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**1. Five Oversights That Can Kill Your Business**

Business owners usually have long term visions for their enterprise, but most business failures happen quickly, before the owner is able to change course or implement strategies that will correct the situation. The fatal gap between planning and performance is often the result of one of the following set of factors, although two or more of these can occur simultaneously and accelerate the organisation’s demise. Take a close look at your own business and be sure none of these are taking shape under your nose while your eyes are focused on the horizon.

1. The business becomes undercapitalised

Entrepreneurs are never risk averse to the same degree as bank managers and insurance companies. Their optimism can allow them to become exposed to a situation where the cash runs out and the business has to shut its doors. Most businesses operate on some sort of external finance, but the wise business owner has access to additional funds for those times when the cash on hand is inadequate. This gives them the option of tapping into extra funds if the shortfall is only temporary. You might have to sell part of the business or borrow against personal assets; whatever course you take, be sure to have it lined up well in advance of the time when it may be needed. A fallback source of finance is an essential for any business.

2. Products are ageing or becoming unfashionable

All products have a life cycle, from their launch to eventual withdrawal from the market. During this time the price goes from premium when new, to discount when old. Businesses that hang on to the same old products and don’t develop replacements or adjust their pricing policies throughout the cycle will eventually lose customers as better options come onto the market. New businesses often start up with older products or products that have peaked and are on their way down. Even if their entry into the market was inexpensive their future will be short. Monitor the marketplace constantly and know where your products are in their life cycle. Replace ageing products before they have to be discounted or written off.

3. Sales and expenses forecasts aren’t being met

Business plans always involve estimates of sales and the expenses required to achieve them. Because there usually has to be an investment before income is generated, it’s easy for a business to spend too much before it becomes aware that forecast sales levels will never be reached. Your business should have in place a system of KPIs (Key Performance Indicators) that include monitoring of both sales and expenses and tracking them against the plan. Have strategies worked out to deal with variations from the plan; be sure the strategies are realistic and implement them without delay when the alarm goes off.

4. Marketing is becoming ineffective

Even if your products are in demand you still have to market them well. The best products won’t sell themselves; you have to create a marketing plan that will attract your target audience and convince them to purchase these products from you. Too many SMEs market in an unplanned, haphazard manner with poor media selection and badly communicated messages. They don’t spend enough, and as a result what they do spend is wasted. Use the services of a marketing expert, at least to develop a marketing strategy when you’re planning the year ahead. Work to a plan and monitor progress against it. Ad hoc marketing is usually a failure.

5. The risks in the outside world are ignored

Every business is affected by conditions outside its control. Economic swings, the arrival of new competitors, natural disasters and supplier failures are just some examples of these. You should be aware of the potential risks and manage them appropriately. Workshop with your team and advisers to identify the risks your business faces. Create a response for each risk that will enable you to continue trading and minimise the impacts on your business. Take out insurance cover for those risks that can be insured against, and safeguard your premises, your people and yourself.

2. Evaluating New Business Ideas

People who are self-employed generally like to stay that way. If they sell a business they quickly start another one, and successful owners seem to have a ‘knack’ for coming up with good ideas for new businesses. This ability is based largely on their experience and on a set of values or standards that should be applied to every business idea before going ahead with it. This system of evaluating business ideas applies to both products and services; we use the term ‘product’ to mean both. This simple system will help determine the viability of ideas and whether they’re right for you or if it would be better to invest your time and money in a different venture. These are the questions you need to ask.

Is there a need for it?

There has to be a demand for your proposed product or service, and you’ll only find this out by conducting some disciplined market research to give you an estimate of how strong it is. The basic rule is to fill an existing hole rather than try to create a demand for something. Consumer education about new products is expensive and best left up to bigger players in the market.

Is the need a long term one?

Product fads come and go. Remember hula hoops and pet rocks? Only by selling something with a long term demand can you be assured of creating a viable business. Cashing in on a fad or short term trend is expensive and can leave you with a warehouse full of products nobody wants.

