

1.

## Debt Collection

### E-mails are chase tool

**E-MAIL, FAXES OR LETTERS** are surpassing the phone as the main means of debt collection, according to a finance director in the promotion business.

Brian Rose, finance director at Unusual Rigging, a company which specialises in building promotional stages, said: "Credit professionals are spending less time on the phone.

"I try and instill in my credit staff that a phone call can be very intrusive, interrupting someone when they may be in a meeting or trying to think their way through a problem.

"I find a document giving seven days to pay will always get a better repayment rate and continued relationship because the debtor can prioritise their time for their own convenience. Talking to the debtor is a last resort."

Kurt Obermater, executive director of the collections trade body, the Credit Services Association, said: "Emails are certainly very helpful as long as you have the right contact address, although you have to be careful — they can just be deleted by the debtor. But telephone work is still the predominant method of collections."

SOURCENOTE: Credit Today

### *I wish I'd said that...*

**"First there is a time when we believe everything, then for a little while we believe with discrimination, then we believe nothing whatever, and then we believe everything again — and, moreover, give reasons why we believe."**

— G C Lichtenberg

## Competitive success

### Business planning in uncertain times

*Despite an uncertain economic environment, it is still possible to sow the seeds of future success. Good management and flexibility are the keys.*

by Giles Murphy

**COMPETITION, UNCERTAINTY AS TO THE FUTURE direction of the economy and, in some cases, spiralling costs mean that many businesses are finding life tough.**

Whenever such scenarios arise, the 'survival of the fittest' is a good way of describing how markets develop. So how do you ensure that your business is fit? How can you be certain that the organisation is economically viable in the short term enabling you to build on this success in the long term?

A small downturn in revenues coupled with increasing costs can quickly change a successful organisation into one with poor profitability and prospects.

So how can you ensure your firm doesn't fall into a downward spiral? Fundamentally, the managers of a business must be able to understand and monitor the organisation's financial dynamics. This requires up-to-date, relevant and accurate management information which can be compared to budgeted information and previous year comparatives.

Equipped with this information, management can identify trends and predict the likely direction of the business' profitability. Where this is in decline, the business should ideally look to increase revenue. If competitors are similarly struggling, the business could conceivably benefit significantly from an expanded marketing campaign to increase market share.

However, human nature is such that if a downturn occurs, there is a natural reaction to 'batten down the hatches' and if this is the preferred route of the business, it is essential that managers are in a strong position to carry out such a review. This will ultimately depend on the extent to which costs in the business can be cut, making them controllable in the short-to-medium term.

#### Production costs

Key costs in this area usually relate to employees. In most cases, these expenses are fixed in the short to medium term and to manage this, it is vital that businesses have the ability to project what is in the 'pipeline'.

Wherever possible, businesses should try to be



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flexible with the way in which they resource their projects, such as:

- flex project timetables;
- consider transferring staff and/or projects between different offices and locations;
- look into employing part-time/temporary staff to resource busy periods.

Staff communication is important at all times of a firm's business cycle but particularly during times of uncertainty. Employers should ensure that they keep staff up to date with their plans and reassure them of the impact.

#### Investment costs

These types of costs include capital expenditure, marketing, training and recruitment costs. In the short term all of these costs are controllable and can be deferred or cut completely. Whenever a business suffers a downturn, these are often the first costs to be cut.

However, it can be at this point in the cycle that they bring the most benefit and if it is considered acceptable to cut them in a downturn, it is debatable why they were incurred in the first place.

An analysis of the effectiveness of expenditure on investment costs is fundamental to the success of the business throughout the economic cycle.

#### Overhead costs

These costs include for example, utilities, travel and subsistence costs, IT procurement, maintenance, insurances and professional fees. At all times, and particularly in times of uncertainty, it is important that businesses conduct 'audits' of these services.

In a number of areas, the market for the provision of these is highly competitive and improved terms may be obtained. This should include a review of budgeting, authorisation and centralised purchasing procedures as well as the use of supplier credit terms.

