



Sales & Network: Revenue, Goals, Pricing & Profit Margins

Have you ever watched Shark Tank? How many of those people who are pitching for investment money don't know how to answer questions from the Sharks about their business finances? They stand there looking uncomfortable, eyes to the ceiling as they attempt to crunch some numbers in their head right on the spot.

The truth is that if you are really a business owner, you could answer those types of questions on the fly. They shouldn't be hard to answer, and your numbers should not be a mystery to you.

You as the founder of your company must know your costs, your margins, your profit and loss. You must be intimately knowledgeable of what is coming in and going out on a daily basis. You need to develop realistic expectations of when and how money will come in. do you get paid by the hour, the project, or milestones? How will you allocate this money to the running of your business? What will go to bills, what will go to employees, and what will be left over to support your family? What will it require of you personally to keep it going?

Money can be a touchy subject, especially among women. entrepreneurs can often get so wrapped up in the potential of their dream that they completely overlook making strategic financial decisions.

However, finances are not just something you can figure out as you go along—you must look at the numbers frequently and in detail. You must see where money is going out, and where it is coming in.

So, how do you get to the point where you know all of your numbers on the fly? You first need clarity on your revenue goals. You won't know if you are making good progress if you don't have specific goals tied to specific numbers, and then track them daily. What measured is what gets improved, so you must commit to tracking your numbers daily. No exceptions.

BE SPECIFIC ABOUT YOUR REVENUE GOALS: When you have a specific money goal, it makes it easier to be strategic and map out the steps to get you there.

For example, if you want to bring in an additional \$1000 a month in revenue, what do you need to do to get there? It is simple, really. You have to know what your average “conversion rates” are (ratio of how many people say yes for every 10 you speak with, for example).

If your conversion rate is 20% (2 of every 10 people you talk to say yes and give you their money) and the average sale is \$50, then you need 20 sales to get to that extra \$1000. If you need 20 sales, and your conversion rate is 2 out of 10, then you need to talk to 100 people to get there. If you know that, then you make it a priority to talk to 5 people a day (assuming 20 work days). That makes this much more meaningful, right? It also takes the mystery and guess work out of meeting and exceeding your revenue goals.

(1) Try it for yourself. What is your revenue goal for the next 30 days, 90 days, and 12 months? Take time right now to figure out how much you would like to make (taking into account your costs to operate your business, AND how much money you want to deposit into YOUR personal bank account as profit and income):

30 Days:

90 Days:

12 Months:

(2) What is your typical conversion rate when you are selling your products or offerings? How many people do you have to talk to or market to before you get one sale?

(3) Given your conversion rate, how many people do you need to talk to to reach your 30 day revenue goals? 90 days? 12 months?

(4) Now you need to actually put this activity on your calendar daily and work work work to make sure you have at least that many sales conversations a day. Do that now.

MARGINS. This is a big issue for most women entrepreneurs. Figuring out how to predict and manage costs, and set your prices so you earn the margins you need to earn is the #1 thing.

Some of you are already selling without knowing this, which makes it very top priority for you. **MUST INCLUDE SALARY** (including YOURS), RENT, UTILITIES, PAYROLL, INSURANCE, LEGAL, UTILITIES, etc... - your pricing will not cover those items if you don't factor them into your pricing now. Even if you don't have those costs yet. Project what your estimated costs will be, and make sure you charge enough to cover those costs. Once you know what they are, you can then turn to profits.

EXERCISE: After reading the chapter in Wonder Women, your exercise here is to do the math and figure out what your monthly expenses are to run your business. The book walks you through what they must include, so do that now.

PRICING AND PROFIT MARGINS

Once you know your expenses, you need to then do some research to determine what is the typical (or ideal) profit margin in your industry. It definitely varies per industry, so what is a good profit margin for a law firm, for example, it not the same as a good profit margin for an apparel company. You must do your research on this, and make sure as you do, that you are also aware of how much your costs should be in your industry. If your margins are low compared to industry standards, but your costs are high, you can then focus on reducing your monthly costs to get your margins up in line with industry standards. But if your costs are in line with the industry and your margins are low, that means you are likely not charging enough for your products or services.

There is no way around this than to do the research. Your goal here is to know your profit margin percentage goal, and your ideal costs per month. If you don't watch both of these very carefully, even if you make sales, your business might remain anemic and unable to grow healthy and viable.

PRICING:

First, you also need to do research to determine what your pricing should be given your industry, ideal customer, and geographic location (since pricing can vary from one geographic location to the next). Are you selling a luxury item or service? Or a lower end product or service. Your pricing also needs to take into account your ideal client or customer, because your price point will either draw them in or repel them. For example, someone who wants a Louis Vuitton purse is not going to be interested in a purse from Walmart. And vice versa. So knowing your ideal client or customer first will also help you set your prices. Prices must cover your costs, but sometimes the margins are much higher because you are trying to reach a luxury market. The purse that is sold by Ann Taylor and the one sold by Prada are very similar in terms of the costs to produce that purse. But the pricing varies enormously. So know your ideal client or

customer, and that market, and then know what your pricing should be in order to attract that type of customer.

EXERCISE: What is your price point that will draw in your ideal client or customer? Keep notes of your research below.

PROFIT MARGINS:

Exercise: Do your research to determine what your margins should be, and figure out how to cut costs and adjust your prices so that you hit those ideal profit margin percentages.