

# The Top 3 Must Do's for Every Business Owner

## Cash Flow, Sales & People



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## Small businesses - we salute you

UK small and medium enterprises are the heroes of the private sector, generating an **eye-popping combined annual turnover of over £1.8 trillion at the start of 2016**. That's impressive!

It's not always so easy for hard-working small businesses to find time to see the bigger picture.

You may be a plumber who fixes leaks all day, and don't have time to manage cash flow. Or a clothes shop owner so busy stocking shelves, you're not sure what's left in the warehouse.

We understand your time is precious so to make it easier for you to keep track of your business's vital health signs, we've created the following eBook. It contains simple must do's that will help keep your business ticking along nicely.





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- 3 Tracking and managing your people
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PART ONE

# Get to know your cash flow

What is cash flow?

Put simply, it's the inflow and outflow of money into your business.

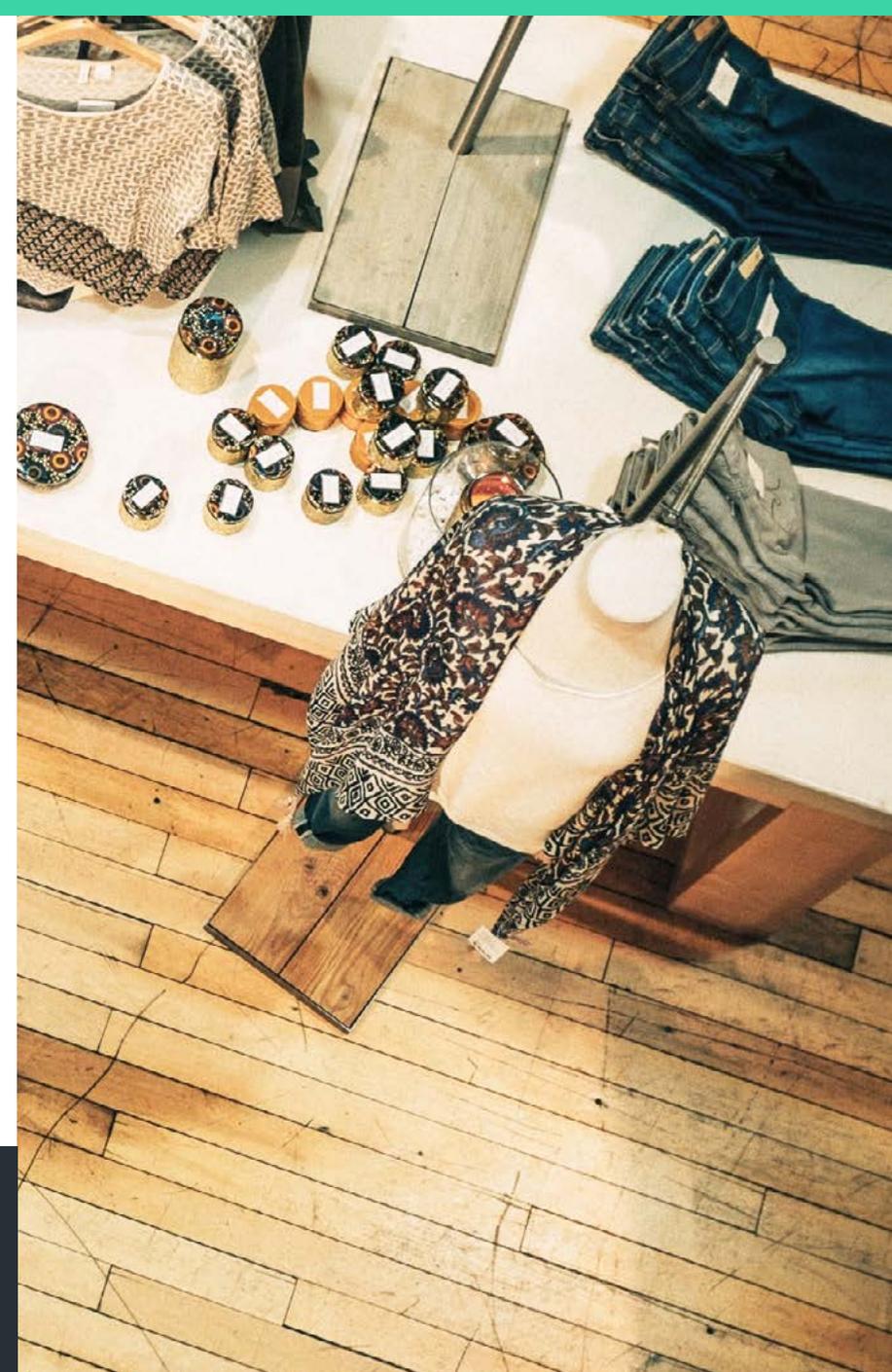
Good cash flow management involves generating more sales and collecting cash more quickly. Reducing costs and deferring payments is also good for your cash flow.

