

BUSINESS LINE

To Your Success

WHEN OPORUNITY KNOCKS, WILL YOU RECOGNIZE IT?

by Pam Butterfield, Butterfield & Associates, LLC

Seriously, when opportunity knocks on your door, will you recognize it? If you are like many small business owners that have been affected by the long, lingering economic downturn, there is a real possibility that you won't be able to recognize the opportunities that will present themselves to you and your business as the economy shifts.

An Inward Focus

During the last several years, many business owners have had to make tough decisions in order to keep their businesses afloat. They have adopted an inward focus to make difficult decisions about trimming expenses, laying-off employees, consolidating, and figuring out ways to become leaner and meaner. And when a business owner has to make these kinds of changes, the result is usually internal chaos within the company and within the person making the tough decisions. It can become difficult to look beyond your own four walls.

An Outward Focus

A changing economy can spell opportunity. But in order to spot and take full advantage of emerging opportunities, you need to adopt an outward focus. It's essential to look out beyond your own 4 walls. Things have changed in the last 2 to 3 years and it is essential that businesses understand what the marketplace wants now and next year. What customers want today might be very different than the

last several years. If you remain inwardly focused, you will make assumptions and talk among yourselves. Don't assume you know. And, stop talking among yourselves! Your business must be outwardly focused in order to capitalize on new opportunities for growth and profitability.



The Truth: You Need Balance

Business owners require 5 things in order to be successful today. You must:

1. Have a clear picture of where you have been, where you are today, and where you want and need to go;
2. Have the proper help to run your business in an efficient fashion;
3. Have the time you need to work "on" your business, not just work "in" your business;
4. Know what's going on in your industry;
5. Know what's really going on with your customers.

In order to have these things, balance is the key. Maintaining both an inward and outward focus is critical in order to recognize opportunity when it knocks on your door.

Butterfield & Associates, LLC is a firm that specializes in working with business owners, CEOs and organizational leaders to identify and eliminate barriers that impede business growth and performance. (Phone: 860-643-4744)

A CLIENT LIST THAT INCREASES PROFITABILITY

by Yvonne Bruno, CPA, Fulco, DiTommaso, McMahon & Co., PC

Periodically I call my clients to see how their business is going. Typically, the answer I receive is, "I'm so busy." Busy can mean anything from having a wonderful year, to a key employee quit and the owner is trying to clean up their mess. When a business owner becomes overwhelmed, it is time to stop and look at what is

causing the stress. Many times it is customer related. Once a company progresses beyond the start-up stage, it is necessary to periodically review the customer base. This will ensure that the company's efforts are focused in the areas providing the most benefit.

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Valuable information for your business including:

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- *Recognizing When Opportunity Knocks*

The contributors to this newsletter are independent professionals providing general information. Business owners should consult an experienced professional for assistance suited to their particular needs.

MINING YOUR BOOKKEEPING DATA

By Annabel Pedomonti, Accounting Software Services

As the economy improves, business owners find themselves getting busier. However, it is easy to confuse being busy with being profitable. You can be working so many hours that you neglect to analyze your sales to ensure that you are selling your services or products to the right customers for you, and that your marketing and networking efforts are an effective use of your money and time. It is easy to use your computerized accounting system to track this information.

The first thing to do is to decide by which criteria you will group your customers. Examples of these criteria are:

The type of industry – healthcare, retail, financial services etc.

The size of the company in sales volume and/or number of employees

The town/state/region in which they are located.

Having identified which criteria are appropriate for your business, create a database (using the customer type or sales rep field) of the categories within it. The next thing to do is to create a database listing your marketing and networking activities. When you set up each customer, select which category they fall into and which marketing or networking effort led this customer to you.

As you enter your accounting transactions the information you are looking for will be automatically created. Your invoices and sales receipts will gener-



ate sales information by category of customer and marketing effort. However, you need to know the profit generated per customer, not just the sales revenue. Therefore, when you enter the bills that are directly job-related you need to enter the customer's name in the appropriate column. By doing this you find the profitability as well as the revenue per customer.

When your accounting software has been set up in this way, you can generate reports that show:

The profitability of each customer or project

The comparative profitability of different categories of customers

The comparative profitability of different marketing and networking plans

The effectiveness of different marketing plans with different customer categories.

