



What is your business worth?

The growing number of Baby Boomers looking to retire will see an increasing number of businesses being placed on the market for sale. Combine this with the increased number of executives looking to enter the world of the self employed. These executives will be seeking increased control over their own future after being jettisoned from the corporate world as a result of the slowing global economy. These two factors are likely to see an unprecedented number of businesses change ownership over the next few years.

Research shows that nearly half of all business owners planning to sell their business are unaware of how much it is worth. The problem is more significant for the smallest businesses, with only 37% having a clear idea of the sale value of their assets.

These figures should not be surprising. It could be said that valuing a business is as much an art as a science. There is no precise formula that applies to all businesses in all sectors, nor even to all businesses within a sector. Instead, an accurate valuation will depend on consideration of a number of factors. These include:

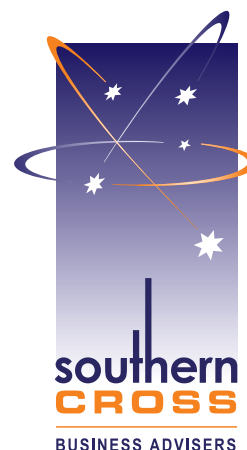
- **The size of the business** – larger firms tend to be viewed as less risky and so attract a higher price, even if they are less efficient than smaller competitors.
- **The prospects for future growth** – buyers sometimes pay more for businesses with high growth rates because they repay the investment more quickly. You might consider selling before turnover and profits level out.
- **Diversification** – if you have a wide 'business mix' it can affect the sale price, since buyers may only be interested in one area or market.
- **Customer base** – the size of your customer base is important, but so is the quality of your customers and the cross-selling opportunities.

- **Profitability** – although generally the higher the profits, the higher the value, some buyers might prefer a business with areas in which large efficiency savings can be made.

- **Cashflow and financial management** – the size and certainty of cashflow, and the strength of the balance sheet and financial management are all vital factors.

While you will obviously not wish to undervalue your business, it is also important not to overvalue it. An inflated asking price will discourage buyers, or make them think you are not serious about selling. Ultimately, the value of your business will be determined by the laws of supply and demand. If there are plenty of willing buyers for your type of business and few sellers, you will get a good price, and if you can allow buyers to set a price through competitive bidding, so much the better.

While a business is only ever worth what a prospective buyer is prepared to pay for it with a little planning, there are ways you can increase the value of your business. If you are thinking about exiting your business and would like to maximise your after-tax value, please call our office to discuss your specific circumstances.



Corporate identity fraud: is your business protected?



Identity fraud is a growing problem, with an increasing number of businesses and individuals being targeted by criminals.

New research suggests it can take more than a year for some people to discover that they have been the victim of identity fraud, by which time a great deal of damage may have been done; while corporate identity fraud can also ruin the reputation of an otherwise successful business.

Stealing identities

The problem of individual identity fraud is relatively well-publicised. Some of the more commonly known methods used by criminals to obtain sensitive information include:

- Searching through rubbish bins to find discarded documents, such as bank and credit card statements.
- Intercepting mail.
- Copying credit cards during a transaction at a shop or restaurant.
- So-called 'phishing' scams, which involve sending emails that look as though they have come from a bank or similar organisation, and asking customers to 'confirm' their details by return email.

Corporate hijacking

Businesses are also increasingly at risk of being targeted by fraudsters seeking to use their details to create a false identity. There is a growing trend of criminal activity in this area, with fraudsters registering as company directors and then purchasing goods and services from suppliers, which they have no intention of paying for.

A common method used by the criminals involves accessing registered company records, changing the details of the company directors and registered address, and using the stolen identity to order goods, which are then intercepted at the fake address. Criminals can also make use of publicly available company bank account details and signatures for fraudulent purposes.

