectively. You need to have procedures in place, when you are not paid on time. It is no good having an effective sales force which sells, sells, sells – but nothing or no-one in place to collect. Either appoint a bookkeeper, or specifically a credit controller, to collect that money inwards.

In an economic downturn, you may find that your customers are paying you more slowly. You have to monitor this. You cannot allow them to affect your operations. This is like a food chain, and when you are paid late, and in turn, you then have to pay your suppliers late – then it all has a knock on effect.

Be aware of clients taking longer and longer to pay, but wanting to use your product or service. If you don't keep your eye on this, or set every single account a credit limit, then one day, you may be going through the accounts, and you could find you have an unacceptably high level of debt outstanding from one individual customer.

Do not assume that just because they've been customer who always paid on time previously, that this will continue into the future. This is a huge mistake that businesses make. Also, don't allow 'big name brands' to stretch out their credit limit with you either. When Woolworth's went into liquidation, how much do you think they owed their suppliers?



If you are worried about any customer (and there's always one) that is just uncomfortably high... you can put a stop on their account. And ask that a payment be made, so that they stick within their agreed credit limit. And to avoid future repeat episodes of this, change your credit terms – ask for a payment on account, or cash on delivery.

There are lots of things that are possible. If you are sitting there reading this, thinking “yeah but you can't do that in my industry” then all I can say is ‘GOOD LUCK’. A customer who doesn't pay is not a customer, but a thief.



Remember, you need to have vision. And just because it's never been done in that way before, doesn't mean it never can be. It could just mean that no one has had the foresight to think it through, or to try something different.

Many small businesses don't have credit terms or what they do have is outdated and not really worth the paper it's written on. All businesses should have their terms of business in writing – so that all parties are clear on what to expect when doing business.

In an economic downturn, be aware of new clients appearing suddenly, out of the blue, who are really keen to open an account with you. You may want to credit check people, or ask for references. It could be perfectly innocent – they've moved their business to you because they heard about how wonderful you are... then again, it could be because they've exhausted their credit lines with everyone else – and need another company to use.

In this environment, it's important to support your fellow business customers, but not to the detriment of your own business. It could be an idea to swap services in this time, because people are just focused on the end result. They need something doing (service), or they need a thing (product). Swapping means it is win: win, and that's important. CASH is an important commodity, and even more so in a credit crunch. A crunch, by definition, means the credit, the cash isn't available. You need CASH to pay wages, to pay the VAT, Inland

Revenue and suppliers. If you fail to pay any of these parties, on time, then there will be consequences.

If the boot is on the other foot, and you are finding it increasingly difficult to pay your suppliers on time, then don't hide from the phone, or be scared to open the post... instead, make a workable plan, contact your suppliers, try and keep them on side, by at least sending SOME thing. A part payment is better than no payment. They'll appreciate it.



Credit Control Offer

We offer a credit control service, whereby we can come on site and go through your aged debtors list. We contact everyone (by phone, fax, email or letter) and make a note of what payment was promised. And we can follow up the list the next week. Or, you can post us a list, and we'll contact them from our office.

Previous clients reported a marked increase in their cashflow inward within 2 weeks of this exercise. Please see our website: www.booglesltd.com for further details.

The worse thing you can do is to allow the credit control to get out of hand. It's better to know sooner, rather than later, if there is going to be a problem with any of your customers.

One difficulty that many small businesses have (when they don't have a bookkeeper or credit controller to take care of this function for them), is that they, the owner / manager is doing everything... so not only do they pitch for the work, but they deliver it, and then they have to chase the payment for it.

Except, in the last bit (because many people have a phobia about asking for money), they leave it, just hoping their invoice will be paid promptly... and it can be difficult to manage 2 roles – one of asking for payment, and the other one of selling the businesses goods & services, so we'd always advise you have a separate person dealing with each function.

Invoicing Tips

✓ **Payment terms should be stated on the invoice.**

It is staggering how many businesses send invoices without any indication of when they expect to get paid – be it “30 days” or “7 days” or “upon receipt” – so you can’t be surprised if payments are received late. Perhaps the recipient didn’t realise when it was due.

