

SUMMER 19

# PROFIT MATTERS

Helping you realise your full profit potential



## How to best prepare for a business loan

*Lenders look carefully at potential borrowers before committing to assist a business financially. Applying for a bank loan can be a difficult process if owners aren't prepared.*

Despite the borrowing challenges facing small business owners, it is possible to have your loan approved. Bankers are not in the risk business, protecting their capital is one of their biggest concerns. Lenders will carefully examine the integrity of a business, making it a priority for owners to maintain a good relationship with their bank in order to preserve their future access to funds.

### Develop a strong business plan:

This step will help to ensure that the bank will identify your business as low risk and gain the confidence to provide funds. A comprehensive business plan will highlight the viability of the business, provide the owners and managers business experience, the expenses that the loan will cover, the financial situation of the business, market changes and detailed sales expectations.

### Improve your financial understanding:

Having an in depth knowledge of the financial status of your business is an important step in proving to a lender you are committed. It will help to show the banker that you know your business and are mindful of the research the bank will acquire when deciding on the amount, if any, to loan to the business. Learn the banking language and understand terms, such as cost of capital, and other financial drivers will place business owners in a secure position when negotiating the terms of their loans.

### Be aware of credit:

A business's credit history is one of the most influential factors a lender looks at as it is an

indicator of financial performance and management capabilities. Business and personal credit are two different things, however, most new businesses have no credit of their own meaning the owner will need to use their personal credit to obtain a loan. In such situations as business loans and leases, the owner may need to give a personal guarantee. Credit will also be affected by the business's ability to generate revenue to pay back the loan.

### Have the right documentation:

Knowing all the relevant information is only part of the process, you need to be able to back it up with documents. Banks will typically ask for a range of financial and legal documents during the application process, such as;

- Personal and business income tax returns/ bank statements.
- Balance sheet and income statement.
- A photo of your driver's license.
- Commercial leases.
- Business licenses.
- Resume showing relevant management or business experience.
- Financial projections if you have a limited operating history.

Having these ready when a lender asks for them can save you valuable time in the loan process.

### Keep the advisor informed:

Financial advisors are there to advise and will have an intimate knowledge of bank processes. By keeping them posted of any plans or changes, the advisor can better advise the business on the best course of action, and ensure that the business will continue to prosper.



## INSIDE:

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- Find your business niche
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## Avoiding non-paying clients

*Running a business is hard enough without having to chase up payment from your clients, which can bring about many troubling financial and legal ordeals.*

Dealing with owed debt can lead to profitability imbalance, negative client relation, and legal troubles that come with chasing up owed debt. This is why it is important to think about precautionary measures before doing business with just anyone.

### Research the customer:

Before you enter into an agreement with a client or other businesses, make sure that you know who you're dealing with and do some background research. There are government certified websites available to check whether a company is registered and legitimate. Find out about their history, make sure they are reliable and still in operation and look for any bad reviews from other people's experiences with them. Pay attention to those who ask for discounts or complain that your fees are too high.

If you get the idea that the client may not pay, consider avoiding the job instead.

### Have a signed contract:

Regardless of how much you trust your client, it is still a good idea to have a written contract in place so that everyone involved is on the same page and you have evidence to refer to in the case of a dispute or confusion. The contract



should consist of the terms and agreements, payment schedule, preferred payment method, the exact product or service to be completed and late payment policy. This will encourage your client to make their payments on time, and will also come in handy if any legal action is required in the event that payment isn't made.

### Have a good invoicing system:

Make sure that you invoice customers quickly with professional and easy to understand statements. This helps you keep track of your customers and helps your customers understand the payment requirements. You can set payment terms and policies to ensure that you will be paid how you and your customer agreed.

### Ask for deposits or instalment fees:

If you ask for a deposit and the client does not want to pay, it is an indication that they may not be trustworthy and might not be willing to make a full payment. If the client does pay you a deposit or instalment fees but does not make a final payment, then you will not have wasted as much time and effort on this work than you would have otherwise.

## Recovering from a business setback

*Bouncing back from setbacks is a key skill for business owners as things don't always go the way they are planned with unexpected situations arise from time to time.*

How a business owner deals with setbacks can be the difference between success and failure. To be successful in your career, you need to



be able to take losses, grow from them and ultimately become better than before.

