

ACCESS BANK PUBLICATION FOR SMALL BUSINESSES

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# small business **health check**



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**E**jiro runs a coffee shop on a busy street in Victoria Island. To know how well her business is doing and to anticipate potential problems before they occur, she occasionally asks her customers what she can do to improve her services and compares her sales with that of other coffee shops within her vicinity. This is called a small business health check.

Because entrepreneurs spend a lot of time and energy running their day-to-day business operations, they sometimes neither have the time to review their current business performance nor consider the factors that might affect their business later. This is why you need to run a small business health check from time to time.

A Business Health Check simply means asking key questions about your business and highlighting areas of potential weaknesses, which points you in the direction of relevant help and support. Just as doctors carry out routine checkups on their patients to monitor their health, you need to pass your revenue, profitability and cash flow through a health check occasionally, to improve your chances of preventing future business problems.

We have put together a simple checklist along five areas that will help you identify areas of improvement as well as create and maintain a regular health checkup plan for your business.

## **business health check #1:** market analysis

The attractiveness of the market you operate in, is the most important component of your business health check. Is your market declining, growing or matured?

Operating in saturated markets can drastically reduce your profit margin as customers already have what you are selling or its substitute. This is why you need to operate in a growing market or devise new ways to make your product stand out from that your competitors to attract new and more sales.

You need to know whether your customers are high, low or middle-income earners, as this will help you determine their buying power and the type of products that will attract them. Also, pay attention to your competitors and keep track of their innovations and marketing approach to eliminate threats of competitive products or services that might affect your sales.

Stay abreast of market/industry trends as it will help you determine if the industry is expected to grow or decline in the next three to five years.

## **business health check #2:** value proposition

What is your unique selling point and what makes your products or services different from that of your competitors?

Accessing your value proposition is important when conducting a health check on your business as the value you offer to your customers is what clearly differentiates your product from your competitors.

You need to know how much value your customers place on your brand by devising ways that will tell you how easy it is for them to replace or eliminate your product from their shopping list. Make out time to carry out a market research to know what percentage of the market you control. This will not only boost your enthusiasm to achieve more, but will also help you build better relationships with your customers, suppliers and employees.

## **business health check #3:** cost/profit analysis

Track your expenses so you can have a good idea of how much money you spend and to chart a future course of action on how to reduce cost and increase profit.

Here are a few questions that can help you optimize cost and increase revenue.

- Are there cheaper ways of production or purchasing goods without compromising quality? E.g., bulk purchase of raw materials or patronizing new suppliers who offer incentives and discounts.
- How strong are your revenue streams?
- Are there other ways to generate income or optimize cost? Such as use of recyclable materials or the sale of waste products.

When performing your cost/profit analysis, endeavor to compare your margins to that of your competitors, as it will help you determine if you are doing so little for so much or vice versa.



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## **business health check #4:** marketing strategy

Marketing strategy refers to your overall game plan for finding customers for your business. You need to have a clear plan on how to market your products and write down the steps you need to take to penetrate new markets thereby increasing your market share.

Keep a check on your sales performance and determine the channels or media where your customers can be found so you can focus your efforts to these platforms.

## **business health check #5:** competitive advantage

By carrying out a business health check, you can gauge how much advantage you have over your competitors and how to sustain that advantage. It can help you determine your strengths and weaknesses of your business.

Determining your competitive advantage can also help you discover if there are threats of substitute products in your market that can affect the sales of your own products, how significant the threat is, and what risk measures you need to put in place to mitigate such threat.

It is recommended that you include business health check in your annual planning process and to get several key employees or advisors score your business each year to determine whether your business is increasing in effectiveness or needs innovation.

Carrying out a small business health check may seem strenuous at first, but always remember that it is a necessary part of growth and success. The more vigilant you are about the health of your business, the better equipped you are to improve.



