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Solid contracts are critical value drivers.

One value driver that is sometimes underappreciated or overlooked is the value of having stable, mutually beneficial contracts in your business, be they customer contracts, contracts with key suppliers or leasing contracts for critical equipment or real estate agreements. Constant vigilance in maintaining or changing various contracts will pay you handsomely especially when you are requesting new financing or preparing your company for sale. Contracts that improve or stabilize cash flow are very impressive to third parties such as lenders and potential investors / buyers of your business.

Recently, we assisted a company that needed several cash flow improvements. The company was profitable, and they had a local customer base. The challenge was that they had a “feast / famine” scenario with a few of their large customers who had been loyal customers and which the business maintained a healthy productive relationship with them.

We discussed with our client that since there was a solid relationship with these large customers, and that the customers needed their client as much as our client needed them, we suggested that they establish and negotiate contracts that were longer term, say 3 to 5 year time period, and request significant deposits on large orders, 50% down payment on initiation of large orders. Our client was a bit concerned how their large customers would respond. The owner eventually discussed the new contract terms and successfully negotiated longer term contracts with 30% down payment terms. The new contracts helped solve their cash flow stresses along with a few other changes we recommended to them.

Contract examples were noted in a recent Harvard Business Review (HBR) that illustrated how contracts in your supply chain can change your business growth trajectory. Zara, a Spanish retail clothier, traditionally focused on managing costs in relation to its risks with customer fashion changes. It made changes to its supplier contracts to focus on demand risk not cost risk to shorten time (super-fast supply chain) to customers and increase speed to adapt to customer demand! See link

<https://hbr.org/2011/05/how-to-build-risk-into-your-business-model>



Another example in the above noted HBR article is how adjusting employment contracts can improve a company's bottom-line. LiveOps is a customer-contact services company that traditionally had employees located at call centers.

They changed their employment contracts to shift utilization of their workers with a new employment model. Rather than employing and training large group of employees at call centers, it now maintains a large group of freelance workers. Many times they are stay-at-home parents who are not able to have fixed hours and are available during many times of a typical day. LiveOps telephone and computer system is designed to have them work remotely when they are available. LiveOps pays the agents for the time they are logged on to the system and are on support calls. In effect, the new employment contracts shift the risk to employees on labor time in assisting customers. Employees are willing to bear this risk in return for having flexible time on their work day and working from home.

For exit planning purposes, contractually recurring revenue provide stable forecasts for investors and potential buyers. Stable positively trending forecasts are essential to obtain premium value from buyers. As noted in the following online article, recurring revenue from contracts is more stable than projected revenue not based on contractual commitments that are non-recurring. From a potential investor or buyer's view, recurring contractual revenue is highly sought and will increase the business value when undertaking negotiations for the sale.

<http://www.businessknowhow.com/money/sell-business.htm>

One-on-one networking builds long-term success.

Despite the benefits of online contact any time, from anywhere, personal interaction is as good for business now as it was 50 years ago. In the world away from your desktop, your competitors are shaking hands with your potential customers over lunch or a laugh right now. What are you waiting for? Get out of the office and network.

Making personal business connections may take longer, but they are potentially as important as driving web traffic and planning your advertising campaigns. For relatively little expense, seeking industry events and other face-to-face business opportunities should form an equal part of your marketing strategy.

When business is slow, mass marketing or email marketing your existing clients seems the obvious low-cost option to generate sales, but forging personal networks with face-to-face contact brings a unique set of advantages. And there's no 'delete' key.

Networking builds trust

The important thing missing from online contact is the real connections that create genuine trust.

The advantage good networkers enjoy is access to more private or useful knowledge only available through personal contact. Filing unmanageable amounts of downloaded documents or exchanging emails is no replacement for conversations that spill over into further mutual contacts and unexpected opportunities.

Meeting with people also brings different skill sets to a business relationship. Online, you tend to stick to one topic or problem. Where a gathering incorporates socializing,

common interests outside business tend to crop up too, leading to wider networks and experiences.

In person, you are also more likely to discover how someone's organization works. The more 'flat' management structure of businesses today means that the 'say' in decision-making is spread widely among managers and employees. You could be chatting with one of the company's key influencers, regardless of their title. The way information flows through a company is an example of the important detail you may learn from a real conversation that is unlikely to come up otherwise.

For potential clients, time spent seeking quotes and meeting new suppliers might be happily avoided by using a personal contact met through networking. If you made a good impression in a semi-social setting, you might simply get the order or at least a chance to quote along with a current supplier.

Consider taking staff along to networking functions or sending them to represent you if you can't attend. This will boost employee engagement, particularly in uncertain times when spending cut-backs are threatening morale and motivation.

Types of networking

Depending on your industry and your business' stage of development, there are events of all sizes and costs where you can meet peers, suppliers, potential customers or neighboring companies.

Chambers of commerce, local governments, community and industry groups are in the business of connecting small business operators. They welcome new members and participants for speaking, presenting workshops or sponsorship. There are niche events for women only, for small business and for new businesses. Trade shows often have after-hours events attached designed for networking.

