

How Knowing And Measuring The Numbers Can Turn An Ordinary Business Into An Extraordinary One

Number of Leads X Conversion rate = **No of Customers** X No. of Transactions X Average \$\$ Sale = **Turnover** X Margins = **Profits**

1.Number Of Leads...

The total number of potential buyers you contacted or that contacted you last year. Also known as prospects, enquires or potentials. Most business people confuse responses, or the number of potential buyers, with results. Just because the phone is ringing doesn't mean the cash register is. What's even more amazing is very few businesses even know how many leads they get each week, let alone how many from each and every marketing campaign. It's great to get a lot of leads, but then you've got to convert them to sales.

2.Conversion Rate

The percentage of people who did buy, vs. those who could have bought. For example, If you had 10 people walk through your store today and you sold to only 3 of them you'd have a conversion rate of 3-out-of- 10, or 30%.

Guessing your conversion rate is not acceptable only the numbers will tell you the truth. When you ask the average business owner about their conversion rate, they take a stab in the dark, and tell us it's between 60 and 70%. By actually measuring it you find it is more like 20 or 30%. Although this looks bad this creates a great opportunity , because if you're getting by at 20 or 30%, imagine how the business would be at 60 or 70%. Remember, double your conversion rate and you've doubled your sales.

So....Number of Leads x Conversion Rate = Number of Customers

Number of Customers: This is the total number of different customers you deal with. Remember, it's not about getting more customers, you can't change that number directly. Its about getting more leads and then improving your conversion rate. These are the variables that

3. Your Number Of Transactions...

Another of the 5 main variables. Some of your customers will buy from you weekly, others monthly, others on the odd occasion and others, just once in their lifetime. What you want to know is the average. Not your best and not your worst, but the average number of times a customer buys from you in a year. This is a gold mine as most businesses never collect a database of their past customers, let alone write to them, or call them and ask them to come back.

4. Your Average \$\$\$ Sale

Here's one variable at least *some* business owners do measure. Once again, some might spend \$1,000, some just \$25, but the average is what you're after. Just a few dollars on each and every sale could be all it takes. Add up your total sales and divide it by the number of sales.

So ... Customers x Transactions x Average \$\$\$ Sale = Turnover

Turnover: Another result. Most business owners know the answer to this one. Yet they most probably have no real idea as to how they got to it. Of course, you want more of it, but you can't get more turnover. What you can do is to get more transactions, and a higher average dollar sale from the total number of customers you dealt with.

5. Your Margins

Margin = Profit / Sell price

This is the percentage of each and every sale that's profit. In other words, if you sold something for \$100 and \$25 was profit, then you've got a 25% margin. Remember: this is after all costs are taken out.

So ... Your Turnover x Margins = Profit

Profit: Another result that every business owner wants more of, not realising that you can't get more profit, but what you can do is get greater margins on the revenues you've got.

And that's it. The business chassis is the basic model that dictates the profit levels of every business on earth. By simply breaking down your sales and marketing efforts into these five areas and understanding how each affects the other, you're halfway there ...and, most definitely

way ahead of 90% of businesses out there.

You can't control what you can't measure

Why the numbers are so important.

There's only 5 ways to grow any business.

1. Get more customers calling
2. Convert more enquiries to sales
3. Increase number or frequency of purchases
4. Increase profit margin per sale
5. Increase average sales value

Clarity & Leverage = Profits!

What if we could make a 10% difference in each area?

XYZ Widget company

| | | With A 10% Increase |
|---|------------------|----------------------------|
| a) Number of customers = | 500 | 550 |
| b) Average value of each sale = | \$500 | \$550 |
| c) Average profit per sale = | \$150 | \$165 |
| d) Number of times a customer buys per year = | 4 | 4.4 |
| e) Number of new enquiries per year = | 300 | 330 |
| f) Conversion rate to sale 20% = | 60 (New) | conversion 30% 99 (New) |
| g) Total customers (a + f) = | 560 | 649 |
| Annual turnover (g x b x d) = | \$1,120,000 | 1,570,580 |
| Current profit (g x c x d) = | \$336,000 | \$471,174 |

The bottom Line? **\$450,580** in additional gross sales!

\$135,174 in additional profit!

That's 40.2% increase If you only increase each area by 10%, based on my experience this is very achievable