



Pam Cunneen is a mother of three under the age of 7 and has recently started ZenDiva which makes and sells natural candles. Whilst she has great creative and artistic skills, Pam is the first to admit that she found the whole number crunching process all rather overwhelming and has asked Adrian for guidance with managing her cashflow.

When I met with Pam I was amazed with her passion for her business. She has had a huge love of candles from when she was a little girl and recently decided to live her dream and establish ZenDiva which makes long lasting candles from natural soy products.

Two weekends ago was the first time that Pam sold her candles to the public (at Kirribilli Art & Design Markets). She had a great day in trading as her candles proved quite popular and sold over \$1,400 in product. However when she tallied up her costs, she found that she didn't make a cent and in fact lost \$109!

"I would have been better off going to the races & gambling the money instead"
Pam said wryly.

Looking over the books, I found that ZenDiva was just like any new business and has spent over \$23,000 for initial outlays such as stock, advertising and equipment. Whilst the money was going out, there was not enough money coming in.

We had to act fast otherwise ZenDiva would end up like most small businesses ... gone.

The first thing we had to do was do a cashflow forecast and profit budget to gain an understanding of profit margins and expenditure patterns. After doing a competitor analysis on the web, we found that Pam was underselling her candles by a considerable bit and needed to increase the selling price by as much as 70%. **The result was an extra \$965 in sales last weekend despite selling fewer candles.**

"I never thought of factoring in other costs such as the stall rent and travel into my selling price. It's no wonder I wasn't getting ahead."

We then had to analyse the expenditure of the business. Pam hadn't been disciplined enough with her purchases and was paying a premium for her supplies. I told her that she needed to negotiate with her suppliers and get better deals from them. Just one phone call later and she was able to get a 10% discount simply with buying her raw stock in bulk.

So remember **the A-B-C of business ... Absolute Blooming Cash!** The amount of money in your bank account is usually the best litmus test for the financial strength of a business.

I also told Pam to contribute \$1,000 into super as she would be eligible for the full \$1,500 co-contribution and suggested that she create a web presence which she has since done www.zendiva.com.au.

Hopefully Pam will be able to enjoy many years of long lasting warmth and glow, just like her candles.