Reducing the risk

So, what steps can you take to help protect your business? Businesses can help to protect themselves by putting in place the following procedures:

- Storing sensitive documents in a secure place.
- Shredding documents before disposing of them.
- Checking their registered company details regularly, to ensure that they have not been changed.
- Training staff to be aware of the issues surrounding identity fraud, and limiting access to sensitive information to key staff.
- Checking customers' details before offering them credit.
- Reducing the risk of electronic hijacking by ensuring that firewall and anti-virus software is up to date, and only opening legitimate email attachments.
- Keeping company bank account details out of the public domain.

The time for businesses and individuals to become complacent about their financial and personal records has long gone. By becoming vigilant about some of this information and implementing the steps that have been mentioned may prevent you or your business of becoming the victim of identity fraud.

Raising Finance

To make a successful proposition to the bank:

- 1. Choose the right financier** - Spend time thinking about the most appropriate funding source for the project or objective. Long-term projects are probably not best funded by overdrafts or loans in debt. Learn about the various sources of finance and select those best suited to your purpose. If in doubt, seek our help.
- 2. Provide the financier with the right information** - More often, rejected propositions do not suffer because of the lack of imagination in the idea, or because the bank disapproves of the proposed development. Rather, it is because the proposal is not presented in terms that will appeal to a potential lender.

Make sure that you fully understand the information that the bank wants. This often means much more than simple financial projections.

To have confidence in an enterprise, a financier usually wants to gain an appreciation of the business, the quality and depth of management and the key people involved – and this information should be presented in a suitable way.

- 3. Take professional advice** - It is best to use the services of a professional when preparing and presenting a proposal. We can help you prepare a solid, detailed business plan that will attract financial support, and perhaps identify potential financiers who will meet your needs.

Staff training can transform your business

According to a recent survey, a third of employers claim that deficient skills among their staff result in higher operating costs, orders being lost and new product development being delayed.

So how could you take advantage of training: firstly to help prevent damage to your bottom line, and ultimately to really benefit your business?

Beyond the basics

Clearly, the minimum you need to offer staff is the training to make them competent to perform the job. For example, your administration team will need essential computer skills, and your sales team will need a good understanding of your products and services. There are also certain mandatory requirements, such as health and safety training. But beyond these basics, there are benefits to offering non-essential, or 'added value' training to your staff.

A clear advantage to offering ongoing training is that it can provide a competitive edge. For instance, salespeople who are highly qualified with skills in telephone techniques, writing proposals and negotiating will be at an advantage over those who are only given product training and a script.

Which training?

When deciding on the particular training to offer staff, the key is to identify any 'skill gaps'. Essentially, you can do this by defining what you want your business to achieve, identifying the skills and knowledge required to do so, and then examining where existing staff fall short of the required expertise. You can do this in a management brainstorming session. There are also a number of online-based skill assessment tools now available at very low cost.

There is also an argument that investing in widespread training can be beneficial for its own sake, turning your business into a 'learning organisation'. Where staff are constantly learning new skills across a range of disciplines and applying these to the business, you should see greater dynamism, innovation and motivation.

Costs and funding

How much you spend will depend on the type of training you want to offer. Typically, businesses with less than 100 staff spend an average of less than \$600 per employee on training every year. Whilst this may sound like a lot of money, particularly for a small business, it is important to keep in mind that training is singularly one of the most significant factors in retaining staff. Even a modest investment in training may go a long way to increasing employee longevity and reducing the costs of recruiting new staff.

But perhaps the best approach is not to view training as a cost, but a business investment that will positively contribute to your bottom line.



Keeping overheads down

All business owners would like their business to be more profitable – but many fail to keep a proper eye on their overheads. Consider the following ideas:

Scrutinising your bills – inaccurate billing can have a significant impact on your bottom line. Make sure you minimise the risks by checking your bills, including those regular monthly and quarterly bills from utility and phone companies.

Shopping around – search for the best deals from your suppliers. Take advantage of the growing number of online product comparison services.

Asking around – consider asking your staff; they often approach things from a different angle, and may well have some suggestions as to how you could cut costs. This will also have the benefit of promoting a cost-conscious ethos throughout the business.

