

**Baranov**  
ASSOCIATES

**Knowing your  
business numbers**



# Knowing your business numbers



## What are they?

Your business numbers are the figures that allow you to check how your business is doing without going down the route of having to understand a full set of accounts or going into minute detail.

## Why do I need them?

You don't necessarily; you can run a business without knowing your numbers, and you can run it long term, but by identifying and tracking the key numbers in your business (and they will differ between different businesses) you will be empowered and informed, both key attributes to the owner of a successful business.

## What do they give me?

They give you an understanding of just where the business is heading, whether it's getting better, worse or just standing still. The numbers that are important to your business will help you understand many aspects; the following are just a handful of examples:

1. How quickly the money comes in
2. How much of that money is going to stay in the business and not be spent
3. Whether you're making more money on each sale
4. When you need to expand
5. If you need to make some hard decisions and cut back
6. Knowing how close you are to your goals
7. Find and manage underlying issues
8. Discover problems before it's too late
9. If you have employees you can use these numbers to let them know what's important in your business
10. How well expenditure such as your marketing spend is working



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## Where do I start?

The important thing is to identify the numbers that are the most important in your business.

Some numbers will be useful for all businesses, some will be specific to your business, the most important ones are those that affect your profits and cash the most, but don't forget that providing the right service means you're more likely to make a sale in the first place!

Picking the right numbers can seem daunting at first but the process can be made easier by getting help from either someone with a broad experience of businesses and business numbers, or someone with experience in your specific industry.

Focus initially on the areas that you perceive are the most important for your customer to make sure they buy from you or will buy from you a second time; getting a customer to buy from you again is easier than getting a new customer. Think about the whole customer journey, from first contact to purchase. You should end up with two or three really important areas that you should measure.

Once you have the customer side covered you then need to concentrate on finding the numbers that make the most difference to the profitability of the business, once again there will be two or three of these that are the really important numbers for you.

Now, move on to thinking about the cash in your business. We could all do with more couldn't we?

What numbers, if changed for the better, could bring more cash into the business, and by that we mean cash that stays in the business. It's no use getting more cash in if even more goes straight back out again!

You will now have somewhere between 5 and 8 different numbers that you want to measure; if you have less than this you might well have a very simple business but it's probably worth getting someone else with the right skills to just check them to make sure you've not missed anything. If you have more than about ten you're probably going to want to pare them down so that you can really focus on improving the areas that will make the most difference. You can always add more later!

## I know what numbers I need, how do I measure them?

This is where the process starts getting a bit more difficult, but don't give up, it's seriously worth it!

The methodology of measuring these numbers is of course going to depend on the numbers that you've picked and you may not yet have a way of capturing them. There are a lot of very useful pieces of software out there that can help you gather this

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information, but they won't necessarily give you the actual numbers you want. You may need to have to do some separate recording elsewhere (Excel is great for this) or spend some money on specific software to help you out, but this can get quite expensive for the smaller business.

You may need to do some customer research to get the numbers you really want. Survey software can help here but you need to be really careful about how you ask the question to avoid getting an answer that's skewed because of the way you've phrased the question.

You're probably going to get the best and most useful numbers from the following areas of your business and will therefore need to make sure that you have a system for each that reports them:

1. **CRM system** - This should be able to report to you whether a potential customer has done something specific and should be able to link into your website and report what has happened on that potential customer's journey from initial contact to sale, and beyond!
2. **Website** - Google analytics is a good place to start to tell you visitor numbers and behaviour but you're probably going to want more specific information which is why the CRM system should tie-in.
3. **Accounting system** - The financial information from this lets you know how well the business is actually doing and where it could be going by looking at **the trend of your numbers. Prompt management accounts are key.**
4. **Forecasting system** - Ideally tying in to your accounting system, this would take information from the accountancy system and project forward to show you the outcomes over the future, allowing you to check your progress towards your goals and target. There are a range of suitable software options available that can update your forecast as your accounting system is updated, or you can construct a spreadsheet based alternative.
5. **Bespoke systems** - These will depend on your type of business, for example if your business is a hosted offering, what's the uptime for the site for that day, week, month? If you're a manufacturer, how many widgets did you build last week?

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## I think I might need some help; where can I get that from?

Your bookkeeper or accountant should be able to help you in several ways:

1. If you don't know what numbers you need to measure or you have too many, have a chat with either of them to help you decide what should be measured. If they can't help you they probably don't understand your business well enough or don't have enough experience to help you. Now may be the time to consider moving your business.
2. They'll be able to help you get the systems in place to measure the numbers you need.
3. They'll also be able to help you build the reporting mechanism to collate and track the numbers over time, and show you how to actually make the calculations.
4. If they have regular contact with you, you should get their insight on those numbers. Remember these people should have a lot of experience helping businesses just like you. If they haven't they might not be the best help you can get.
5. If something is going wrong they can help you turn that around with their business experience, and may be able to spot the issue before you do!
6. They can help design the report in a format that really works for you. Do you like to see the actual numbers, do you prefer to see graphs, or do you understand things better when they are narrated, or is it a combination of all three?

If you know a specialist in your industry, or have a business mentor, they can help you decide which numbers you need and in some areas, how to collect them. They may also be able to give you useful insights because of that industry knowledge.



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## How often do I need to check these numbers?

This is going to depend on the business you have, where you want that business to go and what systems you have in place. Ideally the frequency will be between a week and a month. Any more often than a week and you'll get overloaded with numbers, any longer than monthly and you may well miss something that is vital for your business until it's too late.

A useful way is to have two or three headline numbers that are reported weekly with the remainder on a monthly basis. These "snapshots" will help you understand your business so much better in the long run.

## How quickly should the numbers come out after the end of the period?

As quickly as possible! There's no use having weekly numbers that come out four weeks after the end of that week. Try to get the weekly numbers out either at the end of that week or on the first working day of the next week; this will allow you to react much more quickly to changing circumstances.

The monthly numbers should come out within a week of the end of the month and certainly no later than two weeks after the end of the month. If the reports are coming out later than this they actually aren't worth as much to a business owner because so long has passed from the factors that gave rise to those figures.

## I've got the numbers, now what?

You need to understand what they mean, and you need to compare the new ones with those that you had over time to spot any trends. Think about the following:

1. Am I heading in the right direction?
2. Is there a problem here that I didn't know about?
3. If we follow this trend what plans do I need to have in place to make sure it continues in the right direction?
4. When do I need to think about expansion?
5. Are the team doing the right things at the right times?

These are just examples; there are many more possible outcomes!

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## In Summary

If you don't know these numbers you'll still have a business, but you won't be in control of it, and will only be able to be reactive. Knowing the numbers will give you the power to make prompt, accurate decisions. Business changes so quickly these days you have to react at the same rate, or faster, to take advantage of opportunities and to stop the negatives.

Use people like your accountant to help you understand what you need to measure and what it all means to your business. Only by understanding the numbers within your business can you move forward with the minimum stress and maximum return!

Baranov Associates have a broad, solid experience of this process, gained over many years and by helping business of all sizes in many industries. Please get in touch if you would like to discuss how we can help you get a good understanding of your numbers, regain control of your business and start to make rapid progress towards achieving your dream.

# Baranov

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Disclaimer: This list is meant to prompt careful review of your existing arrangements only and is not designed to be a replacement for professional advice tailored to your precise needs and circumstances.

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