BRED BANK CAMBODIA

The smarter way to bank.

BUSINESS BOOSTING PERFORMANCE CHECK

Could do better!

Sounds like you need to make a few improvements.

Judging by your answers, it looks like there are things you can do right now to improve your finances.

Take a look at the following topics as a starting point and make sure you address any problem areas as quickly as you can.

Remember, our expert team is always here to support your business so if you want an independent opinion on any of your plans or you think we can help in any way, just ask!

UNDERSTAND YOUR BREAK-EVEN POINT

It's really important to understand your 'break-even point'. In simple terms, 'breaking-even' just means you've sold enough to cover all your costs.

For example, imagine you run a shop with a weekly running cost of $2000. If the average profit on each item you sell is $20, then you have to sell 100 items every week to break even. (100x$20=$2000)

When you know how many items you need to sell every day, week or month, it's easier to keep a check on sales to make sure you're covering your costs and making a profit.

Understanding your break-even also allows you to experiment with product pricing. For example, charging more for each item means you could sell fewer items and still break even. Or, if you charged less, could you undercut your rivals and sell more items and still make a profit?

The same rules apply in service businesses. You just need to work out how many hours you need to work in order to cover your costs and make a profit.

YOUR ACTION POINTS

- Work out the break-even point for EVERYTHING you sell (or every service you offer).
- Consider cutting unprofitable items or services.
- Review your break-even calculations with your financial adviser.
- Try to reduce your break-even point by lowering overheads. Look at all your fixed costs and see if you can reduce them.
- Review your prices. Could you adjust your pricing in ways that would improve your turnover and profitability?
- Review your suppliers. Can you find cheaper suppliers (or re-negotiate prices with existing suppliers) without reducing quality?
- Are there any other cost savings you could make that would reduce your break-even point?

FORCAST YOUR CASH FLOW

Try to forecast your cash flow for a full year ahead and update your forecast monthly based on your actual sales and expenses.

You can then use your forecast to calculate increases or decreases in revenue and expenses, or the impact of loans and purchases.

Use accounting software to create cash flow reports and budget comparisons based on your actual sales and expenses.

YOUR ACTION POINTS

- Try forecasting a 20% increase in sales to see how much more profit you could make. Then work out what you would need to do to achieve the increase.
- Use your cash flow forecast to plan the best times for large purchases and when to save so that you have enough cash for any times in the year where you could expect a reduction in sales.
- Use your forecasts to plan business growth. For example, what would happen if your sales doubled? What kind of additional pressures would this put on your business and how would you deal with them?
- Talk to your accountant or your Relationship Manager at your bank about the best methods of managing cash flow and keeping accurate records.

MANAGE YOUR CASH

If possible, you should keep a cash reserve that's enough to cover at least three months of running costs. That way, if anything goes wrong, you've got enough money to continue trading while you work out how to fix the problem.

It's not unusual for businesses to face difficulties from time to time. But having cash set aside allows them to stay in business while they work through difficult times.

Make sure any cash you hold in reserve is managed properly so that it earns as much interest as possible. For example, while you need to have instant access to the money you set aside to cover three months' running costs, you could afford to put other funds on a longer term deposit. This way, you'll make the most interest possible on all your cash.

If you don't have a cash reserve, start building one now. Otherwise, if you get into difficulties, you may need to use personal cash to support your business or sell assets to raise funds.

YOUR ACTION POINTS

- Build a cash reserve by carefully managing your profits. Set aside enough to cover at least three months' costs.
- Make sure any cash your business holds is placed in the right interest-bearing account. Remember, you need instant access for your 'emergency funds' but you could consider a longer-term deposit arrangement for additional funds.
- Identify assets that you could sell in the event of a downturn. Make a realistic valuation and also consider who would be likely to buy them.
- Re-invest a reasonable amount of your profits into your business to ensure it .
- Make a plan for how you would manage your business in the event of a crisis.
- Think carefully about how you can control costs. Take a look at your top five areas of expenditure and see if you can make any savings.

GET PAID ON TIME, EVERY TIME

To ensure you get paid on time, use accounting software to keep track of who owes you money and when it's due to be paid.

