

# KNOW YOUR NUMBERS

## MODULE #3

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You might not like it, but you gotta do it --  
knowing your numbers is a key aspect of the  
success of your business

# Decide What To Offer & How

## Determine What to Offer & How:

The lifestyle you aspire to will shape how you run your business. The success of your new business's product or service depends on the value you demonstrate to potential customers. Aligning these factors leads to a content entrepreneur and satisfied customers. In this module, you will systematically create a business that suits you and choose your initial product or service for launch.

## Choose Your Business Model:

A business model is the method a company uses to sell its products and services. Various business models cater to different types of businesses. While traditional brick-and-mortar stores still exist, the rise of digital products and ecommerce has expanded opportunities for start-up entrepreneurs. Three basic models include Product/Service (selling one's own products), Reseller (buying and selling others' products), and Person-to-Person Exchanges (facilitating transactions for a fee).

## How to Choose Your Business Model:

Consider your "why" when selecting a business model that aligns with your lifestyle. Factors like travel preferences or face-to-face interactions with clients influence your choice. Analyze common business models and choose the one that suits your vision.

## Define Your Unique Value Proposition (UVP):

Your UVP is crucial in conveying the unique value your product or service offers. Clearly communicate how your offering solves problems, what makes it different, and the advantages it holds over competitors. Enhance your UVP by adding valuable elements, such as home delivery services or money-back guarantees.

### Assess the Competition:

Understanding your competition is essential. Research what is already in the market, analyze customer reviews, and identify gaps where you can add value. Use a mix of online and offline methods to gather information on competitors.

### Your Minimum Viable Product (MVP):

Following Lean Startup Methodology, treat your start-up as an experiment. Trial a minimum viable product (MVP) to test its viability, gather feedback, make adjustments, and then market it widely. The MVP should offer enough value, deliver on promises, and provide a feedback loop for future development.

### Test Your MVP:

Before a full-scale launch, test your MVP with a small segment of your target market. Offer incentives like discounts or free samples to gather honest feedback. This trial helps ensure your idea resonates with your audience and allows for necessary adjustments before a broader release.

### Key Takeaways:

- Your business model choice is influenced by your lifestyle, values, and vision.
- Clearly define the unique value your offering provides (UVP).
- Test your idea with a small market segment through an MVP, gather feedback, and make adjustments accordingly.

### Action Steps:

- Select your business model based on lifestyle and values.
- Define your UVP using provided questions.
- Design your MVP, considering product/service specifics and feedback collection methods.

# Your Profitable Purpose

You're building up a clearer picture of yourself and how you will influence your business from the top down. It's important that your business reflects you and is built the way you want it to be. In this module, you'll add your strengths to your vision and your values from the last module. Then, you'll move on to clarify your business idea and the revenue you want to be bringing into the business.

## Focus on Your Strengths and Talents

What are you really good at? What do you find really easy to do? Does your particular expertise in a certain area match up with your interests? If so, you have already found the perfect niche.

We're going to look at the mechanics of setting up a business later in the course. For now, you should focus on identifying the strengths you already have when it comes to business practices.

In your Action Guide, you'll find a checklist and questions to take you through the key tasks a business owner has to cover. Check each one based on:

1. Whether you are good at this element and love doing it.
2. Whether you hate doing it (even if you are good at it).
3. Something you might be prepared to do if necessary or you'd do one of the

activities as 'down time'

(for example, some business owners like to do photocopying once in a while as it's a mindless task and it gives their brains a rest).

This will give you a good overview of your current strengths as a business owner.

## Clarify Your Business Idea

It's rare that someone suddenly decides to start a business without having any idea about what they want to do.

You may have done some research, or worked on a prototype, or already tried out a consultancy process. You may have even held a dream of your business from childhood.

You may not be clear about the details, but it's likely you can identify the type of activity you want to make a business from.

For example:

I want to help business owners work more efficiently.

I want to sell beauty products.

I want to introduce healthy cooking into my neighborhood.

It's time to write down your business idea. Spend a few minutes committing your idea to paper in as much detail as you can. Ideally, this idea will be associated with your strengths and talents and what you can bring to your customers.

If you're struggling, look at the things you love doing and find easy to do. For example, you might find it easy using time-saving systems for planning and organizing, but there are many business owners who don't, and need help from someone like you.

## Decide on Your Revenue Targets

You'll be developing your business idea/plan as we go further into the course, so keep it close to you to refer to. We will go on to examine its profitability later.

But before doing that, you need to determine the revenue you want from your business. That way you can match your lifestyle goals to your potential income.

With a revenue target, you decide how much you want your business to earn in a certain period of time. You can then determine how many 'units' you expect to sell, and price each individual product or service package accordingly.