Is your product yours alone?

To market successfully you have to show your prospective customers that you have what they want and that they should get it from you. This means being able to differentiate your product from your competitor’s and to prove that it’s better in terms of quality, function or value.

Does your product perform?

We live in a world of disposable products. Repairs are expensive so the goal is to produce a product that has a service lifetime that’s acceptable to its purchasers and meets their needs during that time. Products that don’t meet a real need or that don’t perform well will quickly be dumped in favour of those that do.

Do you know your competitors?

Before going ahead with any new product, service, idea or even a business, you need to have a clear picture of the strength and characteristics of the opposition you’ll encounter in that market. Business intelligence is a critical component of marketing; unless you are sure you can be a serious competitor in your field don’t make the mistake of trying to compete against better established and better funded competitors.

Is your pricing realistic?

Price your offerings realistically, at a level that your target will find acceptable and will also allow you to cover expenses and make a profit. Never enter a market with the strategy of being the cheapest. Your margins will be too small and one hiccup can put you out of business. It’s better to be competitive with functions like service and support than to compete on price.

Is it within your own capacity to do it?

A new product or business requires an investment of time, money and energy. All three are likely to be already employed in your present business activities, so be sure you’re not going to cause problems for yourself by extending into a new area. Stretching yourself or your finances too far can cause both the old and the new ventures to collapse.

Does it have growth potential?

Business growth is essential to success. If your new idea has a finite market or has no real potential for growth you’d be better off doing something else. A product with no growth potential can become a millstone if just one competitor enters the market with a pricing strategy that undercuts you.

What if it doesn’t work?

The best market research, product strategy and marketing plan still won’t guarantee success. One of your business models has to include a scenario of total failure, and you need to be certain that if this happens you’ll be able to survive the impact. Never bet all your money on one horse; if it loses, you do too.

3. Write a Business Plan With Investor Appeal

Every business should have a business plan in place that it works to and compares its performance against. These are usually functional plans that have the intention of serving as a guide to management, but may not be the best plan for impressing potential sources of funding for the business. Businesses often need to borrow money or attract investment capital, and when doing so need a business plan that’s both realistic and will demonstrate to those not involved in the enterprise that the business is well managed and has clearly worked through its organisational and marketing issues. These are the areas investors pay close attention to when scrutinising a business plan.

What it is that you’re selling?

You aren’t just selling products. You’re marketing a package that adds up to your value proposition. It includes product, sales and service, and even the image of the company. You need to be very clear about just what it is you’re selling and show that there is a real demand for it in the marketplace. Not every product, especially in high technology areas, will be familiar to investors. They may not use it themselves and have a hard time working out just what its potential really is. Describe what it is, how and where it’s used, and who buys it. Convey a sense of why it’s needed and describe the needs it satisfies.

Who you’re competing against

No investor would put money into a company whose business plan claims it has no competitors. If there’s nobody else in the marketplace, what’s wrong with it? And if you’re unaware of the competitors you’re fighting with for a share of the market you don’t represent a good risk. Identify and analyse your competitors in detail. Give a profile of their strengths and weaknesses against your own company, then show how you propose to gain business from each of them. Prove that you’re able to profitably employ the capital you borrow to grow your business.

Who you’re selling to

Successful businesses know exactly who their products will sell to. They know about their customers and prospects – especially how to market to them. You need to describe your customers and why your product appeals to them. How will you bridge the gap between your company and prospects that don’t know you or those that buy from someone else? It’s even better if you can provide a demographic and behavioural analysis of your customers. This will demonstrate that you understand your customers and thereby infer that you will succeed in satisfying their needs with your product.