✓ **Make the payment options clear.**

If you’d prefer to be paid by BACS – then state this on your invoice, AND give your bank details – the sort code and account number. Or if you prefer a cheque, then state “please make cheques payable to” – simple things like this, mean you’ll get your cash in quicker, and in turn, this is good for your cash flow.

✓ **Allow all payment methods.**

You can accept credit and debit cards either via your bank (get a merchant machine), or set up a paypal account (for free), and accept credit card methods that way. Make it easier for customers to pay you! Set up a direct debit scheme, so that you can collect your money automatically, without having to wait for ‘the cheque in the post’.

✓ **Invoice as soon as a job is completed.**

Or, invoice at least weekly. Again, there needs to be a process for this, so that jobs don’t “slip” by, un-invoiced. Preferably the bookkeeper takes the responsibility for this.

✓ **Invoices must be accurate.**

Customers may refuse to pay invoices that are incorrectly addressed, or with the wrong price on, so all these things can delay payment, so you want to get it right first time.

✓ **Send invoices electronically and by post.**

Sometimes, invoices genuinely haven’t been received, and so are paid late. To avoid this situation, always get the email address of the person in accounts payable, and email them a copy, as well as posting one. An emailed invoice will get there days before the posted copy, and may well be paid faster too.



Cash flow forecast



A cash flow forecast is a projected estimate of your timing of payments. In other words, its when you expect cash to come inwards, and when you expect to pay cash outwards. The aim of the game is to stay in the black. You can prepare a daily forecast, a weekly forecast or a monthly forecast. It helps you to plan ahead.

If you find that you look like you are going to dip into the red at some point in the future, then it gives you time to make a provision for that cash NOW. It's always easier to arrange an overdraft or borrow money when you don't really need it. So, it helps to be on good terms with your bank manager, and get an overdraft facility in place to dip into, should you need it.

Applying for an overdraft before you really need one, will show your bank that you are planning, you are being prudent, and you are managing your account wisely. You are a good risk. Despite the credit crunch, you shouldn't have a problem getting an overdraft, if you can justify it's use, and you show that you have a healthy business and can plan and manage your finances effectively.

There are various options that could be feasible, should you note that you forecast your cashflow to run negative.

Alternative choices to fund your cashflow

Overdrafts

- ✓ Good for short term, quick dips into the red, but an overdraft can work out to be quite expensive if it's an area that you constantly live in.

Credit Cards

- ✓ Credit cards should come with a health warning, and you do need to be extremely disciplined in order to manage these effectively. BUT, they can be very good in the short term if you can find a 0% on purchases deal, because then you can pay for purchases on the card, and repay the card in full when the 0% runs out. OR, they can come in handy to pay

for a purchase, and as long as you pay off the card statement balance in full when it comes, then you won't suffer from paying extortionate interest rates. Credit Cards can give you around about 50 days 'breathing space' from when you put something on your card, to when the card actually needs to be paid (so that you avoid the high 18% + interest rates charged).



Loans

- ✓ A business loan is ideal to fund major purchases or to consolidate debt that perhaps you've built up on credit cards or the overdraft that you can't seem to shift. A loan will normally be at an interest rate which is less than the credit card and overdraft, and you'll have a longer time frame to repay it, and so it could be a very good way to just get a grip on the business, and chip away at repaying debt over the medium to long term.

Swap services

- ✓ Sometimes we need 'cash' to pay for services, e.g. 'printing' or 'legal agreements'... but if you can come to an arrangement with your supplier, whereby you do a service for them e.g. we'll do your bookkeeping, and in turn they do a service for you e.g. we'll print your books... then you don't 'need' cash. And this can work extremely well, and often both parties can make a significant cost saving. What they'll 'spend' instead will be their time.

Change suppliers

- ✓ Likewise, as above – if there is something that needs to be doing, think about how you can get it done without spending cash. Perhaps student labour? (I said student labour, not slave labour). Or what about using subcontractors, (instead of employed staff) and negotiating payment terms that allow you to pay them, once you've been paid for the job.

By Invoice – 50% Payment on Account

- ✓ If you work in an industry e.g. events management, which require deposits, or payment for things in advance, then you don't have to fund this out of your own cashflow. You can always ask the client for a payment in advance / a payment on account / payment in stages, so you can use that money to finance the operation.