Considering outsourcing – outsourcing key functions could free up valuable resources, and could allow you to spend more time on strategic planning rather than the day-to-day running of the business.

Challenging your suppliers – challenge prices, and negotiate bulk discounts with suppliers. You may be able to agree to an exclusive buying deal.

Identifying new ways to build profits – don't rely solely on cost-cutting measures to improve your business. You should also consider how profitable your existing procedures are, and look for new ways to take your business forward.

Put all major costs out to tender regularly – There may be good reasons for dealing with regular suppliers for regular purchases, but it is imperative that you check the market periodically, as you could make substantial savings.

Preparing effective proposals

Sadly, not all prospects are going to convert to paying customers, regardless of your prices or the quality of your products or services. A great deal of time and money can be wasted dealing with enquiries and preparing tenders or proposals for prospects who are not ready to buy or just plain 'tyre-kickers'.

On the other hand, after 'wasting' your time with even one or two of these tyre-kickers, it's easy to get cynical and become too dismissive of prospects that might turn out to be very profitable paying customers.

Determining how much time and energy to spend on prospective customers is a delicate and difficult balancing act. Here are some ideas to help maximise effectiveness when dealing with enquiries:

1. Have general information prepared and available.

Most prospects will try to figure out whether a company is a good fit for them before taking up too much of their (or your) time. Assume your business sells floor tiles. Do you specialise in commercial or residential? Do you only serve a specific geographic area? Do you install counter tops as well as floors? That kind of information enables prospects to weed themselves out before calling you. Of course, a great and relatively inexpensive way to provide this information is on your website.

2. Ask questions of the prospect. In professional salesperson terms, this is known as 'qualifying' the prospect. By asking a few simple, non-intrusive questions, you can get a sense of how serious the prospect is.

Some questions to ask:

- What is the scope of the project?
- What is the time frame for the work to be started and completed?
- How soon will you be making a decision on a supplier?

- How many quotes are you getting?
- What other alternatives (not competitors) are you considering? (In the floor tile business example, you may ask, "What other types of floor coverings are you looking at?")
- What are the most important considerations in your decision? Price, quality and/or convenience?

3. Don't get star-struck. It's easy to get excited if you're approached by a large or well-known company or customer. Don't lose your judgment. Many high profile customers take up more of your time, take longer to make decisions, and have unrealistic expectations. While having a high profile customer may be attractive, it may not be worthwhile if you don't make a profit.

4. Provide prospects an incentive to make a quick decision. It is human nature to put off making choices until the last minute, but that often puts your business in a crunch. If you can, come up with truthful, positive ways to encourage customers to make a decision. This will also reduce the likelihood of a customer shopping elsewhere.

5. Be wary of prospects who want too much information. Some prospects use proposals as a way of getting free consulting services. This is true of both small customers and large companies.

6. Don't count your chickens before they hatch. It's easy to get excited about a prospect, especially if it's a big one. It's a good idea to have lots of prospects in the sales pipeline. Having lots of quality prospects helps prevent you from accepting any offers, particularly ones that may benefit your business in the short term, but may be a problem in the long run.

7. Money counts. Remember, a sales is not complete until the money is in the bank. Until then anything can happen.

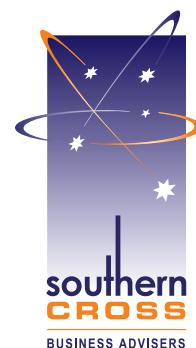
OUR SERVICES

Are you driving your business or is it driving you?

Are you at a point where so much time and energy is taken up dealing with the day-to-day running of your business that you have little or no time to think ahead?

If you are, you are no different from the many other successful business owners we have helped. Southern Cross Business Advisers has developed a sophisticated strategic planning service **specially designed for businesses just like yours.**

If you want to get your business back on track and lay the foundation for sustained growth and improvement, call us today on (03) 5022 7709 to arrange a **FREE Business Diagnostic review.**



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