MODULE VII

OPERATIONS / ACCOUNT MANAGEMENT

AGORA EUROPE II - COMMON INTEGRATED MANAGEMENT E-LEARNING SYSTEM FOR THE DEVELOPMENT OF PROFESSIONAL COMPETITION SKILLS IN THE SMALL SCALE URBAN COMMERCE IN EUROPEAN DIMENSION

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MODULE DESCRIPTION

MODULE TITLE	**OPERATIONS / ACCOUNT MANAGEMENT**
CODE	VII
KEYWORDS	Retail Management, Operations, Accounting
TARGET GROUP	The target group of the Module 03-MOD-EMPLOYER-AGR is managers of small retail shops and especially grocery stores.
LEVEL	Corresponds to trainee Level 3-4 of the European Qualifications Framework (EQF).

CAREER OPPORTUNITIES	Manager, Store Responsible
AIMS OF MODULE	This module provides participants an opportunity to acquire and refine skills in operations and accounting management. Upon completion of this module the participants will have gained knowledge and understanding about the sales and customer service, retail management, pricing, loans, accounting and cash flows.
LEARNING OUTCOMES	Upon successful completion of the module the participant will be able to • Have knowledge about how to run successfully as store • How to price goods • How to manage financial issues • How to motivate employees • How to keep satisfied customers
PREREQUISITE(S) SKILLS:	Use of basic ICT, Use of basic Economics

PREREQUISITE(S) COURSE:	**I-Some Basic Concepts of Grocery Retailing** **III-Supervisory Soft Skills** **V-Workplace Computer Skills**
GUIDED LEARNING HOURS:	8 hours
COMPETENCY	Managerial Skills
ASSESMENT	Assessment will consist of a multiple-choice test. Each test will consist of multiple-choice questions which will test the candidates' knowledge and understanding across the Learning Outcomes.
CATEGORY	COST (cost optimization) TIME (Efficient time management) S-QUALITY (Service quality) M-QUALITY (Management quality)
SUPLEMENTARY MATERIAL(S)	NONE

1. INTRODUCTION

Dear Participant,

Welcome to this Module! This module is intended for managers of small retails shops and especially of grocery stores who need to have knowledge about managing people, pricing, managing costs and cash flow, accounting and running a store.

The basic objective is to help you improve your ability to run a store successfully.

Warm regards,

Agora Project Team

2. CONTINUOUS IMPROVEMENTS

All retailers can benefit from a culture of everyday performance improvement but few try to. Ideas are the fuel for organisations. What you do with those ideas, how you convert them into action and improvements is what then makes the organization grow and prosper. Space for improvement can be found in many areas: *especially in technique, systems, recruitment, presentation and performance*.

The challenge is both simple and crucial: doing things a little better every time. This brings up a very simple question for your staff: how could I do this again and again, but each time better? Your company's mission statement communicates what 'better' means for your own store.

With this respect, improvement isn't necessarily about the size of changes. The aim is daily improvements: improvements in the ways in which we look after each other, the interfaces with customers and the quality and relevance of the processes employed. A good example might be the discovery that one piece of paperwork can be merged with some other instead of treated separately. Combining the two will save money and time - so that indeed constitutes an improvement. It could be the realisation that the rules of a promotion we've created can be simplified to the benefit of the customer. This constitutes an improvement too.

Working like this is not an easy task. You will not get results every day but you will still produce every month a significant amount of ideas for improvement. It is not about attempting to change the world in just one day, it is about changing one little thing every time. Keep in mind that every journey starts with just a small step. At present, do you change anything every month? Do significant changes take place only once a year? 'Let's do it a little better every time' puts your team in the driving seat of change. It becomes a crucial engine of change.

Use your “good feel” and allow yourself to apply improvements even to those processes, tasks and interactions to which you are unable to attach figures. Consider valuing the power of your “good feel” more highly. It is also that feeling that tells you not to do something. Science is now beginning to view “good feel” as something real and valuable. Think of your “good feel” as a potent business tool, a tool that is unique to you.

Making improvement work for your store: Let's do it a little better every time. As well as running through ways to apply this idea at team meetings you will need to create an environment in which the team feels comfortable to try things, and to suggest things.

Allow your staff to question how they do things and you will benefit a great deal. Make that an everyday occurrence: little steps but lots of them, and you and your customers will feel those improvements take hold.

Keeping the momentum is important. Growth and motion are inspired by small everyday improvements. Here are some of the areas in which one will always be able to find lots of opportunities for improvement. The points listed here are a deliberate mix of actual ideas and of insights to help you look in the right places for own ideas.

