

Entrepreneurs definitive

GUIDE

FOR

INVOICING

— AND —

ECONOMIC MANAGEMENT

For anyone starting or planning their own business



isolta

Included in this guide

How do I create a product for sales and how do I create effective marketing for that product?

Where and how do I sell to my customers?

How do I manage my customer relationships?

How do I do my invoices?

What is electronic invoicing?

What are receivables and payables?

How do I measure my business?

How do I arrange my accounting?

Hello entrepreneur!

Fourteen years ago, my business partner and I signed the paper that confirmed the establishment of our company. At that moment, we became entrepreneurs and the door to a bright future stood open for us. But running a business wasn't as easy as we thought it would be. We didn't have much money and we learned by making mistakes here and there. We had experience in software development since our childhood, but marketing, sales and accounting were whole new areas for us, which we had to dig into for the first time ever.

Since then, we've come a long way and today we run a sustainable and profitable company. We want you to have it easier than us. In this guide we share our most valuable findings when it comes to running a business – key things we have discovered and learned through our own experiences. From entrepreneur to entrepreneur.

Knowing your customers and giving a good impression of yourself and your company are the most important things. You have to sell, but you can do it in a way that feels comfortable and natural for you. You're also responsible for accounting but you don't have to face it alone.

I wish you good luck in your adventure!

Mikko Ilomäki
Entrepreneur
Isolta Ltd.



Productization

When starting a business, it is wise to start from scratch – as in anything you do for the first time. For an entrepreneur this means designing the product you are going to sell. It simply means "This is what my customers will buy from me".

A clear product not only makes it easier for the customer to buy, it also makes your sales effort more efficient. "We will tailor a solution just for you at the right price" is not a product. Neither is "We serve our customer in all needs relating to our field of business". Designing a product includes you deciding on:

1. The name of the product
2. Content of the product
3. A fixed price for the product

The better you can define these things, the more you will meet customers that are ready to buy. And the other way around: The more vague your product is, the better salesperson you will need to untangle the knot in your customer's head and make it possible to buy from you. Designing a product is the most important and one of the most difficult things to do. However, do not overthink it and make it more complicated. A product that is 'too clever' is hard to understand. Additionally, since you decide on your own product, you can always alter it later if needed.

"We all have great ideas, that will never work"

To make it less complicated you should remember that most "great" ideas fail when they first meet the real world. It will take perseverance to try different ideas, looking for one that works. It takes true entrepreneurship to believe in and try different applications of your idea, even when nothing seems to succeed.

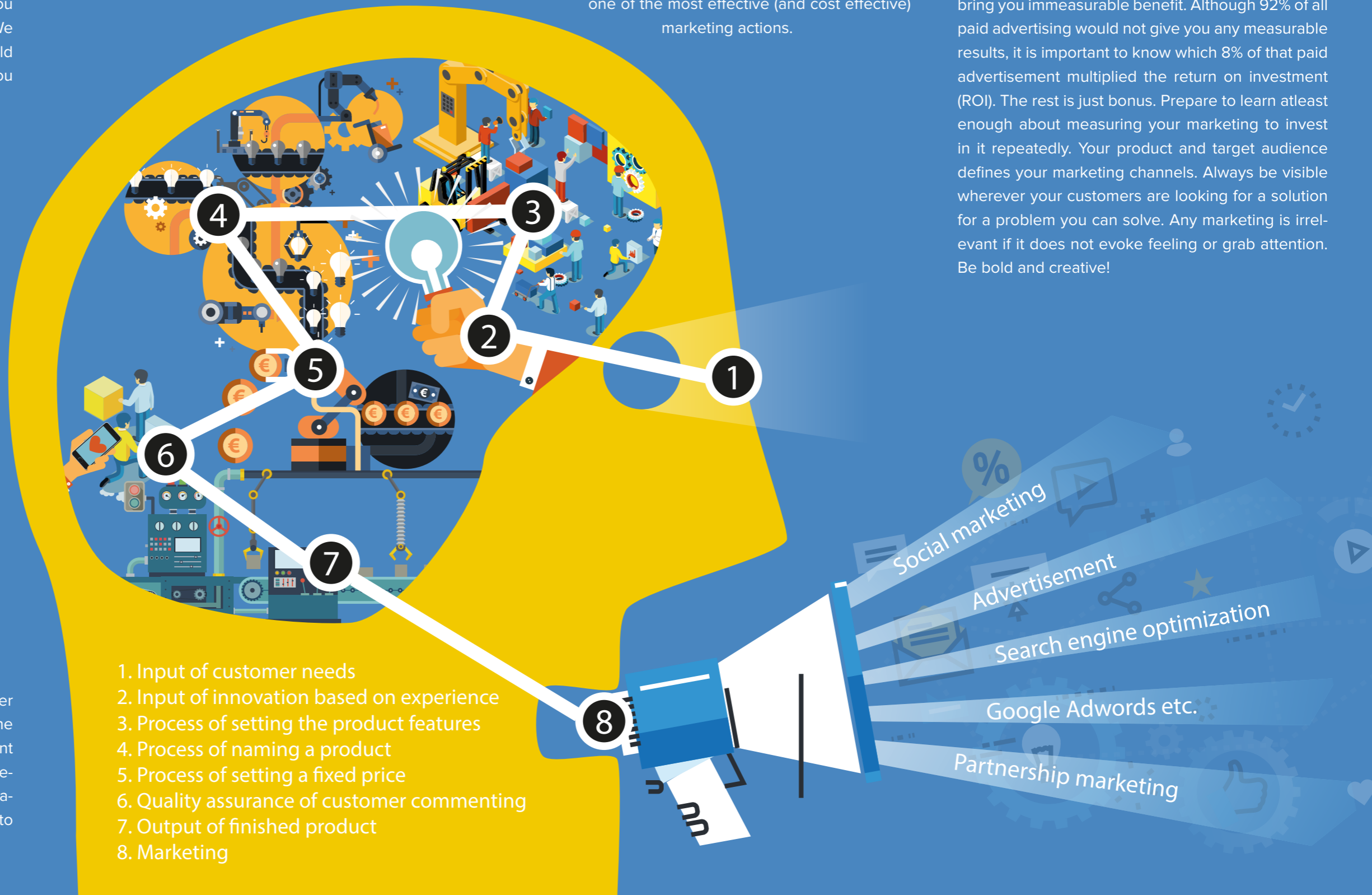
You might not even need a good idea. Curiosity, experience and an ability to see what's happening will take you far. Sell what you would buy with your own money. Create a product that will sell itself for a second time and one that every customer will sell to the next.

