

Finance

Alan Stone ~ Group Marketing Manager
Old Mill accountants and financial advisers

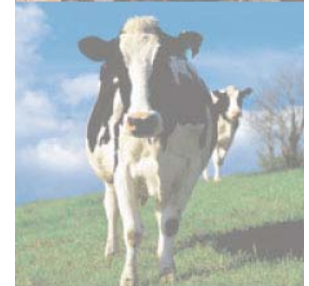


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Food Business vulnerability

- More returned 'gone away' from our food mailings than any other sector
- Bright idea!
- Lack of business planning
- Lack of common sense

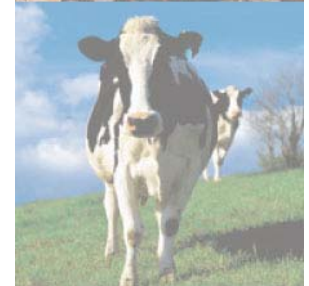
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Bright idea

- The cake business
- A good tasting product is only a small part of the business story

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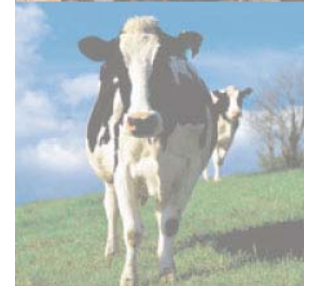


Lack of business planning

- Two cider businesses
- One failing to meet aspirations



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Lack of business planning

One chronically over shooting



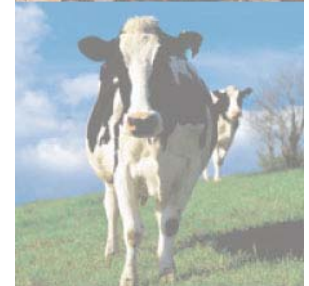
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Lack of common sense

- Achieving good sales but...
- Increasing range
- Altering pack sizes
- Over 40% of gross takings spent on packaging and design

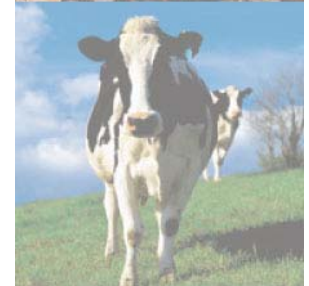
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Farmers Markets

- How do people cost their performance at these?
- Include time to load and unload
- Time at market
- Cost of stands, licenses etc
- How many are actually worth while?

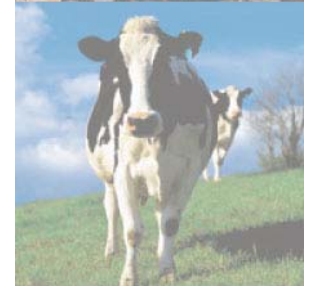
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Features of food companies that succeed

- Entrepreneurial initiative of owner
- Linked in to other businesses
- Clear, forward looking business plan
- Understanding and assessment of routes to market
- Taking advice from professionals around finance and accounts

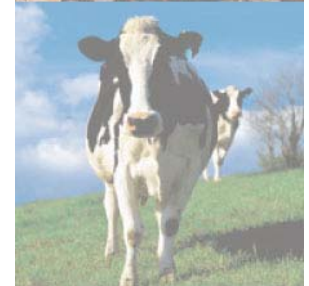
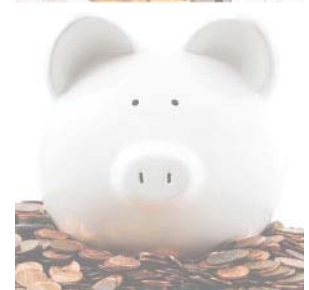
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Features of food companies that succeed – continued...

- Not afraid to borrow to invest in future of business
- To learn from mistakes – we all make plenty
- When profit is made
 - invest in the future of the company
 - invest in the future for personal financial security
 - minimise the amount of tax paid!

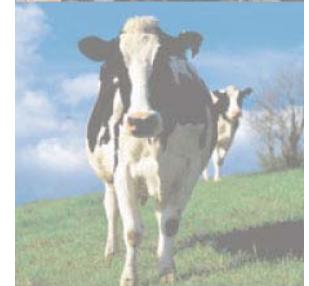
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A golden rule for business propositions

- Estimate amount of income to be generated
 - divide by two
- Estimate the costs to be incurred
 - double them
- If it still shows a profit it may be worth investigating the proposal further!

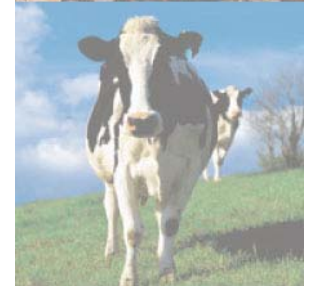
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Business Threats Analysis Matrix

- A process to identify the threats to your business
- You are busy anyway – you can only focus on so many areas
- Focusing on three issues has been shown to be the most effective
- How do you decide on the three issues

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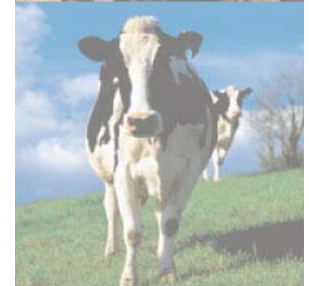
Business Threats Analysis Matrix

We have identified five key areas of threat.

