



Business Strategy Tips

Tip #: 1 “Bread and butter” income.

Every business will benefit from some level of revenue certainty.

Most businesses have some “fixed” costs or expenses. Rent, for example, is a cost that a business is committed to paying for a given period, say 5 years. Every month, irrespective of whether the business produces any cash, the rent will have to be paid.

To avoid financial stress and to achieve peace of mind, it is great to know that the business can cover these “fixed costs” as they arise. If this can be achieved the focus of the business's management can be matters that can advance the business. If not, there may be regular stress points that will divert this focus and may cause the business to stagnate.

So, how can this be achieved?

One way would be to find a regular source of income. A “bread and butter” line. Richard Leupen of United Group, in a recent article in the Weekend Australian Business section, calls it “annuity-style income. Since he became CEO Leupen has moved the income model from one where 80% of income was derived from un-predictable project work to one where the split is now around 30% project work and 70% predictable maintenance work.

How do you create this income?

The first step is to recognise the need for the income, to build this into your marketing plan.

Talk to your clients and ask them what they would like from you.

Examine the business's knowledge base and resources. Is there any knowledge that has been acquired over the years that you could sell for a small regular fee to current clients or to a new market? Is there spare capacity within the organisation that could be utilised to provide a new revenue stream?

Once you have decided on the new revenue stream, devise and set up an efficient delivery process. After all you do not want to create another set of “fixed costs” that have to be covered. Whilst the process should be machine like it should be carried out with the same care and attention to detail your clients are used to.

You may need to consider branding the new product or service in a slightly different way from the rest of your business so that this income is not compromised. This should not mean expensive marketing and could be as simple as creating a separate “division” within the business to handle the “bread and butter”.

Don't forget, if you need help to achieve this, talk to us, we have a lot to offer.

If you would like to know more send an e-mail with your contact details to: enquiries@sla.com.au