Invoice discounting / factoring / invoicing finance

- ✓ Some of these terms are used interchangeably, but for the purpose of this, we're thinking about service-businesses e.g. employment agencies that NEED CASH to pay people weekly. Different banks have different offers, so shop around, but the basic idea is that you invoice a customer, you send the invoice to the bank and they will release "80%" of the invoice value to you within "24 hours". This will cover your wages bill, and you can trade.

There are variations to this. Some agreements are that the bank/factoring company will collect the debt for you, and there'll be a fee involved. Once the invoice has been paid, they'll take their cut and remit the balance to you. In other cases, you have to collect your own invoices. Different banks and different companies have strict criteria on – industry, turnover, client type – and only if you meet their criteria will they take you on as their client.

Asset leasing

- ✓ Depending on what you need the cash for, then asset leasing could be an option. Instead of trying to buy plant, equipment or machinery directly out of cashflow, it could be an idea to "lease" these items. Popular items funded by asset leasing are computers, photocopiers, company cars & vans and machinery. The benefits of leasing are often that the installation, maintenance, servicing and insurance are all included as part of the deal and should anything go wrong, the lessor will fix it or replace it at no extra cost. You pay for the continuity of service.



Investment – equity or loan

- ✓ It could be that you are running out of cash, as the business is growing, and what it could really do with, is an injection

of equity. This is money being invested. This could come from you, (perhaps re-mortgaging), friends and family, or a ‘dragons den’ type investment. But just be aware of how much of the business you’d have to give away, and whether you really need ‘equity’ or just short term financing.

Paying VAT, Inland Revenue, Taxes

Often, it’s the VAT bill that can really catch you out. Despite knowing that it’s due quarterly, the amount of businesses that fail to plan for this, or to set anything aside to cover it, is alarming.

Likewise, Inland Revenue are normally paid by the 19th of the month, and businesses can find themselves in the same situation – not enough cash to pay the tax and national insurance due.

If you find yourself in this situation, the best thing is to contact your local tax office who (believe it or not) can actually be quite sympathetic towards businesses. You can come to an arrangement with them, to pay the amounts due.

Ideally, you should open a deposit account, and anytime you receive in money, take the vat element, and put it into that deposit account, so that when the time comes to pay the VAT bill, you should have the money to cover it.

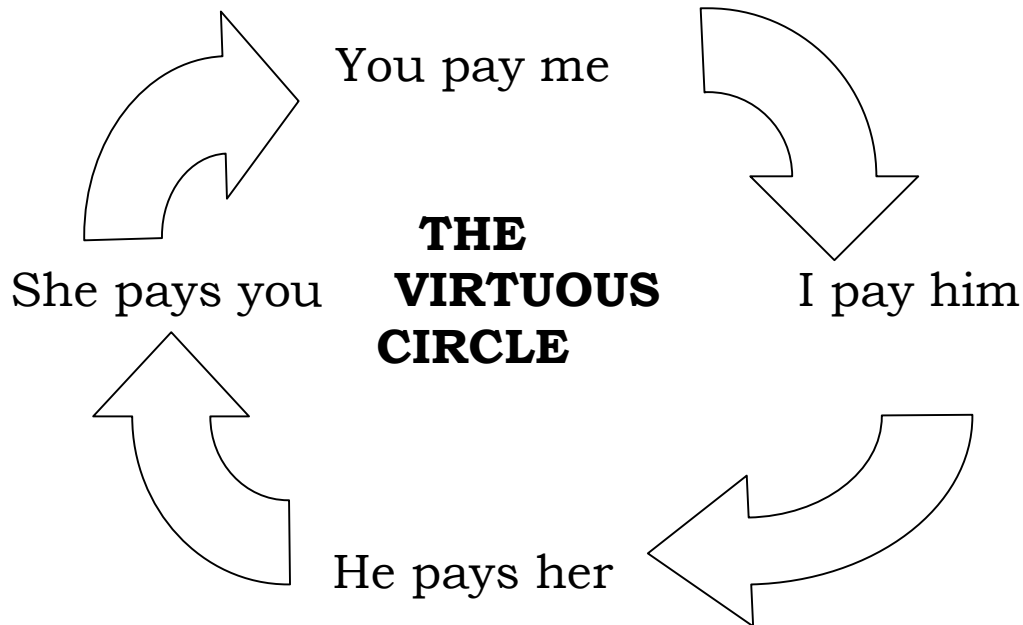
Banks collapsing

If you are worried about having too much money saved with one bank, then remember that in the UK, business accounts are “guaranteed” by the UK government, up to the value of £50,000.

