

MANAGING BY THE NUMBERS

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IF YOU DON'T KNOW YOUR NUMBERS –
YOU DON'T KNOW YOUR BUSINESS

I GUARANTEE THESE FOLKS KNOW THEIRS!

SOLE OWNER OF Landrys which is over 46 restaurant concept chains from Bubba Gump to Mortons, several major hotels, the Gold Nugget Casinos and the Houston Rockets of the NBA



Daymond John, Mark Cuban, Robert Herjavec
Barbara Corcoran, Kevin O'Leary, Laurie Greiner

Camping World and the controlling stockholder of over 130 companies



Business—its all about profit if not, **JUST STAY HOME**

ITS NOT ALL ABOUT REVENUE (OR HOW DO I INCREASE MY SALES STEVE)

BASIC BUSINESS FORMULA

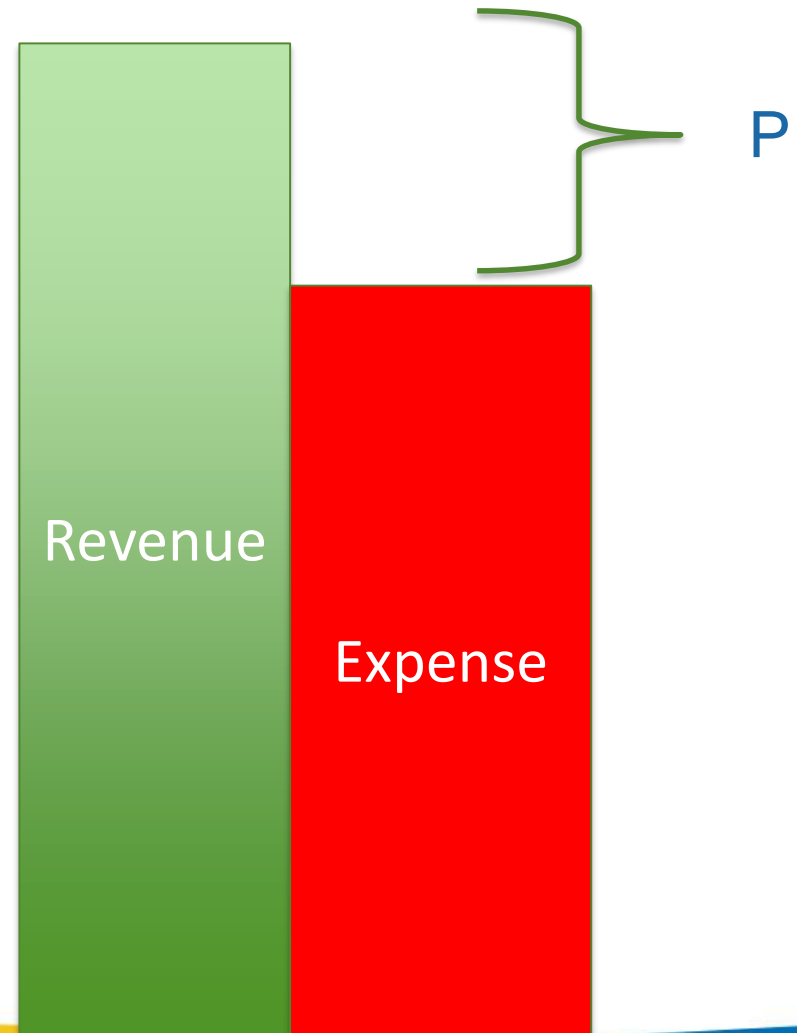
REVENUE – EXPENSE = PROFIT

1. WANT MORE PROFIT, INCREASE REVENUE AND HOLD EXPENSES.
2. HOLD REVENUE AND DECREASE EXPENSES

- For nearly ever the basic business formula has been
- Revenue – Expense = Profit
- That's drilled into every solid business mind.
- But is it right? Or time for a change
- New book by Mike Michalowicz, Profit First suggests it should be
- Revenue – Profit = Expense
- Huge difference in thinking
- Promotes budgeting
- Promotes attention to expense
- Promotes paying yourself first

