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Budgeting – Putting Your Business Plan Into Figures

The idea of working to a budget is foreign to most SME owners – that’s something that bigger companies do. Maybe they’ll need to develop one when their business grows but meanwhile it’s altogether too time consuming and would keep them away from the ‘real’ work. That thinking may need a little revision. The fact is, businesses that don’t operate to a budget are unlikely to grow.

Business owners who take the approach that budgeting isn’t for them can be seen plugging away week by week and month to month working out what they need to do with their revenue as it comes in to meet immediate needs: is it a pay period?; will it cover the electricity account?; is more inventory needed?

In developing a budget for your business you reverse this approach and take some control over the whole process. Instead of working with whatever amount happens to come in each month you start with planning, for the year ahead, just how much it will cost to run the business. Then estimate how much revenue will need to be generated through sales in order to cover those costs, pay you a salary, and still have a bit of profit left over. A budget has been described as a business plan expressed in numbers. At its simplest it looks like this:

Estimated Sales minus Estimated Expenses = Profit (or loss)

In developing projections for a year ahead you will be working in the dark to a certain degree, but anyone who has been in business for a couple of years will have the financial records to make a reasonable forward prediction of their sales and expenses based on averaging past years.

You might call this your ‘no-growth’ budget - you have estimated just the minimum necessary to keep the business operating.

If you are interested in growing the business though, you start with working from the other end of the equation and setting the profit margin you would like to (realistically) obtain. Once a profit margin figure for the year has been decided a whole series of planning decisions cascade out from that: is extra inventory required?; will you need to put on more employees or move to bigger premises?; will you need to put more resources into marketing? All of these

add to the Estimated Expenses part of the equation. To cover them and achieve the desired profit there needs to be extra Estimated Sales.

If your aim is business growth, the starting point is to build a sound estimate of the extra cost and of the extra sales revenue necessary to cover those costs so as to reach the desired profit. These things can't be left unplanned, the costs and sales merely guessed at, or the whole growth project will operate haphazardly and you may out-spend your revenue and put yourself out of business.

Budgets are usually created for a 12 month period with month by month estimates of sales and costs. That provides for including expenses that come up only once or twice a year, such as insurance, and spreading their cost out over several months. In this way you can plan ahead for the expense by trying to achieve enough sales each month to have the amount available when payment comes due.

As you conduct business during your budget year you compare your actual figures to your budgeted figures. This needs to be done month by month and requires some discipline but the payback is worth it. It will allow you to manage your spending so that you don't over spend and cut into or eliminate your profit. You will also be able to see if sales have met projections and will cover expenses. Where there are variances, ask yourself why the numbers are different. If some of your expenses, for instance, are higher than you expected, do you need to look for ways to cut them, or did business increase more than was expected and so add to your variables? If sales aren't on track, what has happened to cause the difference and how can you improve them? Or would it be more realistic to accept they will remain low and trim future costs to match?

Budget variances can be either warning signs or opportunity signals and the information they provide should be used constructively to decide where changes need to be made in operations to reach your budget goals. Alternatively, if you regularly fail to reach your monthly estimates your budget figures are a warning to pull in spending and set more realistic income goals.

Having a budget means having some control of your finances in advance. Setting the standard for your spending against expected revenue and having a tool to compare the expected figures against the actuals each month will give you a way of monitoring and changing plans so as to stay profitable. At the very least it will give you an indication of whether or not your business is profitable or just busy.

When you work to a budget you have one of the most effective management tools of all - a benchmark that you can use month by month to check your progress towards your business goals.

Going Green Can Put You In The Black

'Going green' may sound a little gimmicky but it has some real benefits for small businesses. Operating a green business is not only good for the environment but good for your business' bottom line because conserving resources and cutting down on waste ultimately means money savings for the business. For the imaginative entrepreneur the move to thinking green also opens up a wide vista of opportunity in developing and marketing green products.

Developing green products

Growing concern about environmental issues has opened up a wide variety of new markets related to producing and selling green products that answer to an increasing desire by consumers to be ecologically friendly.

Established in 1995, Roots Biopack Limited produces eco-friendly biodegradable food containers and packaging products using agricultural by-products, such as sugarcane fibre and empty fruit receptacles. In their factory the boiler's waste heat is used to heat up water for office and staff housing. Roots' clientele has grown to include many leading international fast food restaurants and supermarket chains.

Fried chicken and the environment might not seem to have much in common but FiltaFry developed a microfiltration process that significantly extends the life of cooking oil, which means much less waste is generated. FiltaFry will come to a restaurant, hospital or hotel and clean the cooking oil on location. And not only does the oil last longer, but it's also cleaner, which means the food is healthier too.

Saving Production Cost

Even companies whose line of work is more traditional can benefit from using green practices.

TerraCycle produces an organic plant food made from worm castings but what is different about their product is the packaging - used plastic soft drink bottles. Not soft drink bottles that have been melted down and remade into a different form, but the actual used bottles themselves. The company has repurposed over a million such bottles which has meant savings in production costs as well as a lot of good publicity.

Thomas Mott Bed & Breakfast phased in energy efficient practices over a number of years to reduce its electricity bill from its pre-programme level of \$11265 to a post-programme one of \$1649. How? The owners of the old farmhouse-turned-B&B invested in wall space insulation, windows designed to minimise heat loss, a state-of-the-art boiler, highly efficient compact fluorescent lamps, switched the kitchen from electric to gas and planted trees to provide shade and lower cooling costs in summer.