When you have this information at your fingertips you have the tools you need to decide which customers are best for you and the most effective way to reach them. As a consequence, you can concentrate on being profitable instead of simply being busy.

A RECIPE FOR TROUBLE

by Attorney Judy Gedge

A Recipe for Trouble' -- so read the front page headline in our statewide daily newspaper recently. No, it wasn't about gang fighting or other crimes of violence but it was a very sad story. A business with four co-owners was caught up in a nasty fight over the rights to a 'secret' chili sauce served in its downtown restaurant for over fifty years. The main argument was over whether to open a second location and expand the business. The owners can't agree on whether to grow the business and, here's the kicker, now they'll be leaving it up to the Court to decide. Four sets of lawyers will be battling it out in two different lawsuits.

Any business that has multiple owners needs to have a system in place to deal with internal disagreements. Whether you're just starting out in business, or part of an established business, it's

important to deal with these issues up front. That way you'll have a workable method for dealing with anticipated and unanticipated challenges. For instance - What happens if one of the owners wants to lease himself a company car. Or what if he wants to add a new product line to the business that's going to require a sizable bank loan? Can he do these things without your approval?

And, let's take it a step further, if these actions require unanimous approval and you say 'no', how will you resolve the deadlock? Now you're in the equivalent of a bad 'business marriage'. If you'd addressed this possibility up-front, you'd have a method in place. Perhaps one of you has the right to buy out the other or maybe you split the business down the middle (if that's a feasible option). There

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UPSCALING YOUR CLIENT BASE

by Andrea Obston, Andrea Obston Marketing Communications, LLC

Looking for a way to move to a more upscale client base? Hit 'em where they live. Or, more precisely, where they read.

What I mean by this is that the best way to gain credibility with a new target audience is to show up in the publications where they go for information.

But, if your goal is a whole new target audience, how do you know what they read? Here are some tips.

Establish a target. Define your new audience in as much detail as possible. Instead of saying "I'm aiming at the banking industry." Decide what categories of individuals in that industry have the interest and need for your product, the decision making power and the budget for your services.

Check a media directory. There are a number of annual directories that list media by target audience. The two most commonly used by p.r. people like me are Bacon's Publicity Checker and Burrelle's/Luce. These directories are organized by the industries they cover. Look up your target audience by both industry ("Banking") and job title ("Human Resources"). Read the write-ups of the publications to find out who they aim at and the kind of news they prefer.

Look around and ask. When you visit members of your target audience, take a look around in their waiting rooms and offices. What publications do they display? Ask them if these are publications they find useful in their jobs. If you can borrow an old copy of the publication, do it. Read through it to see what their key issues are on the mind of your target audience. See which reporters cover what you do. Add them to your media list.

Keep an eye out. As I travel around, I'm constantly picking up magazines and newspapers to see if they work for one of my client's media lists. You have to do that because publications go in and out of print.

A strategically researched media list provides you with an entryway into the mind of a target audience and a powerful tool to penetrate a new market. Make sure yours is complete, up-to-date and responsive to changes in the industry. Then, make a promise to yourself to regularly send them story ideas that demonstrate your competence and understanding of your new target market. Such stories will open the door to a whole new revenue stream.

CLIENT LIST

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Customers usually fall into four categories:

- 1) Clients who pay their bills on time, refer other customers to you, are pleasant to work with, and never complain unless there is a genuine problem. ("A" clients)
- 2) Customers who pay their bills, have a good working relationship, but very rarely, if ever, refer additional business. ("B" clients)
- 3) Clients that usually pay their bills, but not always timely. There is more effort from the business to take care of these customers. ("C" clients)
- 4) Customers that are almost never satisfied. They require the most time due to collection problems, constant handholding, or other issues demanding significant attention. ("D" clients)

Once categorized, look at the previous years' sales to determine which products or services were the most profitable. Remember that this does not necessarily equate to the product with the higher dollar amount of sales. It is also critical to determine the costs involved in selling a particular product or service. The important formula to remember is "Sales - cost of sales = gross profit - operating expenses = profit. Only by understanding this formula's components will the owner know whether a product or service is profitable.