Let's go through a process for calculating an exact monthly figure.

Here's the step-by-step process to follow:

1. Make a list of all your business and personal expenses. Remember to include things like 'phone and internet costs, heating, loan repayments, restaurant outings etc.

Review the list to ensure you have noted everything.

2.Reduce your outgoings where you can by cutting out anything you aren't using like a gym membership or an insurance policy which isn't relevant any more.

3.Add up your list to get to a monthly figure (any annual expenses need to be divided by 12).

4.Multiply your monthly figure by 1.3. This gives you a 30% margin to pay tax and make a profit on top of covering your outgoings.

If the monthly figure you come up with is much bigger than you thought, don't be too alarmed. Decrease your expenses where you can so you aren't wasting money. And follow the course to find ways for achieving this figure.

# 90 Day Goal Strategy

It's time to reverse engineer your goals so you know what needs to be done in order to meet your annual goal(s). If your goal is to earn \$10k a month, you need to have systems in place, a marketing strategy, among other things.

## **Where do you need to focus to see the growth you want?**

You can't do everything at once. Trust me, I've tried! But you can prioritize the tasks you need to take on in order to meet your goals, and where you're starting now makes a big difference.

If you're brand new to business, you need to have packages with solid pricing as well as a discovery call template so you know what to say and how to say it when you get prospects on the phone. If you already have a few clients under your belt, you may need to refine your onboarding or offboarding systems. And if you want to scale, really nailing down the operations of your business is imperative. Making sure the foundation of your business is strong is important, but I recommend focusing on revenue generating activities first.

Find the two or three big tasks that need to happen in the next 90 days in order to get that much closer to your big goals.



# Create the task list that gives you momentum

Leading vs lagging KPIs - Key Performance indicators.

**Lagging indicators include:** sales, revenue, number of customers.

**Leading KPIs?** Sign ups, net new leads, website traffic. Whatever you need to project what your sales will become.

## **ACTION ITEM:**

Identify 5 lagging and 5 leading KPIs. Then use those to project the revenue for the upcoming year, and set the goals for the year, quarter or month.

NOTES


What does your to-do list look like? Too many business owners rely on long to-do lists that don't actually help them create the momentum they want. Once you know what you want to focus on in the next 90 days, list all the things you need to do to make that thing happen.

For example, if you're developing a new product or service, some of the things on your list might be:

- Research viability of the service (talk to your audience, check out competition)
- Outline the new service (what's included, who is it for, how will you communicate, what are your boundaries, what are the outcomes)
- Determine pricing (develop a formula, set up payment system)
- Outline marketing (create sales page, add to scheduling system, outline your sales call, create social posts and emails)
- Hone in on onboarding (auto-responder for new clients, create onboarding questionnaire)

...and so on. This is only a partial list of what you'd need to do to prep a new service for market. And it's just one more reason why you need a detailed task list, based on your 90-day plan, to get it all done. Once you've walked through this process once, it's repeatable for new products and services in the future.

# What happens when you get stuck?

No matter where you are in business, you're going to get stuck at some point in your 90-day plan. You'll be unsure of what to do next or your launch won't go as expected or you'll lose an essential client you were counting on for your revenue goal. It's okay,

because it's just a season and there's a lot you can do to continue the forward momentum.

- Tackle the most challenging task first. Sometimes just getting that task you really, really don't want to do is the key. It's often the scariest thing that we don't want to do, but no one gets to where they want to be without taking risks and doing the scary thing.
- Use affirmations. I add affirmations into my daily practice because it helps me to keep looking at the positive. If this is a challenge for you, Google "daily business affirmations" for help!
- Work smarter, not harder. You don't need to put in 50 hours a week to see movement in your business. Often you need to develop better systems and automations that will free up your time so you can work on the more important tasks.

# Maybe you need help

You have your 90-day plan and your task list. You're feeling the momentum slow down, even though you're eating the frog daily, using positive affirmations to see the brighter side and your systems seem to be working. But you're still not seeing the growth your 90-day plan sets you up for.

It might be time to get help--either from some 1:1 support or from a community of like-minded business owners.

Community can help your business grow, and give you the support system you need to stay at it, even during the difficult days and weeks. We all have them, and talking about them with one another can give you the solutions you need to move forward.

## **CONSIDER US YOUR NEW BUSINESS BUDDIES: JOIN THE SUPPORT GROUP**



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# When the 90 days are up

Once you work through the goals in your 90-day plan and assessed what worked and what didn't, it's time to set new goals and tasks for the next 90 days. This is a completely repeatable system, and one that you should replicate for the life of your business. Even when you've met your 2-, 5- and 10-year goals, there's always the next 2, 5 and 10 years to think about.

