

Running a business? Know your key numbers!

The focus of my previous article was the "**Business Right**" workshop run by John O'Leary of Red Day Coaching. Almost 30 business people took part in this special event held in Gladstone last week. John divided the participants into four teams and together we established and ran a mock hairdressing business.

Everyone had heaps of fun with John challenging us all to come up with ideas to improve the business by:

1. Getting more customers
2. Having the customers to come back more often.
3. Increasing their average dollar spend.
4. Improve your margins
5. Finding better ways of doing the above 4.

By the end of the day each team had come up with lots of great ideas on how to improve the business. Many of the ideas weren't restricted to hairdressing businesses - they could have been applied to any business.

John also used a computer program to demonstrate the impact on profit and business value of each increase. Most people were amazed at the significant increases which result from small improvements in each of the four main areas. I can also confidently say that most people were also surprised by which of those four had the biggest impact.

A common theme which surprised me was how few of the business people actually knew their numbers. By this I don't mean sales or net profit, I'm referring to the key drivers of these numbers. The underlying issue is that unless you know the key numbers of your business and how they impact profitability you will struggle to improve your results. Furthermore you may be wasting resources and effort by focusing on the wrong areas. In other words you'll be fumbling around in the dark.

I encourage you to take time out of your business so you can work on your business. I see this as a three-step process:

1. Initially this may be spending time to understand how your business works and determining what are the key numbers
2. When you have these you can then develop strategies to improve the areas which will give the best results and:
3. Then setup a way of regularly measuring these numbers to make sure they are going in the right direction

If you need help in working out the keys numbers for your business please give me a call. Not only can we help with finding the keys numbers but we can help with strategies and setting up a system to measure them. ***Neville Hughes***