Marketing

When you start your business, nobody knows who you are. In a nutshell, marketing is all the planned and unplanned activities that introduce you and your product to new people. Not only paid advertising. All your encounters with people are marketing as well. It will either make it more or less likely that they will do business with you or recommend you further to others. A good customer experience is one of the most effective (and cost effective) marketing actions.

The old saying: "Half of marketing goes to waste. If only I knew which half" should not be considered in the beginning when starting a business. You should rather think "All things except marketing are a waste and all the time spent on other things should have been spent on marketing."

Even if not all your marketing activities give you measurable results or direct sales, it should however also bring you immeasurable benefit. Although 92% of all paid advertising would not give you any measurable results, it is important to know which 8% of that paid advertisement multiplied the return on investment (ROI). The rest is just bonus. Prepare to learn at least enough about measuring your marketing to invest in it repeatedly. Your product and target audience defines your marketing channels. Always be visible wherever your customers are looking for a solution for a problem you can solve. Any marketing is irrelevant if it does not evoke feeling or grab attention. Be bold and creative!



1. Input of customer needs
2. Input of innovation based on experience
3. Process of setting the product features
4. Process of naming a product
5. Process of setting a fixed price
6. Quality assurance of customer commenting
7. Output of finished product
8. Marketing

Where do you find customers?

The cornerstone of your business should be to do work that your customers want to sell on to others. In other words: the more satisfied your customer is with your company, the more likely he or she will recommend you to others.

But where to find your first customers? Be humble and make it easy for yourself. Start with your own network. Approach friends, family and other people you know. Start by delivering more than you promised. This way you can exceed your customer's expectations from day one. Also keep in mind that acquiring new customers takes a lot more effort than developing the customer relationships you already have.

Where should you sell?

Doing sales should always feel like something that's nice to do over and over again. Therefore you should think carefully what sales channels and sales actions you want to use in your business. Those entrepreneurs who do all sales work themselves should start with deciding what sales channels to use: do I want to sell over the phone, in meetings, send offers, in a store or in a webshop, at fairs and events, online or somewhere completely different?

Some entrepreneurs prefer doing sales allied with other companies, which can be a good choice in some business areas/industries, e.g., an artist might get better sales when having a manager, a model

could get more work through a Model agency, a natural partner for a handyman that installs kitchens is a company that designs kitchens, and so on.

In such cases it is important for the entrepreneur to remember that an entrepreneur cannot outsource all selling to somebody else – the partner is probably not as interested as the entrepreneur themselves in how the sales numbers are looking.

How do you get a customer to buy from you?

You acquire paying customers when you are able to provide clear value and a solution that fulfills an identified problem. In other words, there are two ways to get money from customers:

1. You can help potential customers to recognize needs they already have
2. You can strive to foster a customer's ambition to find out what problems they may have and offer your help to solve these problems. In order to develop a good customer relationship, be patient and keep in mind that the customer will buy only when they really have the need for something you offer – not when you want them to buy from you.

Here is an example of a company that sells its service based on the customer's request for an offer. The potential customers request an offer by phone, from the company's home page and via retailers.



A few things to consider when you make an offer:



Don't spend too much time creating your offer.

An offer that contains the most relevant things your customer needs to know – product, price, quantity, delivery date – is usually enough.



Don't leave your customer hangin'!

