

Managing the Bottom Line

If you don't keep track of how much money you're making, you have no idea whether your business is successful or not. You can't tell how well your marketing is working. And I don't just mean you should know the amount of your total sales or gross revenue. You need to know what your net profit is. If you don't, there's no way you can know how to increase it.

If you want your business to be successful, you need to make a financial plan and check it against the facts on a monthly basis, then take immediate action to correct any problems. Here are the steps you should take:

- * Create a financial plan for your business. Estimate how much revenue you expect to bring in each month, and project what your expenses will be.
- * Remember that lost profits can't be recovered. When entrepreneurs compare their projections to reality and find earnings too low or expenses too high, they often conclude, "I'll make it up later." The problem is that you really can't make it up later: every month profits are too low is a month that is gone forever.
- * Make adjustments right away. If revenues are lower than expected, increase efforts in sales and marketing or look for ways to increase your rates. If overhead costs are too high, find ways to cut back. There are other businesses like yours around. What is their secret for operating profitably?
- * Think before you spend. When considering any new business expense, including marketing and sales activities, evaluate the increased earnings you expect to bring in against its cost before you proceed to make a purchase.
- * Evaluate the success of your business based on profit, not revenue. It doesn't matter how many thousands of dollars you are bringing in each month if your expenses are almost as high, or higher. Many high-revenue businesses have gone under for this very reason -- don't be one of them.