

## FAST FACTS 26: BUSINESS SURVIVAL

Three major reasons cited for business failure are lack of planning, lack of capital and economic conditions. Economic conditions are hard to influence, but good business planning and capital management is in your hands. Here are some tips to help...

### Do your homework

If you are just starting out or currently in business, undertake sufficient market research. There are many organisations which can assist you to research your business idea – use them, and use all other information at your fingertips. Research can assist you to know your product, your customers and your competitors. It can also help you anticipate or react to competition technology and other changes in the marketplace.

### Have adequate capital

Ensure that you have sufficient working capital (enough money) to continue operating through a full business cycle. This may be three months or two years for some businesses. Take into consideration all expenses that you may incur, including cost of the business, rent, wages including your own, legal fees, accounting fees, taxes, etc.

### Have a business plan

Develop a business plan which is workable, achievable, realistic (in terms of expectations for income and expenses) and offers you flexibility if your situation changes. Refer to *Fast Fact 18 for Business Planning* information.

### Set a realistic budget

When setting a budget, plan for the worst case scenario – not the best. Businesses commonly underestimate costs, fail to price their product or service correctly, overestimate income and do not recognise that money may be slower coming in than expected. Refer to *Fast Fact 6 Cash Flow Planning*.

### Consider all your finance options

Shop around for the best deal you can find when seeking business finance or advice. Feel free to negotiate, and ask what incentives are available to you. Ask lots of questions and expect thorough answers. A good financier should be prepared to give you advice on all your banking needs. Refer to *Fast Fact 20 Business Finance*.

### Manage your debtors

Unless you deal exclusively in cash you will have **debtors** (people who owe you money) and **creditors** (people to whom you owe money).

Establishing a **credit policy** that is legally binding is essential (ie, payment required within 30 days). If payment extends beyond the credit period, follow up immediately by telephone. Ensure your credit policy does not extend beyond that of your creditors, because you will need the income to pay your suppliers and other creditors. Offering discounts for prompt payment may assist in avoiding delays in payment. Refer to *Fast Fact 2 and 6 Bad Debts and Cash flow*.

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## Be a good debtor

Pay your debts on time and within the discount period, if a discount applies. Preparing a regular list of creditors and payment dates will also assist you with cash flow planning.

## Use a good accountant

A good accountant is one who communicates with you and provides you with advice that is ethical, correct and appropriate to your business. Refer to *Fast Fact 1 Business Advice*.

## Keep good records

Day to day bookkeeping is extremely important in keeping your business on track. Keeping accurate records of receipts received, debts outstanding and reconciling bank statements are all your responsibilities. If you are not experienced in this area it is worth considering employing a bookkeeper. Refer to *Fast Fact 3 Understanding the Balance Sheet*.

## Know your suppliers and landlords

Build a positive relationship with your suppliers and landlords. Be prepared to negotiate on price, location and goods. Seeking legal advice on any contracts you enter into can also save you heartache in the longer term.

## Keep your customers happy

A happy customer is a repeat customer. Know your customer and show them respect, always be courteous and kind and remember the old adage – ‘the customer is always right’.

## Market yourself

Marketing can be time consuming – but it will pay off. A simple marketing plan can be useful in helping you to identify what you want to market, how and at what cost. The plan may include a list of objectives you wish to achieve, a description of your customer and a timeframe for implementing your plan. Refer to *Fast Fact 24 Marketing*.

## Make technology your friend

In today's business world, technology can no longer be ignored. The use of electronic banking, on-line transactions, on-line advertising, trading on-line and email are becoming essential tools for small businesses – so embrace technology and make it your friend! Refer to *Fast Fact 23 What is eBusiness?*

## Have the right attitude

Finally, be happy doing what you are doing and be open to ideas and suggestions from friends, customers and suppliers. Good businesses recognise that no matter how well their business is operating, it can always be improved.

## Get the right staff and keep them

Employees can make or break your business, so take the time to select the right person for the job and train them so that they become an asset to your business. Refer to *Fast Fact 19 Employing Staff*.

For more information refer to other Fast Facts in this series or contact:

**Territory Business Centre**

Department of **Business and Employment**

Development House, 76 The Esplanade, DARWIN NT 0800

GPO Box 3200, DARWIN NT 0801

**T:** (08) 8982 1700

**TF:** 1800 193 111 (within Australia)

**F:** (08) 8982 1725

**E:** [info.dberd@nt.gov.au](mailto:info.dberd@nt.gov.au)

**W:** [www.nt.gov.au/business](http://www.nt.gov.au/business)

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