Don't make your customer responsible for closing a deal. Be in touch with your customer soon after you've sent the offer so that you can be sure that the customer has received the offer and that it matches the needs the customer has.



Remember that an offer is not a promise of a deal.

In other words: Don't be blinded by an extensive amount of sent offers. By looking at the ratio between your accepted and unaccepted offers you can get a clue of your upcoming sales/trade.

A few tips for an order



Create a sales order based on a confirmed offer. This ensures that you have all the things you have agreed upon in the sales offer also on the order confirmation and you avoid making mistakes.



Keep track of your orders so that you are up to date about the orders that are to be delivered, which orders are delivered and can be charged and which orders are already charged and paid.



Look at your orders at least every month so that you get a picture of your most sold product or service and who are your best customers. Focus on them!

CUSTOMER MANAGEMENT

Trust is everything

How do you know how much your customers trust you? Surely they would not buy from you if they didn't trust you enough.

The more valuable and vital your product or service is for your customer, the more they need to trust you. Whenever the required level of trust is met, a purchase decision is made. This holds true for every purchase.

Trust increases depending on how attractive your product/service and marketing promises are, but also

how positive interaction with you is. And vice versa, the more inconvenience your customer feels about your product or service and the more broken promises you deliver the lower the level of trust.

This is what being an entrepreneur is in a nutshell – to gain the required level of trust with as many clients as possible as often as possible and to test that level of trust regularly.

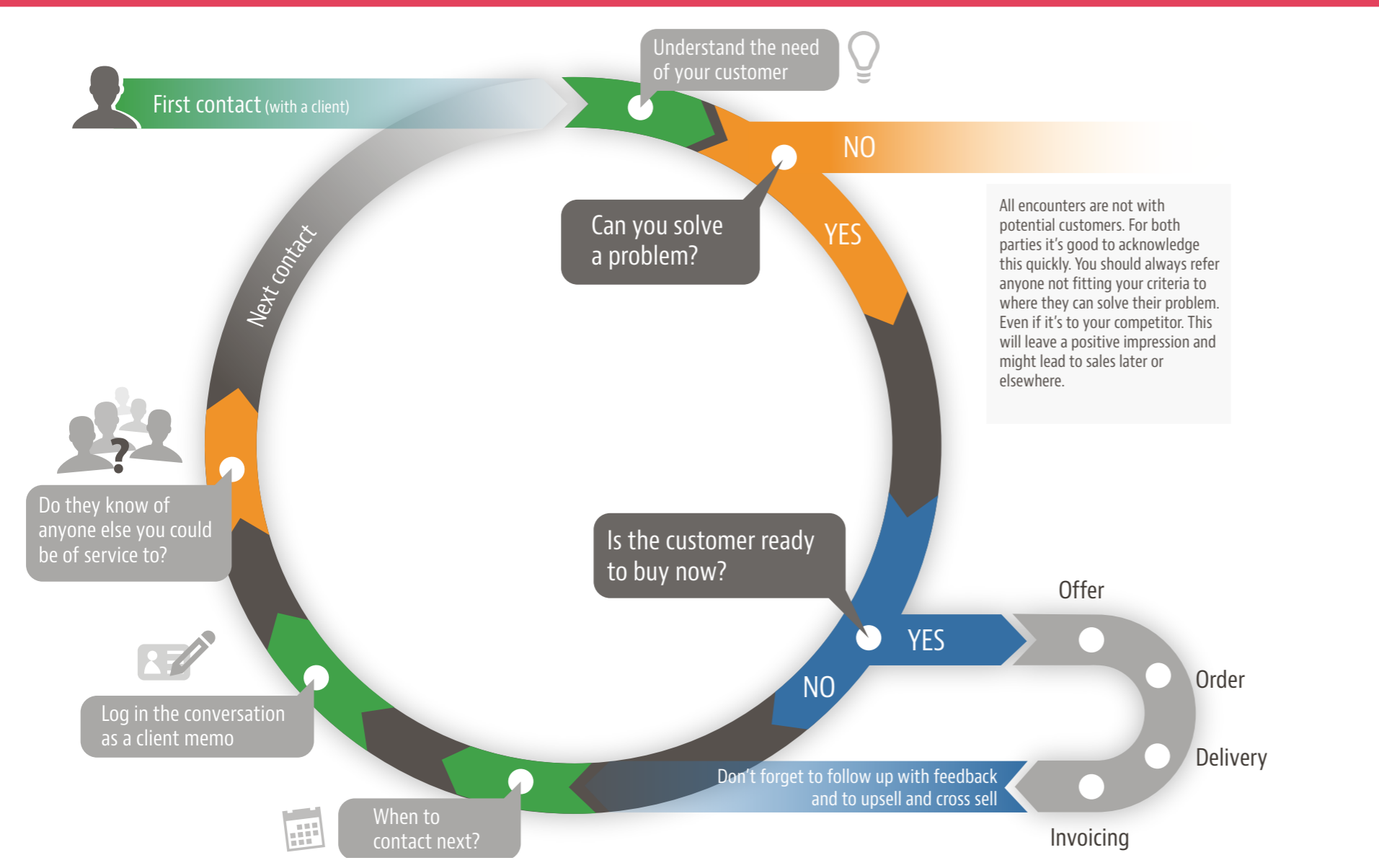
How do I gain trust?