Why is good cash flow vital?

You've probably heard the saying 'cash is king'.

It's easy to understand why when you consider that 90 percent of small business failures are caused by poor cash flow. Good cash flow makes daily tasks easier, such as paying staff, operating costs, taxes and purchasing inventory - so it's the best way to make sure your doors stay open!

 [Cash flow: Metrics to watch](#)





## GET TO KNOW YOUR CASH FLOW

# Cash flow: Metrics to watch

### 1. Know what's owed to you

Do you know who owes you money?

Even good customers can pay late, which could leave you short. It's crucial to always have visibility of the flow of cash into your business - so you can chase late payments and make sure you have the cash available to pay the bills and wages that you owe.

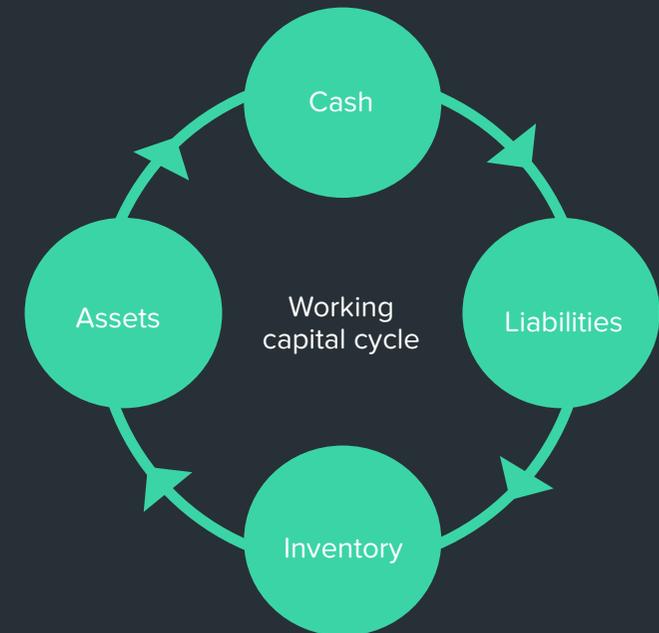
Even if you're increasing your revenue, if you simply invest it back into the business, you might find yourself asset rich and cash poor.

Doing this can create a low or stagnant cash balance, which means your business could become unsustainable.

By knowing exactly what's owing, it's easier to keep your cash flow pumping, so that if anything urgent comes up, you can handle it.

Keep an eye on your working capital ratio (balance of your assets to liabilities). Try to have your assets greater than your liabilities so you can be more profitable.

A great example of keeping an eye on cash flow is a café monitoring its wage costs as a percentage of revenue. Wage costs can be one of the most variable costs, so knowing you have the cash flow to cover them is invaluable.





CONTINUED...

# Cash flow: Metrics to watch

## 2. Control your stock levels

Smarter stock management can improve cash flow because it means money isn't tied up in unsold goods. **Inventory turnover ratio** measures the number of times inventory is sold or used in a time period such as a year. This measurement is your cost of sales divided by your average inventory.

Having a good understanding and control of your cash flow gives you a great foundation on which to **start growing sales**.



Activating and growing sales

## 3. Keep an eye on profitability

Your business's **gross profit** is the total revenue from goods or services less purchase costs. It's a useful tool for assessing the value each product or service brings to the business. **Net profit** is gross profit minus all other costs including rent, administration, salaries and insurance. This figure is how much your business has generated before taxes.

