

# the advisor

...practical advice for business owners in Northants

In this month's edition:  
How To Increase Your Business By 33%  
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Nine Dots To Success  
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## 3 Numbers Every Business Owner Should Know

If you are serious about developing and growing your business, then there are certain measurements that you should have in place so you know where your business is heading.

**If you can't measure it, you can't manage it!**

### Break Even Point

This is the minimum level of sales that you need to make, to cover all your business costs and start to get into a profitable situation. Assuming you know your fixed costs (e.g. salaries, rents, rates – often referred to as overheads) and variable costs (these relate to the cost of production and vary with quantity e.g. raw materials) within the business, the simplest way to work this is as follows:

Work out your gross profit (GP) = Total sales - Variable Costs

Calculate your GP percentage = Gross Profit ÷ Sales

Break Even Point = Fixed Costs ÷ GP Percentage

For example, if your sales turnover is £500k, your fixed costs are £100k and your variable costs are £200k – your break even point will be £167k; meaning that once you have achieved £167k of sales revenue, you are in a profitable situation – below this number you are making a loss.

(For a free break even point calculator – visit [www.paulgreen.biz/break-even-calculator](http://www.paulgreen.biz/break-even-calculator))

### Cashflow

**Cash is the biggest killer of businesses** – large and small. Knowing what money is coming in and when and what money is going out and when is vital. Unfortunately most accountants only provide historic information on your finances; often at least a few weeks if not months after the end of your accounting period. This doesn't allow you to do much about a cashflow situation.

You should be able to **forecast what cash is coming in** through the orders that you currently have and hopefully can forecast. Be realistic about when the invoices will be paid and look at the worst case scenario rather than the best so you are not left with any shortfalls or surprises if money doesn't come in on time. Likewise you can **look at your outgoings, your fixed and variable costs for the business**. Particularly take note of tax bills such as VAT or NI contributions as these are often a big chunk out of any business's cashflow when these fall due.

(For a free cashflow template – visit [www.paulgreen.biz/templates](http://www.paulgreen.biz/templates))



### Conversion Rate

In order to survive in business, **you need new customers** doing business with you. Only you know how many customers you want over the next 12 months – for some it will be 1000s, for others maybe only 10s. Either way, you need to **be aware of your sales pipeline or funnel**. This allows you to track a potential customer from the prospect stage right through to the point at which an order is placed or a buying transaction occurs.

Now whilst there may be a number of stages in the sales process for your business, for simplicity let's just look at prospect through to initial engagement, followed by proposal and finally order placement.

Working this backwards, the first important measure to know is your **conversion rate**. Of the potential clients that you get to make an offer to or engage with in a sales conversation, how many of those lead to business? For the sake of argument let's say you close 1 in 5.

Now, of the prospects that you initially engage, how many of those carry on to the next stage and are willing to accept a sales proposal. So, for example, if you are conducting a telemarketing campaign to your target market, where the aim is to get an appointment – what is your success rate here? Again, for this exercise, let's say 1 in 10.

Finally, looking at the initial stage of the process – how do you identify your prospects in the first place and is there a process of qualification before you start the telemarketing or next step of engagement? Maybe for your business only 1 in 10 actually get past these initial hurdles before becoming a qualified lead that you feel worthy of following up.

So what this now means is...if you want 10 new customers in the next 12 months and we use the above numbers by way of an example...you need to propose to 50 prospects, telemarket to 500 in the first place and have an initial prospect list of 5000.

Now whilst there will be variations for your particular sector, the principle is the same for any business and knowing these numbers for your business will help you **much more effective in your marketing**; as well as looking to improve your success rate at each of these stages.

# How To Increase Your Profits By 33%

It's a simple yet common question, "How can I make my business more successful?"

Success can mean a lot of different things to a lot of different people but when it comes down to it, the success of your business should only be measured by one thing - **profit**.

At the end of the day, it's not how many people came in to your store or phoned in. It's not even how many widgets you sold. At the end of the day, what truly matters is how much of a profit you made.

It would make sense then that your efforts focus on profit as the end result.

With that in mind, there are **only three strategies to increase profits** for your business.

- 1) Increase the pound size of each order
- 2) Increase the number of times people buy from you
- 3) Increase the number of people who buy from you

Most likely, your business is already primed to attack each of these three angles and implementing that attack should be fairly easy.



So, how can you increase the amount of money that someone spends with you?

The classic example of this is "Do you want fries with that?"

