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SURVIVING THE DOWNTURN THE WARNING SIGNS

Everyone has a level of nervousness at the moment and most of the concern is about the unknown. In the same way that Australia is affected by what happens in the global markets, small businesses tend to be affected by what happens with large corporates and consumer sentiment; it's the flow on effect that has the impact.

Despite the uncertainty, there are early warning signs that there could be some rough times ahead. These early indicators are typically in the following three areas.

Your sales & new business

Depending on the sector you are in, your sales activity is a quick barometer of activity. Then your customers start to slow their spending you need to recognise this early enough so that you can reorganise your own levels of activity. This may mean reducing stock levels, limiting spending, or even reducing staffing. Don't simply do this as a knee jerk reaction; you could miss out on business that was otherwise available to you. By measuring order and sales activity by comparison to prior months or the same time last year, you can see if there is a trend emerging. Once you can see a clear trend, start to make adjustments.

Liquidity

The first sign that your customers are feeling the pressure is when they start to slow down their payment to you. One of the best ways to measure this across your customer base is your average debtor days. This is the average time your entire customer base is taking to pay you. If the average days are on the increase then you need to act on this and tighten up your collection process. Where this is happening you will also require increased levels of working capital. As well as measuring the overall trend, identify those individual accounts that are outside of your trading terms. Deal with them individually and be prepared to act early or withhold supply. A sale is only a good sale if you get paid for it.

Capacity

Keep an eye on your available capacity. Most businesses carry free

capacity to allow for growth or fluctuations in activity. Capacity is a good thing to have, but in a tightening market you need to limit the amount of capacity you carry.

The key to all of this is to keep a close eye on your business and your numbers. Not everyone will be affected in the same way. Smart business operators make good money in tough markets; the cream floats to the top.

If you would like to talk more about your business in the current market call one of our experienced team today.

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