

Monthly Newswire

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

November 2021

Budgeting for an uncertain year ahead

As we come to the end of 2021, its time to start thinking about the budget for next year. One thing is certain - uncertainty.

Business planning and budgeting have become increasingly complex in today's uncertain and volatile environment. Firms have had to adapt and become more agile in order to react quickly to changing market conditions and budgets should be created with this in mind.

Start with your fixed costs – the things that you can be certain of such as premises, staff costs, raw materials, light, heat, electricity, IT, etc. Next, turn your focus to the longer term aspects of your budget with an analysis of existing strategic or capital spending plans.

Stress test the assumptions, scenarios and decisions that have gone into your draft budget. What if your sales don't grow next year? What if your annuity income falls because 10% of your customers leave and go to another provider? How does this affect the profitability of the firm?

In uncertain times, it is important to be pragmatic. Create 3 scenarios for your budget – high, medium and low. Start with the medium scenario – the "expected" outcome and from there you can derive variations on whether things turn out better (high) or worse (low).

Scenario-based budgeting is not intended to predict exact outcomes.

Instead it is intended to help the business to understand the likely variances and prepare accordingly.

Hold back some spending centrally as a contingency. This builds some flexibility into the budget so that the business can react to changing circumstances as the year progresses.

Calculate your budget using new data, not historical projections. Budgets may have been squeezed in the past 18 months and may not reflect the current or predicted market trends.

Finally and most importantly, build realistic income models. Ensure you provide for bad debts and write offs in each of your high, medium and low scenarios. Cash is king and in uncertain times every business must focus on getting cash in on a monthly or even weekly basis. Billing cycles and cash collection management should be at the top of the agenda for the management team and offering extended payment terms to customers should be avoided as much as possible. Build these principles into your budget and ensure you keep adequate reserves in case you encounter headwinds during the year ahead.

Social Commerce

Harnessing the power of social media to sell your products or services online.

Social Commerce involves using platforms such as Twitter, Instagram or Facebook as vehicles to sell products and services.

Social Commerce embraces digital marketing to the extent that the entire shopping experience, from product discovery and research through to the buying and checkout process all takes place via a social media platform.



Social Commerce differs from E-commerce in that the customer makes their purchase within the social media platform whereas E-Commerce refers to a shopping experience via a dedicated website or app (such as the Samsung online store or Amazon, etc.).

Shopping on social media makes the experience more interactive in that consumers can like, share, comment and so forth. It also speeds up the buying process as users can literally see something, click it and buy it in a matter of seconds.

As consumer tastes have evolved and the buying power has shifted to Millennials and Generation Z, Social Commerce has come to the fore as these shoppers are digital natives who use social media more than any generation before them.

From a business perspective there are some significant advantages to adopting a Social Commerce strategy. You don't need to have lots of physical shops, the potential target market is much bigger and your audience is global. Buyers are also online 24/7.

There is also a vast amount of customer data available such as Social Media usage statistics, demographic or segmentation data and so forth. This makes it much easier for businesses to target the right customers at the right time.

In order to develop and implement a Social Commerce strategy successfully, you will need to do your research and be prepared to experiment with different platforms.

You will need to understand who your target audience are, what they like and dislike, how they tend to buy products and services (online versus in person) and which social media platforms they tend to use. The good news is that there is plenty of data available from the leading social media platforms such as Facebook, Instagram, Pinterest, etc. There is also a lot of material available online to guide you through setting up a Social Commerce platform.

What makes a good business leader

There is no recipe for good leadership so how do you go about becoming a really great business leader?

The best leaders in business are those that have attributes including vision, courage, integrity and focus combined with the ability to develop and implement an effective strategy for the business. In today's complex trading environment, indecisiveness and procrastination can prove costly. Good leadership is all about informed decision-making. Good business leaders commit to decisions and see things through.

If you want to be a successful leader in your business, you need to set the right example and be a role model for your team. Good business leaders practice what they preach and remain positive, which in turn can have a beneficial impact on the culture of the firm.

Good business leaders have high emotional intelligence. They are passionate about their work and their vision of success for the firm. In addition to this, they take time to understand the views of others. As with any senior role in business, communication is key.

The best business leaders listen more than they speak. They try to understand the points of view of others and encourage people to share ideas or feedback.

A good business leader is someone who is willing to praise others. They give credit where it is due but they also take responsibility for their actions when things go wrong. After all, the success of any business depends on the collective efforts to the whole team.

Increasing Prices

How can you raise your prices without losing too many customers?

The current business environment is incredibly competitive but as we emerge from the pandemic, consumer demand is increasing and many sectors have seen labour and material costs rise. As demand increases and levels of supply fall, businesses have an opportunity to increase their prices.

Study the competition

Have your key competitors increased their prices recently? If so, your customers will be more amenable to the change. However if you are the only firm pushing your prices up, you will need to offer something unique in order to justify it.

Be open about your price increase

Tell your customers what you are doing. Avoid language like "updated price" or "adjustments to our pricing model." Just be honest and authentic – after all, customers want to buy products and services from businesses that are open and honest.

Explain the reasons for the increase

You don't have to go into detail about profit margins or unit costs. Simply share the basic information. For example, "We are now going to deliver your product / service directly to your front door, and as a result, we will be raising our prices from next quarter."

Don't apologise for increasing your prices - this will just invite your customers to negotiate. Focus on the benefits that the customer gets from buying your product or service. Maybe you offer something faster, better or with unique features?



You win some, you lose some

Some price-sensitive customers may choose to go to another supplier but any new customers will be more profitable as those new customers may be willing and able to pay a higher price for a better quality product or service.

Two-tiered pricing

If you receive feedback that some customers are now looking around for a cheaper alternative, maybe you could introduce a new lower tier of product or service, which has less features but at a more competitive price. For example, your top tier customers might get a dedicated account manager, 24/7 service and support, etc.

The lower priced product may cut out the account manager and support may be available only 5 days per week but the price could be 25% lower. That way you end up making more money from your premium customers but you don't lose your more budget conscious clients to your competitors.