During annual calendar events like, "small business week" or similar, there are often a series of activities designed for education and networking. An internet search should find when these are coming up in your city.

Tips for successful networking

Once you've identified the best networking opportunities for your available time, make the most of them:

- Be organized; arrive on time and take lots of business cards. Keep a positive attitude about the event and an open mind about the people you meet.
- If you're nervous, focus on an outcome to suit your comfort level. Simply aim to "approach three strangers for a conversation", or "meet the keynote speaker" or have a similar goal that makes attendance worthwhile.
- Smile, look people in the eyes and give a firm handshake. Give your complete attention, use people's names and note special information on their business card for future reference
- Listen. Switch off your phone and be 'present'. Ask questions. You never know where a conversation will lead or who other people know.

- Have a sentence or two ready, describing your business, tailored with the listener in mind – ideally framed as a problem of theirs that you can solve. Don't just list off your services or latest achievements.
- Make a note of how people prefer to be contacted. Some welcome phone calls over email; for others, only social networking like Twitter will get their attention.
- Don't 'oversell'. Pressing business cards on people before moving on to new 'targets' is a turn-off. Save the sales pitch for a follow-up meeting.

If you promise to forward information or put a new acquaintance in contact with someone, do it straight away. You'll be remembered for being reliable – priceless.

Even today, vehicles expenses need monitoring.

Today's fuel prices may be lower for now, and there is a high probability that's not going to last the forever. If you want to avoid being held hostage by increasing fuel costs and government imposts in the future it's time to look at how you can manage your vehicle related business costs now.

Limit the use of company vehicles to company work

Allowing employees to use company vehicles for private jobs or to take home for the weekend is opening you up to large scale abuse. They are burning through the company's fuel and putting a lot of wear on the vehicle.

Claim all mileage allowances and vehicle related expenses

People using their private vehicle for business journeys can claim tax free expenses for that journey. Most small businesses could legally increase their tax allowance claims simply by keeping better records of their business related journeys. Log each day's journeys and any vehicle related expenses incurred during the day. Put the information in a spreadsheet for your accountant to use at the end of the year so you don't lose track of the real amount expended and short change yourself.

Keep your vehicles properly maintained

Poorly maintained vehicle can boost fuel consumption by up to 15%; a clogged air filter by 10%; just one 8 psi under-inflated tire can reduce its life by 10,000 miles and increase fuel consumption by 4%. The type of tire used can have a dramatic effect on fuel efficiency and vehicle running costs - on-the-road trials of newly developed 'green tires' have resulted in major savings by companies that have invested in them. Keeping your vehicle in top operating condition saves fuel and money, keeps it reliable, preserves resale value and reduces long term maintenance costs.

Consolidate your trips

Plan errands and deliveries - do them together, rather than as separate trips. Schedule deliveries in particular areas for particular days. Invest in a GPS and plan the daily run to take the shortest overall distance or most efficient route instead of zigzagging between destinations.

Look for fuel bargains

Some Chambers of Commerce offer fuel cost savings as benefits to their members and numerous supermarkets have fuel discount-for-purchase deals going with various gas stations.

Check out the range of alternative fuels available – maybe a conversion to propane is in order. Or use a low ethanol mix gasoline suitable for standard engines. Find the cheapest outlet using one of the internet sites that track fuel prices.

Lease your vehicles

There are advantages in leasing over outright purchase such as: no huge down payment; fixed, known monthly payments; getting exactly the type of vehicle you want; and even reduced maintenance and servicing costs. There may be tax benefits as well. There are, however, some potential disadvantages to leasing over purchase, the most obvious one being that the vehicle is never owned by you. The maintenance agreement can run against your interests as well, making you responsible for too many of the costs. Lease vs. hire is one of those situations where you need to do the math carefully and get a number of quotes (ensure they are comparing like with like) before making the decision.

Minimize insurance coverage costs

Your commercial car insurance should be a business tax deduction and a proportion of your personal car insurance should come off your business taxes also if you are using it for business related purposes. Different companies can charge very different premiums for the same coverage – do some price comparison checking on your vehicle insurance needs.

Change vehicles

Use the most efficient vehicles for your purposes. Doing the bank run in the company truck is not efficient. With the government's stance on the environment, eco-friendly vehicles that improve fuel economy are becoming more appealing. Lower emission vehicles are now available in all types of vehicle from small runarounds through commercial light duty up to heavyweights weighing 18,000 - 33,000 lbs. gross vehicle weight.

Regular Pieces

How To Make The Most Of Your Newsletter

Be sure to read each article with the mindset 'How could this apply to our business.' Thinking of it that way will guarantee that you get value. Better yet, take notes as you read and commit to having the ideas implemented by the time the next edition arrives. Also, make copies for each team member. To really make sure something positive happens, work with your business development specialist to talk your team through the ideas and how to set a schedule for getting them implemented. We're here to help you get started.

An Important Message

While every effort has been made to provide valuable, useful information in this publication, this firm and any related suppliers or associated companies accept no responsibility or any form of

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