### Acknowledge the problem:

When faced with a setback it can be easy to turn a blind eye or place blame. Whilst no one wants to look at their mistakes or shortfalls, denying a problem or shifting blame is unlikely to help you work through it, so it is best to address issues head on. Consider all the factors that may have contributed to the problem, such as weaknesses in the business' model or external circumstances, and develop a plan of action to address any issues.

### Look at the bigger picture:

It is easy to lose sight of your vision and focus on the negatives when facing a setback. Instead, think of your setback in perspective of your business as a whole and question whether it will matter in one, five or even twenty years time. Consider the new opportunities that may arise from your setback and focus on moving forward.

### Take action:

When dealing with a setback it is important

to re-evaluate and prioritise your business objectives; this may mean exploring an alternative path or tweaking your business plan. List all the steps you need to take to get back on track. This may mean asking yourself difficult questions or letting go of elements that aren't working for. Don't be afraid to seek advice and support from others as they can help you gain perspective and come up with solutions to address the problem.

### Celebrate small wins:

Perspective is everything. Though a setback in your business dream can dampen your enthusiasm for your ideas, looking at the positives can help you get back on track faster. Each time you experience rejection, you develop a thicker skin which prepares you for your next business venture. If you aren't feeling ready to restart your plans so quickly after a loss, use that time to plan what your next move will be, how you can take on what you've experienced and then use it to better yourself in future business pursuits.

# What to include in a business partnership agreement

*Entering into a business partnership can come with conflicts and misunderstandings between you and your new associate.*

Having a written agreement that clearly outlines your rights and responsibilities is important for maintaining a healthy business relationship between partners. Some areas may seem simple or irrelevant to a business agreement, but it can be beneficial to include smaller points to avoid issues in the future. Here are some key areas to include in your partnership agreement:

- **Name of partnership:** agree on a name for your business.
- **Contributions to the partnership:** work out and record how much each person initially contributes to the business, whether it's cash, property, or services, and decide what percentage each owner will have.
- **Admitting new partners:** agree on a procedure for admitting new partners so that you can equally decide on a new person.
- **Distribution of profits/allocation of losses:** decide how profits and losses are allocated to partner shares.
- **Partnership decision-making:** to avoid conflict when it comes to making unanimous or individual decisions, set up a decision-making process that everyone is happy with.
- **Death, disability, or withdrawal:** if a member of the partnership wants to withdraw from it, or is forced to due to death or disability, then a buy/sell agreement is needed to manage the situation. Consider who you trust to make decisions on your behalf, who would inherit the shares of your company etc.
- **Resolving disputes:** to deal with situations where you and your partners can't agree on something, set up a mediation clause where everyone can agree on a procedure to resolve major conflicts.
- **Management duties:** work out some guidelines on how the business will be managed. This can include who is responsible for dealing with customers, supervise employees, manage bookkeeping, negotiate with suppliers, etc.
- **Partner time off:** work out how leave will work, including paid and unpaid sick leave, vacations, annual leave etc.
- **Non-competition clause:** if you're concerned about a partner leaving and then competing with the partnership's business, you can include a clause that restricts them from doing so within a defined time period.

## Launching a new product or service

*New products and services are launched everyday, so it's important to ensure that your launch stands out. This requires time and effort, and can often be more difficult than it seems.*

### Plan:

Having a plan that includes strategies, a timeline, goals and objectives can help you and your team stay on track. Creating a detailed launch plan helps ensure that even the smallest tasks are completed by a delegated team member. Having written goals and deadlines will also motivate you and your team to commit to achieving them.

### Be sure the product or service works:

Launching something that doesn't work properly can make you lose potential customers and damage consumer trust and reputation. Before you release a product or service to the public, have multiple testing sessions to ensure that it works. Check for malfunctions, weak points, bugs or viruses and prepare for things that could go wrong.

### Have easily accessible product information:

If people have to hunt for information, they can quickly lose interest. Having easily accessible videos, demonstrations, pictures and websites generates interest and allows people to see what you are offering. This also gives people time to share the product/service with people they know, which could increase sales on launch day and boost publicity.

### Publicity:

Sharing your unreleased product/service through other media outlets can provide you with exposure from a range of different audiences and generate hype. Whether it's through influencers, news outlets or your own marketing campaign, having a series of promotional material for your product/service can help generate awareness and interest to prepare you for your launch.

