

February 2009: Two Ways for Business Owners to Manage Risk and Avoid losing money

One habit that separates successful businesses from unsuccessful ones is managing risk.

First, set a stop loss and don't invest a cent more than your stop loss. A stop loss is the amount of money you will commit to the business before calling it quits. If you reach your stop loss, it is time to move on to other opportunities.

This also applies for advertising. You must track each advert to see if you are getting a return on your investment. Too many businesses have an advert in the newspaper week in and week out and have no idea if it actually generates any sales.

For instance, the best gamblers bring a set pool of money to the table and quit if they exhaust that pool. Meanwhile, less sophisticated gamblers keep adding money to the pot, thinking that they will eventually catch up. It is these gamblers who lose their houses and families and are addicts. How many businesses are just like that? Paying more for adverts and has no way of knowing if they are getting a return on their investment.

You might be thinking, well we have done this for years and I like the marketing we are doing. But the bottom line is if the numbers don't justify continuing, the bottom line should come before ego in business.

To set your stop loss, consider everything you need to invest to get the business started. Then double it. Remember it will take three times as long and cost twice as much to become a successful business than you planned for.

Second, spread your risk. Ask people with a stake in the business to contribute capital, time, or resources. For instance, joint promotions for a financial planner, real estate, loan broker and lawyer business.

Your suppliers, clients and your direct

competition can all help your business by joint marketing.

All four of you have the same clients and by working together rather than competing you share costs and gain multiple referral sources. If you can't find people to share the risk, then it is likely that your concept or business model is not very sound.



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Testimonials

"Excellent" - Charlie Karaloura,
Investment Central

"Stimulating Session" - Ken
Clelland, NBC Capital

"It was Awesome" - Ramah
Masterson, Mannatech

"Very thought provoking" - Tim
Wilson, FMG Consulting

"Excellent, four pages of notes
from a non-note taker" - L.Murray,
St George F.P.