The good news is that people tend to be quite trustful. But you need to ensure that you can meet the expectations your customers have about you. Marketing is basically the act of setting expectations and making statements about yourself – expectations that you need to meet and statements you have to prove (right). When a customer approaches you, your trustworthiness is being tested.

Well-planned customer relationship management (CRM) helps you to meet your every customer as an individual – it helps you to identify the customer's

needs, understand their situation and recognize how you can help. By saving information about every encounter with your customers ensures you that you can keep your promises and meet your customer's needs. By having this information easily available to you, you won't forget things agreed upon with your customers – for example sending an offer as you promised.

To put it simply: Every time you are in touch with your customers, write down information about it in your CRM tool. Not because this guide says so, but because your company's reputation depends on it.



Following this cycle of client relationships you will make staying in contact with customers and prospects a systematic and goal oriented process. Set a goal for your client relationships with criteria for a suitable client and decide how often you plan on keeping contact.

Routines for managing your customer relationships

A customer relationship is like any other close relationship. Basically the same rules apply in a customer relationship as in a friendship. When you're in touch with your customer often and with a positive spirit, you're remembered, trustworthy and easily accessible.

Create yourself a customer relationship management routine based on that principle. Be in touch with your customers as often as possible. The following three things should inspire and motivate you to contact your customers more often:

The value of the customer for your business

Keep close contact to customers vital to your bottom line through sales margin and new referral clients.

The nature of your relationship

Contact a customer more often if they are new, non-attached or you believe are looking for alternatives.

If they don't remember you

Be remembered. Stay in contact if your customer does not otherwise think of you or use your product on a regular basis.

To make sure you actively contact the right customers, keep control of all your client relationships. You can achieve this by noting down to your calendar when to next contact the customer.

INVOICING

What is an invoice?

An invoice (or bill) is simply a document used to ask the customer for money for a product or service that has been provided. However, invoicing must take account of customer experience, the requirements of the tax authorities, and your own business's need to ensure that you get the money owed to you. Invoices at the same time form the basis for accounting. Any invoicing software should help with all of this.

What makes a good invoice?

A good invoice is easy to pay. A good invoice makes it easy for the customer to check that the billing has been done correctly in all respects. A good invoice must of course meet the requirements of the tax authorities. These pages contains examples of well-made invoices, and a number of things that are important to keep in mind.

Here we have put together a list of tips for making invoices:



Create an invoice on the same day as the transaction was done.

One week's delay in creating the invoice will also delay the payment by a week. Another problem with delays in invoicing is that agreed-upon things might be forgotten. Timely invoicing gives the customer a professional impression of your company.



Draft the invoice in advance as an offer or a sales order at the earliest time possible. The invoicing itself – that is, producing the actual invoice and sending it to the customer – should not take more than a minute.



Be sure to send the invoice the way your customer prefers.

As an electronic invoice if the customer prefers so, by email if it has been agreed on, or by conventional mail if you are unsure of the customer's preference.



Before sending the invoice, double-check that the invoice meets the requirements of the tax authorities and that the name and other details are correct on the invoice. It is the responsibility of the customer not to pay any invoice that is incorrect in some detail or other.



Invoices need to be archived carefully.

It is the responsibility of the company to save all accounting materials for a minimum of seven years. Electronic archiving is sufficient, as long as the documents have been saved in at least three different places.



Invoices must never be altered once they have been sent.

If it turns out that there was a mistake in the invoice sent to the customer, it needs to be reimbursed and a new one made and sent in its place. If you need to modify a sent invoice be sure to notify your bookkeeper and customer.

A logo will give the recipient an idea who sent the invoice.

Invoice number has to be number from an ascending and continuous series, which will determine the order of your invoices.

Reference number helps the customer to pay the invoice and you to connect the payment to the right invoice.

The tax authorities require you to have a delivery date on the invoice.

INVOICE 1(1)

SpiceImport Ltd., Kaisaniemienkatu 6A, 00100 Helsinki

Bering Catering
Hans Jansson
Bulevardi 15
00180 Helsinki

Invoice number 20378
Reference number 202785
Invoice date 20.02.2017
Due date 06.03.2017
Delivery date 20.02.2017
Payment terms 14 days net
Our reference Marko Mikkola
Your reference Hans Jansson
Buyer's order number 1234
Penalty interest 7,50 %
Notice period 7 days
Customer's business ID 1212121-2
Customer number 2

Order delivered according to the accepted offer 19.2.2017

Product No.	Description	Unit price €	Qty	VAT %	Total €
1. 18	Curry, 280g	4,50	50 pcs	24	225,00
2. 16	Stubb's Beef Spice Rub, 56g	5,90	10 pcs	24	59,00
3. 15	Tex-Mex spice mix, 370g	6,00	5 pcs	24	30,00
4. 13	Stubb's Oregano, 30g	2,90	15 pcs	24	43,50