Common Sense Savings

While any one SME may produce few direct greenhouse gas emissions, their collective use of energy in the form of electricity to heat and cool and drive equipment, of oil and other chemicals and of fuel to transport raw materials, distribute product and remove waste all add up to a significant contribution to total emissions. By optimising energy use most small businesses achieve significant savings on their utility bills as well as reducing their carbon footprint.

Most of the savings that green businesses make result from nothing more than common sense thinking. Laptops use less power than desktop models; motion detectors in bathrooms, timers on water heaters and coffee pots, and programmable thermostats throughout the premises all cut back on using electricity when people aren't using the facility; replacing equipment that performs inefficiently, such as printers, refrigerators and air conditioners with new, energy efficient models reduces energy use and utility bills; moving to email to deliver mail and accounts reduces paper use. Look at your business carefully and there is likely a lot of low-hanging fruit to be picked when it comes to saving energy. Added up, these will amount to significant savings.

Coming ready or not

In industrialised countries small businesses consume from 50-55% of the oil and natural gas resources, and so are responsible for a significant amount of greenhouse gas emission. It's only a matter of time before the impact of global warming results in mandatory limits and penalties for non-compliance and these will be applied to SMEs no less than to large

companies. Yet while SME surveys regularly find that increasing energy prices rate as a top concern, only a minority report actually spending money to increase energy efficiency. That's a disconnect that needs to be addressed. Since one of the quickest ways to cut greenhouse gasses is for businesses to become more energy efficient it seems that the most sensible solution for SMEs is to kill the two birds (greenhouse gasses and energy bills) with the one stone – introducing more energy efficient production methods.

Follow Your Leads

Aside from impulse buys or necessary purchases, sales typically take place over a period of time as the customer works through the options and alternatives to arrive at a final purchase decision. That's why following up with customers who have discussed your product with you is an important part of finally closing a sale.

It's amazing how many businesses either neglect to do this or do not have an established plan for following up with their leads.

If you want to really appreciate the importance of this point put yourself in the shoes of a consumer, let's say a woman who is thinking of adding a deck to her house. She contacts 5 firms for an onsite inspection and quote. Statistics suggest she'd be lucky if even 2 of those followed up with a visit and later sent her a quote. What if one of those two actually followed through with a phone call to ask if the information was what she wanted and could they be of any further assistance. Which is likely to get the job?

Why don't salespeople follow up?

There are a number of reasons commonly offered by salespeople for not following up with leads. Top of the list are:

- Not wanting to appear too pushy
- Didn't get the impression the prospect was really interested in their offer
- Didn't think the prospect was ready to buy yet
- They just simply forget!

None of these 'reasons' really hold water. They are based on second guessing the situation and losing the initiative by leaving it up to the prospect to call back when they are ready. This approach doesn't exactly increase the chances of making a sale. After spending time on the initial appointment, maybe delivering a presentation and supplying a quote, why let the deal die from neglect by not following up?

See it from the prospect's point of view

A reminder call to a prospect will rarely be considered as 'too pushy' by them. They will more likely welcome the opportunity to discuss things further or even to be given that little prompt to decide the deal. It's true that following up too frequently will come across as being pushy so you need to consider what might be an appropriate interval between follow ups. You can make follow-ups more palatable by keeping them short and to the point. If it's possible to provide some additional value during your follow-up call so much the better. This may give your prospect a reason to choose you instead of a competitor.

A good sales pitch is no guarantee that a prospect will automatically call you back either. People get busy, they have other projects on the boil or they forget. The longer the time you

leave them without a follow-up call the more likely they are to get somebody else for the job or it may even slip off their list of things to do.

Build follow-up into your sales process

Getting the most from follow-up contact depends on building it into your normal plan of sales activity. You can script it so it works smoothly and without causing you any qualms by tackling it this way:

1. Always ask permission to follow up. That's good manners and it provides the opportunity to check diaries and arrange a time convenient for the prospect when they are likely to be more receptive. Besides, you may need to allow time for them to try out the product or gather further information for them.
2. Put the time and date details into your planner. Now you won't forget it or have to place several annoying calls trying to settle a mutually convenient time. It's also a commitment to making the follow-up so that the opportunity isn't lost because you find yourself too busy on other things.

There aren't too many things you should be busier with than selling, so follow-up is a process salespeople really can't afford to leave out of their sales process.

20 (Offline) Ways To Drive Traffic To Your Website

It's one thing to get your website up and running and quite another to get people visiting it. All the tricks you read about generating traffic through subject headings, keywords, reciprocal links arrangements and even paying for a high ranking on search engines are fine – for attracting people already searching online.

The Internet is a great place to do business but you have to make people aware of your 'shop' there. Many people still don't know how to search effectively or don't want to go the bother. That's why, for the success of your ebusiness it pays to promote your website both online and offline. The more exposure your URL receives, the more traffic will come directly to your website.

Following is a list of places you can use to display your URL:

1. Your email, under your signature
2. Business stationery: business cards, letterhead, fax cover sheet, invoices and statements
3. Telephone answering machine message
4. Billboards
5. Windows and awnings of your premises
6. Catalogues
7. Flyers and brochures
8. Promotional giveaways: matchbooks, key chains, mugs, pens etc
9. Menus, placemats
10. T-shirts
11. Coupons and gift certificates
12. Yellow pages listing

13. Press releases
14. Company car: painted signs and promo plates
15. Trade association directories and trade journals
16. Word of mouth
17. Print magazine and newspaper advertisements
18. TV and radio ads
19. Local TV guide
20. Containers/packaging

On many occasions a website marketing budget can be spent just as effectively using offline methods, such as the ones above, as it can be using online methods.

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

"The only way to know how customers see your business is to look at it through their eyes" - Daniel R. Scroggin

An Important Message

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