If you have savings over this amount, it could be worth transferring a part of it – the VAT savings account to the Bank of Ireland who are 100% backed by the Irish Government until 2012. Contact Kris, at kris@bankofireland.ie for information on how to open a savings account (minimum deposit £50,000).

Dealing with Bad Debts / Dead Bats

Cashflow in business is a virtuous circle.



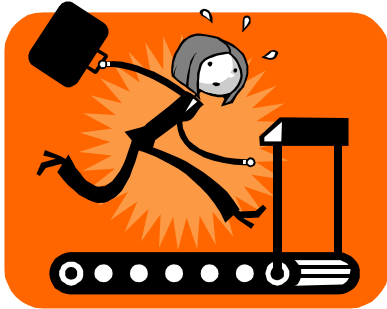
In 2009 you want to be dealing with good suppliers & customers. If you work on your part of the circle, and deal only with others committed to working on their part – then you'll be fine.

The true cost of a bad debt

Perhaps you've been lucky when running your business to date, and the bad debt cost hasn't been enormous, however, one of the challenges in 2009, is to keep it that way. It is unfortunate, but in an economic downturn, many businesses will be unable to survive. And if you are exposed to a bad debt, then this could seriously impact your own profitability, and survival chances.

Do you have any idea what your profit margin is? If not, ask your accountant, but let's assume that you have a 10% profit margin. This means that for every £1 worth of goods sold, when costs are removed, you make a 10p profit. Sound good? Right, well if you sell £5,000 of goods to Bob. Bob takes your goods, but doesn't pay. Then you'll need an extra: £50,000 in sales revenue JUST to

get back to square 1, and make up for that loss. That's a lot of extra work, and a lot of extra effort, to stay in the same spot.



If your profit margin is less, say 5%, then you'll need to sell an additional £100,000 – just to stay on the same spot.

It's a lot of hard work.



Avoidance of bad debts is best.

- ✓ **Don't just extend credit to any and everyone.** There is no written rule that says, "You must give credit." I challenge you to walk into your local supermarket, do your shopping and walk out again without attempting to pay – and see what happens. "Shoplifters will be prosecuted." - Is a common sign in most retail establishments.
- ✓ **Set clear limits for each customer.** This will reduce any potential losses greatly. They'll either pay up, or take their (non paying business) elsewhere. You can't really go wrong.
- ✓ **Consider credit insurance.** You can get insurance for just about anything these days. Speak to Jason Cobine of Carmelson Insurance, mention 'Boogles' and ask him what quote he can give you on insurance.
- ✓ **Know who you are dealing with.** At Boogles, we have to do money-laundering checks on businesses, so we have no choice, but to know who our clients are. How well do you know who you are dealing with? Do they have any CCJ's? (County Court Judgements).

Watch out for the **early warning signs** of trouble.

- ✓ **Gut instinct.** Sometimes, you just “know” that you are dealing with a slippery person. Get out of there as fast as you can. You’ll only beat yourself up about it later.
- ✓ **The cheque is in the post.** Watch out for cheques that never arrive.
- ✓ **The cheque is incorrect.** Watch out for when the cheque finally does arrive, that it’s for the wrong amount, or made to the wrong person, or it’s not been signed.
- ✓ **Excuses.** The cheque signatory is away, we didn’t get your invoice can we have another copy, or anything along those lines.



- ✓ **Rumours.** If you hear staff complaining, or other suppliers are finding it difficult to get paid too, then watch out.
- ✓ **Constant complaints.** If you have a customer who you are not satisfying, then perhaps its time to call it a day. Unfortunately, not everyone will be delighted with your product or service, and perhaps you may need to let them go (gently), because it’s bad for staff morale and it’s not nice for them always moaning at you all the time. It could be that they’re building up to an excuse not to pay. So ALWAYS deal with complaints and investigate them thoroughly. If they’re unwilling to accept a reasonable compromise, then this should tell you something.