Often, firms are entering into unnecessary liabilities that only get identified once the service has been provided and the invoice is due for payment. ■

SOURCENOTE: Giles Murphy is a director at Smith & Williamson, the financial and professional services group.



2.



Have you ever considered...



### ...the downside of trying to 'control' people?

Remember that 'being in control' or 'having control' is an illusion. The only thing we can really control is our response to a situation, not the situation itself, especially when we are dealing with others.

*Decide to give up trying to control.* Even though we may have a need to control because we think we can do it better, letting it go may surprise us when people do 'rise to the occasion' and do an equally good or better job at it than we do.

*Know that not being in control is better for you.* When we let go of the stress/burden of having to do everything ourselves because we're better/smarter/more experienced, we begin to lighten up and enjoy situations and people more.

*Allow others their own learning curve.*

We all have our own talents and ways of doing things, and none is better or worse, it's just different. Set the parameters and then let each person do it his/her own way. As long as goals are reached within a given timeline and results are the same, blow it off.

*Nothing in life is a life and death crisis except for life and death.* When we step back from what we perceive as a crisis, we begin to realize that everything does NOT require our direct attention and intervention. Giving others a chance to step up to the challenge of the situation tells them volumes about your belief in them.

*Fact: you don't know it all.*

No matter how experienced or knowledgeable we are, there is always something to be learned from someone else. Letting go allows you to learn something you didn't know before. ■

*Chris Nabavi*

## Marketing

# Breaking all the rules

*"Don't blindly follow prescribed rules of marketing just because they happen to be popular."*

### OVER THE YEARS, marketing experts have touted great marketing rules that they claimed would work wonders for any company.

Niche marketing, "the customer is always right," and "just build quality and price won't matter" are just a few of the widely-respected marketing rules that work for some companies — *but by no means for all.*

**Reason:** Each business is unique. What draws people to the doughnut shop on the High Street won't necessarily attract customers to the ironmongers on The Strand... and it definitely won't retain clients at the dance studio on Elm Avenue. So following marketing rules isn't the way to go.

The first piece of advice I have to offer is: don't blindly follow prescribed rules of marketing just because they happen to be popular. In fact, feel free to break them if the need arises.

Rules to consider breaking...

• **Market locally.** Small businesses are always being told to spend their marketing time and money wooing would-be customers in a narrow area around their businesses. Sometimes, in fact, that is the best marketing strategy. But not *always.*

**Example:** A chiropractor in a U.S. city specialised in working with patients with severe, chronic back pain. His healing methods were unique and so effective that word spread, and he soon had patients coming to him from around the world.

**Amazing:** Today, less than 2% of his business is local.

If you want customer loyalty, just provide high-quality products and excellent service. In today's marketplace, customers are presented with a dizzying variety of choices— with new ones every day.

Businesses just like yours send them catalogues and direct mail pieces, advertise on TV and radio and make their products and services available via the Internet and phone.

**Challenge:** Consumers are far too educated and far too market-aware to pledge loyalty to any business. But their repeat business can be earned.

**What works:** Go beyond quality products and services by marketing to existing customers as well as to prospects... offering incentives for doing business with you... building personal relationships with customers... and rewarding those who come back.

• **Don't compete head-on with the giants.** Many small-business owners experience sheer terror when a giant competitor such as Wal-Mart, or Costco comes to town. Their response is to surrender immediately—and prematurely.

**Reality:** Small-business owners around the

country have faced the giants and won, either holding their own or actually increasing profits.

• **The competitor with the lowest price wins.** The fact is, very few customers in any business category make buying decisions based on price alone. If they did, they'd all be wearing cheap unbranded clothing and driving the cheapest cars on the market. When customers *do* base their buying decisions on price, it is because they haven't been given anything else to consider—like above-average service, personal attention or superior-quality products.

**Lesson:** Use your five senses to create a business-to-business or shopping experience your customers will want to repeat time and time again.