Improvement and customers

- Consider everything from the customer's perspective
- Try to encourage customers to tell you their complaints (it is the most efficient kind of market research)
- And listen to them sincerely when they do
- Think about the market niches of the customers who come into your shop - who are you missing?
- What do customers prefer about your competitors (ask them)?
- Talk to customers all the time (ask staff to tell you one thing at each meeting that they've heard from a customer)
- Aim to improve average transaction values
- Use eye contact more

- Walk your store like a customer would
- If you can find former customers and ask them why they stopped buying from your store
- Use email, Twitter, Facebook, YouTube and other social media to communicate with clients; it's cost-effective, potent and very effective
- Whenever you are resolving a customer complaint ask customers how they would improve your service
- Remember names
- Think carefully about the integrity of your pricing
- Send them stuff they might actually like to see
- Where can you add value to the customer experience?
- What do other people do well that you really ought to be copying for yourselves?
- Run surveys

- List the benefits of doing business with you and then tell customers about these benefits
- What do other people do well that you really ought to be ripping off for yourselves?
- List all the things in your store that regularly delight customers - then think about how to double the list
- Are you leading by example?
- Write down a list of all the processes that touch customers directly - all of them
- Then do a list of all those that don't - can you strip any of these out?
- Make it easy for customers to give you feedback - use the internet, suggestion boxes, till receipt surveys, telephone aftercare calls, open evenings, and everything else you can think of
- Get customer opinion on new products before you put those products into your range
- Ask customers to tell you 'what's missing'
- Ask customers to tell you what they like about your store.
- Improvement and you
- Read stuff
- Get involved in the business community - join your street or shopping centre advisory committee or the chamber of commerce
- Talk to your business neighbours
- Ask people about your management style (and listen openly when they tell you)
- Learn from those below you as well as above you
- Seek out examples of great retailers and learn from them

- What things do you do outside of work that might be useful inside?
- Make an honest list of your strengths
- Then one of your weaknesses
- Go on courses
- Sign up to every training and seminar resource you can initially - the more you go on the better you will become at recognising which ones are going to be truly useful in future
- Naff as it might seem, set life goals and then yearly goals for yourself - what do these goals tell you about the areas in which you will need to concentrate personal improvements?
- Listen to people more than talk to people
- Open your eyes!
- Go shopping more often - do things your customers do
- Read the trade press
- Learn from competitors
- Learn from people outside your sector
- Maintain your standards
- Get rid of the 'yes' men and surround yourself with people who challenge and inspire you
- Appoint an honest and strong assistant manager - they will soon let you know where you have room for improvement
- Improve the balance of your life: you look after shops - shopping is fun, try to see it more that way.
- Improvement and colleagues
- Reward people for improving things
- Consider issues from your team's perspective
- Don't get mad with people for trying
- Let grown-ups think for themselves - empower people to make their own improvements
- Encourage talk, talk and more talk - leave every feedback channel open all the time
- Give people a look at these lists
- Buy employees a copy of Smart Retail for Christmas - remember to wrap it up nice, in fact, get your Dad a copy too, and all your friends
- Recognise people's contributions
- Don't rip off your staff
- Never criticise employees in front of anyone else

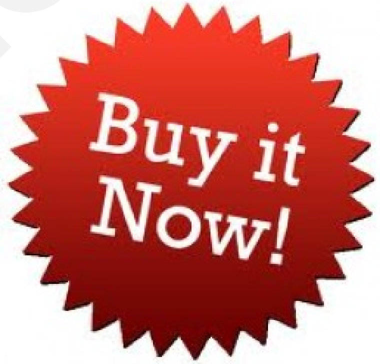
- Build a great culture founded on trust and respect
- Tell people you are chuffed with them whenever they make you feel that way
- Are your job descriptions a jargon-filled sack of nonsense?
- Feel free to build friendships but never forget that you are the boss - keep a perspective
- Encourage the team to be open with mistakes
- Have a laugh together
- Always, always celebrate success
- Be human in your relationships - if someone is going through a life crisis help them cope with it
- Share the numbers - let the team own them as much as you do

- Pay a profit-related bonus
- Pay a customer service related bonus
- Smile when you walk through the door every morning even if you don't feel like it
- Make sure everyone knows about all available courses and seminars
- Put aside cash for training
- Let good people go on courses you've been on - use training as a reward
- Be specific with instructions
- Sales assistants get closest to your customers - listen to what they tell you about those customers
- Challenge people and encourage them to challenge themselves
- Teach by example
- Show people that the best way to do things is to consider solutions rather than dwell on problems
- Get the team involved in all the big decisions
- Help employees to see that it is customers, not you, who pay their wages
- Hold regular one-to-one appraisals but be prepared to allow employees to tell you what they think of you, of your business and of the team too
- Have a team meeting every single day - just 15 minutes' worth but make those minutes count.
- Improvement and costs
- Take a firm and consistent line on employee theft - always sack proven thieves and prosecute wherever possible

- Walk the fine line between minimizing customer theft and creating an unappealing high-security atmosphere
- Prosecute shoplifters
- Anything the customer doesn't see only ever needs to be functional and cost-effective - but don't short-change staff on a place to eat their lunch or get five minutes to sit down and catch up
- Try to get stuff done right first time - especially the solving of customer complaints
- Negotiate everything
- Pool resources with your neighbours
- Swap cost-saving ideas with them
- Keep track of all supplier rebates and discounts
- Tell the team when you're close to earning a rebate and explain what needs to be done to get there
- Get more than one quote!
- Find the special group rates negotiated by your trade association
- Listen to what customers tell you they think is important - anything they don't rate highly is probably not worth spending so much cash on
- Cut out the middleman wherever you can
- Recent design graduates are a much better and more cost-effective option for your advertising and direct marketing than an ad agency is
- When placing print orders, or booking a TV or radio advert always demand the agency discount - this is a 10-20% discount that printers, radio stations and telly channels give to agencies; just because you book direct doesn't mean you shouldn't get the discount too
- Make good use of government employment programmes but listen to your conscience - if it looks like slave labour it probably is slave labour
- If an employee isn't pulling their weight and you have tried hard to help them you have to let that person go
- Do any members of the team have any skills that might mean you can avoid hiring-in a tradesman? Pay the employee a proper bonus for any above-and-beyond jobs that they do though
- Be sure that you understand how your customers have found out about you - improve or cut any activity that is not driving traffic
- If you pay employees a profit-related bonus then that will in itself help limit some of the unnecessary expenditure - so long as you are also sharing the store profit-and-loss information
- Use your ideas programme to harvest all the cost-saving ideas the team can come up with
- Consider sharing savings with the employee who identified them