Cure. You have a potentially bad debt, now what?

- ✓ **Don’t panic!** Try to establish contact with the client, and see if there is a way forward.
- ✓ **Is it can’t pay or wont pay?** If the client can’t pay, and is going into liquidation / administration, then it may just have to be something you put down to experience. If the

client won't pay, then try to find out why, because history has a habit of repeating itself. Did they receive the invoice? Was it correct? Have there been any complaints? Were they resolved speedily? What else could there be?

- ✓ **Compromise.** Something is better than nothing. Even if they take '10' months to pay you, that's a better arrangement than writing off the debt completely.
- ✓ **If they won't pay, is it worth the effort?** People and their principles will keep a lot of litigation solicitors very happy in 2009. Apply some common sense to all bad debts. The effort, time, money and energy you could spend battling it out in court could be to the detriment of your health, and of the health of your business. So, choose your fights carefully. Have you got terms of business? Witnesses? Evidence? Money to pay the legal fees? Will it be worth it?



- ✓ **If there is a chance that they might pay, then prepare to do battle.** You can send a solicitors letter first. Negotiation / mediation is always better. I doubt they want to go to court, as much as you want to go, to just always try to work something out. If you do start proceedings, be prepared to see the whole process through. The Small Claims Court can do debts up to £5,000 or the fast-track procedure in the County Court can do claims up to £15,000. You may be tempted to try and represent yourself in court, but we wouldn't recommend it.



We do legal bookkeeping especially for solicitors: www.boogles.org so if you are looking for a solicitor who deals with litigation & debt collection, do let us know, as we know a few.

Staying Profitable in a Recession

During a downturn, sales may fall, but the key is to understand that there could just be a general all-round reduction, and so your job is to reduce your costs accordingly, to ensure that your profit margins stay in line.

Profitability explained

Profit & Loss Account	
For ABC Ltd	
For year ended 31 Dec 2009	
Sales Turnover	£100,000
Cost of goods sold (Opening stock +Purchases - Closing Stock)	£10,000
Gross Profit	£90,000
<u>Expenses:</u>	
Rent, Rates	£5,000
Gross salaries	£60,000
Advertising, Marketing	£5,000
Insurance	£1,000
Expensed Equipment	£2,000
Telephone, Internet	£2,000
Professional Fees	£3,000
Travel & Entertainment	£4,000
Bad Debts written off	£2,000
NET PROFIT	£6,000

ABC Ltd made sales of £100,000 widgets.

There is a cost of getting in stock, to resell e.g. warehousing costs etc.,

After allowing for these Direct costs, they have a Gross profit.

The expenses are fairly common in any business.

They have a net profit margin of 6%.

We have to keep an eye on the Net Profit Margin. Even if sales drop to “£95,000”, as long as the Net Profit Margin remains at 6% - that’s £5,700 – then “in real terms” the company is no worse off. Remember turnover is vanity. We have to keep an eye on the bottom line. And the bottom line is NET PROFIT.

Reducing Costs

It may be too simplistic to just say if your sales fall by “5%” then cut your costs by “5%” too, because not all costs are easy to cut.

Costs – Fixed & Variable

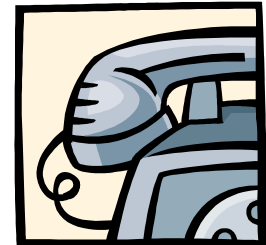
FIXED COSTS

Fixed costs have to be met, regardless of how much you sell. In the example of ABC Ltd above, the rent would remain at £5,000 – whether they sell 1 widget or 50 widgets! If you rent desk space, and you have ‘4’ desks, then perhaps you can cut back and just have ‘3’ desks, but if you are in a factory setting, then reducing the rental cost may not be that straightforward.

Perhaps you could rent out part of your space that you aren’t using to reduce the expenses, but by and large, the fixed cost has to be met – whether you pay it 100% yourself, or through sharing it with another party.

Example of fixed costs are:

Rent, telephone line rental, admin office salaries.