**Examples:** If you are a retail business, play music that fits your business mood/environment... use pleasing scents in the ventilation system... provide comfortable places for customers to sit... make sure your bathrooms are clean and well-stocked... serve coffee/tea/refreshments... engage in conversations with customers etc.

**Brand recognition is for big companies only.** Brand-building is a deep-pockets game that is won only by large organizations. But small businesses can draw attention to their products and services without spending a lot of money.

**What works:** Devote nearly all your resources to direct-response advertising, to build lists of prospects and customers you can continually, directly and efficiently communicate with— and take whatever brand-building you get as a by-product.

If you do these things, name recognition will eventually spread— and it will be much sweeter without the hefty price tag.

• **You have to have money to make money.** To make money, all you really need is creative, resourceful thinking.

**Example:** An artist client of mine thought he had to find businesses willing to invest in his brilliant wall hangings before he could be successful. I told him what he needed was to find a catalog or two willing to advertise and sell his art at no cost to him.

He did, and soon people were buying his art faster than he could create it. His business went from being a spare-time activity to being a full-time business.

• **The customer is always right.** Sometimes, not only is a customer wrong on a particular issue, he's wrong for you and your business... period. I 'fire' customers from time to time. ■

BUSINESS ALERT interviewed Dan Kennedy, the author of *How to Succeed in Business by Breaking All the Rules: A Plan for Entrepreneurs* and publisher of *No BS Marketing Letter*, a monthly American private subscription newsletter.

3.

Credit  
control

## Equifax boosts risk reduction of sole traders and partnerships

**EQUIFAX, A LEADING credit information provider, is providing an important boost to the small to medium enterprise (SME) sector with its innovative automated credit score for businesses.**

Provided in a clear and simple report format the NOLI Credit Plus Report enables lenders to make an instant business decision.

The NOLI Credit Plus Report combines information collected by Equifax directly from the small businesses, sole traders and partnerships, combined with a predictive scorecard that recommends a suitable credit limit. Equifax currently holds around 2 million records and has applied its extensive consumer credit scoring expertise to this data to provide an easy to use and effective credit scoring tool. The NOLI Credit Plus will provide companies and businesses with a high level of confidence when assessing credit limits for sole trader and partnership businesses. Not only will this help reduce the risk of extending credit to these types of organisations, it may enable more credit to be advanced to this sector.

Setting credit limits for businesses — sole traders and partnerships — rather than limited companies can be difficult for organisations since such small businesses are not regulated by the 1984 Companies Act and do not have to file Annual Reports and Accounts. This makes it difficult for companies and financial services providers to make an accurate assessment of the risk of granting credit to such businesses. The NOLI Credit Plus Report reduces this difficulty. ■

## Identity theft

# World's fastest-growing fraud

*"If, in your bag, you had any other useful piece of ID, like your passport or driving licence, your problems could be only just beginning."*

**THE HOUSE IS A BOMB-SITE, the hi-fi and DVD player are gone but the panic only really sets in over gran's antique bracelet or your favourite piece of jewellery.**

Your instinct is to check what valuables the thieves have stolen, but few of us would bother to check documents such as bank statements, passport and driving licence, yet their loss could lead to much longer-lasting problems.

The same applies to the much more common theft of hand-bags and wallets. Your first move is to cancel all your plastic which puts you financially in the clear but if in your bag you had any other useful piece of ID, like your passport or driving licence, your problems could be only just beginning.

Some thieves use them to pass themselves off as their victims and then apply for store cards, credit cards and even bank loans and benefits.

You discover it has happened to you only when the demands for unpaid bills drop on your doormat, leaving you with some difficult explaining to do and potentially crippling bills to pay.

Kate Watkins, 21, a student at the London School of Economics, is discovering for herself exactly how long the effects of identity theft can last.

Her handbag was stolen in Oxford Street last summer with her debit card and driving licence in it. She immediately cancelled her HSBC card but several weeks later a number of transactions began appearing on her statements.