THE 21ST CENTURY WOMEN IN BUSINESS & LEADERSHIP MASTERMIND  
KNOW YOUR WHY - by: Marlary Jarue

# TRANSFORMING YOUR BUSINESS WITH PROFIT FIRST PRINCIPLES



## Introduction

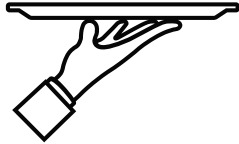
Achieving Profitability from Day One

In today's competitive business landscape, achieving profitability from the outset is paramount. The conventional business formula, where profits are an afterthought following expenses, has been redefined by Mike Michalowicz's groundbreaking book, "Profit First." In this training manual, we will explore the key insights from this book to help you grow your business and transform it into a profit-making machine.

### THE PROFIT FIRST MINDSET

The cornerstone of the Profit First methodology is a shift in mindset. Instead of adhering to the traditional formula of  $\text{Sales} - \text{Expenses} = \text{Profit}$ , we adopt the Profit First formula:  $\text{Sales} - \text{Profit} = \text{Expenses}$ . This simple shift changes the way you manage your finances and can have a profound impact on your business's success.

By taking a predetermined portion of each sale as profit, you ensure that your business is consistently profitable. The remaining funds are then allocated to cover expenses. This seemingly minor change can transform your business from a cash-eating monster into a money-making machine.



## #1 USE A SMALLER PLATE:

Just as a smaller plate naturally reduces calorie consumption, constraining your operating expenses budget leads to reduced unnecessary spending over time. By allocating more money to profit, you are forced to become more efficient and cut superfluous expenses.

## #2 SERVE SEQUENTIALLY:



Just as starting a meal with a nutritious salad reduces overall calorie intake, prioritizing profit allocation leads to increased financial satisfaction. Profit serves multiple purposes: as a reward, an emergency cash reserve, and as a metric for your business's health.

## #3 REMOVE TEMPTATION:

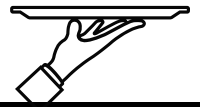


Just as moving profits to a separate, less accessible bank reduces impulsive spending, separating profit from day-to-day expenses ensures it is used for its intended purpose.

## #4 ENFORCE RHYTHM:



Regular financial assessments are key to making informed decisions. With Profit First, you transfer money to different accounts on the 1st and 15th of each month, allowing you to frequently assess your business's financial health.



## Profit First Principle - Use a Smaller Plate

The Profit First principle of "Use a Smaller Plate" draws a clear parallel with the concept of using a smaller plate during meals to reduce calorie consumption. In this context, constraining your operating expenses budget is akin to limiting your food intake, leading to reduced unnecessary spending and improved efficiency over time.

### Direct Application:

Incorporating this principle in business involves allocating a fixed portion of your income directly to profit before addressing any other expenses. The remaining funds are then allocated to cover operating expenses.

This approach promotes efficiency by forcing businesses to operate more carefully and scrutinize expenditures, leading to the elimination of unnecessary spending. Over time, consistently prioritizing profit allocation results in enhanced profitability, financial stability, and the ability to adapt to challenges, ultimately building a foundation for enduring success.



## Profit First Principle - Serve Sequentially

The Profit First principle of "Serve Sequentially" draws a parallel between the sequence of serving a meal and prioritizing profit allocation in your business finances. Just as starting a meal with a nutritious salad can help control overall calorie intake, placing profit at the forefront of your financial strategy leads to increased financial satisfaction and stability.

### Understanding the Sequential Serving Analogy:

1. **Nutritious Start:** When you begin a meal with a healthy salad, you're starting with a nutrient-rich option that satisfies your hunger and sets a positive tone for the rest of the meal. This initial choice encourages moderation and healthier eating habits.

Profit serves as a tangible reward, an emergency cash reserve, and a health metric for the business. By consistently prioritizing profit allocation, businesses experience financial satisfaction, build resilience, and make informed decisions, creating a solid foundation for long-term success and prosperity.





## Profit First Principle - Remove Temptation

This principle draws a direct comparison between moving profits to a separate, less accessible bank and separating profit from day-to-day expenses within your business. Both actions serve to prevent impulsive spending and ensure that profit is used for its intended purpose.

Understanding the "Remove Temptation" Principle:

1. **Separating Funds:** Just as moving profits to a separate bank account makes it less convenient to access and spend impulsively, the business application involves separating profit from the pool of funds designated for daily operations.
2. **Intended Purpose:** This principle emphasizes that profit should not be commingled with everyday expenses. Instead, it should be safeguarded for specific purposes, such as owner rewards, emergency reserves, or reinvestment.