Total excluding VAT € 357,50
VAT total € 85,80
Total to pay € 443,30

Tel: +358207181710 reino.merilainen@isolta.fi Business ID: 123456-7

Recipient's account number: IBAN Nordea F121 1234 5600 0007 85 BIC NDEAFIHH

Recipient: SpiceImport Ltd., Kaisaniemienkatu 6A, 00100 Helsinki

Payer's name and address: Bering Catering, Bulevardi 15, 00180 Helsinki

Signature: _____ Ref. No 2 02785

From account no _____ Due date 06.03.2017 Euro 443,30

The payment will be cleared for the recipient in accordance with the General terms for payment transmission and only on the basis of the account number given by the payer

Total sum including VAT, amount excluding VAT and VAT amount have to be shown on the invoice. Also the tax-rates must be calculated.

Your business ID has to be shown on the invoice.

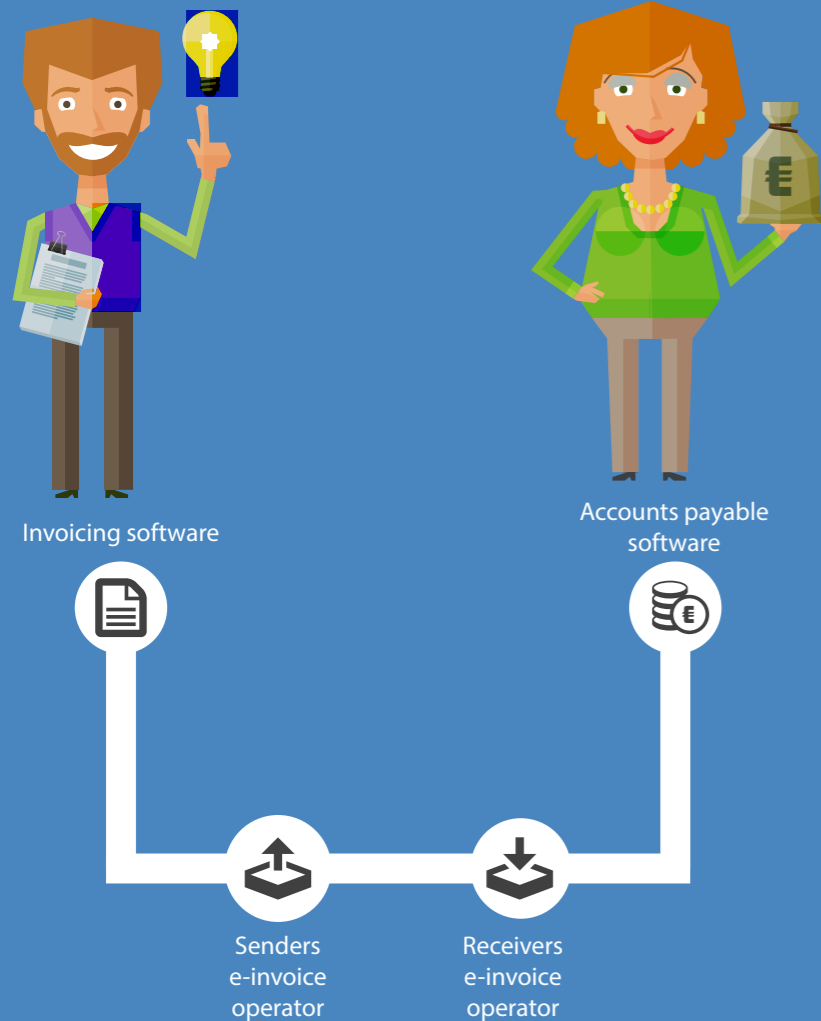
This traditional bank transfer form is not required. It is however important that all the relevant information for payment (bank account, reference number, amount and due date) are found clearly at the bottom of the invoice.

Barcode contains the payment info. It can be read with a barcode reader or a mobile banking app. Barcode is not a requirement.

ELECTRONIC INVOICING

An electronic invoice is any kind of invoice that has been sent from the company to the customer in electronic form. An electronic invoice can therefore be an invoice sent by email, an e-invoice, or a printed invoice that has been sent from an electronic system to be printed and mailed to the customer.

The method of delivery of the invoice is decided by the customer, not by the sender of the invoice. An invoice is more likely to be paid on time, if it is sent in the method preferred by the customer. This is another important way in which the company can make a positive impression on the customer.



e-invoicing

An e-invoice is the “proper kind” of electronic invoice. Contrary to the fearmongering surrounding it, they are even easier to send than printed invoices. All you need is the e-invoicing address of your customer and an invoicing service for sending the invoices.

E-invoices are popular with companies that want to handle their purchasing invoices electronically: to approve, pay, and send invoices to accounting without manual work. This saves the recipients time, and helps prevent mistakes in processing the invoices.

