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Business News Northern Ireland

Welcome to this edition of Business News that includes articles focused on helping you to grow your business. Please contact us if you want to talk about how these articles or any other updates affect your business. We are here to support you!

Avoiding Business Pitfalls: 7 things you should NOT do as a business owner

Recent surveys of UK business owners show us to be under pressure. This is no surprise. As a business owner, you’re constantly juggling multiple responsibilities and facing a myriad of challenges. While there are countless strategies for success, it’s equally important to be aware of potential pitfalls that could derail your efforts.

In this article, we’ll explore seven common mistakes that business owners should avoid at all costs.

1. Ignore financial management

One of the biggest mistakes a business owner can make is neglecting proper financial management. Failing to keep accurate records, monitor cash flow, and budget effectively can lead to financial instability and ultimately, business failure.

Make it a priority to invest in robust accounting software, seek professional advice when needed, and regularly review your financial performance to make informed decisions.

2. Neglect customer feedback

Your customers are the lifeblood of your business, and their feedback is invaluable.

Ignoring customer complaints, suggestions, or reviews can damage your reputation and lead to losing valuable business.

Look for opportunities to openly communicate with your customers and seek their feedback. The best feedback often comes from informal, relaxed conversations so train your staff to be alert to feedback given to them and ready to pass it on to you.

Demonstrate a willingness to address customer concerns and improve their experience and you will add to their loyalty to you.

3. Overlook employee development

Your employees are your most valuable asset and investing in their development is essential for long-term success.

Neglecting training, mentorship, and opportunities for growth can result in disengagement, high turnover rates, and decreased productivity.

Instead, look for opportunities that could develop your employees. Be willing to consider training. Provide regular feedback and recognition to your staff so that they know what needs improving, but also what they do well. Foster a work culture that encourages teamwork and for staff to work together to overcome problems.

4. Failing to adapt to market changes

Business is constantly changing, and failure to adapt can quickly lead your business into a dead end. Whether it’s changes in consumer preferences, advances in technology, or updates to regulations, staying ahead of the curve is essential for survival.

You need to be monitoring market trends on an ongoing basis. Stay open to the possibility that things will change. Sometimes indications that something is changing can come from reading the news, sometimes it’s from conversations with a customer or supplier, or sometimes you will only pick it up from changes in your sales or accounts figures. When it comes, be ready to pivot your business strategy as needed to stay relevant and competitive.

5. Micromanaging everything

When starting up in business it’s exciting to be involved in everything and feel needed. While it’s natural to want to maintain control over every aspect of your business, micromanaging can be counter-productive and even stifling.

Trust your team to carry out their responsibilities and give them the power and authority to make decisions within their areas of expertise.

If you can delegate tasks, and encourage a culture where staff feel that they can take their initiative, you will free up your own time to be able to focus on strategic priorities and scale your business more effectively.

6. Ignoring legal and regulatory compliance

Complying with laws and regulations is non-negotiable for any business. Ignoring legal obligations can lead to hefty fines, court proceedings, and irreparable damage to your reputation.

Find a way to stay informed about the laws that affect your industry. Be willing to seek legal advice when necessary and implement robust compliance procedures in your business to mitigate risks and keep your business on the right side of the law.

7. Neglecting work-life balance

As a business owner, it’s easy to fall into the trap of working excessively long hours and neglecting your personal well-being. However, burnout can have serious consequences for both you and your business.

Make self-care a priority and set boundaries between your work and your personal life. Make time for your family and for hobbies and relaxation. Remember that maintaining a healthy work-life balance is essential for productivity in the long term and your overall happiness.

In conclusion, avoiding these seven common mistakes can help you navigate the challenges of business ownership more effectively and build a resilient and thriving business that stands the test of time.

Having looked at seven things to avoid why not ask us for our guide on 57 ways to grow your business?

Increasing your profit – why it's not the same as growing sales

The so-called Micawber principle, as stated by Wilkins Micawber in Charles Dickens' novel David Copperfield, says: "Annual income twenty pounds, annual expenditure nineteen and six, result happiness. Annual income twenty pounds, annual expenditure twenty pounds nought and six, result misery."

This widely used quote on personal finance is just as relevant for business finance. For any business to be successful and sustain itself over the long term, it must make a profit, i.e. revenue must exceed costs.

Increasing profit is therefore a primary objective for businesses that are looking for sustainable growth and success. But is improving profitability as simple as increasing sales?

