

Prepare your business for the next big challenge

Business owners could be facing a difficult few months as the cost-of-living crisis continues to bite alongside the predicted winter recession.

After overcoming the difficulties associated with COVID-19, it seems there hasn't been much opportunity to steady the ship before the next tidal wave of challenges washes over us.

The worst thing businesses can do is bury their head in the sand. It's important to be prepared and take steps to maintain profitability and stay solvent.

Take time to consider some of these options:

- If you sell goods or services that are in demand or if you offer after-sales care that your competitors may not offer, then you may be able to generate additional income, and therefore profit, by simply increasing your prices.
- Could you create cross-sales opportunities by offering deals to your present clients and customers?
- Could you lock customers into longer-term contracts by offering them incentives – no price increases for a fixed term, for example.
- A line-by-line review of your business costs is always instructive. Which costs

could you reduce or replace with lower cost alternatives?

- Ask your bookkeeper to make a comprehensive list of costs you settle with your business credit card or by standing order or direct debit. These costs tend to be forgotten and many renew automatically even though you may no longer use the services paid for.
- Improve credit control to convert sales into cash more quickly.
- Monitor cash flow for at least the coming year to identify low points and organise funding.
- Produce monthly management accounts - even basic reports from most accounts software will confirm trading results (profitability) and produce a balance sheet (that will measure solvency).
- Keep an eye on competitors' websites and published price lists; are your prices higher or lower, how will you respond?
- Do you have slow-moving stock that could be sold at a reduced price to increase cashflow?
- When considering your management accounts make sure you factor in deductions for current taxation.
- When did you last invest in tax planning advice? There may be an opportunity, or opportunities, to create recurring tax savings.

If you need any advice, please speak to your accountant.

Published in the Wigan Observer 27th September 2022.