E-book

The small business survival toolkit

Practical advice to help your business thrive.

Sage

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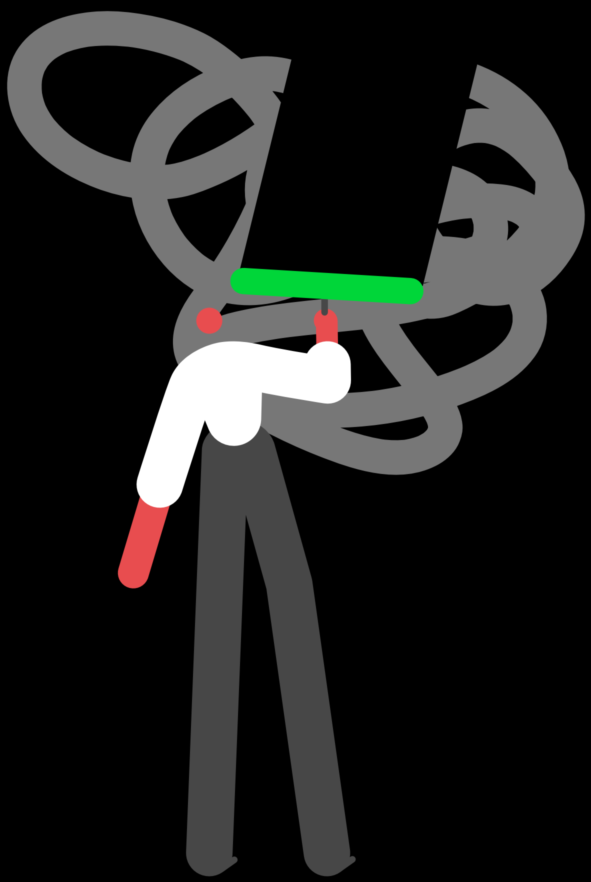

Welcome to the small business survival toolkit

The first two years of a business are never easy, so we have created a practical guide to help you start and survive this critical time period.

Key outcomes

- Get expert advice
- Analyse/optimise
- Increase sales

Introduction

This kit contains tools, resources, and information designed to help you build sales, generate cash, and improve your business operations.

Your survival toolkit includes:

E-book
This e-book is designed to help you achieve success by addressing typical challenges encountered by small businesses in the first few years. It's full of information, tips and resources.

Business plan
Use this template to update or complete your strategies for success. Simply follow the instructions in each section to enter your information.

Cash flow forecast
Use this template to predict funds flowing in and out of your business over the next 12 months. You can use the advice in the e-book to address any cash shortfalls.

This e-book is divided into three parts. Ideally, you will complete each in order, but you can skip around if you identify something urgent that needs addressing immediately. Keep reading to get started.

Part 1: Increase sales and generate cash

Let's start making money. When you focus on increasing sales and cash flow quickly, lots of your business problems go away. This first section will help you grow your customer base and generate a cash reserve to buy you time to fix any problems.

Step 1
Lock in existing customers

Step 2
Sell to new customers

Step 3
Find more cash

Part 2: Monitor what is going on and fix any issues

If you are struggling to survive or not growing as quickly as you thought, then you need to sort what's working inside the business and what isn't. This second section helps identify how you can be more efficient and effective.

Step 4
Find out what is happening inside your business

Step 5
Develop your competitive advantage

Step 6
Shorten your cash cycle

Part 3: Get help

It's comforting to know there is plenty of help and advice available for small businesses. Most successful small business owners have mentors, advisers, or can tap into various government support initiatives. This third section outlines where you can find such help.

Step 7
Recruit advisers

Part 1: Increase sales and generate cash

So let's **begin!**

Read this entire e-book. Then, make any changes to your plans by updating the business plan template. Finally, see how your updated strategies translate into numbers by completing the cash flow forecast spreadsheet.

Step 1
Lock in your customers

Sounds obvious, but before you start trying to add new customers, take steps to secure your existing ones.

Your existing customers are your best prospects for immediate sales. They offer the most cost-effective way to increase business because you've already spent money on acquiring these customers. They already know and trust your business and are therefore likely to reorder or order more from you. If your business is cash-strapped, then consider inexpensive ways to reach your customers and persuade them to buy more and more often from you.

Sage Business Cloud Accounting Tip

In Sage Accounting you can identify your best existing customers. It's easy to search for those that spend the most so you can reward them and those that spend the least to try to increase their average spend.

"Get closer than ever to your customers. So close that you tell them what they need well before they realise it themselves."

