



***How do I monitor the
progress of my business?***

PREPARE FOR BUSINESS, PREPARE FOR SUCCESS

How do I monitor the progress of my business?

IDENTIFY THE PROFIT OR LOSS

Many businesses don't have adequate systems for identifying the amounts of profit or loss generated by different products and services, or even by the business as a whole. Yet this information is absolutely essential if the business is to grow stronger.

It is also important to know the costs of different areas of administration, so that overheads are not allowed to swallow the profits made from gross margins.

To keep track of where profits and costs are coming from, you may need to have a properly designed management information system which can provide all the essential facts quickly and accurately.

OBTAIN TIMELY INFORMATION

Annual accounts are not enough to control a business. You must know what is happening to profits and losses on a much more regular basis. Most businesses need to produce operating statements at quarterly intervals at least, and better still at monthly intervals.

There are even some businesses where financial information is available in real time (for example, as a till is recording a sale the financial records are updated simultaneously).



Key Performance Indicators (KPIs)

KPIs are the information you decide you must have to monitor progress and to run your business. The usual KPIs are listed below.

SET FINANCIAL OBJECTIVES

Businesses need to plan ahead and compare forecast figures with actual results. Break-even analysis, business ratios, budgets and discounted cash flow, perhaps built into a financial model on a computer, are some of the methods which you can use to set realistic financial targets and then keep you on course to achieve them.

- Sales - monitor the trends in sales on a daily, weekly and monthly basis. If possible this should be both by product or service areas, quantities and sales revenue.
- Costs - the business gross margin is the most frequently monitored statistic. There are ways to establish the sector figures to check progress against competitors. The overheads (such as rent, heat-light and insurance) are usually fixed so monitoring them presents fewer problems.
- Working capital - the most watched statistic is trade debtors (monies owed by customers). The aged debtor analysis should be constantly monitored and updated as the key tool in managing debtors.

- Cash flow - the flipside of working capital (plus capital expenditure payments) should be monitored. The advent of telephone and internet banking means your business should know its bank balance every day and the cash flow forecast should be updated accordingly.
- Accounting software - there are many accounting software packages which can give you regular information. Many will extend beyond management accounts to analysis of debtors and can provide regular KPIs.

MARKETING

Use appropriate tools to measure each aspect of your marketing activity e.g. google analytics to measure your website traffic and your marketing return on investment. Your marketing activity should achieve at least one of these results:

1. Retain your existing customers
 2. Encourage your customers to make repeat purchases from across your product/service range
 3. Seek, find and win new customers
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