Maybe this just means **putting your prices up?** You may be interested to know that if your profit margin is 40%, putting your price up by 10% could sustain a 20% reduction in sales revenue with **no impact to your profit**.

(Further information on price increasing is available via the following link: <http://tinyurl.com/priceincreasing>)

Secondly, how could you increase the number of times that someone buys from you? Maybe the way to do this is to offer incentives for people, such as special offers or simply by staying in communication with your client and prospect database via newsletters? The more often you are 'in front' of your customer, the higher the chance they will think of you when they need the product or service that you offer.

Finally, how can you increase the number of customers? This is really down to your marketing activity. If you are really clear about your ideal customer and the benefits of doing business with you, the challenge is to get your message out there and attract more custom.

If this seems like a big hurdle, **increasing** each of these areas by **only 10% will impact your profits by 33%**.

For example, if you are selling a £10 item to 10 clients 10 times a year and your profit is 10%, that will give you a turnover of £1000 and a profit of £100.

Increasing each by 10%, will increase your turnover to £1,331 and your profit to £133 – a 33% increase overall!

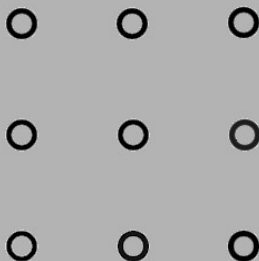
## Nine Dots To Success

Less than 20% of business owners will be able to solve this puzzle.

If you can – great! Still visit the link below to find out why this is important for your business.

Here's the challenge:

Link all the 9 dots using 4 straight lines without taking your pen off the paper or retracing any of the lines.



This is possible – to find out how and to find out what the hell this has to do with helping your business be successful, visit [www.nine-dots.co.uk](http://www.nine-dots.co.uk).

## 7 Factoids You (Probably) Didn't Know About Northampton

1. The area was originally a farming settlement around the 7<sup>th</sup> century AD.
2. Northampton had a large Jewish population in the 13th century, centred around Gold Street.
3. A university was established in 1261 by scholars from the University of Cambridge. It briefly flourished, but was dissolved by Henry III in 1265.
4. In the 18th century Northampton became a major centre of footwear and leather manufacture.
5. The district's population will grow to 226,400 by 2016 and to 261,300 by 2026.
6. The town has one of Britain's largest market squares, dating from 1235.
7. Des O'Connor evacuated to the town in 1932 during WWII and briefly played for Northampton Town FC.

Source: Wikipedia

If you have any to add, email [factoid@paulgreen.biz](mailto:factoid@paulgreen.biz)

# When It Comes To Networking - You're An Animal!

Now we all have our own styles or at least we see other people's when networking, have you ever wondered which category of networker you fit into and what animal that might equate to?

Well here goes. Which one fits you the best?

*(Please don't take offence - these are done with tongue in cheek - but make strike a few nerves!).*

**Swan:** He or she is a **monogamist** and only sticks to one networking group and is very **loyal** to that one particular organisation. This is fine but can lead to a level of 'stagnation' as the opportunities from that group may have been exhausted.

**Monkey:** They're everywhere, attending each and every networking event going and **enjoy the social interaction** although aren't necessarily that great at generating business for themselves or other people; but they are **fun to be around** and get on with.

**Chameleon:** These are the type of people who seem to always **change the product or service they are offering**; or have a diverse range of things they can do. This can create the '*jack of all trades, master of none*' dilemma.



**Chick:** New and only just '*hatched*' into the networking world, **maybe a start up business**, and **need a little help** and encouragement to get on their feet and get the most out of networking events.

**Tortoise:** Pretty much stay in their shell and don't connect with people naturally or may be **shy, possibly lacking in confidence**. They may need coaxing a little to engage fully and feel comfortable in a large group.

**Owl:** A seasoned networker who **knows the business community well** and provides insightful advice and help to other networkers; as well as being a **good source of prospects and referrals**.

**Spider:** A very **good connector of people** within their business network. Building up a strong '*web*' of like-minded networkers that work very well together with complimentary services and **understand the benefits of networking**. Often they get involved in **strategic alliances** and **joint ventures**.

**Bat:** Blind to opportunities for other people and only interested in '*sucking the blood*' from you and letting you know all about how great their product/service is and why you should buy it now. **More of a salesman** than a networker.

**Hawk:** Very **focused, serious and clear** about what they want to get out of networking. Able to identify their '*prey*' and develop strong relationships for mutual gain. They are **highly effective** when it comes to networking but may not be the most sociable.