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The e-invoicing address and the operator’s identification code are like a postal address:

Street address: Kaisaniemenkatu 6,
Branch post office: 00100 Helsinki
=
e-invoicing address: 003718540478
Operator’s code: BAWCFI22

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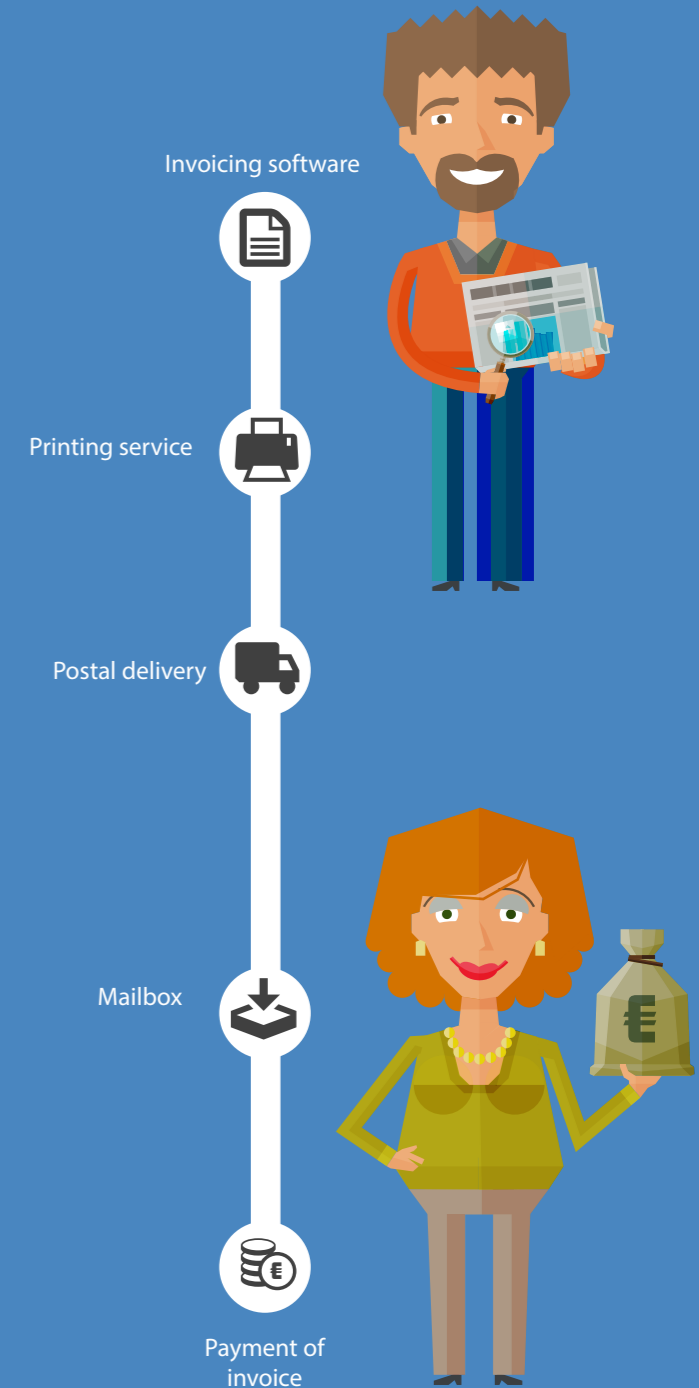
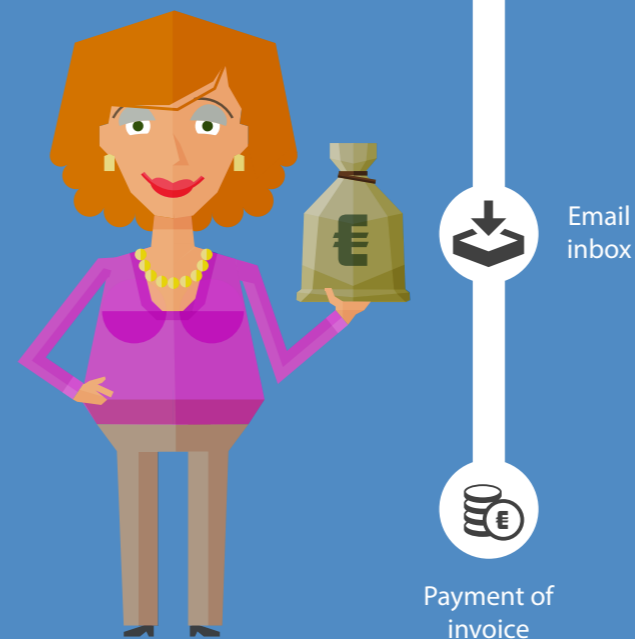
Advantages of e-invoicing:

- ✓ Saves time and trouble
- ✓ Cheaper than printing and mailing invoices
- ✓ Environment friendly
- ✓ Saves time and money for your customer

Invoice by email

Sending invoices by email is for many consumers and small companies a handy way to get the task done quickly.