Steve Jobs
Co-Founder, Apple Inc

Identify your customer categories

Start by recognising that some customers are worth more to your business than others because they spend more, are repeat customers, pay on time, are pleasant and easy to deal with, or provide you with referrals to prospects.

Typically, 20% of customers provide a business with 80% of its revenue. It therefore makes sense to concentrate on this 20% segment first.

It may seem like common sense, but often it's easy to get distracted by trying to find new customers, when you may be best to spend your efforts on selling more to your existing clients.

Sage Business Cloud Accounting Tip

Review your top 20% of customers, identify their purchasing gaps, and see what else they could buy from you that they currently don't. Possibly customers do not realise your full range of products or services.

Create a customer contact campaign

Once you have profiled your existing customers, decide how to get them to increase their business with you. You can do this simply by keeping in touch, or you can go further by sending customers tokens of your appreciation (like tickets to a sporting event or whatever is appropriate to your type of business and the value of the customer account).

Take some immediate direct steps now to get in touch with the top customers you have identified, such as:

- Set up an email database and send monthly e-newsletters with specials and "customer only" deals. Be sure to comply with The Protection of Personal Information Act (or POPI Act) regarding communications.
- Visit them at their place of business, if possible.
- Give loyal customers free beta access to new products to test out and review. Make them feel special and important to your business.
- Find your customers on social media – engage with them; make them feel like you are listening to them and that you care. Connecting with loyal customers on social media goes a long way to making them feel special.
- If you target the general public, set up loyalty reward programmes from simple "stamp the card to get a free coffee" to more sophisticated points rewards. Check online for loyalty programme services designed specifically to support small businesses.

Sage survival tip #1

Possibly you know your best customers by name, especially if you are a small business with few customers or sell mainly to businesses rather than the general public. If you can rank these customers on one attribute (let's say "spend the most"), then generate a list so you can contact them for reorders. If you use accounting software, then it's easy to sort all your customers quickly.

Sage survival tip #2

Create brand advocates. Happy, loyal customers will go on to tell their friends. They will post about you on social media, which is free advertising.

People trust their friends' opinions over a company's marketing efforts.

Diversify

What else can you sell to your customers that you do not offer? Are there businesses you can partner with and promote into their database of customers (and vice versa)? Can you identify suppliers that will allow you to sell their products and services (and provide you a commission or margin)?

Sage Business Cloud Accounting Tip

By analysing your sales data, you will be able to understand purchase patterns. This allows you to anticipate when customers are likely to buy, so you can plan for seasonal fluctuations, when to advertise, and when to promote different products or services.

Sage survival tip #3

Facebook advertising offers lookalike audience targeting. Using your existing customer database, Facebook looks through its database and finds people who match the profile of your existing customers. You can then create ads that are targeted at this lookalike audience.

Sage survival tip #4

Targeting is the number-one benefit of using social media, as when you are setting your ads, you can request criteria such as education, financial status, ethnic affinity, and life events. You may get fewer people seeing your ad when you narrow these criteria, but they will be the right people, as it fits who you are looking for.

Step 2
Sell to new customers

Once you have locked in your existing customers, it's time for new ones. The best new customers are likely to match the profile of your current top customers. So, if you want more customers of this quality then a good place to start is your customer database.

Find more like them

Try to find where these new customers are, so you can target your promotions to these areas. For example:

- If you sell to consumers, target the geographic areas where the ones you want to reach are living. **Statistics South Africa** is a good place to find useful demographic profiles and information. You can then try a direct marketing campaign and advertising campaign within these areas.
- If you sell to businesses, get listed in business directories or advertise in industry-specific journals or magazines. Consider a business-tobusiness direct mail campaign as well.
- We mentioned earlier using the powerful targeting tools of social media – but ensure you use the right social media! Are your customers fans of Facebook – or more of the Snapchat generation? Find out by asking them!

Take active steps to gain referrals

Remember that your current customers should be a good source of new customer referrals. If you provide great service, word-of-mouth referrals will happen anyway. But taking action can formalise and speed up this process, so you gain new customers sooner.

Where appropriate, ask existing customers for referrals and develop incentives for customers to refer others.

What are your best sales tactics?

Identify the sales tactics that work best for your business. How can you intensify your best sales methods? For example, consider developing standard sales scripts or getting the best salespeople to train others. Implement a social media and online strategy to ensure you are driving customer traffic to your website.

Sage survival tip #5

Should you diversify? If your traditional market is struggling, can you try other markets? For example, you might find success in the next town or by changing your marketing focus. If your market is too broad, for example people who live within a one-hour drive, you may be better to narrow it to 'female accountants who own property in the central area'. You may discover a new market.

