

Background and Problem

A mechanic had bought the garage he had worked in for the previous 2 years from his former boss. He had been running it for a year and was struggling to make ends meet. He was £10K over his agreed small overdraft, and many creditors were clamouring for well overdue payments, and the bank had not been able to claim repayments for the loan they had given him to buy the business. The bank wanted to know what actions were going to be taken as they were unprepared to offer continued support to the business. He really wanted his business to be a success but felt that there was nothing else he could do but walk away. No-one had ever explained the importance of record keeping or other systems and processes required to run a business and basically he just felt he could no longer cope!

Actions Taken

- ◆ Discussions were held with the bank and it was agreed that a car and van owned by the business would be sold to release some cash in order to make the loan payments and pay key suppliers. A staged plan to bring the overdraft in line was also agreed, with regular communications and updates being provided to the bank
- ◆ Payment plans were put in place with suppliers to clear old outstanding invoices in an attempt to rebuild the relationships
- ◆ He had no regular office and admin support with the exception of a Saturday girl and cheque writing by his partner. It was agreed that the garage owners partner would come and work in the office part time, for 3 days per week in order to manage the paperwork of the business and keep records up to date
- ◆ Prices were increased as much of the business being undertaken was not making the owner any money
- ◆ Regular fortnightly “business basics” training and brainstorming sessions were held with the owner and office manager, covering such areas as record basic record keeping, how to market the business, and customer service in order to improve their knowledge of the basics until the business got on track and could afford further external assistance
- ◆ Local Marketing was undertaken – Discount vouchers placed in the local paper, improved signage, leaflets offering various free items with every service for example
- ◆ A business plan including financial projections was drawn up, in order that performance could be monitored against plan
- ◆ After it was discovered that the business had purchased but never used an accounting package, training was given to the part time office manager in how to input invoices and record payments so that they could much easily monitor the income and expenses of the business

The results

5 months later, the business was well within its overdraft limit, and was often not using the overdraft at all!

- ◆ Sales turnover increased by approximately 50% over the same period last Year
- ◆ All creditor backlogs had been cleared and all supplier invoices are now paid within 30 days
- ◆ The owner of the business now constantly comes up with ideas of how to further improve his business and looks forward to going into work each day rather than dreading it and has recently taken on another full time mechanic.

**If you want to find out more about any of the areas covered in this case study
and how we can support your business – contact us today.**