

## TIP OF THE MONTH - HOW DO YOU MAKE MORE MONEY?

You need to plan, and you need to measure. This probably means taking at least a little 'quiet time' to consider your options: What do you do well, what else can you do well, how can you communicate your 'customer proposition' to potential buyers or clients?

The future is all about change. You need to respond to change, but you also need to initiate change. It may be a lot more satisfactory to introduce improvements or additions to what you do or how you do than to respond to competition initiatives or general changes that put you on the defensive.

Some things don't change all that much, however: you increase your income by gaining customers (possibly by adding products or services) or selling more or at better margins to existing customers. Customer, product, price and quantity is the whole deal when it comes to revenue.

Although cost reduction is a 'zero sum' game ever more difficult to achieve, it can work:

Everybody needs to 'think saving' – taking ownership of cost awareness. Costs can be measured and hence need to be monitored.

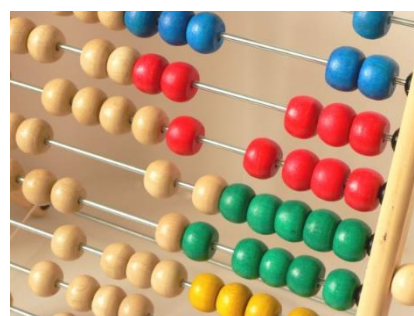


Suppliers know that in most cases they are in a competitive environment, but if you don't ask you don't get. Don't be embarrassed – negotiate!

I'm fond of saying that 'waste is sin' and if this is so then surely there are more fun ways to sin: In our increasingly 'green' society it should be fairly easy to engender a culture of avoiding waste. Real, 'bottom up' initiatives should be possible.

Accountants are always on about stock control. Among themselves they call it 'lockup' – funds locked unproductivity in the business. Critically re-examine the need of inventory with a view towards reducing it. Quicker invoices may be one way.

Debtors (receivables in modern parlance) is the other component of 'lockup'. These guys agreed your terms (I hope!) and you supplied them with goods and services which they should pay for on time. So sort out your terms and then sort out your credit control. We're happy to help, but suffice it to say that a customer that doesn't pay isn't much of a customer.



Finally don't overdo cost reduction: you can save overtime by reducing opening hours, for example but that may result in far more lost revenue than it saves in expense. Again, you need to measure 'productivity' and understand that cutting some costs is unwise. I have heard one business lament that cutting their advertising hadn't increased profits so they planned to decrease it still further!

If you take time to manage, you are likely to manage better.