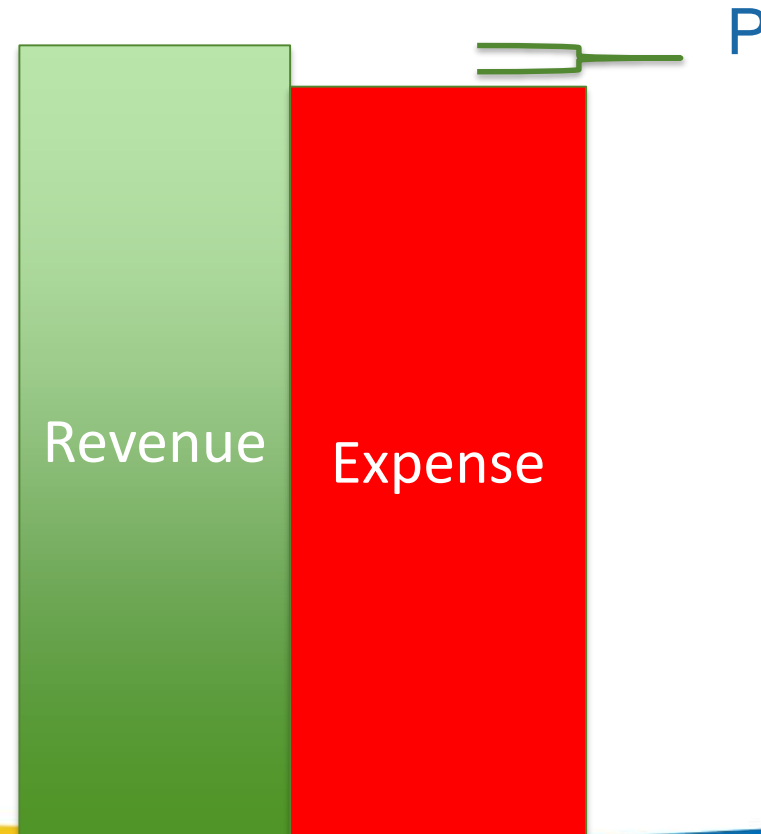
STEVES SECRETS OF SUCCESS #1

THERE'S MORE THAN ONE WAY TO MAKE A PROFIT



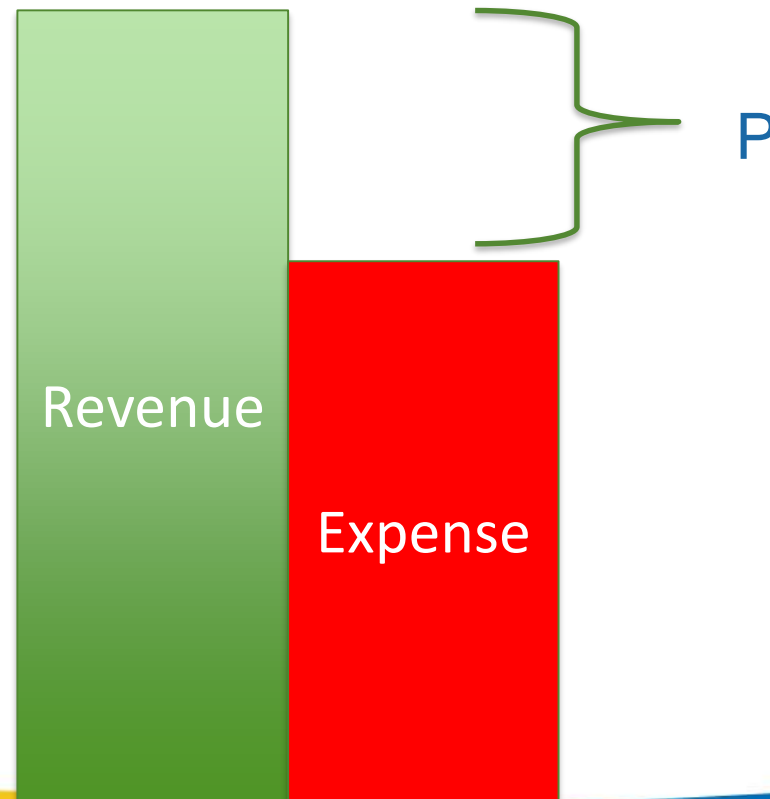
STEVES SECRETS OF SUCCESS #1

THERE'S MORE THAN ONE WAY TO MAKE A PROFIT



STEVES SECRETS OF SUCCCES #1

THERE'S MORE THAN ONE WAY TO MAKE A PROFIT



- **AFTER CONSULTING WITH THOUSANDS OF BUSINESSES ONE HAS EVER SAID:**
- “STEVE, HOW DO I REDUCE EXPENSES”
- “STEVE, HOW DO I GET MORE PROFIT”

- **BE THE FIRST TO ASK.**

EXPENSE CONTROL

YOUR PROFIT MAY BE FOUND IN YOUR EXPENSES

- Should you have more space, or instead a second shift
- Priority boxes or weigh and calculate
- Calculate a route as opposed to being a star salesman
- Can you take advantage of utility incentives
- Can you push CC processing costs to customer?
- Can you push postage cost to customer
- Let's look at unemployment tax
- Can you get all AR and AP online?
- Continually review the expense list and look for savings.