VARIABLE COSTS

Variable costs have more flexibility to them. Some costs e.g. the phone bill should rise when you are busier, and fall when business is slower. Salaries are a direct cost of business, and if there is more work to be done, then you may hire temporary staff to do the work.

In this climate, businesses have been reluctant to let people go entirely. Hours may be reduced, in the hope that when the upturn comes, the hours can be increased again. The mistake many businesses made in the last recession was to make redundancies, pay out for those staff cuts, and then when the upturn came, they couldn’t benefit immediately because they had to go out and recruit and train people up, all over again.

Example of variable costs are:

Advertising and marketing, insurance cover needed, professional fees



Cost Cutting

Don't be too hasty to start making cuts, but likewise, don't leave it too late and waste money. It is important not to be penny pinching, and to know WHERE to cut costs – in what areas.

AVOID COST CUTTING IN:

- ❑ **Sales and marketing** – you could start a downward spiral. Sales drop, so you cut the marketing spend. No-one has heard about your business. Sales drop. You cut more off the marketing spend. You have to attract new enquiries.
- ❑ **Staff** – you need people to run your business. If you HAVE to let people go, then think about it carefully. The best companies have an policy of inclusion with their team. “We're all in this together folks” – because you are. Suggesting a 4 day work-week, or shorter working hours (and pay cut) as a “temporary” measure may be a better first step, then just going in for across the board head cuts.
- ❑ **Equipment / Maintenance machinery** – don't start cutting corners in areas which you depend upon. A machine that isn't serviced regularly can cost you more in the long run, than if you just had an engineer on site once in a while to check everything was ok.

A COST CUTTING EXAMPLE

American Airlines saved \$40,000 in 1987 by eliminating one (1) olive from each salad served in first-class !!

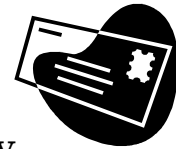
Think of ways to improve your bottom line...

Reduce your portion size, but keep your price the same.



PROMOTE COST CUTTING IN:

- ❑ **Non essential expenditure** – in every business this could be different, but things like entertainment, “going on a jolly” can be cut out.
- ❑ **Look for ways to reduce common bills – e.g. stationery, utilities, travel, postage.** For example, using both sides of the paper, not printing out absolutely everything can save a lot of money. Also, sending things by 2nd class post, or email can save time and money. Is 1st class travel absolutely essential? Try economy class for a change – you still get there. And utilities – try using skype or VOIP when making business calls overseas, instead of the normal landline.



Staying Ahead of the Game

You have to stay alert at this time, and keep an eye on how well the business is going, despite all the economic turmoil.

Key Business indicators are:

- ✓ Turnover – are sales going up, going down or staying the same... likewise
- ✓ Costs - keep an eye on your expenses – make sure that they’re not creeping up, but are staying in line with the sales.
- ✓ Enquiries – how many email enquiries are you getting, compared to this time last year? Number of website hits? Foot fall into your shop? Are you busy? Not so busy?
- ✓ Debtor days – on average, how long are your customers taking to pay you? Is this within your agreed credit terms? How is your cashflow?
- ✓ Stock – is your stock still sitting on the shelf? Try not to tie up too much cash in stock, because you need CASH to pay bills.

Doing Battle with the competition

During a downturn, competition is bound to intensify, and one of 2 things will happen. Some of your competitors will walk away from the game. They've had their fun. And others will stay and fight it out. Even if the cake shrinks, but some people leave the party – there is still enough to go round. BUT, if competition looks fierce in your industry then you too have a choice. Stay, cut prices, fight it out, or rethink your game plan.



Business doesn't have to be cut throat. If you can work in collaboration as opposed to fierce competition, then that could be best for all parties included.

It could even be that you take this time to consider widening your own product line, to take advantage of the opportunities that are being created everyday in the new world.

Finding growth opportunities

You can view the industry that you are in, in terms of markets and products. Each 'route' has its advantages and disadvantages.

