

## Sources of Finance

How to get money into any business is a problem as old as the hills, so don't feel that your situation is unusual. There are four main ways of achieving this:

### 1. Don't overlook the obvious!

There are things you can do with what you've got that will bring money in to the business.

- Is your marketing up to scratch? Re-examine how you bring customers into your business. Run a test before you commit too much money to it. There are a hundred different ways of generating new business, so don't think that you are applying them all at the moment.
- Are you collecting in your debts quickly? Even a small improvement in your debt collection can be a source of funds for your business.
- Are you extracting maximum benefit from your suppliers? Could you extend credit with them?
- Could you reduce stock levels? Could deliveries be closer to "just in time"?
- Are you sitting on under utilised assets? Do you have a freehold or machinery that you could sell and leaseback?

So look at the obvious things before you start looking elsewhere.

### 2. Banks and other financial institutions

When you're thinking of approaching banks and financial institutions remember:

- Have a decent plan to show them what you are trying to do

• They want your business. They have sales targets just like you. If you can put up a decent plan they will fight to get your business.

• Don't leave it too late to approach these institutions. There are various different sources of funds from banks:

- Overdrafts: Never forget that this is a major source of revenue for a bank, and they want your business.

Make sure your bank manager knows what's going on and they will be a lot more co-operative.

- Lease finance: This enables you to match the costs of buying the asset with the income you generate. However, do read the terms carefully and shop around.

Focus at what happens at the end of the lease as there are many options here.

- Factoring: Asset based debts can easily be assigned to a third party. This means they put you in funds immediately and collect the debt for you.
- Invoice finance: This is the same thing as factoring, except the customer does not need to know. This can be very flexible and do whatever you need.



- Loans: Again, presented in the right way, this can be an excellent source of finance, particularly as interest rates are so low at the moment. The small firms' loan guarantee scheme may also be helpful in some situations.

### 3. The Government

Believe it or not, the government wants to help you grow. There are over 1,500 different types of grants available, and it is sensible to seek expert advice in teasing out what may be available. Main types are:

- People based: These tend to be support with training – such as the modern apprenticeship scheme for 18-25 year olds.
- Knowledge based: Various grants are available for research and development.
- Location based: The further you are from London the more likely grants are available. Again, this requires specialist help.

### 4. External investors

Do not assume that just because you have a good idea others will catch on quickly. Dealing with external investors is all in the presentation. You need something snappy to catch their interest and then well presented detail to hold their interest.

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Typically investors can break into three categories

- **Business Angels:** These are people who have made money who would like to use that money to back others. They will typically invest from a few thousand pounds up to about a million. No hard and fast rules and they can be difficult to find, let alone close a deal with.
- **Venture Capital Funds:** These are interested in investments of at least £500,000, and often a lot more.
- **Other Companies:** Another company may well be interested in investing in your company – perhaps with a view to outright purchase in a few years time.

All of these options will want to have a share in your company, and with that comes a loss of control.

Be prepared to discuss this early on in any conversation.

### ...and you must plan

To improve your chances of success in gaining additional sources of finance you must have something in writing. Often the very act of writing something down will help clarify a course of action. It will also help to explain your thoughts to others in a rapid and coherent way.



For a free, no obligation review of your financial status, please contact us now.

Don't leave it to chance.

## 3 Strategies For Increasing Profits

It's a simple yet common question, "How can I make my business more successful?"

Success can mean a lot of different things to a lot of different people but when it comes down to it, the success of your business should only be measured by one thing - profit.

At the end of the day, it's not how many people came in to your store or phoned in. It's not even how many widgets you sold. At the end of the day, what truly matters is how much of a profit you made.

It would make sense then that your efforts focus on profit as the end result. With that in mind, there are only three strategies to increase profits for your business.

- 1) Increase the pound size of each order
- 2) Increase the number of times people buy from you
- 3) Increase the number of people who buy from you

Most likely, your business is already primed to attack each of these three angles and implementing that attack should be fairly easy.

Let's say that you are the owner of Happy Wicks Candle Store. Let your customers know that for every £50 they spend they will receive a free 4-inch candle. When they are eligible for the free candle, offer them the option of upgrading the 4-inch candle to a 6-inch candle for only two pounds.

Implement a customer loyalty program. Whenever a customer spends £200 with your store they receive a 20% discount on their next order. Show loyalty to your customers, too. Create customer-only events and sales, even workshops on how to make candles at home.

Candles are also popular gifts.



Be sure to place your contact info on each and every candle. This makes it easy for the gift recipient to purchase from you. Be sure to also use this tactic when co-promoting with similar businesses such as a flower and bath and body shop.

Looking at the example Happy Wicks Candle Store, the tasks of increasing profits was not a difficult one. Truly, it's a matter of putting systems in place that generate increasing profits.

Take a look at your business and examine the systems you have in place.

Chances are, there are undiscovered profits laying about. Put systems in place to gather those profits and you'll find your business reaching new heights of success.



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Next month: 7 Techniques to Motivate Your Team Members, How To Be A Team Player, Teambuilding for Any Business

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