- Be nice to suppliers and let them pay for stuff if they want to
- Get rid of the waste - any process that does nothing for customers, or for you, just has to go
- Look at these processes all the time
- Reuse things whenever you can
- Teach employees how to promote the business when they are outside of work
- Ask the team if they know a way to get hold of something cheaper - years ago when we bought a horribly expensive colour photocopier it wasn't until the behemoth was delivered that one of the warehouse lads said 'New copier? I could have got you a discount, my Dad's regional director for Canon'
- Talk to your landlord as much as you can, get a relationship going and negotiate support when you need it.

3. PRICE AND VALUE



There is one area of strategy that is worth talking about though and it's pricing. It's worth talking about for a handful of reasons - one primary one is the value of bargains.

Everyday low prices (ELP)

Everyday low pricing is an interesting modern pricing strategy. It's also the best example of the failure of slavish dedication to a rigid pricing culture. The philosophy of ELP is that every day every store price is as low as possible. Furthermore, prices will not be reduced during sale periods - indeed there will be no more sales at all, just the lowest prices every day.

Is some companies ELP -is interpreted as meaning all prices would be monitored against those of major competitors, then adjusted to match or beat these price points. In addition each key product category would feature at least one product priced lower than any entry price- point offered by our competitors. The product would then remain at that category-killing low price everyday.

There is a strong belief that genuine competitive advantage comes from maintaining honest everyday prices mixed with discounts. Simply put: not fooling the customer and retaining the ability to offer great, customer-delighting, promotions. It is this strategy or philosophy that will enable your store to convince customers that you are honest people to do business with and that you are capable of exceeding their expectations on price.

Making bargains the main attraction

Pulling together the bargains is hard work and one must be innovative, aware of your store's inventory and ready to act fast. The work is worth it: you will bring customers to your business and the combination of sincere pricing and real discount will boost your image and your revenues. Discounts offer you a competitive advantage.

Cost and value aren't the same thing-the costs of consumption

Many stores are able to create great positioning in the market and price a tad higher for the things they sell. That's basic but let's look at some concrete examples and see how those stores make clients feel good even when paying more.

How is this in line with the need for sustainability? Being one of the world's biggest sources of jobs is a pretty good start since everyone is entitled to opportunity, dignity and the chance to earn a proper wage. Retail companies provide that, and here's where we start to get to important stuff - time and time again it is proved that those retailers who treat their employees with respect and who provide support and opportunities for self-fulfillment are the ones that customers also prefer. On the customer side, growing awareness of the need for sustainable living is leading a silent revolution, with customers spending more and more at stores where practices have the least adverse effect on the planet.
Retail is really good, as an industry, at moving minds and managing consumer behaviour - the most innovative retailers have an opportunity to move customers even faster towards truly sustainable consumption. Why wait for consumer trends and government regulation to push for that? Let's cause that change - not just because doing so, on a human level, is a "feel good" thing but also because we can drive our business's success by doing so.

Broadly, there are two routes open to retailers driving towards a viable position:

1. Commit the entire business to a viable position (Abel & Cole, Whole Foods Market, Lush)
2. Operate a traditional business but introduce a significant commitment to sustainable practices (Marks & Spencer).

Doing this is a good community choice and a great human one too. Of course here too apply the following parameters: choose your position carefully, communicate it properly and most of all, be genuine: if you say you have a commitment to X then you must truly believe in that commitment or you run the risk of being 'exposed'.

Retail pricing

The sale of goods from fixed points (malls, department stores, supermarkets and so on) to the consumer in small quantities for his own consumption is called as retail. According to the concept of retailing, a retailer doesn't sell products in bulk; instead sells the merchandise in small units to the end-users.

Retail Pricing Cost Plus Pricing Mechanism

Every organization aims to make a profit and so is the retail industry.

Cost plus pricing works on the following principle:

- Cost Price of the product + Profit (Decided by the retailer) = Final price of the merchandise.

According to this pricing strategy the retailer adds an amount to the cost of the product. So the final price of the product includes the profit as decided by the retailer.

Cost Plus Pricing

- Cost plus pricing strategy takes into account the profit of the retailer.
- Cost plus pricing makes it easy to calculate the price of the merchandise.
- The increase in the retailer price of the merchandise is directly proportional to rises in cost.
- The customer does not have a say in cost plus pricing.