So despite twice cancelling the cards and organising with her bank to change her account details and billing address completely someone else was still spending her money.

"These are not great sums of money," says Kate, "and of course I get it back, but it is massively inconvenient. I have twice had to fill out a lengthy fraud report at the police station and then take it to the bank on the other side of London but it is still happening. And I have been told that I can't take my account anywhere else until this whole matter is cleared up."

Identity theft is one of the fastest-growing crimes in the UK, increasing by 150 per cent year on year, according to Cyfas Systems, of Biggleswade, Bedfordshire, which holds the national database of stolen identities.

"There has been a sudden increase in organised identity fraud, which is worrying because the public is still largely unaware of it," says Barry Conroy, external affairs director at Equifax, the credit reference agency.

"Anyone considered credit-worthy is a target.

The defrauded companies are insured, so if you are vigilant you should not be out of pocket. The real problems arise when you try to obtain credit in the future," he adds.

Another classic fraudster's ploy is, once they know your address, to put a redirection notice on your mail at the Post Office.

This way, the criminals can intercept post that contains confidential financial information. Even your rubbish could leave you at the risk of fraud.

Bank and credit card statements are a gold mine for thieves intent on hiding behind your name and address.

If you do not tear up bills before disposing of them, the same fraudsters can use them as proof of identity while posing as you.

The National Criminal Intelligence Service (NCIS) acknowledges that this type of crime is on the increase and is used in "Day-of-the-jackal" scenarios, where criminals want a clean identity.

This, in turn, is used for offences such as benefit fraud, money-laundering and to facilitate illegal working. An NCIS spokesman says: "It is a relatively sophisticated crime because it takes a lot of effort to make it work, but when it does it is used to exploit cracks in the system.

If you suspect your financial details have been stolen, tell the police immediately. They will inform Cyfas, which will add your name to its database

Credit-reference agencies will also be informed.

"If you suspect fraud, it is important to act fast and get hold of your credit file," urges Conroy. "You can see which banks or businesses have conducted a search on you and identify any applications that aren't familiar," he says.

There are two credit-reference agencies and it costs £2 for a copy of your credit file. You can now apply for the document online. Write to Equifax, Credit File Advice Centre, PO Box 3001, Glasgow G81 2DT, or log on to [www.equifax.co.uk](http://www.equifax.co.uk), and Experian Consumer help Service, PO Box 8000, Nottingham NG1 5GX, [www.experian.com](http://www.experian.com).

Along with your £2 cheque, include your full name, date of birth, and all addresses you have lived at in the past six years.

If you run a business, give its name and address as well, because separate information could be held on you under your business.

The Association for Payment Clearing Services (APACS), which represents the credit and debit card industry has issued an increasing number of warnings about plastic card fraud in recent years.

In November 2001, it began a campaign called Skimming Crackdown in a bid to stamp out the cloning of credit cards — Skimming — which accounts for 40 per cent of all credit card frauds.

HSBC said it was constantly vigilant about credit card fraud and worked very closely with APACS in order to try to stay ahead of the criminals.

A spokeswoman promised to look into Kate's case. ■

## Take this test

This is a genuine psychological test. It is a story about a girl.

Whilst at the funeral of her own mother, she saw this guy whom she did not know. She thought this guy was amazing, so much her dream guy she believed him to be, that she fell in love with him there and then... A few days later the girl killed her own sister.

QUESTION: What is her motive in killing her sister?

ANSWER BELOW (UPSIDE DOWN) Don't look until you have thought what your own answer is to this question! ■

She was hoping that the guy would appear at the funeral again! You answered this correctly, you think like a psychopath. This was a test by a famous American psychologist used to test if one has the same mentality as a killer. Many arrested serial killers took part in this test and answered it correctly. If you didn't answer correctly — good for you. If your friends hit the jackpot, may I suggest that you keep your distance!