How you’ll use the money

There’s no point in approaching an investor with a request for funds simply to advertise more or put on another salesperson. You need to show end-to-end how the funds will be applied to the business and what they’re going to accomplish. Investing additional capital will impact on several areas of the business – it may mean increased production which will then require additional sales which will then raise marketing costs, and so on. All this needs to be clearly documented so the business plan accurately models the revised structure of the enterprise.

How you’ll repay the money

The final, and probably the most critical part of the business plan, is to show how the business will repay the money it’s borrowed. Borrowing fresh capital will increase the amount the business has to generate to pay off its debt; any increase in borrowing needs to be offset by a commensurate increase in funds generated for this purpose. Business plans are useful tools for any organisation, but a business plan presented to a potential source of funds needs to be prepared specifically for this purpose.

4. Think Before Growing Your Business

Growth is a small business essential. Without it a business will stagnate, then gradually die. But uncontrolled growth can bring more problems than benefits for the organisation by placing strains on areas of the business that may not be able to tolerate the pressure. Any decision to grow the business must be made carefully, recognising that it’s going to result in changes that will add to the workload of both the people and the systems in the business. You need to be certain that the ways you choose to grow the business are within the capacity of the business itself, both in the short term and later, once the desired growth has been created.

The basic purpose of growth is to increase profits. If a business can generate €100,000 in profits in its present size, it should be able to produce greater profits after a growth in sales or after the introduction of new products. Growth is not about empire building; it’s about making more money for the business and its owners. Expand only to capitalise on opportunities that will benefit the business; expansion for its own sake has no real purpose.

Expand to create opportunities

Economies of scale are often the drivers of growth. If a business buys raw materials at a certain price it can probably negotiate a much better price if it buys twice as much. A business that buys fifteen TV spot advertisements a week will get a lower cost per appearance if it buys thirty spots per week. There is a problem of course if a business buys twice as many raw materials or twice as many advertising spots and doesn’t get an equivalent uptake in sales. There would also be a problem if the business cannot achieve economies of scale through expansion.

Expand to deliver competitive advantages

By expanding successfully and gaining economies of scale a business can become more competitive. It will be able to adjust its pricing policies to compete with established players in new market areas and to spend more on advertising and promotion against its opposition. A bigger enterprise can in theory invest more in creating and strengthening its customer relationships and in making itself attractive to prospects that presently buy elsewhere.

Expansion can put pressure on finances

Expanding a business takes money. Ideally the funds can come from those already generated by the business; usually, however, they have to be borrowed. You need to be certain that the business can afford the expansion, and that, if funds are borrowed, the business can repay the borrowings from the greater turnover it generates.

Expansion can strain customer relationships

Some customers will be concerned about your expansion. Growth can threaten their sense of security. They may prefer your business to stay just like it is and have nothing change. You need to communicate your reasons for growth to your customers and articulate the benefits it will bring to them. Lower prices, more convenience and better service should be provided through growth; you need your existing customers to be your ambassadors for growth via word-of-mouth.

Expansion will demand more from you

The bigger the business, the more management time and energy it will require. It will place more demands on you to keep in control of the enterprise; this could mean adding more management staff or delegating some of your workload to others in the business. Growth requires a sponsor – a driver to keep the process going. Inevitably this person is the owner of the enterprise, and if you don’t provide for the demands it will place on you it could create serious problems for both yourself and the organisation.

Regular Pieces

##### How to Make The Most of Your Newsletter

Be sure to read each article with the mindset ‘How could this apply to our business.’ Thinking of it that way will guarantee that you get value. Better yet, take notes as you read and commit to having the ideas implemented by the time the next edition arrives. Also, make copies for each team member. To really make sure something positive happens, work with your business development specialist to talk your team through the ideas and how to set a schedule for getting them implemented. We’re here to help you get started.

##### Memorable Quotation

 “You have to recognise when the right place and the right time fuse and take advantage of that opportunity. There are plenty of opportunities out there. You can't sit back and wait.” – Ellen Metcalf, author.

##### An Important Message

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