You need to identify one or at the most two of these that are most relevant to the challenges your business faces.

- Cash Management
- Sales
- Purchasing and Supply
- People
- Margins

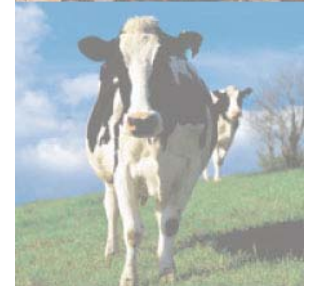
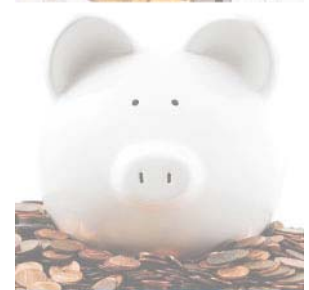
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Business Threats Analysis Matrix

- The Old Mill threat analysis then identifies a list of issues against each heading
- Select no more than three or four issues against the heading you have chosen
- This will give you the issues that are key to your business – those that will pay most return for your focus

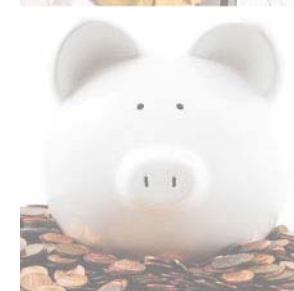
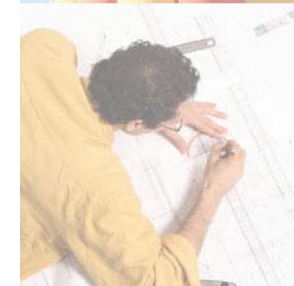
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Cash Management – example issues

- Do you know what your cash position is?
- Have you identified future capital needs – can any of these be deferred?
- Do you have an adequate Banking Facility – line of credit?
- Do you actively manage your tax position to be as tax efficient as possible
- Have you looked at ways of getting money in quicker from customers?
- Are you using short term facilities for long term solutions

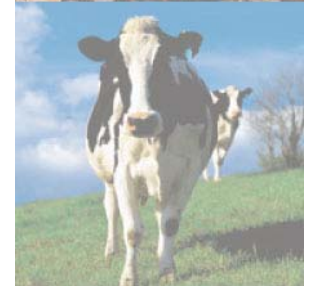
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Sales - examples

- How strong are your key customer relationships?
- Are you over reliant on a few large customers?
- How high are your levels of customer service?
- Is there going to be a change in demand for your products?

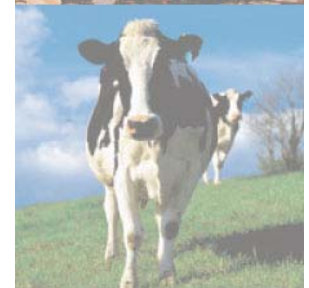
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Purchasing and Supply - examples

- Are any of your key suppliers likely to go under?
- What is likely to happen to the cost of your supplies?
- Have you identified potential alternative suppliers?
- Are there any threats to the logistics – transport etc?

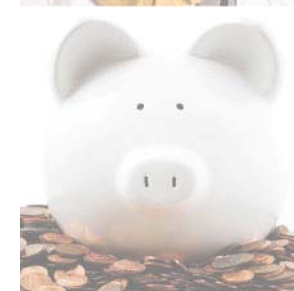
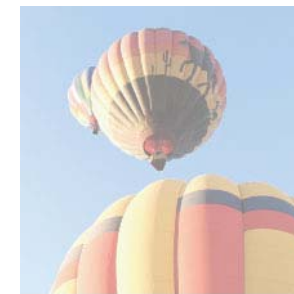
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People - examples

- Do you have the right level and mix of staffing?
- Can you afford to reduce staffing levels and what would the knock on effect be?
- How can you get your staff fighting for your company?
- Is there a danger of losing key staff members – knowledge management?

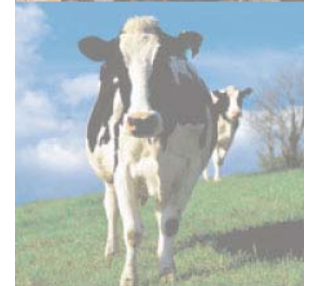
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Margins - examples

- Have you set a realistic budget and do you monitor it regularly?
- Are you getting regular and timely management information – KPI's?
- If gross margins are being squeezed can costs be saved elsewhere?
- How much of your cost is fixed as opposed to variable – what margin do you need to make to meet all your commitments?

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Conclusion

- There is plenty of opportunity for food and drink businesses, even in a recession.
- Careful business and financial planning is an essential ingredient for success.

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