

Don't put all your eggs in one basket

By  [Miranda Lusiba](#)

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I've learnt a few tough lessons in the last decade of running my own business. One of them is the fact that as much as I have a core business where I provide PR services because it's the skill that I've mastered over two decades and can provide to clients, it's also important to diversify my company offerings.



Source: www.pexels.com

Being in a service business has taught me how difficult it is to keep a healthy cash flow to ensure the ongoing running of the business. This is because as I've touched on in my other columns, this kind of business means that we provide a service to a client, then invoice for the work done and wait for payment. Being paid on time or at all is dependent on the type of client that you are dealing with and how ethical they are.

There are definitely clients that are sympathetic to the plight of SMMEs when it comes to our cash flow and those that are committed to the development of small businesses. Here, I am talking about clients that pay on time as per the agreed terms of engagement and those that do not disappear completely when it's time for payments for services rendered.

Diversify your offering

Because of this dependency on client payments, SMMEs find themselves at the mercy of clients and our survival becomes dependent on this. This is why it is important for us, especially those in the service business to look at diversifying our offerings by adding a cash-based business. I've always been adamant that when one gets into business, they need to go into an area that they understand very well. This is why I started my PR business, because I am very confident about what I can do for my clients in this area. However, what I've learnt is that when my PR business clients do not pay on time or do not pay at all – then I am left in a difficult position.

The reason why I was still so adamant about doing what I know and what I'm passionate about in business was that I never wanted to get into an area that I am not an expert in and not be able to deliver. Over the years, some of our business colleagues have gone into areas of business that are very technical and specialised – in some cases, areas that they didn't know much about, and their reasoning was that they were chasing where the money was at the time. These areas have in the past included construction or mining to name but a few.

Don't get me wrong though, not everyone who went into these very technical business areas has failed over the years, but we've seen a great deal of SMMEs failing to deliver proper RDP houses for people or roads that are either not up to scratch or that have no long shelf life. This is because in most cases some of us are not technical at all – to the extent that we don't even know the basic safety procedures of building houses or even roads. The reason why I've preferred to go into an area that I know very well is that for me, my reputation is very important. It's vital for me to be able to deliver to the promises that I make to my clients.

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There's nothing worse than a client trusting you with their company's resources and then not delivering according to the expectations created because of lack of expertise. However, there are other businesses that one can get into that do not need a specific skill or those that can be understood easily if one took the time to learn the in's and out's of it. When one thinks of diversifying into a cash-based business, it is crucial to identify a product that is needed by potential customers and one that can be sold. This could be as simple as selling fruits, vegetables, snacks, cleaning products or anything that falls into the fast-moving consumer goods (FMCG).

A cash-based business will mean that there's always money that's coming into the business because transactions are mostly based on the principle of cash on delivery (COD). This simply means that I sell you a product and you give me money immediately. Where a cash-based business doesn't work in some cases is when products are bought on credit and as an SMME you still need to wait for the customer to pay within the agreed or stipulated period. This is because some customers just do not honour the agreement and you are then left with no option but to chase for payment.

My advice to other entrepreneurs who are also in the service business that is reliant on clients paying invoices – is that when you decide to get into a cash-based business – then make sure that you eliminate the option of customers taking any products on credit. The income that comes from a cash-based section of the business is meant to supplement the service business' cashflow and close the gap when clients either have delayed or not paid at all.

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