## Sales strategies for 2020

*The New Year is a good time to reflect on the past year and focus on goals for performing better in the year ahead.*

In particular, it is a great opportunity to reflect on your business' marketing plan and



set forward new strategies to hit the ground running. Increasing sales and revenue is usually a top priority for small business owners.

### Utilise customer feedback:

Asking customers for feedback via customer satisfaction surveys or asking for a referral can help to boost your business' reputation and also provides insight into what's working and what needs to be improved.

### Give clients extra:

Products or services with a limited time offer can help to increase demand. Consider running sales promotions with a set time frame, only selling a limited number of products or offering limited numbers for a service.

### Focus on what you can offer:

Clearly outline the benefits of using your products or services, whether it means customers save time, money or effort. Using an emotional appeal in your campaigns also helps to better connect with your customers and ultimately drive sales.

# Negotiating a business deal

*The business deals you make or don't make can drastically change the course of your company, so it is important that you enter negotiations well prepared.*

## Research:

Have a well thought out, flexible strategy and plan that you can use to negotiate effectively. Make sure you research thoroughly and have points in your head that you can use to support your proposal and strengthen the appeal of your side of the deal.

## Build a good relationship:

Taking the time before any official negotiation has begun is a great way to generate positive relations and get to know the other party better and understand how they work. As well as making negotiations more comfortable, this can also help you assess whether engaging in a deal with them is the right move as you can identify whether their values, work ethic, and goals align well for business interactions with you.

## Prepare for tricky circumstances:

Most business negotiations don't go as smoothly as people hope, and often involve a lot of back and

forth between parties. Take the time to brainstorm any potential disagreements that may arise and think about ways to diffuse them, or the best alternatives for both parties.

## Be professional:

If negotiations get heated or the other party isn't cooperating, it can be easy to become rude or angry. This usually isn't helpful and can put your company's reputation on the line and damage your chances of striking a deal with others. Throughout the interaction, remember to keep things professional and courteous in order to uphold your business' reputation and to increase your chances of working with the other party in the future.

## Make an agreement draft:

You or your lawyer can prepare a draft copy of the proposed agreement to bring to the negotiations. If your side has the first version of the agreement, you are able to frame and structure the deal more on your terms. The other party may not think about making extensive changes to the document and are more likely to accept points if they've already been established as statements rather than questions during the discussion.

## Ask the right questions:

Don't be afraid to ask questions and get informed about the best agreements you can come to. Depending on the type of deal being made, you can ask questions about pricing, benefits for both parties, any other offers available, competitors, documents etc.



## About us

### HYD Advisory

*Achieving better results for  
your business*

At HYD Advisory we can:

- work with you to help your business grow by identifying opportunities.
- establish systems that encourage and support success.
- ensure your business structure is the most appropriate for your business.
- position you and your business for financial freedom.

We seek to truly understand you, your business and your financial goals. Together, we work to establish a plan to achieve your financial goals.

Call now (02) 8543 6800

# Find your business niche

*When starting a new business venture, too often entrepreneurs look to do something cool and different instead of looking at the market and seeing what is needed.*

While finding your own business niche can be tricky, it doesn't mean you have to come up with a whole new concept. Simply making a few unique changes to an existing concept can help to create something that will make a business stand out from the crowd and entice customers to come back for more.

## Market research:

If you're looking to create a niche in a new market, you need to be certain that what you want to offer doesn't already exist. Research your competitors and know where your business will sit in the marketplace. Find out if there are similar businesses out there and if they were successful if their idea worked, and how they could influence your brand. Identifying a gap in the market can help you find a niche you didn't even know that you could excel in.

## Consumer trends:

While consumer trends do change over time, entrepreneurs that can spot one slowly growing in the early stages have identified a great time to find and establish their business niche. Paying attention

to changes in trends can also better prepare you for shifts once you have established your business.

## Understanding your customer:

Identifying and understanding your target customers is essential when launching a new business. Listening to customer feedback and being prepared to adapt and change is just as important. A successful business will naturally evolve over time, and those businesses that evolve with their customers because they continue to listen to and meet customer needs means that the customer base they've developed is much more likely to remain loyal.

