

Building a Best Practice Business

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You are a business owner and you understand the driving forces behind competition, supply and demand. So when;

- More businesses are for sale - lower prices result.
- With fewer qualified buyers - it becomes a buyer's market.
- In a buyer's market - buyers can be selective and value driven.

Thus it is important for you to ensure your business value.

How do I ensure my business value?

You can start by becoming a Best Practice Business: Best Practice Businesses ensure their business value by recognising the operational and strategic drivers of business value and they have systems in place to capitalise on them.

What are the drivers of business value?

1. A business with good systems that is not reliant on its owners. It is important to have procedures and systems in place that seamlessly regardless of the presence of the owners. The business will be more attractive to prospective buyers knowing that they don't run the risk of the owner exits. A Best Practice Business has all systems and processes documented and all staff are aware of their role and responsibilities within the business' operations. Having all systems and processes documented ensures that valuable information about the day to day running of the business and its client base does not leave when the owner exits.

2. Loyal customers

Without repeat business many businesses would not survive with customer facts include:

- It is 5-10 times more expensive to gain new customers than retain existing customers.
- Repeat customers spend 67% more than new customers.
- Repeat customers refer on average 7 other potential customers.
- 20% of customers account for 80% sales.

It makes sense to follow the Best Practice principles of getting your demographic, valuing your customers by providing them with the goods and services that they desire to purchase, communicating with your customers and rewarding them with great service, great value and loyalty rewards.

3. Benchmark performance

Your business value is directly linked to your profitability. Are you maximising your profit by:

- Increasing the number of customers types that you want to attract to your business?
- Increasing the number of times customers return to your business?
- Increasing the average value of each sale?
- Increasing the effectiveness of each process with the business?

A Best Practice Business continually monitors their key performance indicators against industry benchmarks to ensure that they are reaching or exceeding their potential. Tracking key performance indicators is the result of sound reporting principles. Best Practice Businesses produce financial reports on a monthly basis.

4. Quality Staff

Successful business owners develop an outstanding team of people, all contributing towards the successful operation of the business and the desired rate of capital return. Best Practice Businesses have procedures for the appointment of staff, orientation of new team members, employment guidelines, team meetings and good communication with all staff. Best Practice Businesses position themselves in the market as an employer of choice.

Disclaimer

This information is of a general nature and should not be viewed as representing financial advice.

Users of this information are encouraged to seek further advice if they are unclear as to the meaning of anything contained in this article. We accept no responsibility for any loss suffered as a result of any party using or relying on this article.

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Can I become a Best Practice Business?

Anyone can become a Best Practice Business provided that you have the discipline and desire to endure change. Implementing best practice involves everyone in the business. Depending on your current practices, implementation of best practice may involve a high level of change. Some practices may require only a small change, some may need completely new procedures to be introduced, and some things may not change at all.

Where do I start?

Becoming a Best Practice Business will involve:

1. Acknowledging the need and having the desire to become a Best Practice Business.
2. Gaining the buy-in of key stakeholders in your business - this could be your staff, your spouse and family, your trusted advisers including your accountant.
3. Subscribing to the Bstar Best Practice Management Guide.
4. Implementing the policies, procedures and systems to become a Best Practice Business.

Contact us for more information about Best Practice Businesses.