If any invoices become overdue, contact your customer and remind them politely that their payment is overdue.

In some cases, you may have to agree new payment terms with your customers but a polite reminder is often enough to encourage customers to pay up. If you're firm and fair in your debt collection, customers are more likely to respond positively.

YOUR ACTION POINTS

- Always ask customers for a Purchase Order number and make sure you include it on your invoice.
- Consider adding an 'interest on late payment' policy to your service terms and conditions. If you do, clearly state on your invoice that you will charge interest on any late payments.
- Make sure all your customers have completed credit applications and signed an agreement to your credit terms.
- Set strict credit limits for all your customers.
- Set aside time each month to chase debts. Phone debtors, rather than emailing them. Remember that although chasing outstanding debts can be unpleasant, the longer you leave it, the less chance you have of being paid.
- Set targets to reduce the time to payment. Identify problem customers and contact them.
- Consider using a debt collection agency if you don't have time to chase debts yourself.

TAKE CONTROL OF YOUR FINANCES

Every business needs money to keep its operations running. If your business has been established long enough to make a profit, you'll use some of the profits as your 'working capital'. If the business isn't making a profit, it will have to borrow to cover its costs.

Managing your borrowing is a very important part of business. It is often necessary to borrow to fund business growth but you have to be sure that you will have enough money coming in to repay the debt.

YOUR ACTION POINTS

- Make sure all salary costs are fair and affordable (including any salary you draw from the business).
- Be careful that you don't take too much money out of your business in the form of personal drawings, particularly in months where your cash flow isn't good.
- See if you can reduce monthly interest payments by re-financing short-term debt into longer-term debt.
- Work out which products or services make you the most profit and then focus on driving these sales above all others.
- If you have surplus cash, use it sensibly. See if you can lease, rent or borrow what you need rather than buying it with your cash.
- Measure profit, not sales. Concentrate on selling what generates the most profit for your business.
- Manage your costs. If your business costs more to run than it generates in sales, you have a problem. You need to bring more money in than you pay out. If sales are falling, you MUST cut overheads or your business will fail. Review all your costs and work out ways to make savings.

PLAN FOR THE FUTURE

Always try to think ahead in business. Things like replacing equipment, updating technology or hiring new staff will be necessary as your business grows but they also have an impact on your finances.

Always be sure that you can make your financial commitments – especially suppliers bills and any bank loans. If you're closely monitoring customer credit terms, making sure that sales forecasts are accurate and up to date and that your costs and margins are secure, you should be able to plan ahead with a degree of confidence.

YOUR ACTION POINTS

- Think hard about anything that could affect your finances in the near future. Consider the impact of any borrowing. Think about external factors like currency fluctuations, the financial health of your major customers, the ongoing trends in the markets you operate in and changes in legislation that directly affect your business.
- Forecast growth scenarios. Think about how you would manage your finances if our business grew in different ways like taking on new staff, opening new outlets or developing new products or services. Business growth take time and it costs money.
- Make sure your customers are paying their bills in good time. If any customers are late with their payments, take steps to collect the debt before it becomes a problem.
- Check the equipment and technology your business uses. Will it need to be updated in the near future? If it does, make a sensible funding plan.
- Forecast potential problems and make a plan to manage them. While it's hard to predict the future, think about the common issues that cause problems for your type of business. Outline what you could do to reduce potential threats.
- Try to keep up to date with trends in your industry by looking at industry websites or sector research. This is a good way to spot early signs of problems that could also affect your business.
- Try to keep enough cash to cover three months of ordinary business expenses. Try to plan ahead so you can cope with equipment failure, higher taxes, increases in rent or the cost of your supplies.

FOCUS ON PROFITABILITY

In order to survive and grow, your business needs to make a profit. So, you have to make sure each of your products or services has been costed accurately so every sale makes an acceptable profit.

You should check all your operating and supplier costs regularly. Make sure any rises are reflected in your prices so that your profit margin is maintained. It's not unusual for businesses to see their costs rising while their own prices get stuck at the same level. If that happens to your business, you'll quickly start losing money.

Of course, it's never easy to increase prices. There's always the worry you will lose business to competitors or that customers will just stop buying from you. While you may be able to afford some short term reductions in profitability, if you don't increase prices, you could end up losing your whole business.