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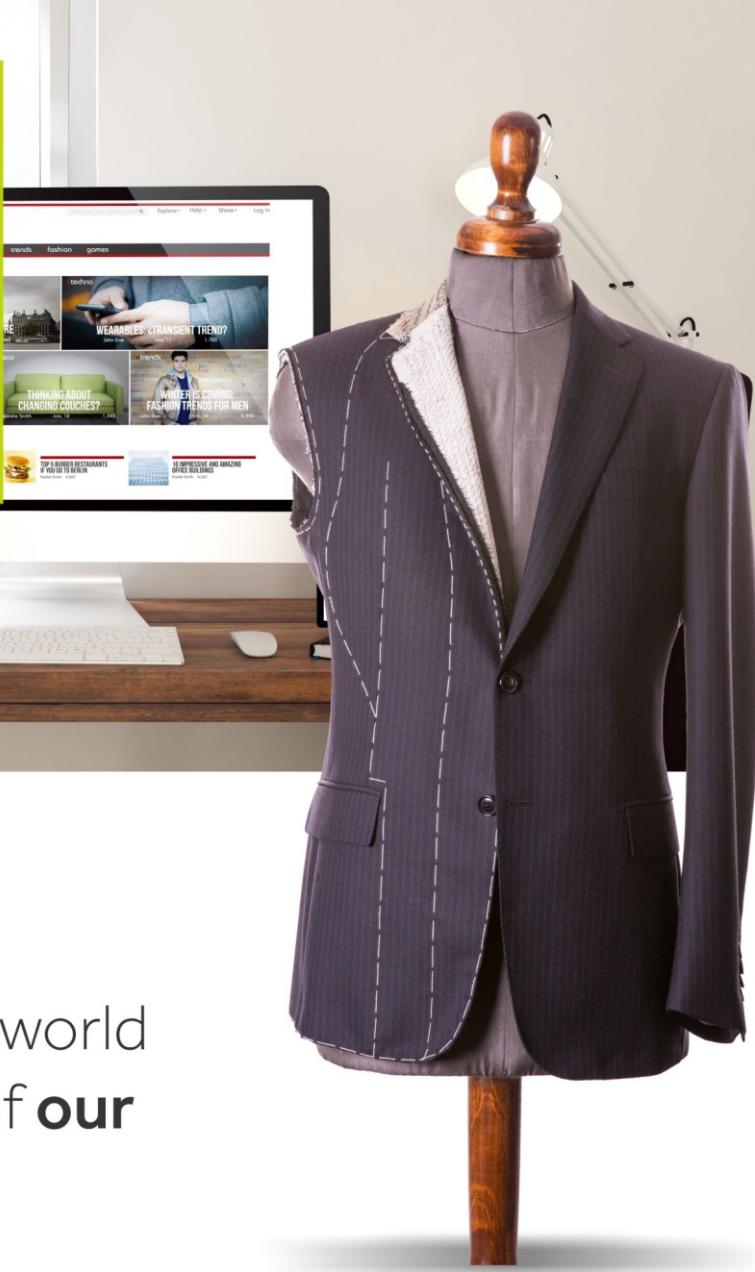
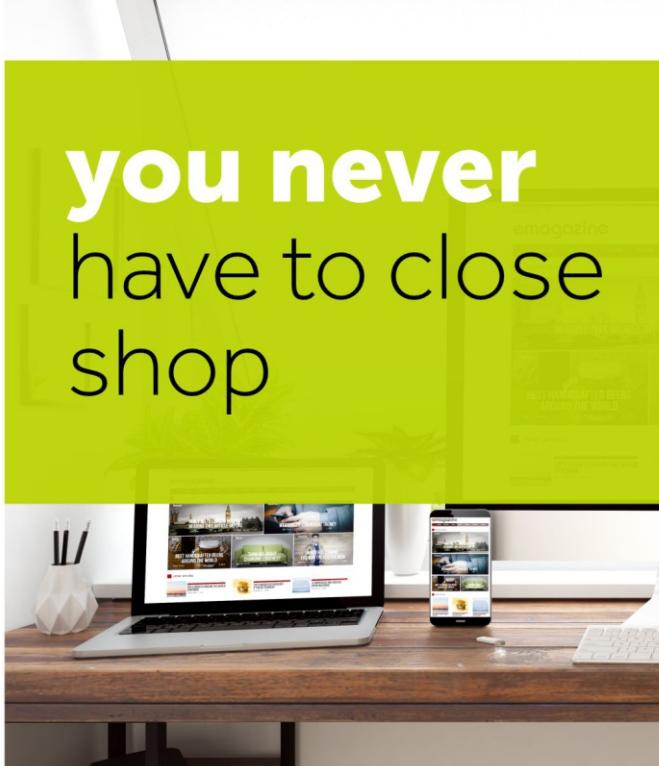
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