**EVERY EXPENSE DOLLAR
SAVED
BECOMES A DOLLAR OF
PROFIT**

WHAT'S YOUR RETURN ON YOUR INVESTED DOLLAR?

STEVES SECRET #2, KNOW YOUR OPTIONS AND TRUE COSTS

- It's all about opportunity cost
- Rule of thumb for years was 10%
- In todays economy should it be 20%?
- What about your industry
- Do you know what you are making on a dollar?
- What's your return???



RETURN ON INVESTMENT-----ROI

STEVES SECRET #3 KNOW YOUR OPTIONS AND TRUE COST

- WHAT DOES THAT \$500 DESK COST?
- WHAT DOES THAT FASTER MOLDING MACHINE COST?
- WHAT IF PRODUCTIVITY INCREASES ENOUGH TO SHIFT A BANK DEPOSIT
- WHAT IF A GPS ADDED ONE EXTRA SALES CALL A DAY TO YOUR SCHEDULE
- WHAT IF A SWITCH WITH A 10,000 TRANSACTION LIFE CAN BE REPLACED WITH A MORE EXPENSIVE ONE THAT COSTS MORE BUT HAS A 100,000 TRANSACTION LIFE
- MANY BANKS, BUSINESSES AND SALESMEN DON'T KNOW HOW TO DO THIS. IT IS SIMPLE AND VERY POWERFUL.



FINANCING/LENDING

LINES OF CREDIT (FUNDING DAY TO DAY OPERATIONS)

BUSINESS CREDIT (FINANCING ASSETS LIKE BUILDINGS OR EQUIPMENT)

- TYPES OF CREDIT

1. PERSONAL, BANK OF MOM AND DAD

2. BANK LOANS --BANKS CARE ABOUT ONE THING...ABILITY TO PAY BACK

MAY OR MAY NOT WANT PERSONAL GUARANTEE (NEARLY ALL WILL)

COLLATERAL (COLLATERAL DOES NOT GET LOANS, IT ONLY SECURES THEM)

3. VENTURE CAPITAL, ANGEL

4. THIRD PARTY

- **FINANCING DEBT WITH DEBT IS A BAD IDEA**

CREDIT SCORE..WHAT IS IT, YOU TELL ME?

- IF YOU DON'T UNDERSTAND THESE, IF YOU NEGLECT THESE, PERFECTLY HEALTHY BUSINESS COULD DIE!!
- IMMEDIATLEY LEARN HOW THESE WORK.
- IMMEDIATLEY LOOK AT AND ON YOUR PERSONAL ONE
- IMMEDIATLEY START TO BUILD A BUISNESS CREDIT SCORE SEPARATE FROM PERSONAL

WHAT ARE YOU GOING TO USE THE MONEY FOR?

1. PAY YOURSELF A SALARY
 2. PAY OFF OTHER CREDIT
 3. PERSONAL EXPENSES
 4. INCREASE INVENTORY TO SPEED SHIPPING
 5. UPGRADE MANUFACTURING EQUIPMENT
 6. BUY THE BUILDING
- WHATS YOUR HISTORY, GROWTH



FINANCIAL STATEMENTS

PROFIT AND LOSS STATEMENT

REVENUE – EXPENSE = NET INCOME

OVER A PERIOD OF TIME

[Company Name]		Income Statement	
		For the Years Ending [Dec 31, 2008 and Dec 31, 2007]	
Revenue		2008	2007
Gross sales		181,683	
(Less sales returns and allowances)		(10,000)	
Net Sales		171,683	-
Cost of Goods Sold			
Beginning inventory			
Goods purchased or manufactured		130,028	
Total Goods Available		130,028	-
(Less ending inventory)			
Cost of Goods Sold		130,028	-
Gross Profit (Loss)		41,655	-
Expenses			
Advertising			
Bad debt			
Commissions			
Depreciation		16,616	
Employee benefits			
Furniture and equipment			
Insurance			
Maintenance and repairs			
Office supplies			
Payroll taxes			
Rent			
Research and development			
Salaries and wages			
Software			
Travel			
Utilities			
Web hosting and domains			
Other		16,192	
Total Operating Expenses		32,808	-
Operating Income (Loss)		8,847	-
Non-operating revenues, expenses, gains, losses		12,762	
(Less interest expense)		(6,113)	
Income Before Taxes		15,496	-
(Less income tax expense)		(1,069)	
Income From Continuing Operations		14,427	-
Below-the-Line Items			
Income from discontinued operations			
Extraordinary items			
Cumulative effect of accounting changes			
Net Income		14,427	-