While increasing turnover (revenue) is important, it doesn't necessarily lead to increased profits. Turnover simply reflects the total sales revenue generated by the business, whereas profitability focuses on the relationship between revenue and costs.

A business can increase turnover by simply selling more products or services, but if costs increase at the same rate or faster, profitability may not improve or could even decline.

So, how can you improve profits in your business? Have a look at the following 4-ways.

<u>1. Get more customers</u>

Getting more customers naturally leads to higher sales revenue. As we've just explained this doesn't necessarily lead to higher profit, but it can do. An increase in revenue may not only help you to cover fixed costs but also help you to benefit from economies of scale.

For instance, where you increase the number of products you make then the average cost per unit of production decreases. This is because some of the production costs will be fixed and do not increase proportionally with the level of output. This means that the cost per sale reduces, and this leads to more profit.

<u>2. Sell more to existing customers</u>

Acquiring new customers typically involves significant marketing and sales costs. In contrast, selling to existing customers takes fewer resources and costs because of the relationship you already have with them.

By selling more to existing customers, you can generate additional revenue at a lower cost, thereby improving profitability.

Existing customers are often more receptive to buying additional products or services from your business, especially if they have had positive experiences in the past. As a result, you may have more flexibility in pricing and bundling products or services that gain you higher margins on those additional sales.

Upselling premium products or services, offering value-added upgrades, or introducing complementary products and services can all contribute to improving profit.

3. Raise prices

Many businesses use a strategy of pricing to undercut their competitors. However, controlling costs to a bare minimum is generally difficult for small businesses to do effectively, so a low-price strategy often leads a business to struggle.

Instead, it is usually better to focus on building up the value of what you are offering so that price becomes a secondary issue.

While you may fear losing customers by doing so, higher prices can convey a sense of premium quality, exclusivity, or value to customers. It may also help you to target more affluent customer segments who are less price sensitive.

4. Reduce expenses

If you can reduce expenses without affecting how much revenue the business brings in, then this will help you to earn more profit.

Think about the people you buy things from – like the ones who supply your products, materials, or even office supplies. Try talking to them to see if they'll give you better prices or discounts. Sometimes, just by asking you can save money.

Look too at all the things you spend money on to run your business – like rent, electricity, or insurance. Could you shop around to find a cheaper insurance plan or try to use less electricity by turning off lights when they're not needed?

Increasing profit is not the same as increasing turnover, but by exploring one of these 4 areas you will find a strategy that could work for you in building a business that earns you more.

Talk to us about our 12-month profit improvement tool which is designed to get you thinking about you can take advantage of future opportunities and improve your bottom line!

Hybrid working – what counts as a business journey for tax purposes?

HM Revenue and Customs (HMRC) have updated their guidance on what qualifies as ordinary commuting and private travel for tax purposes to include hybrid or flexible working.

Generally, where an employee works at home as an objective requirement of the job, then HMRC will usually accept that the employee is entitled to tax relief for the expenses of travelling from their home to another workplace, such as the office, when this is in performance of the duties of their job.

Usually, HMRC will only accept that working at home is an objective requirement of the job if facilities that an employee needs to do their job are only practically available at their home.

On the other hand, if an employer provides appropriate facilities in other locations that could be practically used by the employee, or the employee chooses to work from home, then HMRC will not accept that working from home is an objective requirement of the job.

HMRC provide an example to illustrate this. The work of an area sales manager living in Glasgow requires her to manage the company's regional sales team across Scotland, but the companies nearest office is in Newcastle. Since the manager cannot practically attend that office and is required by her employer to keep all client information securely at home, she is entitled to tax relief for her costs on the occasions she travels to the company's office in Newcastle.

Since COVID and with the developments in communication technology, many employers now allow their employees the choice of working from home on a flexible or hybrid basis. The employee will usually have a base office that they attend on the days they are working in the office.

Since this flexible way of working is voluntary for the employee, they are not required to work from home. This means that any journeys they make from home to the office are ordinary commuting and do not qualify for tax relief.

This is important to be aware of as an employer if you reimburse staff using the approved mileage rates. You must make sure that you do not reimburse expense claims for home to office travel for employees who are hybrid workers by their own choice. If you do, the payment then becomes a benefit and will need to have tax and national insurance deducted via payroll.

If you are not sure about whether you or an employee qualifies for tax relief on home to office journeys, please feel free to call us at any time. We will be happy to help you!

See: https://www.gov.uk/guidance/ordinary-commuting-and-private-travel-490-chapter-3#employees-who-work-at-home

Financing your business – what should you know?

