

RENTONS' BUSINESS TIPS



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ACN 001 307 900, ABN 17 001 307 900 of 2-4 Stamford Ave, Ermington NSW 2115.

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TESTING - The Continual Search for Improvement

One of the most dangerous things you can do in business is to be satisfied with what you are doing. If you are not continually searching for better ways to do things, then rather than stand still, you are likely to go backwards.

Testing is a term commonly used in direct marketing. It is the process whereby the results of one advertising campaign are compared with the results of another. Your plan is to do a small campaign, though large enough to yield statistically significant results, before you complete your campaign with the new marketing strategy.

This type of test involves a low level of risk because if the new marketing campaign proves to be unsuccessful then you will lose only a small amount of money. However, the test needs to be large enough to yield statistically significant results. Generally speaking, if a marketing campaign generates at least 50 responses then the results from this test will be meaningful. If the test fails, you can still benefit from the knowledge gained. The rewards from testing can be enormous since a slight increase in response to your marketing campaigns can lead to large increases in profit.

In marketing, you can test things such as headlines, your offer, your guarantee, your prices, the body copy of a brochure or letter, the products or services advertised, the creative design or the script in a telemarketing campaign. However, you can also test many other aspects of your business.

If you run a credit department you can test your trading terms and the timing or frequency of your collection activities. You can test collection stickers, thank you stickers, collection letters and printed messages on your statements. You can also test the use of mail versus the use of the telephone. After testing, you need to measure your results. How does your new collection strategy affect future sales, costs of collection, speed of collection and percentage of bad debts?

You can also test the layout of your office, the packaging of your products, the distribution methods, pricing, merchandising or your point of sale advertising. These are treated as tests because these decisions can quickly be reversed and the risks are not great.

When testing, you are looking for future opportunities for increasing profit without risking too much in the short term. Testing is a great way to improve your business. Avoid large and expensive risks but do not be afraid of failure. Remember what Thomas Edison said. *"I am not discouraged, because every wrong attempt discarded is another step forward."*



Ian Renton
Managing Director
Australian Credit Stationers

BUSINESS PLANNING

A business plan maps out where your business is now, where you would like your business to be at a certain time in the future and the strategies needed to achieve your business goals.

Surprisingly, less than 50% of businesses have a formal business plan. It is likely that many business owners are too busy with the daily activities of their business and just don't have time to plan for the future. This is clearly a mistake because research has shown that businesses which plan are more likely to experience faster sales growth.

Many don't have formal business plans because they are daunted by what is required. However, it is not necessary to produce a booklet with over 100 pages. The best business plans are easy to understand and easy to use.

Many business owners make the mistake of just hoping that their business will achieve substantial sales and profit growth.

Before you can project the future you need to do a detailed analysis of your present situation.

Analyse your business. What benefits do your customers receive? What products and services do you offer? What are your margins? Which products and services are the most popular? Which are the most profitable?

Analyse your customers. Break down your sales according to product or area. Who are your best customers? What do they buy? What do they look like, i.e. age, sex, where they live, what industry, etc?

Analyse your sales. What are your annual sales? How many customers do you have? How many of these are new? How many are not new? How many lapsed customers do you have? For how long do your customers do business with you? What is the size of your average sale? How many times a year do

your customers order from you? What is the lifetime value of your typical customer (i.e. average profit per sale per customer x number of sales per annum per customer x number of years your customer stays with you)?

Analyse the market. Does it have potential for growth? Is it affected by external factors such as legislation, political issues, environmental issues, technology, etc?

Analyse the competition. Who are they? Where are they? How many are there? What are they doing? What do your competitors do better than you? What do you do better than your competitors? Do your competitors pose a threat to you? Why or why not?

The final stage of your analysis is what is commonly known as a **SWOT analysis**. This lists your

- Strengths (internal factors - e.g. good staff)
- Weaknesses (internal factors - e.g. low margins)
- Opportunities (external factors - e.g. new export markets)
- Threats (external factors - e.g. taxation changes)

The next part of the plan is actually the easiest part of the business planning process. All that is required here is to list your **business goals**. You should be realistic but you are only restricted by your imagination and ambition. Your goals are usually reflected in terms of sales, number of customers, number of products sold and amount of profit. Set realistic figures which can be measured and state exactly when you want these goals achieved.

The final part of the plan is to develop strategies to achieve your goals. The level of detail here depends on the size of your business. The most important part of your plan is the marketing plan. The strategies you employ here will, to a large extent, determine how successful you are in achieving your goals.

Marketing is the one area of your business where I recommend you seek assistance. You may have staff who are skilled in this area. Otherwise, it is important to read whatever you can, study what others are doing, attend seminars and listen to consultants. Be prepared to try a few things that are out of the ordinary.

AN INSPIRATIONAL STORY

Sometimes our acts can bring about most unexpected circumstances. Consider this inspirational story from over 100 years ago.

There was a nineteenth century Scottish farmer who was out working his fields when he heard a cry from the bogs. He raced towards the sound of distress and found a boy, mired in the mud and sinking fast. He pulled him to safety and, after

A significant part of your business plan will be your marketing strategy. However, you will need to also consider the following:

Pricing Strategy - Do you need to increase prices in order to increase sales revenue? This will be possible if you sell on benefits instead of price.

Order Processing - How are your products and services distributed? How are they packaged? How are orders taken? Do you have credit facilities? What is your credit management plan? Do you accept orders over the internet? Do you have the most appropriate software? Do you have enough computers, telephones and desks? How are you paid? What credit cards do you accept?

Location - Are your premises large enough? Do you need to move or should you renew your lease? How long do you plan to stay where you are? Are you in an ideal location? Do you need more shops? Do you need to sell your products and services from other locations? Is franchising a possibility for you?

Financial - Do you have enough capital to grow your business? Is expansion funded through retained profits, debt or shareholders funds?

Staffing - Do you need to increase staff? Do you need to employ more full-time, part-time, casual or temporary staff? Do you have enough staff when you are busy? Are you overstaffed during quieter times?

Legal Considerations - Do you need to set up contracts with some of your customers or suppliers? Do your trading terms need to be prepared by a solicitor?

The final stage is to **measure** and **monitor**. Is your marketing successful? If not, what do you need to change? How does this impact on the other areas of your business?

This is only an introduction to business planning. There are several text books which go into much more detail than this. Business planning is not a once only process. For it to be successful you need to monitor, measure and replan.

comforting him, sent him on his way.

The next day, a coach pulled up at the farmer's home and a nobleman, the father of the boy the farmer had saved, stepped down to greet him. The nobleman offered him a reward, but the farmer would have none of it. The nobleman insisted. The two argued for some time until they struck a deal. The nobleman would pay for the education of the farmer's son.

The farmer's son, Alexander Fleming, went to medical school and, after graduating, became the man who discovered penicillin. Fleming's discovery was to save the life of the nobleman's son one more time. When Winston Churchill, for he was the nobleman's son, contracted pneumonia, penicillin saved his life.

FOR MORE INFORMATION



Telephone: (02) 9874 0235
Toll Free: 1-800 226 202
From NZ: 0800 128 727
Email: renton_acs@bigpond.com
Website: www.austcredit.com.au

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