Manufacturer Suggested Retail Price (Also called List Price or Recommended retail price)

According to the manufacturer suggested retail pricing strategy the store decides the price of the merchandise that is`suggested by the manufacturer.

MSRP

- The retailer sells at prices suggested by the manufacturer.

Condition 1

- The retailer sells the product at the manufacturer suggested price.

Condition 2

- The retailer can sell the merchandise at a price less than suggested by the manufacturer when the retailer labels "Sale".

Condition 3

- Retailers initially set a high price and then cut the price at the customer's request, as a favour. A condition of Bargain, ie the customer negotiates with the store to cut the price.

Competitive Pricing

The intense competition in retail has driven retailers to market excellent customer service to the buyers for them to choose them over other stores.

- The price of the merchandise is more or less similar to the competitor's but the retailers add on certain attractive benefits for the customers. (Longer payment term, gifts etc.)
- The retailer wants the customers leave the store satisfied to be competitive.
- He attempts his absolute best to give better service to the client for a better future business.

Pricing Below The Competition

According to pricing below competition policy

- The price of the product is kept below the competitors.

Prestige Pricing (Pricing above competition)

According to this pricing scheme, the price is set a little above the competition. The store can charge higher price than the competitors only under the following conditions:

Exclusive brand
Store brand image
Good location of store
Good client service
Exclusive product
Most recent Trends

Psychological Pricing

- Sure price of product at which the consumer willingly purchases is labeled psychological price.
- The consumer perceives the price to be correct.
- A store sets such price which it thinks that would meet the expectations of the buyer and he would buy the product.

Multiple Pricing

- According to such pricing, the retailer sells more than one product for a single price.
- The store combines few products to be sold for a total price.

For example, 3 shirts at 100 euros or 3 bottles of perfumes for 20 euros and so on.

Discount Pricing

According to such pricing, the store sells at a lower price during off seasons or to sell the stock.

4. ACCOUNTING METHOD

Businesses selling inventory will often use the accrual accounting method. This method requires the recording of transaction when they occur irrespective of the actual cash payment. Stores use this as it gives good financial reports. As the company grows, it has future need for using what is called accrual accounting method.

Inventory Accounting

This requires one of two ways of reporting: *periodic or fixed*. The fixed inventory method works better for stores. Under such way, the store's inventory account is updated after every purchase, sale or adjustment of product in the shop. Counting inventory on a continuous basis is not a requirement of the perpetual inventory method. The store has to conduct yearly inventory to make adjustments.

Internal Controls

Stores need controls to safeguard their inventory. Common ones include purchase order authorization, duties separation, performance reviews of inventory turnover, limiting access to inventory, restriction of access to accounting info. Owners and managers must record their controls and apply them. Corrective moves may be needed when staff do not observe the internal controls. This improves the controls and their performance.

Common-size Financials

Retail companies often employ a common-size income statement for reports. This shows all items on the statement proportional to sales. The statement gives fast insight re how much capital is spent on inventory, cost of goods sold, and cost to operate the store. To create such a statement, the manager divides all line items by total sales in the period. Creating such a method simply requires comparing information by month.

Bank Loan

Borrowing to create a new business is hard. Getting a loan, especially for a new business and a new entrepreneur, is painful.

Banks prefer an established company with sound credit rating, a good bank account, business experience in what they do, and business plans that show the ability to pay back loans. In other cases, one needs to double one's preparations to convince the banker to lend. When a start-up, bankers want to know as much as possible. They ask lots of questions, and this takes loads of work to collect the info.

Yet many small businesses are not properly prepared when they go to the bank for the loan. Many applicants don't know how or when they plan to repay the money they ask for. Often they cannot say how much money is needed. When asked how much money they want, many reply: "How much can we get?" or "the most possible." Of course banks turn them down.

It pays to be well prepared before one goes to ask for a loan. Note that the chances of getting a loan approved go up if the amount of risk for lending you appears lower. To lower it and improve the chances of getting a loan one needs to anticipate the questions a bank will ask. One needs to present the lender with info regarding the business that may enable him or her to say Yes. For example, before filling out a loan application, one should know:

1. How much money you need? Be as precise as possible, adding a little for unforeseen expenses.

2. How are you going to use the loan? Telling the banker that you want to borrow to "have working capital" is the best way for the loan to be refused. There are only 3 ways to use a loan - *to repay old debts*, *to purchase assets* or *to fund operating expenses*.

3. How long will it take you to repay the loan? Your cash flow estimates will help you form a loan repayment time plan. This is the wa way to convince the banker your business has good potential and has a long-term profitability outlook.

4. What interest rate can you pay? Why tie yourself up in a loan that will squeeze you and bleed you dry? Why take on debt that cannot be repaid?

5. What can be used as security for the loan? A loan has risks so the bank needs to know that it can get its money repaid. You need to present a personal guarantee for repaying as collateral. The aim is to convince the lender of the value of the collateral.

One should not forget to present a written business plan outlining the business objectives, earnings projections for one to three years, the marketing strategy and other related info. Make sure the marketing strategies are detailed in order to give value to the sales projections.

