



# Know Your Numbers, Increase Your Profits, and Stress Less

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# What we'll cover and why it's important

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- Know your numbers -> see the main problems and opportunities.
  - 5 key numbers
- Earn more profit -> have more cash and time -> stress less.
  - 5 quick ways
- Don't write down everything!
  - Focus on the major 'aha' moments and actions you're going to take
  - Rewatch the recording later for fresh 'aha' moments and next actions
  - Download the slides at [BenMcAdam.me/WCBNE](https://BenMcAdam.me/WCBNE)

Poll: how long in business?

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# Who am I to talk about this?

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- Virtual CFO, i.e. strategic advisor for your business numbers
- Sold two businesses in the last two years
- Grew online, international bookkeeping business to \$250k annual recurring revenue in 18 months, before selling to my co-founder
- Over a decade of results for clients



# What's the goal here?

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- What is your overall goal for the business?
- Exit, cash flow, following a calling?
- You'll need healthy profits and business numbers
- Goals as focus and filter

5 key numbers

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# #1: Sales / Revenue / Income

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- No sales, no business
- Trend upwards
- Adjust for seasonal factors
- Separate lines
- Where to find it:
  - Top rows in Profit & Loss Statement
  - Billing reports, shopping carts, sometimes reports from marketing software/service

## #2: Margins

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- Technically “Gross Profit Margins”
- Plural is important
- The 80/20 of profitability
- Get it wrong: business is stressful (no cash, no time, can't hire)
- Get it right: cash for marketing, growth projects, hiring ahead of growth, managers, overheads, and most importantly you
- Rule of thumb: Price > 3 x cost to deliver (excluding overheads)
  - 4x is better
  - Harder to achieve as business grows bigger



# #3: Marketing spend

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- Spend too little: not enough market intelligence, no leads, harder to close sales, customers are unhappy and leave
- Spend too much: less-profitable business
- Guideline: 5-15% of sales
  - Depending on size, industry and business model
  - Test ROI: \$5-15 of marketing -> \$100+ of sales

# #4: Profit

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- Includes effect of above 3 key numbers, plus all other expenses
- Keep expenses lean, but not too lean
- Aim: 20% of sales, after paying you for your work
- 'You the worker' vs 'You the business owner'
- Pays down debt, builds savings, reinvest it in growth, return to owner.

# #5: Cash (flow)

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- No cash, no business
  - Trading while insolvent is illegal
- Focus: timing of cash in/out, not the dates on invoices/bills
- Find and fix on the Balance Sheet
  - Cash from customers
  - Inventory
  - Investing in assets
  - Cash to suppliers
  - Debt repayments
  - Tax and compliance

# Summary: 5 key numbers

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1. Sales
2. Margins
3. Marketing
4. Profit
5. Cash / Cash flow

# 5 quick ways to increase profit in the next week

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# 1. Review costs

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- Dollar saved = dollar of profit
- Is it necessary?
  - Cancel or reduce
  - Check for penalties
- Return on Investment (ROI)
  - Search for a cheaper provider
  - Cost of switching
- Spend more?
- “Don’t throw money at a problem, throw it at a solution”

## 2. Raise prices

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- Dollar of price increase = dollar of profit
- Decrease discounts
- Test price increases on new customers
- Lose customers and be more profitable ([link](#))
- Offer increased value with a price rise
- Inflation

# 3. Increase order size

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- Time and money spent on customer acquisition
- Cross-selling / add-ons
  - Partners / affiliates
  - White-labelling
- Up-selling / upgrades
  - Premium version
  - Increased quantity



## 4. Sell again

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- Time and money spent on customer acquisition
- Happy customers
- Recurring services
- Consumable products
- Updates
- Sell new products/services to previous buyers

# 5. Productivity

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- Getting more done with less time (i.e. self/team cost)
- Efficiency vs effectiveness
- Framework
  - Eliminate
  - Automate
  - Delegate
  - Efficiently do-it-yourself

# Which will you do in the next 1-2 weeks?

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1. Review costs
2. Raise prices
3. Increase order size
4. Sell again
5. Productivity

# Summary

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## 5 key numbers:

1. Sales
2. Margins
3. Marketing
4. Profit
5. Cash (flow)

## 5 ways to increase profit:

1. Review costs
2. Raise prices
3. Increase order size
4. Sell again
5. Productivity

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