A good-quality invoicing service sends the invoice to the recipient’s email address, monitors the process to ensure that the message gets through, and notifies the sender when the recipient has read the email.



Through the printing service

Another form of invoicing, and one that can be considered intermediate between electronic and printed invoices, is that the invoice is sent electronically but the recipient gets a paper printout of the invoice. This is done by the invoice being sent from the invoicing service to a printing service, from where the printed invoice is then mailed to the customer.

SALES RECEIVABLES

Follow your sales receivables

For an entrepreneur, money is like the air you breathe or water that rains to your bank account to feed your growth. If a customer for some reason has not paid an invoice, you need to remind the customer about it. A consistent follow up on your sales receivables helps you to manage your financial situation and will ensure that you get the money for the work you have delivered/done. Being up-to-date about the situation of your invoices is also a part of your customer relationship management.

Tips for sales receivables

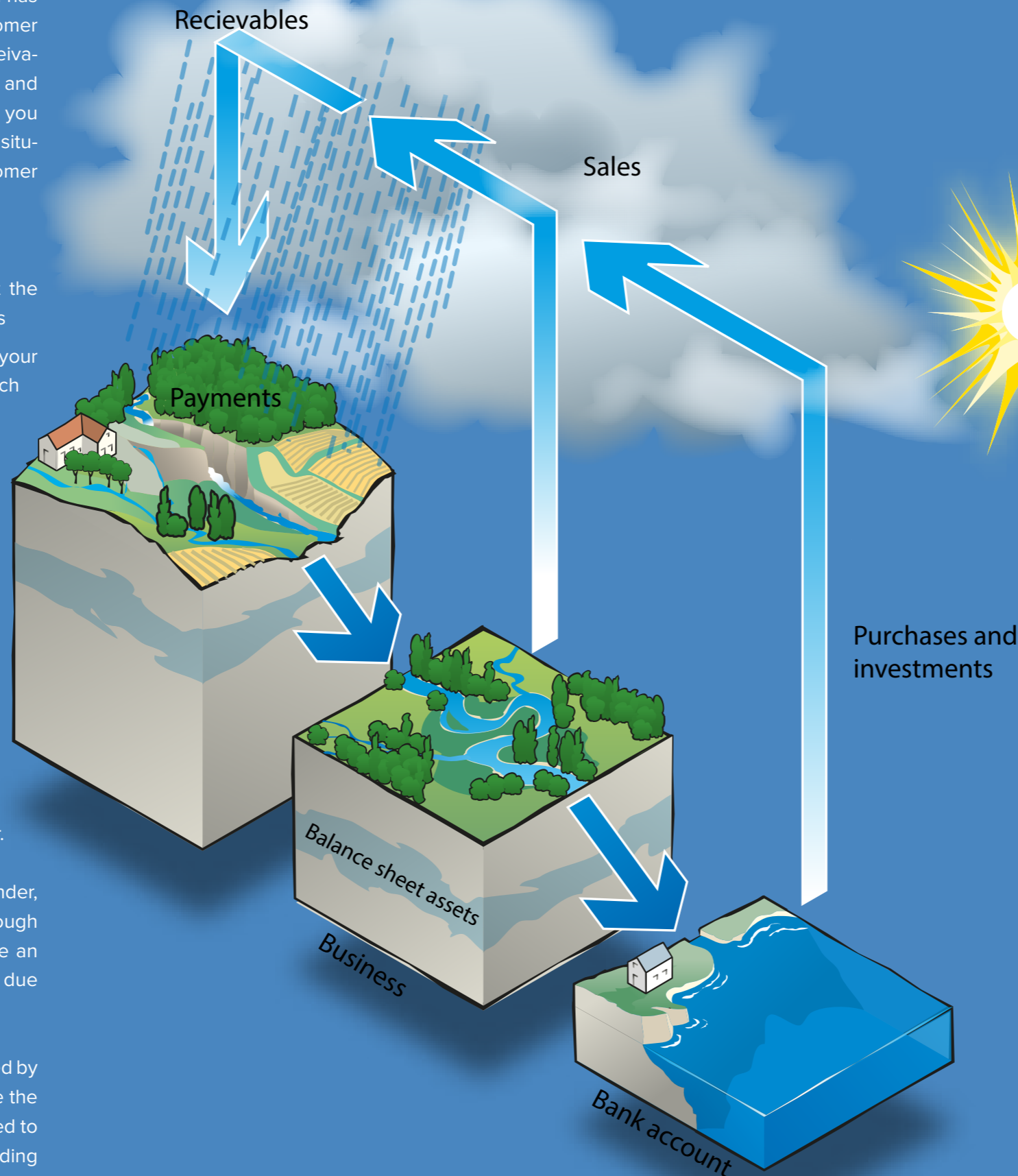
- ✓ Mark invoices as paid as soon as you get the payment to keep track on overdue payments
- ✓ Always be up-to-date on the situation of your sent invoices. Which invoices are due, which are overdue and which are partly paid?
- ✓ Send a reminder soon after an invoice is overdue. However, it might be good to call your customer first. The customer might just have forgotten about it or the invoice has been sent to the wrong address.

