

# QUARTERLY NEWSLETTER

July 2009



## ANOTHER YEAR OF OPPORTUNITIES

A new Financial Year is beginning and, while we need to be aware of the fast changing market conditions, we need to continue to search out and develop new opportunities.

**There is nothing so useless as doing efficiently that which should not be done at all.**

### Global Financial Crisis

There is no doubt that the GFC is causing uncertain and volatile times. Many of the fundamentals in markets are changing and probably one of the most important things to be doing is to regularly check the business and market assumptions that were made in preparing the business plan. Where the fundamentals have changed, adjustments need to be made to the plan and budgets and targets need to be modified accordingly. There is no point in chasing targets that are no longer possible or valid.

### The Three Biggest Risks

The 3 biggest risks facing businesses at this time have been identified as:-

- Fear overtaking rational analysis.
- In action – often as a result of fear.
- Risky or scattergun approaches.

(Source – Deloitte)

Making no change in aspects of the business can be OK and, equally, making significant change can be the right thing to do – **provided that any decision is supported by, and based on, logical analysis.**

### Two Different Approaches

There are two main approaches to these uncertain times.

The first is the DEFENSIVE approach which focuses on putting the house in order and applying sensible caution – particularly on issues affecting customers and suppliers.

The second is the OFFENSIVE approach that focuses on separating the business from the pack and emerging from this business cycle stronger and better than competitors.

### Three Key Levers

When changes in business fundamentals arise, we need to identify what levers need to be pulled to adjust the business to the new circumstances.

Remember, right now - cash is king!!

#### Revenue

Check pricing and discount policies to minimise profit “leakage”.

Ensure all work is being promptly billed at the time of supply - and collected to agreed terms.

Are all your freight costs – inward and outward - being recovered?

Focus on the 20% of your customers that give you 80% of your revenue – and get rid of the few that cause you all your problems!

#### Costs

Partner with suppliers on input costs and look at consolidating purchases to get volume discounts and better payment terms.

Be frugal and implement just in time purchasing of overhead items.

Evaluate the return on all marketing expenses and move expenditure towards short term returns.

#### Assets

Managing inventory levels to optimise the balance of inventory / WIP levels with customer service targets.

If possible, time orders and goods deliveries to maximise payment time. Negotiate improved payment terms with suppliers.

Work with customers on securing agreed payment terms on goods supplied.

**The only two things that stand between a person and what they want in life are the will to try it - and the faith to believe it is possible. (Rick Devos)**

**To discuss improvements to your business – call Gordon Cadzow at due North**