Step 3
Find more cash

Is cash tight?

If you cannot pay your bills, then regardless of how much business is about to come in, you may find yourself out of business. Complete a cash flow forecast to see what might happen.

Download our **free cash flow forecast template.** Get your financial adviser or accountant to help if you need it to identify how much time you have before you run out of cash. How much extra cash do you need, and where will it come from?

Sage survival tip #6

If you're dealing with a government department or large corporation, it can help to find out when they plan their budgets for next year so you can make your sales pitch when they are deciding what to spend their money on in the future.

Four ways of generating extra cash

1. Make savings
Take the opportunity to review your budget to see where you can cut costs. You may be able to renegotiate with suppliers for a lower rate. You will be surprised how much money you can save if you simply ask.

Here are some changes you can make:

- Get new quotes for all supplies (such as insurance, printing, and office supplies).
- Get quotes for utilities such as electricity, heating, telephone, and internet services. Don't forget about courier and shopping services.
- Contact existing suppliers to renegotiate lower prices and extended credit terms.
- Implement "just-in-time" inventory methods to help with reordering stock as you need it.
- Look to work jointly with another business also looking to share resources (such as equipment and staff).
- Hold a sale to move surplus stock.
- Identify and sell underused assets – you can rent most things instead of buying them.
- Consider discounting your outstanding customer invoices to a factoring company.

2. Raise more funds
The obvious way to raise more funds is to add in your own capital. If you are convinced the business will succeed, it may be the only choice. If you don't have any more of your own money, approach your bank to discuss available financing.

Keep in mind to approach your bank long before you actually need access to cash – banks may view a cash crisis as a reason to reject your financing application.

In addition to bank financing, consider these ways to free up funds.

- If you are currently paying a loan, speak with your lender about postponing capital repayments and paying only the interest portion of your loan until your business situation improves.
- Invest more of your own money in the business.
  For example, raise more money against an asset such as a property you own. Be sure to consult with your personal financial adviser and accountant before risking more of your own funds to make sure you can afford to do it.
- Raise cash from relatives or friends.
- Sell part of your business to key employees. You may not favour this tactic during good times, but during tough times it can increase your working capital and increase the motivation of key employees. Their money is now on the line, too.

3. Seek outside investors
Investors will typically want an equity stake in your business before they part with any funding. Like banks, they will also want to see a clear 'value proposition' in the form of a business plan and full supporting financial documents before they consider supporting your business with funds.

4. Explore grants and financial assistance
You may be eligible for various government grants or subsidies. It's not necessarily your first choice of funding, but certain industries and regions are supported by government programmes.

The South African government offers a variety of funding for small businesses, especially those related to innovation and technology although new and existing businesses can find help too. Learn more at **https://sacoronavirus.co.za/**.

Sage survival tip #7

Be careful who knows about your financial situation. You may not want your employees, customers, and suppliers knowing that the business needs an injection of cash because it could affect their confidence in your company. Maintain confidentiality as you seek financing solutions.

Part 2: Monitor what is going on and fix any issues

Step 4
Find out what is happening inside your business

Being more efficient and effective at sales is the goal of any growing business because it translates into more profit. It's your job to spot ways your business can improve in this important area.

Before you make changes to your existing sales or marketing approach, spend some time to find out what is currently happening in your business by analysing data. How are sales currently performing month over month? Which items are your best-sellers? What does your ideal customer look like – and how can you find more of them?

Analyse what's happening in your business to learn what's working well and what could be improved in terms of the sales function. But don't think about it too much – it's always wise to speak to potential or existing customers to get their opinion on things like:

- Why they buy from you.
- What else they will buy.
- How your business can improve in the area of sales and customer service.

You can collect this kind of valuable customer feedback through surveys, focus groups or one-to-one interviews.

Sage survival tip #8

Don't be afraid to ask your team (or friends and family for that matter) what they think is going wrong. Often employees instinctively know what the problem is in a business and how to solve it.

Step 5
Develop your competitive advantage

Your competitive advantage is how customers see you in the marketplace compared to your competition. Are you faster, perhaps, or less expensive? Do you have a wider range of products or services, or do you specialise with fewer options? Is it your own unique personality that attracts buyers, or is it your employees or your location?

Knowing your competitive advantage is essential to business survival because you can focus your efforts and resources on the reason(s) why a customer should choose you over the other supplier.

Focus on your competitive edge

Analyse your product or service
Consider what makes your product or service better than the competition. You need to identify why a customer would choose your offering over a competing one. Are you:

- Offering better quality?
- Faster than competitors?
- Less expensive/more expensive?
- Offering a unique experience that's just different?
- More reliable/trustworthy/established?
- Giving the customers access to your patented process, intellectual property, or innovative technology that they can't get elsewhere?