What if a customer does not pay?

The first thing to do is to remind them about the invoice. A written reminder is the first notification of an unpaid invoice. If a customer, though, does not pay the invoice and you have not gotten a mutual understanding about alternative arrangements such as changing the due date, you can proceed with the help of a debt collector.

If the customer has not paid, despite the reminder, you may borrow the help of a debt collector. Though before resorting to that, you might try to arrange an alternative agreement, such as extending the due date.

When you sell to companies there is no rule defined by law as to when you can send a reminder or move the receivable to a debt collector, although it is advised to wait at least a week from the due date before sending a reminder, and another week from the reminder before moving the receivable to a debt collector.



Flow of money in business

ACCOUNTS PAYABLE AND RECIEPTS

Manage your payables

A seller's sales receivable is a buyer's purchase debt/accounts payable. During the financial year the accounts receivables should be followed up at least in the accounting. However, by being as up-to-date as possible about the company's purchases, you have better control over your accounts payables.

The process of managing your accounts payables should be organized so that it is efficient and that you minimize the risk of mistakes. It is very convenient to get a tool (a software designed for managing your accounts receivables) to help you do the work.

The most important thing is to be able to collect/gather all the purchases and purchase invoices in one place from where you can pay them and send them further directly to your accountant.

Expense receipts

When running a business, there are a number of other expenses that emerge in addition to the invoice purchases, such as bank and credit card payments, cash purchases and mileage allowances, that you also need documented proof of. In some cases you might also need to give additional information about the expense – for example if you buy food and drinks for a meeting, you need to give information about the meeting; when and where it took place and the names of the participants (person and company). It helps your work a lot to have this documentation in the same place as the purchase invoices, so that you are able to manage the accounts payables from one place.

METRICS

Number of sales

When you track how many sales there have been in a week, for example, you are at the same time tracking your company's success in dealing with customers and your possibilities to make a profit.

Sales margin on completed sales

By setting yourself a goal for the sales margin to be achieved in a week, you will remain focused every day on the amount of sales to be made in order to turn a profit. Even just a single transaction a week can be enough if the sales margin is sufficient.

Estimate of future invoices

It is pretty certain that an invoice sent out today will get the money into your account after about two weeks. But what then? A good way to ensure the continual inflow of money is to monitor the amount and probability of incoming business:

- ✓ How many offers have been made lately?
- ✓ How likely is it that the offers made are accepted?
- ✓ How many of the orders have been delivered?
- ✓ When can they be invoiced?

Number of contact events

By tracking the amount of correspondence, you'll follow the effort put into reaching potential new customers. You will also ensure, that you won't forget about your existing customers.

Amount of positive feedback

If the quality of your work is good enough, your customers will spread the word about your business. How can you be sure that this is happening? Through positive feedback. How many times has a customer said they were happy with the quality of your work?

I follow these five things in my business

Success indicators

You should pick five things to follow daily and weekly in your business operations. These five indicators will keep you up to date on how your business is doing and developing.

This page provides five examples of indicators to follow. You can use them as a reference when choosing the indicators to help your business along.



A tip: Use only the indicators that will help you to improve your performance when growing them. The indicators should not only indicate how things have gone so far, but also what is still to be done.

ACCOUNTING

Not only important. Compulsory.

Every entrepreneur has an accounting obligation defined by law. In other words, every entrepreneur is responsible for arranging the accounting of the firm. If you did not know, now you do.

Simplified it requires to:

- ✓ Keep track of sales and purchase invoices
- ✓ Follow receivables and payables
- ✓ Make a yearly summary of business accounts
- ✓ Notify the authorities of your dealings

It is worth hiring a professional accountant and outsourcing the accounting already at an early stage so that you as an entrepreneur can focus on the sales and growing your actual business.

A recommended way to do the accounting as smooth as possible is to send clear and complete reports of your sales, receivables and expenses. When you deliver all necessary reports, receipts, and other documents on time and in a clear and unambiguous form, your accountant is not only happy but will also charge you less. In other words – being consistent and clear with your reporting saves you both time and money.

A cheat sheet for everyday business life

Daily

- In contact with customers
- Invoicing

Weekly

- Invoices paid through the online banking services
- Sending reminders on overdue bills
- Paying purchase invoices
- Monitoring sales

Monthly

- Accounting reports and material to accountant
- Updating cash flow statements and -forecasts
- Notifications to authorities

Gather your sales invoices

and the payments you have received
Also report on your receivables



Just tell me about your sales and purchases, receivables and payables. I'll take care of the rest!



Gather your paid purchase invoices

Also find all your purchase receipts and save them
in one place by taking a picture with your phone



This guide is produced by Isolta Oy. Isolta is a software company that develops an invoicing software for entrepreneurs. You can find a solution for all the topics included in this guide from www.isolta.com

Hassle-free invoicing for entrepreneurs

www.isolta.com