

Article for xtraMSN

Take the guesswork out of your Budget Business Planning.

Around this time of the year many Businesses start thinking about setting new budgets for the coming year. Trying to get the financial forecasts, marketing and business strategy plans all to agree with each other to deliver the end result, and increase profit.

The worst thing you can do in budgeting is to impose a budget down, this is where you take last years amount and put a percentage increase on it, then tell everybody that the budget has been set after great deliberation and consideration of the economic effects and here is your new budget imposed upon you go out and deliver it.

This has exactly the opposite effect, budgets that are imposed upon people are rarely achieved, or companies become mediocre because the limit has been set below what could have become achieved.

It is far better to grow a budget from the customer base up, frightening as this may seem it has the desired effect on not only helping an organization understand how you know about your customers. But it also shows the interface between your sales systems and channels with your marketing, administration, production and manufacturing to expose the depth of knowledge about your customers, target markets, our effectiveness of communication, but is has the most important element of all – it motivates your biggest resource in your business which is the people, who feel they can use their skills in shaping the destiny of your organization and team.

A simple concept chart which has 4 columns can be used as a budget planner.

Column 1

The Name of the customer and the revenue they achieved last year.

Column 2

Increase and Why

Column 3

Stay the same and why

Column 4

Decrease and why.

Now how to use this simple planner is that you identify using the Perito Principle 80/20 rule, whereby you gather the information on the top customer base that you have, that is the 20% of the numbers giving you 80% of the revenue and start using the format.

First in your team meeting amongst your sales & marketing team, make a list of the likely impacts that are going to affect your budget such things as external environment from government, local government, other suppliers, changes in the market that are generally going to be imposed upon your organization from its outside market either within New Zealand or from Overseas.

Then put them on a planning sheet – that is the forces that you can not control.

Next do a brainstorm on what you intend already doing in your existing planning such as new products, services, actions, efficiencies anything in your own organization that you had already got in the process of planning that could have an effect on your customer relationships.

Now take your 4 column planner and fill in the details in the 1st column, customer or service area, or product category and the revenue that it achieved last year or the time frame that you were working within.

Then ask yourself the questions of which you must make a decision out of those next 3 column options.

Ask yourself – “will this customer increase in business this year” and write down the reason why, if that is not the case identify that the customer will probably do about similar revenue to last year and why, and finally if you think they are going to decrease for whatever reasons write down the why.

Very quickly, you start to realize your in depth knowledge of your customers, which customers are likely to grow, which customers are going to decrease and which customers you think are going to stay the same.

At the completion of this exercise you will have a far more accurate budget that is customer based, people focused and you will see the depth of the gap that you have in knowledge about your existing customer base before you go chasing new customers.

You can then decide based on the revenue growth you expect to increase, stay the same and decrease, whether you have to go out and find some new customers, or whether you have to build new business within existing clients and accordingly develop your business strategies to achieve the budget.

All of the customers that you have identified as going to increase their business should have specific strategies developed by your own company to make sure that it happens.

Those customers that you intend to maintain the same should have strategies that will keep them in place.

And those customers that you believe that you are going to lose business in you should decide either you want to keep them or maybe change things so that you can bring them back or perhaps even fire them.

Then the next thing that I find is having completed this exercise I then require the Sales interaction team to write down a 12 week / 90 day action plan for the 4 periods of the 12 month calendar to show that they are actually going to make the necessary actions, contacts, and developments with this budgeted customer base to achieve the result.

Now ofcourse we have identified the 80/20 rule, this has given us a very good sound base, and then we can go back and we can revisit those brainstorming external factors and actions that we were planning to do to set the next 20% of your budget, this has the insurance that the rest of your customer base will probably do the same as what they did last year.

Budgets that are built from within always achieve, Budgets that have the people who are going to do the work with buy-in always achieve.

It is easier to do your cash flow forecasting, marketing strategy plans when you understand the revenue basis from your customers that has been built into your budget.

And finally remember – Budgets were meant to be broken, what do you break a budget with then benefits of a better decision.

This article contributed by Richard P Gee, Marketing Strategy Consultant www.geewiz.co.nz and Richard invites email comment to him at any time and welcomes you downloading the free resources from his website.

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