If you do not have a product or service that is better in some way than other options in the market, it is going to be very difficult to convince people to buy from you.

Complete a market SWOT analysis
A SWOT analysis (Strengths, Weaknesses, Opportunities, and Threats) can help you gain an overview of your business and visualise more clearly where you and your competitors fit in your selected market. Completing the analysis can help you identify which type of competitive advantage you can explore and promote. Search online for examples of SWOT analysis.

Include any of these ideas to build competitive advantage:

- Hire the best people you can find. It's your team that will make a difference.
- For retailers, it's critical to get a great location.
- Offer unique or exclusive products. Deliver something the competition cannot.
- Build a stunning website. A website that is more attractive or easier to navigate can be a distinct advantage over competitors.
- Become a star. Speak to the media, at conferences, and local events.
- Be an expert. Brush up on your technical knowledge so you know more about what you do than competitors.
- Get to know your suppliers. Lock in your suppliers and access better deals.
- Form strategic alliances and joint ventures. Team up with other non-competing businesses trying to reach your target market.

Sage survival tip #9

It is much easier to be more competitive if you solve a customer problem better than the competition. Focus on the benefits you provide, not the features. Probably the most used example: if you were selling electric drills, it's not the drill you are selling, it's the hole.

Step 6
Shorten your cash cycle

A cash cycle is the period of time between completing a job and getting paid for it.

If you are a retailer or sell online, then the buyer (usually) pays you immediately, so the cash cycle is very short.

But if you invoice customers in a business-to-business transaction, you will probably need to wait for payment anywhere from 30, 60, to 90 days.

The fastest way to see improvements in your cash flow is to tighten your payment policies.

Consider these actions:

- Ask customers to pay by credit card. It gives your customer a chance to conveniently pay your bill and enjoy the interest-free repayment grace period offered by every credit card company.
- A variety of companies offer this, like **Experian**, but you might find your bank offers it free as part of the banking package you pay for.
- Keep new customers on a maximum credit limit until they have established a favourable payment history with you.
- Ask customers for deposits up front to reduce your exposure to late payments.
- Ask customers for progress payments as you go, especially for large jobs.
- Move from credit sales to cash sales.

Along the way, measure the average number of days it takes you to collect debts using your accounting software so you can see if these changes to your payment policies have a positive impact on your cash flow.

Sage Business Cloud Accounting Tip

Set up rules. You can set up your accounting software to flag overdue accounts so you can take action when necessary.

Sage survival tip #10

Lowering your price in order to compete is a losing proposition – especially against larger competitors with deeper pockets. Instead, beat them on superior service, product mix, product knowledge or aftercare.

Part 3: Get help

Step 7
Recruit advisers

Successful entrepreneurs surround themselves with smart people.

You will need a mix of paid and unpaid experts in your life willing to support you and your business growth.

Assemble this list of advisers.

Legal expertise
Use a qualified solicitor to review your essential agreements such as leases, create key documents such as contracts, and set up your corporation when you're ready for it. Your solicitor can also draft a partnership or shareholder agreement.

Bank
The business adviser at your bank can help you with long-term financial strategies and provide solutions to address your day-to-day money needs. A good adviser will provide information and banking services tailored to your particular situation.

Accountant
An accountant will help you to take advantage of business write-offs, advise you on key purchasing decisions, and provide financial strategies to help minimise your risk and tax liability.

Mentor
A volunteer business mentor can do wonders for your focus, confidence, and decision making abilities. You can learn from the experiences of your mentor, brainstorm ideas, and make your business stronger. Plus, your mentor may be willing to connect you to their network.

Summary

During the first few years of your small business, success is not necessarily about profits – it may just be about making enough money to build solid foundations.

It takes time to build a successful business, and, statistically, the longer you stay in business, the more likely it will achieve profitability. So focus your energies on things that matter: selling to customers, assembling a quality team, and improving business processes. And be sure to pay close attention to your cash flow so you don't run out of money.

Focus on getting better in these areas and you will soon reach your goals. We wish you all the best.

Sage believes your success is our success, so we want you to take advantage of our resources available to help you to start and grow your business. Refer to all our complementary small business articles, tools, templates and content at **Sage Advice**.

Get your free trial of Sage Business Cloud Accounting. See how properly setting up your books right from the start can make a big difference to the way you manage your company. No credit card or payment required. **Get a free trial of Sage Business Cloud Accounting now**.

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