## 4. Work out margins on products

The **gross profit margin** on a product shows how much of the selling price is going to your business. By comparing gross profit and gross profit margin you can see which products are best for cash flow. It can also help with strategic decisions such as trying to reduce the cost of selling a product. **Net profit margin** shows how profitable your business is in terms of sales as a percentage. Comparing net profit and net profit margin can reveal whether your administrative and overhead costs are reasonable. This helps with cost-cutting decisions to increase profitability - for example, reducing the square footage rented at a warehouse if unoccupied.





## PART TWO

# Activating and growing sales

### Get under the skin of your sales

A deeper understanding of the numbers behind your sales is the first step to increasing them.

For example, by pinpointing your busiest time of the day, you can take advantage by putting more staff on. Having key sales data like this helps you plan and run your business more effectively.

### Know the 'who, what, where & when'

The key to increasing your sales is knowing the four Ws: who's buying what, where and when? A multi-faceted approach including tracking is required to collect this data.

Having this information will reveal which marketing tactics generated sales - and make it easier for you to take important business decisions.





# Sales: metrics to watch

## 1. Track your sales performance over time

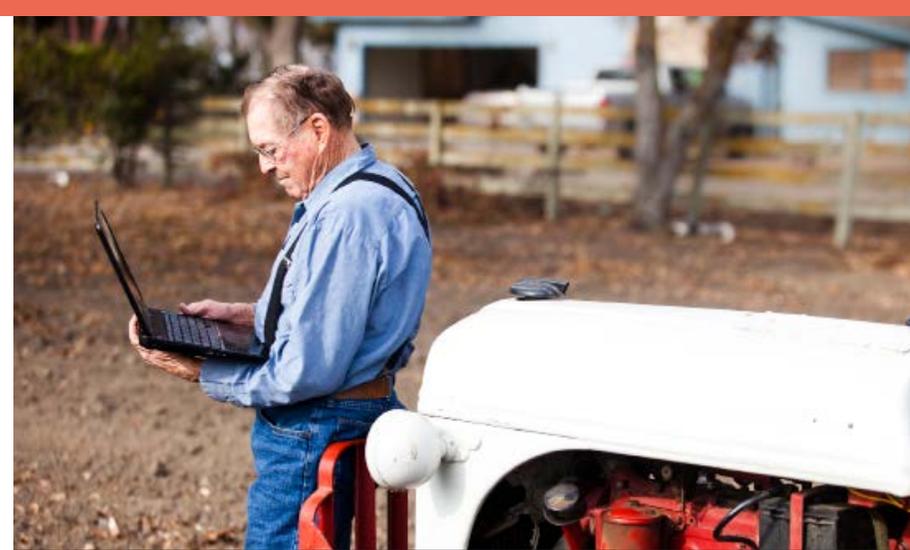
Measuring the growth in your sales revenue over a select period of time – daily, weekly or monthly - is a great way to assess the health of your business. For example, reviewing your sales by month can help you structure staffing and stock levels accordingly, by comparing current performance to previous periods and forecasting potential sales for upcoming months. It can also help you track which product/service lines are preferred by customers at different times of the year, so you can update your offering accordingly.

## 2. Know what's actually selling

Do you know which products are your best sellers? If you do, you can promote these clearly to boost sales of them further. It can also help you focus on the products that may require additional advertising or promotional support. You should also monitor the number of items per sale. If you are often only selling one item per transaction, then focusing on increasing this by promoting popular combinations together or offering discounts on additional products or services can help drive additional revenue per customer.

## 3. Identify your most profitable products and services

You should closely follow which products and services give you the highest profit margin. Measuring your product gross profit can help you focus on those which offer your business the most value. It will also help you limit stock levels of less valuable products with smaller margins. Knowing the gross profit of your products can enable you to work out strategies around price changes, and supplier agreements.



## 4. Understand the cost of acquiring new customers

Every industry is different, but one thing is true for all businesses: the more people you attract, the more sales you make. Advertising can be expensive though, so it's important to only repeat activities which are most cost effective. Seeing how much it costs to acquire new customers helps you decide which marketing works, so you can improve your ongoing strategy. To calculate customer acquisition cost, take your total marketing investment - this could include cost per click, sales meetings or time spent on travel and entertainment - and divide it by the number of customers acquired.



