

tax. Put aside more than you'll need for these things alone so that when something unexpected happens (e.g. a piece of equipment needs replacing) you have money to hand to pay for it

- Put aside up to three months drawings so that if you have a quiet patch you're not forced to live on beans on toast.

- Bill larger projects in instalments ... two or three depending on how large the project is, perhaps one invoice at the start, one when key milestones have been delivered and one upon completion.
- Invoices don't need to be of an even size, particularly if there are materials to purchase at the start of the project or other costs that cause an imbalance. In this case make the first invoice larger to cover project costs ahead of their expenditure rather than bill after the event.
- Charge expenses separate and in addition to products and services ... on top rather than rolled into the price (this helps your profitability too)
- State terms and conditions of invoice payment in your contract and on your invoice. Consider charging interest on late payments (you would need to state this also in any contracts and with invoices)
- If a client is an unreliable payer of invoices don't start a project until a first invoice has been paid and make sure that all expenses are charged up front to make sure you are not left out of pocket
- Put aside a proportion of your invoices into a separate pot for VAT (if applicable) and income

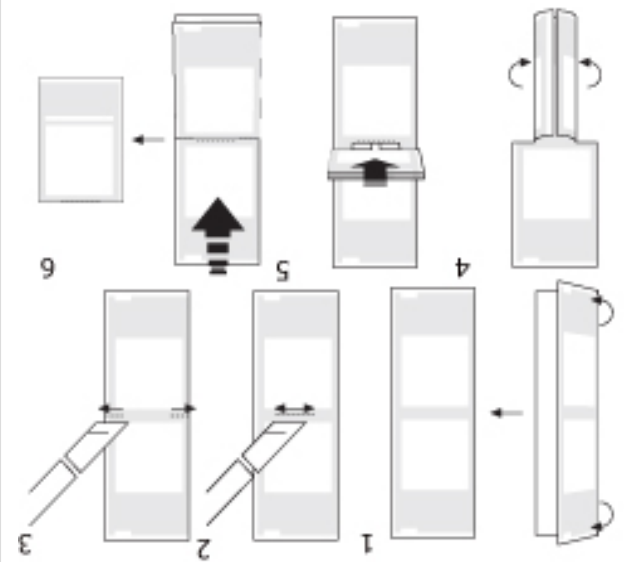
Planning for Success in 2008

Sarah Thelwall

I've been talking to a few MyCake users who are making their plans for 2008 now that the joys of tax returns are out of the way for another year. We've been looking at how you can use information from mycake to inform and challenge your plans for the year ahead. So here's what we've been talking about.

- 1) What kind of customers are best for your business?
- 2) How can you improve your cashflow?
- 3) What expenditure can actually help your business?





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1. What shapes and sizes does your client work take and how can you improve things in the year ahead?

There are usually patterns to be seen in the sorts and sizes of jobs/sales in your business. Heres an exercise to help you identify these patterns. Looking back through your invoices answer the following questions

• How big is a 'large job/project'?

- o Total value per project
- o Timescale over which the average big project is delivered
- o Average lead in time to starting such projects (i.e. does it take weeks, months or years to negotiate such projects)
- o What percentage of your total invoicing is represented by 'big' projects?
 - o What percentage of your clients do big projects with you?

• Answer these same questions for medium and small projects

From this you can work out the following:

- How many big, medium & small projects to aim for this year (have two versions of this ... a definitely do-able set and a more challenging set)

• The total income you are aiming for in the next 12 months

• How you should be spending your time now ...

• If big projects take months to win then you should always be discussing one or two, if small projects are easy to win then always have a few on the go as this becomes your steady income

• How vulnerable you are ... if you are doing more than 50% of your business with a single client you are pretty exposed. If they disappeared tomorrow it would have a significant impact on your business. Realistically you don't want any one client to be worth more than 30% of your turnover.

There are a few other benefits to analysing you income in this way. If you know what a big, medium or small project looks like you can be assessing the potential of new clients when you meet them and start nudging them in some directions rather than others. Also, if you've been working with a client for a while you could sit down with them and discuss the year ahead with a view to doing bigger or more risky projects with them going forward.

data in a couple of stages then remember to click on 'save' before you move away from the data entry page.

If you need a hand with using mycake at any point do give me a call. If you'd like to do a 1:1 by phone or in person to review your business and plan for the year ahead then I'd be happy to book you in for a session these are 100 + VAT and take about an hour and a half.

Best wishes & good luck for 2008

Sarah Thelwall

sarah@mycake.org

Also have a think about what mix of work you would like Do you need more basic income stuff that comes in regularly and that you don't have to search too hard for or do you need a few larger profile building projects? There's no fixed answer to this it is a matter of motivation, ambitions and where you're at already.

2. How can you improve your cashflow in the year ahead?

The old maxim that poor cashflow kills a business quickly, poor profitability kills it slowly is a painful reality for many small businesses. Fortunately both issues are solvable.

You need to sort out your cashflow as early in your business as possible otherwise when you grow and the projects/sales get larger the issue is magnified and the risks get bigger. Evidently it is preferable for a larger business to be making your income more stable not less!

Once you've submitted you numbers on the benchmarking side and have access to the results print them out and compare them side by side and look at how your business fluctuates through the year. Look out for busy patches and quiet patches, for example:

o Do all your clients go away in August?

o Is pre-Christmas a quiet or a busy period?

o Do the majority of your sales happen in the month after a key trade fair?

o How much does press coverage lead to increased sales?

Here are a few general things you can do:

3. What expenditure would help grow your sales?

Using slice 3 of the results page on the benchmarking side of MyCake you can try out some ideas for how you might change where you spend money in the year ahead.

If you've made estimates from exercise 1 above as to how many big, medium & small projects you are aiming for then total up the income and use the dial on the left hand side to increase your total sales income as required.

Then use the sliders to play around with increasing your marketing expenditure, outworker costs etc. Have a think about how you would need to spend money in order to bring in the additional income you're aiming for.

One last suggestion is to input your 2006-7 data in the benchmarking side and see how your year stacked up against other MyCake users

(confidentially and anonymously of course). There are already quite a few 2006 data sets in the system and quite a bit of variation between the top and the bottom (you won't be alone wherever you are). Just click on the 2006 form in the benchmarking side and when you're done click on 'save & send for review'. If you want to enter the