On top of a business plan, one has to support a loan application with figures, good ones. So one should collect the financial data that will enable him/her to prove to lenders that one has low credit risk. This means assembling a credit history which includes:

- Personal financial statement
- A catalogue of credit cards including current balances
- Outstanding loans, including data such as balances, amounts outstanding, monthly payments
- Total payments of monthly mortgage or rent
- Net monthly income from such sources as one's home-based business or outside job
- Balances of checking and savings accounts
- The value of one's car, including original price, amount still owed and monthly payments
- Current value of all property, including stocks, bonds and real estate property.

Getting a loan is hard. The lenders needs to feel that he/she is not taking unreasonable risks if they lend you. So your task is to convince the lender that you and your business carry reasonable risks.

Improve the Revenue Potential:
One has to grow one's business in order to generate the type of income that one has aimed to achieve. However one sometimes realises that his business is not achieving the goals set. One is not satisfied with the direction the business has taken. The business is simply not making the revenues expected.

One cause is revenues shortfall. There may have been revenue opportunities missed or simply lost.

Loss of revenues could come from a number of sources. It may be due to low customer response to one's marketing and advertising actions. Or customers come to your actual or online store without purchasing and instead buy from one of your competitors. Your loss can be caused by high percentage of returned buys due to wrong expectations and buyer remorse. Ways to maximize the opportunities for your store:

Maximize financial performance. There are various ways of increasing your revenues, ranging from looking at the cash flow to your distribution channel. One way to do it is to develop diverse sales channels. You can create an Internet presence and reach a global market.

Maximize revenue from existing customers. It is faster to get a new client than to keep an old! But actually, there is a strong relation between long-term loyalty and your business revenue. You can create trust and loyalty if you show that you understand your customers better than your competition, and consistently deliver a rewarding, highly satisfying experience through each and every transaction. You need to make your customers' feel that you are giving them not only quality products or services but opportunities for a valued partnership that they cannot find anywhere. The key is to become your customers' partner.

Price for competitive advantage

Revenue leaks come from a wrong pricing strategy. Your business may be underpricing its goods and services, leading to loss of significant amounts of revenue. The problem often lies in faulty understanding of your cost structure, which leads to a competitive disadvantage. Review your cost structure and revise your pricing strategy without overpricing your goods or services.

Maximise your staff's performance

Many owners have the vision and internal energy to turn a tiny business into huge success; yet many don't have the proper skills to manage their staff. If managed improperly, your own people can be your biggest cause of revenue leaks. Their errors and mistakes could pump up costs; their bad client service could be turning customers away plus unhappy employees translate into poor productivity and revenues.

Empower your staff to care about the company

Help them understand their role in the company and what the success of the company could mean for them. They must to know what is expected of them with regular evaluations of their job performance. Communicate with them on a regular basis, open the feedback channel and let them know that their ideas and suggestions are truly welcome. Give them the kind of environment that is needed to help them do their best on the job.

Use technology well

One of the key ways of maximising your revenues is to automate the various business modes. Figure out how and what kind of technology can make your business faster and more dependable while cutting costs, increasing efficiency and how maximise opportunities for revenue. Technology can help manage one's business effectively, including your inventory, and to manage the relationship with your clients. Technology can give your company competitiveness in the marketplace.

Gain from tax benefits

You should not pay more in taxes other than what is needed. Yet many owners do not to use their tax benefits potential. With careful analysis of the rules and with good tax planning, your company can max its tax deductions, eg travel and entertainment. Talk to a tax or financial professional to help you review your tax profile and find ways to save money.

However, the best way to maximise tax benefits is via planning and proper documentation. Make a habit of noting every transaction, on a regular basis. Buy an expense ledger or invest in accounting software to account for all expenses you make.

Use marketing

Many owners fail to evaluate the effectiveness of their marketing efforts. Understanding which marketing actions get more sales is often driven by stories rather than reality. You can pump up your revenues if you fine-tune the marketing effort to maximise the return on your marketing I tool. You need to gather information and facts on how well you execute your campaigns, manage the responses and follow leads that are generated.

5. SERIOUS ISSUES FACED BY SMALL FOOD RETAILERS

1. Financial stress

One of the top concerns that keep biz owners awake at night is the problem of where and how to raise money.

After spending hours filling a bank loan application and gathering all required documentation, you fear your bank loan may not be approved. Since you have maxed out your credit card and used up all your savings, can your partner get some additional cash to keep the business going? What are the chances of an angel investor agreeing to invest in your business? And if he/she agrees to fund your business, do you think you can agree to his demands and can you sleep at night with all the conditions he/she poses? Are you willing to give up control of your business just to get those investments (and then even be booted out of your own business)?

Your stress can increase if you fear that you could lose your business if you are not able to have the cashflow you need.

2. Cashflow issues

Cash is low and you have a thousand and one things to pay for. Where will you get the cash for the payroll? Plus the bank has called again asking for repayment of the loan. The credit card company is threatening to turn over your debt to collectors. Plus your son needs money to pay for the sports camp that he has been dreaming of. But your business is running on empty because things have been so slow with clients, even if they buy, they don't pay on time. Cashflow problems are the number one nightmare of small business owners. Without money, your business simply cannot operate. And waiting for the bank to approve your line of credit so your business can have cash to cover all its obligations can be very stressful, especially in this tough economic climate and tighter lending conditions.