**Magpie:** Only interested in collecting your '*shiny*' business card or the list of attendees in order to add to their newsletter or spam you after the networking meeting!

**Mayfly:** They are short-lived - only appear once briefly at a meeting, decide networking is not for them and they're never seen again. Not realising that **networking is a mid- to long-term investment** to generate relationships that ultimately lead to business.

Did you work out which one you are?



NATIONWIDE ALLIANCE OF BUSINESS OWNERS  
**NABO**  
NETWORKING

If networking is your thing – then maybe you would be interested in attending one of the region's fortnightly **NABO Networking** events? Designed for today's economy and aimed at the **ambitious business owner**, one of the things that makes NABO networking **unique** is the **fortnightly business growth videos**; reviewed at each meeting.

To find out more, visit [www.nabo-networking-wellingborough.co.uk](http://www.nabo-networking-wellingborough.co.uk)

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# 10 Steps To Success in 2012



With 2012 upon us and all the doom and gloom in the press about the economy, the Euro and anything else they can come up with a negative slant on to depress us - does all this news actually impact what you are doing and can do for your business?

I think not.

There is still money out there being spent. Mercedes-Benz had record sales in 2011 with an increase in sales of 8% worldwide and Rolls Royce had an increase of 31% in their sales - and neither are the cheapest of cars!

So here are 10 steps for you to consider in order to be successful (*or more successful*) in your business over the next 12 months:

- 1. Market** – be clear who your ideal target prospect is. This can be based on a number of factors: geography, turnover, number of staff, role, industry sector, etc.
- 2. Competitive Advantage** – what is your USP (*Unique Selling Proposition*)? What distinguishes you out from your competitors that would compel customers to buy from you?
- 3. Message** – armed with your ideal prospect and USP, you can now focus on your marketing message, being clear about the benefits of why people should do business with you.
- 4. Method** – this refers to the means by which you get your message out to the market. This should be an ongoing process and through multiple channels.
- 5. Measure** – whatever channels you use, make sure you are measuring your return on investment. This enables you to do more of what is working and less of what isn't.
- 6. Price** – often a contentious point, but on the whole, customers do not buy on price; they are looking for the right value proposition that either provides pleasure for them in some way or that alleviates a pain they have. If you have the right product or service to fulfil the need, price is not an issue.
- 7. Profit** – “*profit is sanity, turnover is vanity*” - focus on the bottom line, not the headline figure.
- 8. Cashflow** – as mentioned in an earlier article, lack of cash is the biggest threat to a business. Know your income and expenditure looking ahead.
- 9. Outsource** – you are not an expert in everything (no one is), therefore concentrate on what you are good at and what works for your business and outsource other services; either by employing staff or engaging an external service provider.
- 10. Plan** – if you don't know where you are heading, how do you know when you've got there? Write things down in an action based plan with measurable targets in line with the objectives you have for the business.

(This is the much abridged version of the full document - available as a free download here: [www.tipsforsuccess.co.uk](http://www.tipsforsuccess.co.uk))

## Just For A Laugh....



### The Entrepreneur

Young Johnny bought a donkey from a farmer for £100.

The next day the farmer drove up to Johnny and said: 'Sorry son, but I have some bad news. The donkey's died.'

Johnny replied, 'Well then just give me my money back.'

The farmer said, 'Can't do that. I've already spent it.'

Johnny said 'OK then, just bring me the dead donkey - I'll raffle him off'

The farmer said, 'You can't raffle off a dead donkey!'

Johnny said, 'Sure I can. I just won't tell anybody he's dead.'

A month later, the farmer met up with Johnny and asked, 'What happened with that dead donkey?'

Johnny said, 'I raffled him off. I sold 500 tickets at £2 a piece and made a profit of £898'

The farmer said, 'Didn't anyone complain?'

Johnny said, 'Just the guy who won, so I gave him his £2 back!'



Paul Green is an **author** and **small business expert** based in Northamptonshire. He is a founder of UK Business Advisors and a Fellow of the Institute for Independent Business. Primarily he works with **MD/Owners of businesses with 5-50 staff** or a **turnover in excess of £250k**; helping the business owner to focus 'on' the business rather than work 'in' it by implementing **action based plans** with **measurable targets** and **clear objectives**.

Having worked with over 40 businesses, Paul aims to **improve your profitability in 60 days....or your money back**. This is achieved through a practical, hands on approach.