Next, associate these sales with the appropriate

customer. What commonly occurs is that approximately 70% to 80% of the business profit is coming from the "A" or "B" clients. Then determine which clients require more of the businesses time and effort. If employees track their time by client, it is easy to calculate by analysis of the time records. Too often, the most time is spent with the "C" and "D" customers, and the least time with the customers generating the most profit.

Why does this make sense? If the "C" and "D" customers take more time for less profit, why not get rid of them? Although this suggestion is scary to most business owners, start slowly, so the benefit can be illustrated. Choose a few customers at the bottom of the list. Write a letter thanking them for their business in the past, but you will be unable to service them in the future due to changes in the company's focus. Suggest another company they can do business with. Alternatively, raise the price of the goods or services provided, so this customer becomes more profitable. If the customer continues to use your service, at least the client is now generating a profit. If they leave, you have created more time for your better clients.

Once the business owner tries this process a few times, they become more comfortable using it on a regular basis. This strategy can increase the profitability of a company, and ultimately creates a happier workplace with less stress.

EVALUATING THE BEST USE OF YOUR TIME!

by Faith Manierre, Busy Bees Professional Organizing, LLC

Everyone is so busy these days! It seems most people don't take the time to stop and smell the roses. Perhaps one of the reasons you started your own business was so you could control your destiny and step off the "roller coaster." But now you may be finding that there aren't enough hours in a day to get everything done. We all know successful people who can juggle many tasks at one time. The secret to their success is that they use their time wisely. Perhaps it's time to evaluate how you're using your time.

When you started your business, you probably joined several professional organizations and networking groups to make contacts and find new clients. Take a look at each activity you're involved with, and evaluate whether it's worth your time and energy. Maybe one business networking group you belong to requires a weekly meeting and frequent lunches with members to keep relationships active. Ask yourself if the amount of business you gain from the group supports the time away from your office and clients. Similarly, if you belong to a chamber of commerce, does the time you spend at events justify the time away from your desk? Keep track of how your clients heard about you, whether it's through referrals, your website, speaking engagements or advertisements. Periodically, list your business building activities and compare the outlay in time and money against the revenue they generate. Once you do the math, you'll know which activities are profitable to your business.

Andy Warhol once said, "Being good in business is the most fascinating kind of art." Who knew that being good in business would include selling, bookkeeping, marketing, designing your brochure and maybe even fixing the plumbing!

RECIPE

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are any number of ways to deal with dispute resolution issues like this as part of an overall buy-sell agreement.

It's also important to address the issue of death, disability or retirement of an owner. What happens if one of the owners wants to sell out his interest in the company to a person you dislike or distrust? Can you be forced to share your company with that person? What happens if one of the owners dies? Will his spouse step into that owner's shoes and tell you how to run your company? What if one of the owners becomes inactive through disability or 'change of lifestyle'? Will that owner continue to receive the same share of the profits?



If you find yourself spending too much time on activities that are not income-producing, it might be time to look at outsourcing some of them—especially the tasks at which you don't excel. For example, if you're not good at graphic design, hire a professional to design your marketing materials. Other areas that might be better off left to professionals include advertising, bookkeeping, direct mailing, web design, computer training and clerical/office activities. Freeing up this time will allow you to focus on what you do best—bringing revenue into your company! You will work more productively and save precious energy when you outsource to professionals who can do the work faster and better and, in the long run, at less expense.

Of course, you don't want to stop networking and marketing activities altogether. And you'll always need to be involved to some degree in the projects you outsource. Finding the balance between direct client activities, business administration, and prospecting for new customers is one of the biggest challenges for business owners. Be selective about your marketing activities and continually evaluate your non-client time. Doing this with thought and care will help you focus on the goals and priorities you have set for your business and your life. And it will also help you to stay off that roller coaster!

None of us has a crystal ball. We don't know which, if any, of these scenarios will arise in your business. However, by proper up-front planning, you can put in place established rules for dealing with situations like these. You can address these issues before they arise in a fair and even-handed manner. After all, none of the owners knows if he'll end up on the 'buy' side or the 'sell' side of these scenarios. By entering into a buy-sell agreement before any of these events has occurred, you can deal with potential changes in a way that won't destroy you or your business. Don't be faced with a 'recipe for trouble'. Instead, plan ahead with a buy-sell agreement and you'll all share in 'a recipe for success'.

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