3. Too many tasks

You need to manage too many factors, the very number of which can drive you to insane. Make a detailed list of all the activities and tasks that have to be done to keep your company running smoothly. Do you think 24 hours are enough to complete everything in your daily list? This is a never-ending and ever-evolving list of tasks, as your business grows and you tackle new opportunities creating new roles.

It is quite easy to feel overwhelmed with all the things you have to do if you own a business. Even if you are exhausted and weary at the day's activities, there is still a lot of things to do: bookkeeping, completing clients' projects, writing articles or reports, business planning, doing social marketing, among others. Worse still is when you've promised something to a client and the client is expecting it – throwing off your entire schedule and pushing back your entire to-do list. It is so easy to feel that the day is never done when you're an entrepreneur.

Consider double stress if you are running the business alone and you have to do everything yourself. Things become even more overwhelming and plain crazy if you still have a full time job while jump starting and running a new business. Just imagine the stress if your boss at work is pushing you to meet some deadline and wants you to work overtime in the next few days and that leaves reduced time and energy to work on your business and meet your own deadlines! At the end of the day, you'll be asking yourself, "How did I end up with such a schedule, only to be rewarded by this constant and overwhelming sense of nothingness? Will it ever stop?" Yes, only if you quit your job or you end your business.

4. People problems

Starting a business and managing other people are two different skill sets. Managing employees, partners and contractors can be challenging, and yes, can cause you sleepless nights.

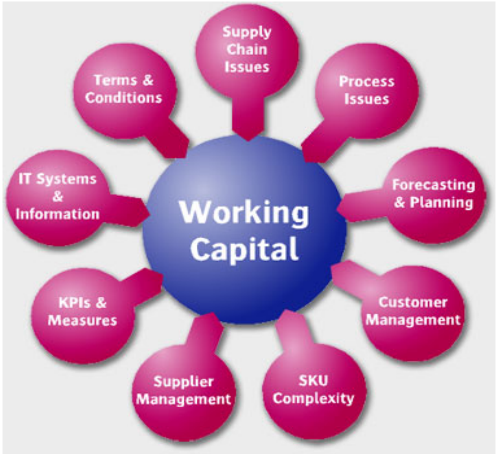
How will you deal with the assistant whose main talent is to antagonise his fellow workers? Or a talented young person you just hired who can't seem to respect you and your ideas? You may also have a right hand person whom you trusted with everything about your business, only to leave you with all your customers' files to start a competing store? Then, can you imagine the sleepless nights a workplace accident that left an employee critically injured can bring? Or when you can't make heads or tails about the low revenue of the company and you suspect that it is due to employee theft?

5. Planning

Even thinking of the things you need to do next for the business can give you sleepless nights. In fact, how many of you have lain awake thinking of your plans for the business? Or suddenly you are woken up by thoughts or ideas about the business. Whether the projects for the future seem so good, or things look bad, it is hard to totally shut off the business even at sleep. Have a pen and paper handy near your bed so you can immediately jot down the thoughts, ideas and plans that come to your mind when you are in bed.

How to improve working capital?

Working capital, defined as current assets minus current liabilities, is important to any business. Working capital is instrumental to help you expand your business, improve operations, pay short-term bills, and buy inventory. Inadequate working capital can be the kiss of death to your business, as you won't have the funds necessary to grow the business. At times, negative working capital could even spell bankruptcy for your business.



CTG, a financial training company, recommends five steps to improve working capital:

- **Focus your activities**: To get cash into the business as quickly as possible, the sales team should flag new sales to the accounting team so that the invoice can be issued earlier rather than later – particularly for larger orders that have a bigger impact. Instilling daily rather than monthly or weekly invoicing as a core business process can dramatically reduce debtor days. Also, take a cold, hard look at what you sell. Bring together your sales and marketing, operational and accounting staff to review regularly the success of your product or service offering. Too often businesses are complacent and focus on the revenues they generate from some of their activities, but ignore the costs associated with less successful activities.
- **Leverage customer relationships**: Customers often use excuses to avoid paying on time, saying that the invoice hasn't arrived or is incorrect. Frequently, this only becomes apparent at the end of the credit period

when chasing outstanding payments. It is more efficient to use those closest to the customer, who agreed the terms of the sale, to pre-empt these problems. Integrate calls into your customer service strategy to ensure the customer received their invoice and identify any issues.

- **Secure and extend credit effectively**: If you offer extended credit terms, make sure your salespeople don't over-negotiate. Set affordable credit terms limits and ensure customers know you have robust debt recovery processes if those terms are exceeded. Also ensure your purchasing manager secures payment terms that at least match those you extend to your customers; entering into a purchasing co-operative or similar arrangement can also cut costs or offer better terms.
- **Discount carefully**: Ironically, a successful sales team could have a negative effect on working capital if customers are offered discounts or extended credit terms. Ensure your salespeople know the limits – and impacts – of what they can offer and don't over-negotiate in order to close a sale. In addition, discounting tends to have hidden costs that aren't immediately apparent. Some accounting software packages will assume discounts are ongoing and consequently regular customers may pay a substantial part of their invoice at the right time, but leave some of the bill unpaid. Your business will then have to bear the cost of chasing that smaller amount.

