

Profit Planning

↙ This newsletter is to help you and your business.

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Make time for profit-planning

Business owners often work hard to achieve success. They work to add value to their business, and often commit themselves to working long hours in their drive to become high-level business achievers. Running a business is like any pursuit in that it is vital to have targets to aim for.

Whereas much accounting is retrospective in nature, profit-planning allows you to focus on the future, and develop a meaningful road map to ensure you derive the financial outcome your hard work deserves.

See over for an introduction to profit-planning.

“Good fortune is what happens when opportunity meets with planning.”

Thomas Edison



↙ For more information about how we can help your business plan for the future, call us.

Make time for profit-planning

What do you want and need to achieve?

Profit-planning is a form of analysis that starts with you and your business. For example personally, what income do you need to live on? What property do you wish to own? What debt will you incur and what does it cost to service that debt? When would you like to retire, and what funds do you require to do so? In short, is your business generating the profit you expect and require? And is the bottom line it has now sufficiently robust?

Once a starting point and some end goals have been established profit-planning uses a combination of systematic target setting, action listing and real-time budgetary controls to develop an entirely bespoke profit plan for your business. Once time has been dedicated to addressing your business issues in an objective and analytical way, it is surprising how profits can begin to improve. But the benefits of involving external expertise will be evident from the start.

Still unconvinced?

We can review or help you develop your annual profit plan, define your yearly revenue potential and set appropriate targets. We will look at your existing revenue streams to see how these can be improved. Developing a profit plan also involves asking a lot of questions to search for the route that leads to an increase in profitability. These include: How can profits from your existing business be increased? What new products or services can you deliver? Is your pricing competitive? Can you charge more for your goods or services? How can you improve efficiency? How can you reduce direct costs or overhead? Can productivity increase?

Profit-planning is a diagnostic tool that has been used by major international corporations. It can work just as well for smaller businesses too.

Some of the basic components in planning a profitable business also include:

↘ **Having a more efficient workforce** *Having objectively established targets gives you an opportunity to benchmark your staff's performance, allowing you to manage, evaluate and reward them accordingly. The process also makes personnel evaluate what their responsibilities are whatever their role in your organisation. At the same time, profit-planning will highlight immediate or future areas where additional personnel or resources will be needed. Extra sales are likely to increase the credit control workload, for instance. Staff are also an essential resource in the identification and evaluation of profit improvement strategies.*

↘ **Planned purchasing** *Bigger sales volumes alter relationships with suppliers. A set profit plan establishes and projects what you will need from your suppliers from early on, allowing you to identify future supply chain issues while also giving you the opportunity to confidently claim quantity discounts or purchase elsewhere.*

↘ **Cost management** *Cost overruns are swiftly forecast and identified, allowing you to compare expenditure against budget before they are even incurred. A system of cost targets and warnings will create a culture whereby over and unnecessary spending cannot take root.*

↘ **Better financing** *Operating and capital finance requirements are also a key part of profit planning, which not only looks at how finance costs impact your bottom line, but also enables you to begin the search for any additional funding required as soon as possible. Future financial challenges can be predicted and overcome in advance. Not only does this knowledge give you an advantage when it comes to negotiating with financiers, an objective, professional profit plan will also make it easier to win over potential investors or lenders.*

↘ **The future and tax planning** *Because profit planning takes a forward, revenue-centred view, it improves tax and financial planning for the year-end, generating profit with minimal tax exposure. This helps business owners to defer or accelerate expenditure into a favourable financial year, for example, or ensuring that stock and work in progress is not over-valued. It is also an excellent starting point for dealing with your exit strategy, when your profit goals have been continually met and the time comes to exit the business.*

Taking a careful look at how your business makes profit and what it does with it will enable you to plan your future so that your business will deliver to you the profit you need and deserve for the hard work you commit to delivering services or products to your customers.

↘ **To find out more about profit-planning and what it can do for your business, or to discuss exit strategy, contact us.**