For example Joe Bloggs Ltd is a printer and does printing (leaflets, business cards, flyers etc.,) for small businesses from his office on the high street. He can expand his business into

		PRODUCT	
		NEW	EXISTING
MARKET	NEW	Bill Boards	Online site
	EXISTING	Graphic Design	Increase Share

different areas... He could start doing bill boards – which is slightly more technical – due to the size of the pages he'd be printing on. Or he could

continue doing his printing, and improve the website to be able to handle orders from all over the world – thus entering new markets with the same product. Or he could increase his product

range to his same customers who order their business cards already - by offering a graphic design service or CD duplication service or start printing on T-shirts and hats too etc.,

Or, Joe can go for increasing market share in his current territory, which is the most common way of growth at all times. How do many businesses increase their market share during a downturn? Some slash prices, some learn how to add value, others expand into new territories / markets.

Slashing prices

This could be a short term measure, but isn't one recommended for the long term (unless your pockets are deep or you want quick cash to get rid of stale stock). What happens when you slash prices, is that you get a flood of new business only coming to you because of the price cut. They are price shoppers. You have to sell more, just to stay in the same spot (as your profit margins are lower because you've cut the price).

When you go to put the price back up, they'll either disappear, moan and disappear or moan and stay. It's your headache.

Understand your costs

Businesses managers sometimes think that 'winning new business at all costs' is the way forward. It isn't. Unintentionally, cutting prices, and reducing your profit margin, can destabilise your business. You'll find yourself working harder and harder, but the reward is less and less.



Your variable costs (extra staff etc.,) of fulfilling these new orders could actually outweigh the benefit of the new business that comes in through any price cutting activity.

If you get into a price war, the only person who wins is the end consumer. If new business doesn't add profit to the bottom line – let your competitor take it, and wait for them to go bust.

Go global



One way to increase your market share is to use the internet – and sell the same thing to a different geographical area. Not all areas in the world are hit by the credit crunch equally.

Learn how to ADD VALUE

It could be that there is some aspect of your product or service that customers don't really use, or aren't that interested in, but it's costing you to provide it. Cut that away. Talk to your customers, do surveys, understand why they buy from you, what they want from you, and ask yourself how your business can be more valuable and add more to them. Be proactive.

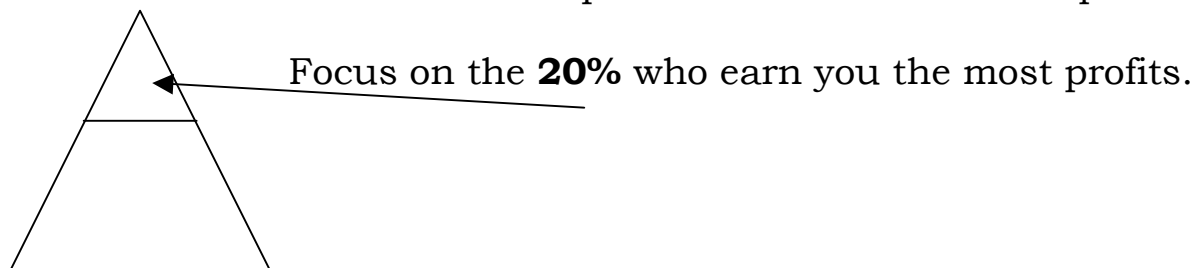
In a recession, customers will shop with whoever they believe offers them the most value for money. If they put up with bad service before, then now is the time when they'll be most likely to switch. People won't necessarily shop at the cheapest outlet, but they will weigh up value for money.

Customers – attracting new ones, keeping old ones

If you fail to give good value, the end result could be that a lot of your customers migrate elsewhere. The cost of getting a new customer is estimated to be about 5 to 7 times more than keeping an old one, so the message is – keep your old customers happy.

Apply the 80:20 Paretos Principle

20% of your customers give you 80% of your profit. Identify them. Know who they are, and look after them. Understand what their business needs are, and focus your energies on them, and pulling in new customers with a similar profile. Send them free e-reports.



More help and advice

www.britishchambers.org.uk for economic news and business information

www.businesslink.gov.uk for a business advisor

www.companieshouse.gov.uk to search company information and download accounts

www.insolvency.gov.uk for steps to take if you are owed money by an insolvent company

www.payontime.co.uk for details of how to charge interest in late payments and an online calculator

www.registry-trust.org.uk to check if a customer has any County Court Judgements (CCJ's) awarded against them in England & Wales for non-payment of debt.

Boogles & Two Business Partners (One was penny-pinching, and the other spent too much)



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