Manage inventory: Managing stock effectively has a major, positive impact. Focus on overall stock levels to identify lines that aren't selling rather than just ensuring popular stock lines are renewed, then lead the sales and marketing team in rationalising the number of lines you offer and focusing on your most profitable lines. Sourcing is also key. Have inventory which can be stored in your in own premises but doesn't need to be paid for until you sell it on. This lowers your costs while maximising revenues, as will properly planning and managing stock levels to accommodate peaks and troughs in demand.

This article published in the Bank of America website entitled 11 Ways Companies May Improve Their Working Capital Position also suggests these steps on how your businesses can improve your working capital position by at least 20% over time:

- Get educated.
- Institute dispute management protocols.
- Empower collaborative customer management.
- Educate your staff, clients and suppliers.

- Negotiate and document terms with suppliers and clients.
- Don’t forget to collect money owed to the company.
- Avoid careless top-down targets.
- Establish practices that lead to desired behaviors.
- Not all answers can be found outside the company.
- Treat suppliers the same`way you want clients to treat you.
- Celebrate success you reach targets.

Working capital is one of the most crucial things that one needs to understand about a business. Understand this concept do not just rely on an accountant. The more one understands how a business is performs, the better one develops strategies to respond to the challenges a business faces.

Working Capital is key for Business Survival

Planning can be a futile exercise if it is without the working capital to successfully carry it out. If a store sells on certain terms, then working capital depends on the timing of the cash flow. In most cases, a business may have a gap in the cash flow between when cash is required for inventory, the payroll and the operating spending and the time cash is received from clients. Lets check out an example:

Day 1: You order materials from suppliers on N/30 terms;

Day 3: You receive materials and begin production (takes 5 days);

Day 8: You ship the merchandise to customers on N/30 terms;

Day 14: Mid month Payroll must be made;

Day 30: Month-end Payroll and supplier invoice due;

Day 48: Your customer pays to you.

In this example, the gap in the cash is 34 days, which is from day 14 when payroll is paid, to day 48 when your customer pays. The cash gap covers two payroll payments and a payment to your supplier, whereas the gap may include multiple payments to suppliers for various customer orders. If your store is established and growing properly, or less than 10% per year, then you probably have adequate cash or bank credit to cover this gap in cash. But if it's growing business, with opportunities, how does one cover the gap? Often a bank credit line is not sufficient to cover the gap for a growing business because bankers tend to look at a company's past to determine how much debt they will lend you in the future. Thus, many growing firms are caught short on working capital during a period of growth.

Cash flow funding via factoring of account receivables may be the thing needed during fast growth periods. Factoring is not the same as a loan or debt, but the sale of invoices to a third party at a certain discount to get the cash in a more orderly way (usually within 24 hours of invoice to a customer). The store sends invoices to your clients and a copy of the invoice to the factoring firm. The factoring agent then purchases the invoice from you and advances to you some 80% of the amount that appears on the invoice you sent to your client. Later, when your customer pays the actual invoice, the factoring company remits to you the 20% they had reserved, minus of course their own fee which normally is 1-5%.

In the above cash gap scenario, working capital can be enriched by providing your firm with cash, ie 80% of the invoiced amount on day 9! The company then has the cash to pay the payroll on day 14 and to pay suppliers and make payroll payment of day 30. When your customer pays on day 48, the factoring company gives you back the 20% withheld minus its fee.

When trying to grow your business it is important that one computes the working capital needs and cash flow gap in order to ensure that one’s plans can be realised. Using an accounts receivable factoring programme can assist in success. But one must be sure to assess the cost of the accounts receivable program as a percentage of one’s real sales. And, make sure that you do not have a term contract with the factoring company so that you may exit the programme when your firm has grown to the next level.

Ways to Increase cash flow:

For small business owners, a positive vision for smooth, steady growth can become nothing more than a mirage once company cash flow problems begin to heat up. Most will struggle with the timing of payment from clients or customers at some point, all while attempting to pay their own bills in a timely fashion. With all of the best laid plans for rapid flowing cash streams evaporating down to just a gurgle in the ditch, the potential risk of joining the ninety-percent of businesses that fail within their first three years of operation become a very sobering possibility.

Many would like to run companies as our personal lives. If for example we need a new lawn mower, we simply pull out a credit card, sign on the dotted line and delay payment for a month. In the meantime one enjoys the benefits of the new equipment, at for the time being. Though in this way we may seek a certain value from owning our possessions, it is really just a trick we play, on ourselves. Charge now, pay later, this doesn't really convey any kind of real, initial ownership. Instead, it's just a very common case of a direct loan. The credit card company makes a credit arrangement between you and the company, and the proceeds of this extension are directly used and repaid by the borrower, ie you.

In business, though, using a credit card to cover expenses is definitely not a great way. Many have given in to this temptation, and are paying the heavy cost of damaged or destroyed credit. And with that, their chances of coming out of the hole with other means of financing, which should have been sought in the first place, are slim or even none.

Thankfully, there are better, specially designed cash flow tools available for businesses that are beginning to feel the scorch of the capital income desert. Many business owners are unaware of these tools. Others that are aware fail to take advantage of them. All of them would do well to at least consider the following:

Purchase Order Financing

This tool is a loan based on future income of the store. Designed primarily to provide the cash to pay suppliers and sales-generating business expenses while waiting for customers to pay their invoices. Purchase order funding is utilized for the completion of existing orders by securing materials when working capital is short. When purchase order financing has been successfully utilized for some time, it usually becomes easier for the business to take advantage of other sources of credit.

