

MONTHLY NEWSWIRE

March 2015

CRANE & JOHNSTON

CHARTERED ACCOUNTANTS

REGISTERED AUDITORS

Dear Client

Welcome to our monthly newswire. We hope you enjoy reading this newsletter and find it useful.

Best wishes

Managing Partner

MARKETING, ANALYTICS AND ROI

Over the last few years marketers have improved in the analytics arena. Today, most marketing teams are tracking results in some shape or form as more tracking tools are made available. There are web analytics, predictive analytics, business analytics, business intelligence tools and more. The question is, with so many tools and measurements at our fingertips, which analytics best help us calculate return on investment (ROI)?

In order to get a true picture of ROI, marketing metrics should look at key performance indicators (KPIs) which add value to the business. Hit rates, posts and impressions are all well and good but they should be tied together with results such as enquiries or sales.

Your marketing analytics should tell you if your marketing programme is running above, below or on par with current or past benchmarks. As such, your KPIs should provide insights on the effectiveness of your marketing efforts.

A term that is used a lot since the dawn of social media is "engagement". Engagement is a marketing strategy that directly engages consumers and invites and encourages consumers to interact with your brand. That could be anything from asking target customers to sign up for a monthly newsletter or to repost something on their social media page. For engagement metrics you'll want to look at KPIs that show the volume and quality of prospects you have collected/interacted with as a result of your marketing efforts.

However, analytics that matter are much more than numbers. Simply pulling numbers into a dashboard doesn't constitute tracking or understanding results. Are those numbers useful? Yes. Are they meaningful to the business? It's how you use those numbers that matters. Your marketing efforts need to be a means to an end. They need to have a goal such as an enquiry, a sale or increased awareness of your brand. Your analytics need to show how you are moving towards that goal so that you can calculate ROI.

GROW YOUR BUSINESS THROUGH A STRATEGIC ACQUISITION

Now that the worst of the downturn appears to be behind us, many business owners/managers are turning their attention to growing their businesses. Growth can be a complicated proposition for any company. There are many "organic" options such as winning new clients, hiring new staff, creating new product and service offerings and so on. While organic growth is undoubtedly part of the plan, it is often a slow process. If your growth goals are more aggressive, a strategic acquisition might be the right route to take.

An acquisition is meant to create synergy that makes the value of the combined entity greater than the sum of its original parts. Through the strategic acquisition of another business, the purchasing company can achieve economies of scale, efficiencies and enhanced market visibility. The acquisition can also increase the size of the firm's client base, add new market opportunities and help increase shareholder value. You must ensure that your business is appropriately positioned to acquire another firm. Here are a few key points to consider.

Your business needs to be in good financial health

If your company is financially solid with a proven track record of success, you are well positioned to take advantage of acquisition opportunities. If you need to finance your acquisition, a bank will want to see a strong track record before they will be willing to lend to your firm.

A solid business model

A solid business model should be reflected in a strategic plan that identifies acquisition as a key part of the management team's plan. Focus your business on what it does best and allow flexibility within that focus so your business can adapt as the market changes and as acquisition opportunities arise.

Strong management team

Surround yourself with a team of people who know your business and enforce your company's corporate culture internally and externally. They should understand the marketplace in which you operate and your customers' key drivers. Engage the services of a good lawyer and accountant to help you to complete your acquisition transaction properly.

Access to capital

Unless you already have the cash, you'll need to make sure you have access to capital and the borrowing capacity to complete your acquisition. Regardless of the state of the economy, shop around and talking to different banks. Seek out banks who are knowledgeable of your business, your market sector and can use their expertise to help you to plan ahead for all the capital you will need during and after the acquisition.

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CORPORATE DIVORCE

Going your separate ways is never easy. If your business partner decides he or she wants to leave the company you both started twenty years ago, you must move forward without destroying the business you have worked so hard to build.

As the remaining business owner, your first step is to determine whether you are prepared and able to run the business by yourself. Do you have a management team to help ease you through the transition? How easily can your former business partner be replaced? You might want to consider selling the business to a third party, facilitating a management buyout or selling to your employees. But if you're excited about the possibility of taking control of the reigns, then purchasing your partner's shares of the company might be the right alternative for you. All you'll need to do is write a cheque and the company will be all yours, right?

If only it were that simple. In the current economic climate most business owners do not have the capital to buy out the other partner up front. More often than not a leveraged buyout will be required, which essentially funds the takeover using a combination of equity and borrowed funds (loans), often using the company's own assets as collateral.

However this represents a challenge. You don't want the company to borrow money to the point where it can't fund growth initiatives and you'd prefer it if your partner wasn't a debt holder with a vested interest in how the company performs. The negotiation process can become more complicated as you get further into the restructuring possibilities.

There are various ways to structure a buyout. The best decision making tool for the shareholders is to value the company using live numbers. That way they'll be able to create financial models to forecast the consequences of each possibility and how the transaction will affect not only the company, but also the shareholders personally. This is particularly important if there are more than two shareholders or if ownership is unevenly distributed. When you have more than two owners and one wants out, there is the possibility that not everyone will be interested in buying shares pro rata or helping to fund this individual's buyout deal.

The transition will be easier if you are prepared and have a defined exit strategy. Every business partnership should have a buy-sell agreement in place – an agreement that essentially obligates one partner to purchase the other's interest (and obligates the other to sell) upon the occurrence of some event stated in the agreement such as disability, death or the partner withdrawing from the business. Without this you could end up wasting time and money on dispute resolution. Engage the services of a trusted and objective financial advisor who will help you to navigate the entire buyout process from valuation to implementation. In many cases your business's accounting firm will be well placed to advise on the transaction.

WEEKLY PLANNING

To get where you want to go, you have to plan the journey. Many business people engage in yearly or even monthly planning, but what about weekly planning? If you want to work more effectively and get more done, you need to plan each day of your week. Monday's are tricky days; they tend to set the tone for the rest of the week, so start them well and the rest of the week generally seems to continue in the same vein. Start them badly and the doom and gloom can often hang around until Friday. So a positive start is what we all need. If you want the week to get off to a flying start, you need to work smarter and you need to have a plan.

One day at a time

By the time Monday morning arrives you want to hit the ground running. Before you leave the office on Friday plan what you want to achieve in the next week. How you do it doesn't matter, just make a list in order of priority and have it ready and waiting for you on Monday morning.

Before you leave the office on Monday, consult and update your activity list. Now you have your task list for Tuesday morning. Repeat this every day and your week will be more focused and productive. By Friday you will be able to look back at what you planned to do, what you achieved and will have a clear picture of what you need to do the next week.

Check your calendar and plan around meetings

When considering what your weekly plan will look like, open your Outlook calendar, diary or wherever you book your appointments. Add these appointments to your list of tasks for the next week. Also make sure to add in regular weekly or monthly team meetings, sales meetings, etc. You should aim to fill the gaps between the meetings with your other tasks. Make sure to leave some gaps for ad hoc meetings, phone calls and admin time

Breaks

You will struggle to be productive if you don't give yourself breaks during your working day. Make time for lunch, even if it is only 20 minutes. Get away from your desk and if possible get some fresh air. Also make sure you have a few minutes in the morning and afternoon for a refreshment break. Building your breaks into your daily and weekly plan will ensure that they actually happen. There is always time for lunch – even if it means combining it with a meeting!