



## To survive, diversify your business

The world has changed. Terrorism, natural disaster, and global financial chaos. The last decade has been a wake-up call to anyone that runs a business. To be successful, or even to survive, expect the unexpected.

How can a business increase its chances of survival and reduce exposure to one catastrophic business occurrence?

### 1. Don't get too dependent on one customer.

When a business has a very large, profitable customer, it's easy for that one customer to become virtually the entire business.

Many companies, even large ones can become totally dependant on being a supplier to a local customer – such as an automobile manufacturing plant. What happens when that big business gets bought out or moves away? This also applies to self-employed consultants or contractors who become used to doing a huge majority of their work for just one big business.

Be aware of the exposure that one customer creates. But while earning a good income from that one customer, there are two choices: grow a business and diversify the customer base or start putting away substantial sums of money in case that customer disappears.

### 2. Don't get too dependent on one supplier.

Having a single supplier has many advantages. It makes for a close business relationship, easy record management, simplified bill processing and often preferential treatment.

There is also a down side. If a business depends on one supplier – whether for a product that is re-sold or raw materials that are needed to manufacture another product, business risk is significant. Any change to a suppliers wellbeing spells disaster. If the supplier fails, a small business that relies on it may not be able to receive necessary materials to continue selling themselves.

### 3. Don't depend on one revenue stream.

If more than 70% of business revenue comes from one product or service, it may be time to start developing additional products or services.

It is a good idea to ensure that any new products or services are complementary. That means not having to recreate a totally new business. For instance, a business that makes organic dog food may want to start making organic cat food or other dog-related products.

When a business is dependent on one product or service it becomes vulnerable to competition.

### 4. Don't depend on a single distribution channel.

Its easy to fall into the position where a business has a single distributor, or even one method of selling. After all, if it works there is no compelling reason to change. The problem with this approach is that what works today, may not work tomorrow and it is not easy to start a whole new distribution or sales channel overnight – especially for a small business. Consider the impact of a distributor being bought over by a competitor. Or even a change to the law that prevents cold calling by a business that relies solely on that method of sales.

Careful diversification is a strategy for business survival. Certainly, you need to build one business at a time and stay focused. When you “don't put all your eggs in one basket,” you're better able to survive the unexpected, even the truly tragic, events your business may face.

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# Search engines to increase your business

Most businesses putting up a website have visions that millions of people will be instantly flocking to their site, providing a qualified source of new enquiries. In some ways it's the new age version of "hanging up a shingle" and naively expecting customers knocking on the door. It pays to have some realistic expectations about what can and cannot be achieved automatically by having a website and what steps can be taken to improve your chances of success.



Like any business marketing activity, there has to be a way to be found. With the internet, that means appearing high in search engine results.

Of course off-line, a business should put the details of their website address on everything, including business cards, letterhead, invoices, brochures, advertising. Since a website first serves current and prospective customers you connect with personally, it is still worth having a website even if no one ever finds you through a search engine.

To attract new business, people who have never had any contact with you in the "real" or off-line world, businesses need to learn how to make search engines direct people to their website. In the words of the web, this is called "driving traffic" to a website.

There are two main ways to help a site become visible on search engines. Business may consider using both:

**1. Search Engine Optimisation (S.E.O.):** Steps taken to get your site to rank highly in search results without paying search engine companies directly for placement. This is also called "organic search" because the results appear to come naturally or organically. SEO is done by carefully choosing the words, content, and design of your web page to meet the needs of search engines.

**2. Search Engine Marketing (S.E.M.):** Paying for a listing of your website (or particular pages of your website) to appear at the time a user gets search engine results, typically at the top and side of other, non paid results.

This is also referred to as "search engine advertising," "paid search," "sponsored listings," and more. SEM is done by carefully choosing which search words to be associated with – then there is a process of bidding to have your website ad placed near those words.

Even if a business plans to hire others to do SEO or SEM for them, it helps to have at least a basic knowledge of search engine operations as you choose what to put on your website and where. Here are a few search engine basics to know:

**Keywords:** The words a user types into a search engine box. The search engine software then goes out and searches the web for sites that relate well to those keywords. Try to figure out which keywords you would most likely want to be associated with.

**Algorithms:** When choosing which websites to show and how high to rank them, search engine software uses a set of mathematical formulas, or algorithms. These algorithms look for certain factors, such as the number of times, where, and in what context keywords appear in a website, then applies mathematical weighting to those factors to determine how closely aligned a website is to a web searcher's likely intent. Search engine algorithms are heavily guarded secrets, continually changed and updated. That's why you may care to hire a professional SEO expert to help you rank high if this is important to your business.

**Results:** Search engines return two types of search results:

- Nonpaid listings of websites that their own software has found that relate best to those keywords based on their own algorithms.
- Listings of websites people have paid to have associated with the keywords the user has typed in. These results appear at the top or side (or middle) of the results page, with some slight indicator that these are different results – such as a shaded background.

As with all marketing activities, some planning is required and even minimal investment in understanding search engine mechanics can prove highly beneficial.



# Avoiding the perils of partnership

Great partnerships can make great companies. Look at Hewlett Packard and Microsoft for example. However, before getting involved, it pays to get an understanding of the perils and pitfalls of partnerships.

For anyone starting or trying to grow a business, working with a partner can be great. After all, it's tough and lonely to build a business single handedly. It can be a big help to have someone with whom to share the expenses, enthusiasm, setbacks and successes.