Equipment Leasing

With one-hundred percent financing, preservation of credit lines, tax benefits and the ability to avoid obsolescence, equipment leasing is one of the sharpest and most efficient cash flow instruments a firm owner can deploy. Paying a premium in order to own equipment can be a huge waste of money. What companies profit from is the use of equipment, not the ownership. Leases can be extremely flexible to meet the custom needs of each business. Therefore, both small and medium-sized companies can greatly benefit from them.

Accounts Receivable Financing

It provides a line of credit driven by the company's accounts receivables. It is a cool tool of financing for both short-term working funds and the more permanent working capital requirements of firms that are growing. Paperwork is considerably less than in more traditional kinds of business loans. It is also very helpful in providing financing flexibility to firms that are growing fast.

Factoring

This is the sale, at a discount, of accounts receivables. It is not based on the store's ability to repay the money advanced. Instead, it is driven by its customer's ability to pay what is owed. Once the factoring facility purchases the accounts receivables, it takes on the responsibility for collection. It is not a loan, so neither the time in business, nor the company's debt to equity ratio are a consideration. A business has the freedom to sell only the receivables it chooses, and is not obliged to continue to do so. Factoring is an cool source of additional working capital needed by both small and startup firms.

The above stuff is rather general, and it is key to understand that there is flexibility and variation within each lender scheme. In order to learn the details of these types of instruments and to find which might be beneficial in your case, one should consult a professional loan broker or a commercial lender rep who will explain the benefits of each and help in deciding which tools are right for keeping one's firm out of the cash flow jungle.

Lower the Risk to Your Personal Credit From Your New Business

Finding capital when you are starting a business can be daunting. One often finds that his/her only avenue is use of his/her personal credit, ie financing the business via one's own credit cards. Since one cannot easily secure bank loans and other financing, credit cards can be easy to obtain and use to buy inventory, equipment, supplies, and others. However, it is crucial to be aware that there are risks to starting this way, one is in effect putting one's personal credit at risk. Here's an analysis on how you can avoid putting your personal credit at risk when you are starting a new business.

Most new business owners carelessly use their personal credit to finance the business. The typical small start up is funded with savings, retirement accounts as well as borrowing from family and friends plus personal guaranteed loans.

1. You damage your personal credit score

When you use your personal credit to fund your store you put serious burden on your credit score by combining your personal credit (revolving credit, mortgages, car loans etc.) with your business credit and loans that are also secured by your personal credit. To realise this risk, you must gain an understanding of how one's personal credit score is monitored. Personal credit is not an unlimited fountain.

In fact, the more you utilise it the lower your credit rating goes. Each time you apply for credit your rating is looked at and new business owners often have multiple simultaneous inquiries which are considered a risk by the credit agency and will lower the firm's rating. Furthermore, credit agencies have tightened their personal credit guidelines especially as it relates to revolving credit (credit cards). For a business owner who maintains more than a 10% usage on credit cards, your credit score is reduced. When a business owner exceeds 50% usage of a credit card, you will likely not only have a dramatic reduction in credit score, but also, the card provider will likely reduce your available credit limit. In short, you damage your credit score and reduce your credit availability at a time that you need more credit to support personal and business cash needs.

2. Not leveraging personal investments to build business credit

One of the most grave mistakes a business owner can make is put cash, savings and investment in the company and not have this properly reported. Report every penny you invest in your company is a credit line of the company's record and it enhances the firm's financial status.

3. Depending on cash lending to support your business

The majority of small firms in the US are depending on access to cash lending to finance their operations and growth. Most company owners do not realize that 95% of all US business credit is via trade credit. The size of this small business trade credit source in the US is greater than one-trillion USD, however less than 30% of the US businesses utilize trade credit! Having business credit opens up a new source of trade and cash credit that is not tied to one's personal credit score. This means a distinct and potentially larger source of credit that will help your store's cash flow, and will reduce the amount of funding your store needs to start-up and grow.

4. Mixing your personal and business credit risks your personal assets

Why did you incorporate your business if you turn around and undermine the security of corporate limitation of liability? When you inter-mix personal and business credit you increase the risk of having your personal assets at risk for lawsuits, and business claims. Every business needs to structure their business to separate business and personal finances, and to maintain such separation for the life of the business. This is the only way to have peace of mind about this.

Avoid destroying your personal credit and risking your business. Follow these steps:

- Do not invest personal assets in the store without having the investment reported.
- Format your operation so it is able to set up and enhance a business credit profile and credit score right from the start.
- Provide that every penny you spend with vendors and with financial institutions is accounted for in your business credit.
- Do not use your personal credit rating carelessly. Utilise your personal credit score to establish some initial business credit and as quickly as possible leverage your business credit rating to gain access to credit and cash that is secured by your business, not by your personal, credit.
- Maximize your business funding by using vendor & trade credit that will lead to better cash flow and new origins of cash for your business, distinct from your personal credit and thus grow the total credit available for your operation.