



# Fish Merchants Credit Management Ltd

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## WHAT PRICE SURVIVAL?

What is your business worth? Do you think your accountant knows? Or your bank manager?

I suppose the real value is the sum somebody would pay to take it over – do you want them to form a queue round the block or send a sealed bid to your solicitor? Are you prepared to take sterling, dollars, euros or glass beads? Are you going to tell the potential buyer that your stock value for frozen includes a pallet originally priced in guineas?

There exists a formula for calculating a sale price, part of which is based on future performance of the business. This is exciting news for the seafood sector, where next week remains an unknown quantity and forecasting five years ahead involves visiting a fairground stall and listening to a toothless old crone in a shawl promising a visit from a tall dark stranger who is probably representing the Environmental Health Department.

Here at FMCM part of my job is assisting people to evaluate their business and commit a mere fraction of their sales turnover to a credit insurance policy which in turn protects against losses through customers' insolvency and/or failure to pay. If you struggle to put a value on your own business what chance have you of assessing the worth of your customers? Clever businessmen add up the cost of credit insurance and calculate how to conceal it within

their prices to pass the cost on to their customers.

From time to time I meet people who tell me that they cannot afford credit insurance. If their margins are so poor that they cannot withstand the minimal extra cost then they, more than any business, desperately need credit insurance to protect their livelihood as they are in a position where what they really cannot afford is to incur a bad debt. It is important for them to ensure that their entire customer list is creditworthy and so reduce their chances of taking a hit.

It is also worth considering that a customer folding costs threefold:-

- 1) The actual debt
- 2) The need to find another buyer to replace him (preferably at the same margins)
- 3) The cash flow problem arising from the time-lag in receiving payment from the new buyer.

Value your business properly and protect it – call FMCM.

*Bob Craighead, Director*