Growing a business often requires capital. If you don't have that capital personally or already in the business, then one option is to get finance from a bank.

What types of finance are available? How can you present a request to a bank and have it accepted? We will endeavour to answer those questions in this article.

Common types of finance

Financing can usually be broken down into 3 main areas: loans, leases, and hire purchase.

- Loans are usually provided by a bank and could be as simple as an agreed overdraft or a fixed term loan. There are often requirements imposed by a bank, such as securing the borrowing against business or even personal assets.

- Leases involve renting an asset for a set period rather than owning it. The initial outlay is often lower than with other forms of finance. However, if you look at the total cost, leases can work out more expensive in the long run.

- Hire purchase normally involves a finance company buying an asset and then 'hiring' it to you. Once you pay the final instalment you get legal ownership. Interest rates can be more expensive than for a loan, but it pays to check.

It pays to compare interest rates and look at the total cost of ownership. Loans are usually the cheapest source of finance to a business, but there can be good reasons for considering leases or hire purchase.

Matters considered by a bank

When looking at an overdraft or loan application, a bank will consider what they know about you and your business, and the experience they have of the trade you are in. They will also look at your experience with the business and how you handle your accounts with the bank.

The bank will also consider the amount of finance being requested and whether it is enough to complete the aim of the finance. They will want to see cashflow forecasts and whether other factors relating to the finance request have been properly considered. For instance, if the finance is to expand property, are planning applications needed?

A bank will also look at whether the repayment period of the finance fits with the use of the asset. For example, a 10-year loan for a laptop is unlikely to be accepted.

Banks will often flex their interest rates and fees to cover them for the risk they may feel there is in lending to you. And, particularly with an overdraft, they may want to see regular financial reports from you.

When you can show that you have requested an adequate amount of finance for what you are proposing, you have demonstrated the need for the finance, and you have up to date accounts and forecasts including cashflow projections, you are giving the bank plenty of reasons for confidence in lending you the money.

We have connections with local banks and have many years of experience working with clients to get the finance that takes their business forward. Please just get in touch and we will be happy to guide you through the finance maze!

Switch to digital landlines

Since it was decided in 2017, landlines across the UK are being updated by telecom companies to new digital technology using an internet connection. The switchover should be complete by December 2025.

The old analogue system, referred to as Public Switched Telephone Network (PSTN), has reached end of its serviceable life, and telecom companies are now finding it difficult to source the parts they need to continue maintaining it.

The new digital phone lines work using a VoIP service, and you will need to switch to a VoIP service to continue using your landline.

The digital connection should allow businesses to benefit from clearer and better-quality phone calls. Small businesses may also have the opportunity to get faster broadband services than their current analogue line allows.

There are some things to be aware of though. Alarm systems, fax machines, card payment machines, and monitoring equipment that are connected to your phone line need to be checked to ensure that they will still work with a digital phone line.

Analogue phone lines also carried a low voltage power connection which meant that a basic corded handset could be powered without being separately plugged in. This will no longer be possible with a digital phone line. This means that if your business experiences a power cut you will have no ability to make a landline call unless you have a backup power system.

You may feel that the risk is offset by the fact that you and most employees carry mobile phones, however your provider is obliged to provide a backup solution if you are dependent on your landline phone.

In most cases the migration to digital phone lines is quick and painless and will be organised by your landline provider.

See: https://www.ofcom.org.uk/phones-telecoms-and-internet/advice-for-consumers/future-of-landline-calls

Redundancies doubled in the last year, but it's not all bad news

The Northern Ireland Statistics and Research Agency (NISRA) have released figures showing that redundancies totalled 2,480 in the last year. This has more than doubled from the 1,070 redundancies in the previous year.

NISRA did say that while this is considerably higher than the previous year, it is "similar to the levels seen in the decade preceding the pandemic."

Elsewhere in the employment market, there are encouraging signs. HMRC statistics show that there was a 1.3% increase in the number of employees being paid through the PAYE system over the year.

NISRA said: “All of the labour force survey headline measures have improved over the year, with unemployment and economic inactivity rates both decreasing and the employment rate increasing.”

The figures give some reason for optimism in the Northern Ireland economy which is good news!

If you are considering redundancies in your business and would like advice on the financial aspects, please reach out to us, we will be happy to help you.

See: https://www.belfasttelegraph.co.uk/business/northern-ireland/number-of-redundancies-in-northern-ireland-doubled-in-the-last-year/a256015262.html