Tracking and managing your people



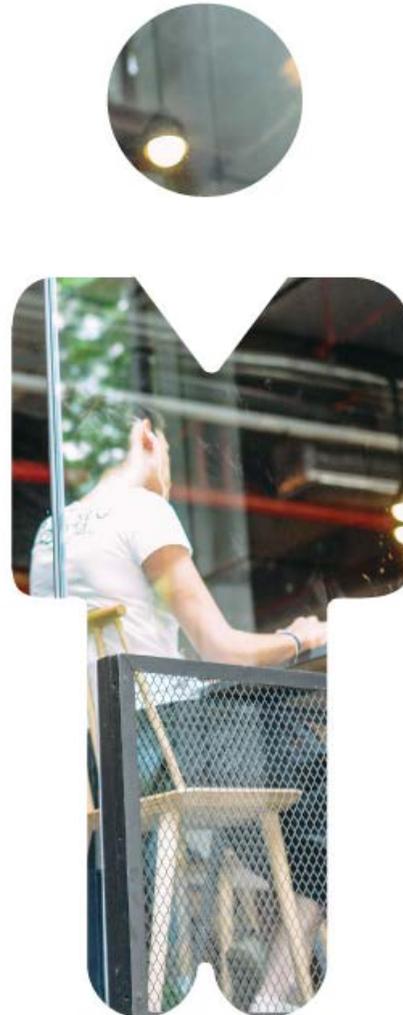


PART THREE

# Tracking and managing your people

Get the best out of your most valuable asset.

A business's aim is to deliver value to your customers. Your staff have a key role in this, but you can't always be there to check they're fully contributing to the business.



By understanding their activities and how long each task should take, it's easier to fine tune your operations and find ways to improve their performance. Having access to staff metrics will help you make the important strategic and day-to-day decisions to ensure your human capital is contributing to the bottom line.

Jump to

- [→ Staff: The metrics to watch](#)
- [→ Unbeatable top tips](#)





# Staff: metrics to watch

## 1. Billable time

Accountants and lawyers fill in time sheets, sometimes down to every six minutes! This is so they can see how much time has been spent on a job and evaluate it against their expectations of how long it should take. This helps them work out how to get the job done faster next time. The same principle applies for any task where you bill for time. Identifying KPIs such as 'time to task' allows you to spot and reward superstars, or helps identify possible financial implications, such as cash flow or payroll trends.

## 2. Rostering and shift tracking

Monitoring **staff rosters** and **tracking shifts** shows you how efficiently you are using your people. Looking at **sales trends** throughout the day makes it easier to get staffing levels right to meet customers' needs and also creates efficiencies.

## 3. Payroll

Managing payroll expenses can help with strategic staffing decisions such as increasing or decreasing staff numbers or altering shifts to align with consumer demand. Awareness of **total staff expenses** is vital because it's one of your largest costs, and needs to be controlled for a business to remain financially viable.

Staff can be one of the most variable costs in your business.



# Unbeatable top tips

## 1. Visibility of your business is key

Being able to always access up-to-date metrics across the key areas of your business makes a real difference. It will give you an overview of how it's performing, so it's easier to make the big decisions.

## 2. Cash is king

Make sure your growth can be supported by long-term capital, working capital, or both. A healthy order book is no good if you can't pay your bills.

## 3. Information is queen

Decisions based on insufficient management information are risky. Make sure your data is up-to-date and relevant. And always know the main financial drivers in your business, especially your gross and net margins as well as your breakeven.





We understand that when you're busy working in your business, it's hard to find time to work on it.

We hope this eBook from 9 Spokes has shown that by having a good grasp of your cash flow, sales and people metrics, **it's easier to see the big picture and make clearer decisions to manage or grow your business.**



# This eBook was brought to you

## by 9 Spokes.

With a smart dashboard from 9 Spokes, you can see your business more clearly - so it's easier to make the big decisions. Simply connect your business software to the smart dashboard, then see your business in a whole new light.

Key metrics across essential areas of your business are displayed in one place, revealing exactly how it's performing.

With these insights, you'll find it easier to make the right calls to manage or grow your business.

Visit [www.9spokes.com](http://www.9spokes.com) and get the powerful insights you need to see your business more clearly.

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