## The meaning of service

**AT ONE TIME IN MY LIFE, I thought I had a handle on the meaning of the word 'service': The act of doing things for other people.**

Then I heard the terms such as 'Internal Revenue Service,' 'Postal Service,' 'Civil Service,' 'Service Stations.'

And I became confused about the word 'service.' This is not what I thought 'service' meant.

One day, I overheard two farmers talking and one of them mentioned that he was having a bull "service" a few of his cows.

It all came into perspective. ■

## Leadership

# The requirements of leadership in 2003

*The demanding skill-set required of today's leaders separates the winners from the losers.*

### LEADERSHIP IN THE CURRENT business climate is about making sense in an atmosphere of exceptional ambiguity.

In practical terms, it's about turning businesses into world-class organisations and doubling economic profits every five years.

To achieve these goals, managers need to do two things.

First, they have to understand the distinction between qualifiers and differentiators in the Internet Age. Qualifiers are basic things that an organisation needs to get right to survive. Differentiators give it an edge over competitors.

In the last five years, due to accelerating competition, most companies have been converging on similar standards of costs, reliability and service quality. As a result, these are no longer differentiators; they are merely chips to play the game. Now, differentiation is about:

- Giving employees more autonomy and space;
- Setting demanding expectations that require everyone to go that proverbial 'extra mile';
- Raising the performance level in all key activities;
- Encouraging activities like team-working, networking and reciprocity that produce exceptional results.

Second, managers must recognise that upping the game is possible only so long as leaders possess a range of skills that facilitate corporate transformation. These skills are important because they underpin six leadership attributes that differentiate winners from losers:

- Vision — because people want to know where their company is going;
- Passion — because leaders must possess

conviction and belief in their vision if they are to inspire others;

- Persistence — because the journey to the promised land is always full of obstacles;
- Empathy — because leaders must listen to others; no one has a monopoly on wisdom
- Action — because deeds must speak louder than words; in today's workplace hype provokes corrosive cynicism;
- Accountability — because being the guardian of corporate vision carries new responsibility in its delivery.

Like love, leadership is hard to define.

Leadership is universal, yet intensely personal. It is not a divine gift for the blessed few. It can be learnt through a diversity of experiences. Some banks, insurers and fund managers are attempting to provide them in a classroom as well as non-classroom setting.

Of course, different leadership styles are needed to cope with different situations: for example, the autocratic style makes sense when an organisation is in deep trouble and needs to achieve a rapid turnaround. That style would be counter-productive when the organisation is in a growth situation.

The vision set by leading companies on both sides of the Atlantic requires the transformational style adopted so successfully in much admired companies like Shell, GlaxoSmithKline and Cisco Systems. It's a style that says:

- Leadership is about taking people where they've never been before;
- It's about inspiring ordinary people to produce extraordinary results;
- It's about creating an image of the future that inspires enthusiasm and commitment;
- It's about responding to the deep emotions of people as they cope with the journey;
- It's about encouraging learning by experimentation and tolerating.

This style is about convincing others of the risks and rewards involved in achieving a successful transformation. Neither faith nor fear can deliver a company's vision. It calls for a style that is strong on strategic thinking and people management.

SOURCENOTE: Professor Amin Rajan is the author of LEADING PEOPLE AND LEADERSHIP IN THE KNOWLEDGE AGE research studies (e-mail: info@create-research.co.uk). This article originally appeared in PROFESSIONAL MANAGER.

## Brain storming

BE BOTH OPEN AND HONEST when talking to customers — and be sure everyone involved is candid, too! During a project, give clients accurate information and frequent updates. Most clients would rather know too much than too little. If problems arise, assess the situation, communicate the issues and provide recommendations that will best remedy the situation. Remember, clients do not like surprises. But, if you can build cooperation with them, loyalty will result.

SOURCENOTE: Suzanne Saxe, co-author of THE CONSULTATIVE APPROACH: PARTNERING FOR RESULTS

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