

## General Election: 6 May

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With the General Election due to be held at the beginning of May we are all heading for a torrent of promises leading up to polling day. While manifestos may contain plans, promises and policies we will only know what actions the new government will take when they are in power. One thing seems certain and that is that over the lifetime of the next parliament we are all likely to see cutbacks in government spending. The last government engaged more than one million more public employees and during the last year escalated public spending to unprecedented levels. The answer to the question as to how the public finances will be brought back into balance will become clearer after the Election.

### Improve your profits by all means – but don't take your eye off your cashflow

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There is much talk these days about businesses 'growing out of the downturn', which of course is an admirable objective, but care must be taken not to lose sight of the hard lessons

that have been learned over the last two years. In particular, businesses must be careful not to become so preoccupied with improving profits that they take their eye off their cashflow.

If the downturn has taught us anything, it is that cash really is king, and that in a tough economic climate it is not enough for the P&L account to show that the business is making a healthy profit if the cashflow is weak. Sadly we have seen too many profitable companies go out of business because they have run out of cash.

Few would doubt that there are still choppy economic waters ahead, and businesses would be well advised to continue to emphasise conserving cash as a protection against any future worsening of conditions. Perhaps it might be better to choose 'sustainability' rather than 'growth' as the watchword for the coming months.

Besides improving trading profits, there are three areas that have a significant impact on cashflow, and businesses would be well advised to monitor and review these on a regular basis.

**Debtors** – The faster you get the money in, the better your cashflow will be. Monitor this area carefully and watch out for 'debtor days drift'. Your credit control strategies should be aimed at decreasing debtor days wherever practically possible.

**Creditors** – Put simply, the longer you take to pay your creditors the better your cashflow will be, but this has to be balanced against any risk of losing your status with your creditors or weakening your ability to negotiate favourable terms. Sometimes faster payment can be offset by more favourable trading terms or even discounts for prompt payment.

**Stock** – Stock is notorious for tying up cash and should be closely monitored at all times. Your long-term strategies should be aimed at reducing the stock you hold without losing sales.

Do check with us if you need help or advise in this area.



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## Customer focus – a greater imperative than ever

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Two recent surveys have highlighted the extent to which the downturn has brought customer focus to the top of agenda for business owners.

A survey by Bibby Financial Services found that almost two thirds of UK business owners continue to worry about losing customers, with half now focused on building better relationships with existing customers rather than searching out new revenue streams.

Another survey by Cisco UK revealed five strategies SMEs regard as essential for both customer retention and customer acquisition in the new economic climate:

1. Focus on improving customer service
2. Maintain a flexible business model and be ready to adapt to improve customer relations
3. Implement e-commerce – increasingly regarded by customers as improving the quality of customer service
4. Adopt technology where possible to help streamline and improve customer experience
5. Take full advantage of the opportunities presented by social media – a massive online marketplace that is still in its infancy and yet is yielding significant results for savvy businesses.

## Businesses turn to accountants as their key advisers

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A recent survey by Sage reveals that SMEs regard accountants as their most trusted and reliable advisers who not only have insight into their businesses but also show an understanding of the broader picture that enables them to offer practical advice and guidance on navigating the economic waters.

We hope we meet your expectations in this regard and that you will continue to allow us to work alongside you to help you manage and grow your business.

We are here to help, so feel free to call at any time.

## Monitoring performance

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These days it is more important than ever for businesses to monitor performance on a regular basis. Not only does this help to avoid nasty unforeseen surprises, it also gives your business more flexibility and agility – a definite plus in today's unpredictable economic climate.

To evaluate the performance of your business it is best to focus on a few key drivers that have a major impact, known as 'key performance indicators', or KPIs. For most businesses these will include:

- Sales
- Costs
- Working capital

Monitoring these can yield valuable information and help you identify any trends towards cashflow problems or declining profitability in time to take appropriate action. It also helps you identify opportunities you might be able to take advantage of.

The key is to have reliable monitoring systems in place, to take regular readings, and to make appropriate and timely adjustments to your activities when necessary.

If you are not sure you have the right systems in place or perhaps are not getting as much out of them as you could, talk to us about a review.

## Are you on Facebook?

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With 400 million users and growing, Facebook is a medium that businesses should not overlook. Not only can it be an effective way of staying in touch with existing customers and cultivating those relationships, it can also be an opening to millions of other potential customers.

It is becoming apparent that social marketing is as important as, if not more important than, other forms of online marketing such as search engine optimisation and pay per click. Unlike search engines, where users are actively searching for something, social media such as Facebook offer a chance to reach people who may not have heard of you. Besides the powerful networking and referral mechanisms it offers, there are also plenty of more conventional opportunities to reach selected groups through filtered advertising.

But benefiting from a presence in social media is not as straightforward as it might appear, and many businesses have found their strategies fall flat through lack of understanding of the dynamics of the medium. If you want to develop or improve your presence in social media, there is plenty of advice available online. Try searching [businesslink.gov.uk](http://businesslink.gov.uk) as a starting point.