

Know Thy Numbers!

Do you know how many customers you need (or how many sales you need to make) today to make a profit?

How about to break even?

Do you know how long you'll have to work this year just to pay your taxes?

What about how many prospects you need in your sales pipeline to generate enough customers to make your profit margin?

What is your profit margin?

If you're struggling to answer these basic questions, you're not alone.

But you can jump your profits immediately simply by actually knowing the numbers that lead to them.

In fact, the majority of the most profitable and highest growth companies are those that know their numbers at every possible level.

They know very clearly you cannot manage what you do not measure.

Most business owners I've coached over the years have no clue what their real numbers are.

They have a vague guess or a "gut feel" but they don't really know mainly because I think they don't want to be faced with the reality the numbers will ultimately show them.

To prosper, you're going to have to put the fear of numbers behind you and embrace the reality they will reveal to you.

Not only will mastery of your numbers give you an edge over your competition it will give you the power to make better decisions in real time, regardless of the economy.

What can numbers tell you?

First, numbers will tell you where you are right now. Beyond revenues and expenses, your numbers will show your profit margins, as well as vital figures relating to sales. If you know how many people come through your doors a day and how many actually buy something, you suddenly have a handle on the number known as your "sales conversion rate."

By that measure, if you know you always convert 15% of your prospects into a sale, and you know you need 12 sales to profit you can easily determine you'll need 80 people through your doors on average to be profitable ($12/15\% = 80$).

Now the question becomes, "How can I get 80 people through my doors?"

Second, numbers will guide you where you want to go. Are you looking for an extra \$10,000 in gross profit on a 25% profit margin? You'll need to generate a turnover of at least \$40,000 ($\$10,000/25\% = \$40,000$).

Are you a professional who charges \$100 an hour who now wants to double your income? You might need to determine whether it is better for you to charge \$200 over 2000 working hours a year (highly unlikely given you can't charge every working hour) or charge \$400 multiplied by 1000 working hours a year (meaning you can take some time off once in a while).

In either case, the numbers will give you an indication (based on your market and profession) what can work for you. They will also show you where you might need to revamp your business so you can get to your targeted revenue.

Finally, numbers will help you form a plan to get there. Sometimes, the numbers will reveal your current skills and market conditions or your current mix of products and services just won't support your revenue and profit targets.

That's not bad news it's just news. But it will help you determine what you will need to do to improve and enhance your professional skill set or revamp your product and services mix.

So what do the numbers look like in your company?

If you are in sales, how many calls will you need to make next week to get the number of appointments you'll need to make a sale?

If you are in retail, how many customers will you need in your shop to break even and make a profit? And how big will that profit need to be?

Take some time right now and introduce yourself to the past, present and future numbers of your particular business.

If you don't master your numbers, your numbers will surely master you.