Moreover, in a partnership, there's increased strength from having a balance of complementary talents or personalities.

One person may be an exceptional "outside" person: securing sales, marketing and networking. The other on the other hand may a terrific "inside" person: making sure bills are paid and staff are managed. Or, they may be very talented at creating the product - whether it's software or food items.

There are many advantages to partnerships, but individuals need to be careful before rushing in.

Once the initial enthusiasm of starting a business begins to subside, it is easy for tensions and resentments to grow. The "outside" person may come to find that the "inside" partner starts to view the time spent on business lunches, trade shows, and sales calls as just fun-and-games. Meanwhile, the "outside" person may come to feel that since they are the one bringing in all the customers, why should they share all the benefits with a partner just doing mundane office work?

Over time, even in good partnerships, the partners' goals for the company may differ or the amount of time you each have to devote to the company may change, creating conflicts.

When partners can no longer work well together, the business can suffer or even fail completely. So deal with any partnership in a formal and business-like manner. Before committing to a partnership, there are some potential problems that should be thought over carefully:



## 5 steps to partnership success

1. Understand what events may trigger a partnership. A written agreement is not required for a partnership to exist in the eyes of the law. If, over a beer, two friends decide to make up some bottles of a special barbeque sauce and sell it at a street market, a partnership may have formed. That means that both parties may have equal rights to the recipe and each may be responsible for all bills and obligations. So be very clear about the nature of the relationship before working with anyone.

2. Cover the details early. Before embarking on any venture which involves a partner, it is a good idea to sit down together and go over the details of the partnership, and also the expectations of each partner. Here are some issues that should be covered:

- What is the ownership division?
- Who owns what percent?
- What jobs/responsibilities does each partner have?
- How much time will each partner put in?
- How much money will each partner contribute?
- How will general business decisions be made?
- What decisions does each partner have final authority on?
- How will you communicate on a regular basis?
- How will serious disputes be resolved?
- What happens if one partner wants to leave the business? Moves?
- What happens if one partner wants to sell the company?
- What happens if a partner dies? Becomes disabled?
- How can new partners be introduced, if at all?
- Can partners work for any other company or do any other work on the side?

3. Prepare a written partnership agreement. Once these issues have been covered, partners should seek legal advice to prepare a formal partnership agreement. It may be tempting to prepare one informally to save money. This is risky - if the agreement ever needs to be legally tested, the courts will interpret from a legal view. It pays to ensure that the agreement deals with the intentions of the parties legally from the beginning.

4. Decide on the business structure. Get advice about what legal structure best suits the partnership. Different structures have specific benefits - cost of compliance, ease of entry and exit of partners, risk management and taxation. The choice of structure is one that should be made when considering all the facts..

5. Consider a buy/sell agreement. A "Buy/Sell" agreement spells out the terms by which one partner can buy the other out. In the event of a dispute or differing goals, a buy/sell agreement can enable the company to survive. Discuss ways, such as purchasing life insurance, to buy out a partner's beneficiaries in the event of death or disability.

# Creating customer loyalty

Over the last two decades, customer loyalty programs have exploded. Consumers under 30 probably don't remember a time when they went to a supermarket and bought groceries – or fixed your car or checked into a hotel – without showing a customer loyalty card.

For big corporations, the value of customer loyalty programs is hotly debated. Consumers are now overloaded with programs, frustrated keeping track of points, or just plain jaded. And it doesn't necessarily make you more loyal to your airline when you can never actually secure a reservation to use your frequent flyer points.

But for small companies – especially retail and service businesses – loyalty programs can be an effective and simple way to keep customers coming back. The key is to keep your loyalty program simple, and be clear on what you're trying to achieve.

The best reason for a small company to implement a loyalty program is to keep clients coming back. As a small business, it's hard to compete with the big stores or corporations with large advertising budgets. Offering a simple reward punch card at your sandwich shop – for instance, one free sandwich for every ten purchased – may keep a customer from going across the street to the fast food store.



Here are some examples of simple but effective loyalty programs that work well for small businesses:

## Pre-purchase discount:

For example, a coffee shop could sell a pre-paid card for coffee and give one free drink at the time of purchase. Pre-purchase discounts are cost-effective and cash-flow positive for small businesses. The money is in the bank now, the benefit is immediately apparent to the customer, and if the customer fails to use all their products or services, you've increased your profit margins.

## Cash reward after reaching purchase level:

A beauty store can offer a credit after a certain amount of merchandise is purchased. Customer generally like getting a cash amount to use, and always buy something they would not have otherwise, such as a gift. That increases sales as well as keeping me loyal.

## Other gifts, upgrades, special treatment:

Giving extras to your most loyal customers may cost relatively little but have great impact. For small companies, frequent buyer programs could mean free alterations at a boutique or dry cleaners, free desserts with meals, or other unexpected bonuses.

Punch card loyalty programs are easy and cheap to implement. Just work out the sales level you need to justify the reward or discount, print out cards, and purchase a speciality hole punch with a unique shape to discourage dishonesty. If you are concerned about customer dishonesty, simply keep the cards at your place of business rather than give them to the customer.

Giving customers loyalty cards to carry with them does have a benefit of ongoing advertisement for a business.

Regardless of the type of loyalty program you implement, you still must offer good products and great service. Remember, you've got to be loyal to your customers if you want them to be loyal to you.

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