FINANCIAL STATEMENTS

Balance sheet example

**TEDDY FAB INC.
BALANCE SHEET
December 31, 2100**

ASSETS

Current assets

Cash and cash equivalents	\$ 100,000
Accounts receivable	20,000
Inventory	15,000
Prepaid expense	4,000
Investments	10,000
Total current assets	149,000

Property and equipment

Land	24,300
Buildings and improvements	250,000
Equipment	50,000
Less accumulated depreciation	(5,000)

Other assets

Intangible assets	4,000
Less accumulated amortization	(200)

Total assets

\$ 472,100

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities

Accounts payable	\$ 30,000
Notes payable	10,000
Accrued expenses	5,000
Deferred revenue	2,000
Total current liabilities	47,000

Long-term debt 200,000

Total liabilities

247,000

Shareholders' Equity

Common stock	10,000
Additional paid-in capital	20,000
Retained earnings	197,100
Treasury stock	(2,000)

Total liabilities and shareholders' equity

\$ 472,100

BALANCE SHEET

ASSETS – LIABILITIES = OWNERS EQUITY

AT A PERIOD OF TIME

Balance Sheet



It has to balance

FINANCIAL STATEMENTS

CASH FLOW STATEMENT

THE MOVEMENT OF CASH AND BANK BALANCES



STEVES SECRET #5 YOU ARE NOT A BANK

- IF YOU HAVE RECIEVABLES DO YOU LOOK AT YOUR AGING REPORT WEEKLY????



-
- DO YOU LOOK AT THESE
 - CAN YOU GET THEM WITHOUT USING YOUR ACCOUNTANT
 - HOW OFTEN
 - HOW MANY YEARS BACK DO YOU LOOK
 - DO YOU FOLLOW THE “STORIES” LIKE AN AGING REPORT?
 - IF YOU HAVE RECIEVABLES DO YOU LOOK AT YOUR AGING REPORT WEEKLY????

STEVES SECRET OF SUCCESS #3

A FAILURE TO PLAN IS PLANNING TO FAIL

- BUSINESS PLAN
- MARKETING PLAN
- SALES PLAN
- PRODUCTION PLAN
- **FORECAST**
- FINANCE PLAN
- NEW PRODUCT ENGINEERING PLAN

MONEY DOES NOT GROW COMPANIES IT ACCLERATES BUSINESS PLANS

Robert Herjavec, Shark Tank

COST OF GOODS ----- COGS

this may be one of the largest issues we see

this directly affects your pricing and profit

- When is the last time you looked at this
 - How do you know your pricing is right? (floral 66% & bankrupt)
 - When is the last time you took 50 invoices and costed them all out
 - Do you have all of your overhead included
 - Do you know where your marginal cost is where you can add more production with no cost
1. COGS should be stable unless volume reduces cost
 2. Labor and machine costs will fall
 3. Utilities will fall or not be a factor

STEVES SECRET #6 METRICS

- DO YOU KNOW YOUR METRICS
- IF RESTARUANT DO YOU KNOW THE INDUSTRY COGS
- IF MAKING OUTBOUND COLD CALLS FOR APPOINTMENTS HOW MANY CALLS EQUAL ONE APPOINTMENT
- HOW MANY “TOUCHES” DOES IT TAKE TO GET A DEAL
- ARE YOU IN TRADE GROUPS SO YOU CAN FOLLOW INDUSTRY TRENDS AND METRICS



QUOTE BY LORD KELVIN

“If you can measure what you are speaking about,
and express it in numbers,
you know something about it,
when you cannot express it in numbers,
your knowledge is of a meager and unsatisfactory kind,
it may be the beginning of knowledge,
but you have scarcely,
in your thoughts advanced to the stage of science”

A scenic view of a mountain range with snow-capped peaks and a town in the foreground with autumn-colored trees. The mountains are rugged and covered in patches of snow, set against a clear blue sky. In the foreground, a town is visible with several buildings, including a prominent white church with a steeple. The trees are in various stages of autumn, with many showing bright orange and yellow foliage. A road with yellow double lines runs through the town.

*THE MOUNTAINS ARE CALLING
AND I MUST GO*

JOHN MUIR

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FINANCIAL STATEMENTS

STATEMENT OF CHANGES IN EQUITY (OR THE STATEMENT OR RETAINED EARNINGS) MOVEMENT OF OWNERS EQUITY

SIMPLY THIS IS THE MONEY YOU DO NOT TAKE FROM THE COMPANY IN
DIVIDENDS, WAGES ETC AND IS USED TO SUPPORT OPERATIONS