YOUR ACTION POINTS

- Regularly check the pricing of each of your products and services. Monitor costs and profitability on everything. If necessary, increase prices to maintain profit margins.
- Consider whether you could re-price all your products and services right now. Even just adding a modest percentage (like 5%) to all the products or services you sell will have an immediate impact on your profits.
- If you discover that any of your products or services actually make a loss, consider removing them, unless you need to provide these to customers in order to sell more profitable items.
- Schedule small price increases every six months instead of a big increase every two years.
- Make a list of your three top-selling products or services. Go through each product in detail and write down the actual costs – including a portion of any verheads. For example, if one particular product makes up 10% of your sales, allocate 10% of the overheads such as rent, power and administration costs. Add actual costs and overhead costs. If these are more than your selling price, you have a problem.
- Get your accountant to check you've taken all relevant costs into consideration and that you've calculated your prices correctly.

SET UP A WARNING SYSTEM

Every business should closely monitor information relating to its cash flow, customer satisfaction, product quality and staff satisfaction. If you see any important changes (positive or negative) you'll be able to take immediate action.

YOUR ACTION POINTS

• Trust your intuition. If you see any early warning signs, note them down and make a plan to fix problems before they really start.

• Work closely with your team. List the important areas of your business like customer satisfaction, speed of service, delivery times, product quality, wastage, sales targets, customers contact strategies and debt recovery. Work out ways to monitor each area so that you can measure and manage it. Make sure staff are aware of the key things you're measuring.

• When you collect information on any of your action points, share it with your staff so that they feel involved and understand that you're committed to improving the business.

• Review each topic regularly with your staff and agree on a plan to address any problems.

• Ask your accountant to identify the most important things that you need to monitor monthly or quarterly and use your accounting system to generate monthly reports that highlight serious issues such as falling profitability so you can take swift action.

• Try to get regular feedback from your customers. Ask them if there's anything you can improve. This is a great way to learn the issues that matter to your customers.

• Also get feedback from your employees - they can provide valuable information that customers may be reluctant to tell you.

FOCUS ON INCREASING SALES

If your sales fall below expected levels or don't keep up with the rate of inflation, you need to find out why and act quickly.

Look for practical ways to build sales and identify areas of business growth then work hard to succeed. If you can't increase sales, you'll need to find ways to cut costs.

YOUR ACTION POINTS

- Take time to analyse where your sales come from and try to work out how you can generate more sales from these sources. Ask your advisors, staff and other stakeholders for ideas. Think about other markets you could target and how you could diversify your business.
- Could you sell other products and services to your existing customer base?
- Are there any markets or potential customers you've ignored in the past because you thought they were too small? Could they be more attractive now as you search for sales?
- Are there any other businesses you know that would be open to forming joint ventures or developing new distribution channels?
- Involve your staff. Set a realistic monthly sales-growth targets for the whole team. Motivate, incentivise, reward and thank them for their efforts to increase sales.
- Implement monthly sales reports to compare sales with last year.

LISTEN TO YOUR ADVISERS

Many business owners make the mistake of trying to make every decision on their own. But the truth is, it helps to be surrounded by a group of advisers who understand your business and can help with ideas and expertise.

This is particularly true for financial matters. It pays to keep a strong relationship with your accountant and your bankers. Ask them for advice. Seek their help and get them to check that you're doing all you can to make sure your finances are in good shape.

YOUR ACTION POINTS

- Always make sure that your advisers are suitably qualified. Check their credentials and their experience.
- Make sure your advisers understand why you need help. Write down any issues that are worrying you. This will help you to choose the right advisers and will also help them to focus any advice they give.
- Talk to your accountant first. They should already have a good insight into your business. Prepare notes and gather all relevant information before you meet with them.
- While you can expect advisers to charge for their time, try to limit costs and make sure you agree them in advance.
- See if you can get any help and support from industry or professional associations. They often provide access to consultants or advisers who can offer financial expertise and industry knowledge.
- Build a strong relationship with your bank. If they know you well and understand your business, they are more likely to be able to help you in difficult times.

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