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BUSINESS PLANNING

Update Your Business Plan!

Most businesses create a plan at the start of each year which outlines where the business is today, what happened last year and where they want to be at the end of the year. As we approach the end of Quarter 2, 2011, it is time to pull out the business plan and update it. Every business prepares monthly accounts, but what about a monthly or even quarterly update to the firm's strategic plan?

Constantly updating your business plan ensures that your long term plan is always up to date and can be adapted as new issues arise. Furthermore, it ensures that those in management are always creating new goals and objectives which can be managed and tracked.

Is it time to expand your business? This may not necessarily involve hiring more staff or taking over competitors. It could just as easily involve the introduction of more products and services, making your business national/international or simply beginning to target new market segments.

The important thing to remember when updating your plan is the fact that it will never be final or finished. The world of business is constantly evolving as markets grow, currencies fluctuate and supply/demand levels change. As a result, your business plan is an ongoing exercise.

By constantly re-evaluating your plan, your business is acting and thinking proactively rather than waiting for something to happen in the market. This will ensure that the business is prepared to adapt when changes in the market do occur.

FOCUS ON VALUE NOT PRICES!

Consumers of everything from retail products to business services are becoming more and more value conscious as a result of the economic downturn. This has put downward pressure on prices which has resulted in many businesses cutting prices in order to remain competitive and maintain market share.

The customers of your business are in a money-saving mood but they aren't willing to sacrifice on quality. This presents business owners with a new challenge – to maintain a quality product or service but offer more value to customers at the same time. Your business can take advantage of this focus on quality by minimising price reductions and instead offer more “value added” to customers. Since customers today are more focused on value for money you must make them feel like they have got more “bang for their buck”.

Take a management consultancy firm as an example. Instead of reducing their prices, they could offer more “value added” services free of charge to customers by offering a free 2-hour business strategy health-check. This health check could consist of a review of the current business plan, as well as sales and marketing activities with a report being developed showing the business which areas to focus on throughout the rest of the year.

The customer has now received extra value for the same price that they paid last year. The customer now feels that they have received value for money and the consultancy firm has managed to avoid cutting prices. Therefore the business and the customer benefit from the value-added approach.

As customers have become more focused on the value they receive, more and more businesses have implemented this value added approach. Tesco have done it by offering mobile phone services, car insurance and financial services in store. 3 mobile have done it by offering unlimited data usage plans to mobile phone packages. Now it is your turn to give your customers a little value added extra and avoid cutting your prices at the same time!

COLLECTING TAX DEBTS THROUGH PAYE

Over recent years HMRC has concentrated its debt collection resource, of necessity, on high-value debts. Unsurprisingly, say HMRC, this has led to a considerable increase in the number of small debts, particularly those less than £1,000 in value. The low value of each individual debt makes it inappropriate in most cases to take action to enforce these debts. Good news then you will say!

However, the result of all this is that more tax debts will be reflected in your Code Number used by your employer. Specifically the intention is to increase the maximum amount that can be coded out from £2,000 to £3,000 which will clearly ensure that more people with small debts can benefit from this collection method, and HMRC can direct its resource towards those who deliberately choose not to pay tax.

WINDOWS 8 ALREADY!

According to Microsoft, more than seven copies of Windows have sold each second since the launch of Windows 7 in October 2009. Unsurprisingly, given the popularity of the Windows operating system on home and business PC's, Microsoft is already developing its replacement, Windows 8.

So what can we expect from the next upgrade to Windows? Apparently Microsoft has taken the lessons it learned from the Xbox and Microsoft Office and applied these concepts to Windows 8. Various technology news sources are suggesting that the new operating system will be optimised to work on tablets as well as traditional PC's. This is in response to the increasing popularity of tablet computers since the launch of the Apple iPad.

Visually, Windows 8 will be similar to Windows 7 but will likely come with a Microsoft Office-style ribbon menu system. We will have to wait until the official launch of Windows 8 to make an informed comparison of the advantages of the new operating system over Windows 7. The launch of Windows 8 is likely to be in 2012.

The big question for businesses is of course whether to invest in Windows 7 or postpone computer upgrades until Windows 8 arrives. Given that Windows 7 has now proven itself as a stable, secure and reliable operating system, many businesses may choose to stick with Windows 7 and wait until Windows 8 has been around for a year or two (and all the bugs / glitches are sorted out). It is also worth considering that many offices still use Windows XP Professional and a jump to Windows 8 may require some training sessions for staff as well as upgrades to servers and network software.

One thing is for sure – the onward march of technology is relentless. Eventually businesses will have to move away from Windows XP which will cost in terms of staff training and hardware upgrades. It will be interesting to see whether Windows 7 or Windows 8 garners favour with business users.

CALLING ALL RESTAURANT OWNERS

HMRC has announced the use of specialist teams to focus on particular trades and areas in the near future. The first such task-force will focus on the restaurant trade, targeting those in London to begin with and soon also covering Scotland and North West England. This new approach is clearly an attempt to use HMRC's resources more effectively in their continuing quest to collect more tax (not forgetting of course that their real role is to make sure a taxpayer pays the right amount of tax – no more and no less).

The danger is a possible gung ho approach which makes unwarranted assumptions. If you are in this trade we really should be having a good look at your business records to be ready to ward off any HMRC attack by making sure all is well and that HMRC do not in their haste come to the wrong conclusions from a cursory examination of your records.



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SURVIVING TOUGH TIMES

All the economic indicators tell us that for the remainder of 2011 we are looking at some tough trading times. In that regard, we have prepared a "Business Checklist" which we hope you will find useful as you look at ways to keep your business successful in this environment. Please review the ideas we have presented and talk to us about how we can help you with their implementation. We have helped a number of clients recently to control their costs and maintain their revenue base. What is really important is that you take steps now to make sure your business is "ship shape and Bristol fashion".

No	Action Item	Completed
1.	Review your Budgets and set realistic and achievable targets for the rest of 2011.	
2.	Get rid of won't pay customers.	
3.	Review debtors list and chase up overdue invoices.	
4.	Offer existing debtors extended payment terms and/or discounts.	
5.	Make sure your terms of business contain explicit payment terms.	
6.	Assign responsibility to one individual for invoicing and collections.	
7.	If appropriate, review banking facilities and discuss future needs.	
8.	Put extra effort into making sure your relationships with your better customers are solid.	
9.	Review and flow chart the main processes in your business (e.g. Sales processing, order fulfilment, shipping etc) and challenge the need for each step.	
10.	Encourage team members to suggest ways to streamline and simplify processes (e.g. sit down and brainstorm about efficiencies and cost reduction).	
11.	Use 'bottom up' budgeting where everyone in the office gives input on areas over which they have control – target a 10% cost saving.	
12.	Review your staffing needs over the next 12 months and make weak or unnecessary individuals redundant now.	
13.	Get your members of staff involved in a discussion of likely trading conditions and get their input on reducing costs and maintaining revenues.	
14.	Review your list of products and services and eliminate those that are unprofitable or not core products/services.	
15.	Establish your key performance indicators (KPI's) and measure them on a weekly basis e.g: <ul style="list-style-type: none"> • Sales Leads generated • Orders supplied/fulfilled • Cash balance • Stock Turnover • Debtor Days • Gross Profit • Net Profit 	
16.	Review efficiency of business processes and consider alternatives such as outsourcing certain activities locally or overseas.	
17.	Pull everyone together and explain the business strategy and get their buy-in.	