This strategy discourages impulsive spending, preserves profit for specific purposes, and ensures focused use for owner rewards, emergencies, or growth. Over time, businesses establish financial accountability, fuel intentional growth, and reduce financial stress by implementing this principle, creating a disciplined approach to financial management and enhancing overall stability.

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## Profit First Principle - Enforce a Rhythm

The principle underscores the importance of regular financial assessments and disciplined financial rhythms in business. Just as time gaps between financial assessments can lead to misperceptions of financial health, enforcing a rhythmic approach allows for frequent evaluations of your business's financial well-being.

### Key Aspects of the "Enforce a Rhythm" Principle:

1. **Regular Financial Assessments:** The principle advocates for consistent, scheduled financial assessments rather than sporadic or infrequent evaluations. This rhythm enables you to gauge your business's financial health accurately.
2. **Frequent Fund Transfers:** In the Profit First system, money is systematically transferred from the income account to various designated accounts (e.g., operating expenses, owner's compensation, taxes, and profit) on specific dates (typically the 1st and 15th of each month). This frequent allocation ensures that financial resources are managed proactively.

Similar to checking your pulse consistently for accurate health assessment, enforcing a rhythmic approach involves scheduled financial evaluations and frequent fund transfers to designated accounts. This practice leads to accurate financial monitoring, proactive decision-making, and instills financial discipline. Over time, businesses achieve outcomes such as financial clarity, efficient resource allocation, and an adaptive financial strategy, contributing to long-term stability and adaptability.

Now, let's outline the steps to implement the Profit First system in your business:

Step 1: Create five checking accounts at your bank, each with a specific purpose:

**INCOME, OPEX (Operating Expenses), COMP (Owner's Compensation), TAX, and PROFIT.**

Step 2: Determine the percentage of real sales revenue to allocate to each account.

Start by allocating 1% to PROFIT if you haven't been allocating any, and subtract 1% from OPEX. Your current allocation percentages should be noted.

Step 3: Set your target allocation percentages based on industry standards: For revenue under \$250K: PROFIT 5%, COMP 50%, TAX 15%, OPEX 30%. For revenue between \$250K and \$500K: PROFIT 10%, COMP 35%, TAX 15%, OPEX 40%.

Step 4: On the 1st and 15th of every month, transfer all income to the designated accounts according to your current allocation percentages. Always allocate to PROFIT first.

Step 5: Quarterly, increase PROFIT, COMP, and TAX allocation percentages by 1% and decrease OPEX allocation by 3% until you reach your target allocations.

Step 6: Create external PROFIT and TAX savings accounts in a separate bank.

Transfer funds from your main accounts to these external accounts at the end of each quarter to keep the money out of sight and out of mind.

By following the Profit First system diligently, you'll gradually trim non-essential expenses and find innovative ways to grow your business without reckless spending. After a year of applying Profit First principles, your business will evolve from a cash-eating monster into a well-oiled profit-making machine. Profitability will become a habit, not a distant future event.

In conclusion, Profit First offers a practical and effective approach to ensure your business remains consistently profitable from day one. Embrace the Profit First mindset and principles, follow the steps outlined in this manual, and witness the transformation of your business into a thriving and sustainable venture.

# Business Financial Worksheet Links:

## 2024 Financial Reporting Spreadsheet

[https://docs.google.com/spreadsheets/d/1Irr-7hzpaIrKzqebAm\\_1iGx\\_SxZ8PDGQ/edit?usp=sharing&oid=107214053231936034997&rtpof=true&sd=true](https://docs.google.com/spreadsheets/d/1Irr-7hzpaIrKzqebAm_1iGx_SxZ8PDGQ/edit?usp=sharing&oid=107214053231936034997&rtpof=true&sd=true)

## Supplier Tracking Worksheet

<https://docs.google.com/spreadsheets/d/1fey2ITGVbVyWNH1EEecBbxUFPNITDxhs/edit?usp=sharing&oid=107214053231936034997&rtpof=true&sd=true>

## Cash Flow Spreadsheet

<https://docs.google.com/spreadsheets/d/1-joU-IgXX-MCZSv9TgWYRXFrGafyoKWc/edit?usp=sharing&oid=107214053231936034997&rtpof=true&sd=true>

## Personal Monthly Budget

[https://docs.google.com/spreadsheets/d/1eX5DqGj4AYygWjm\\_ApLp-WDhu-piDS5\\_/edit?usp=sharing&oid=107214053231936034997&rtpof=true&sd=true](https://docs.google.com/spreadsheets/d/1eX5DqGj4AYygWjm_ApLp-WDhu-piDS5_/edit?usp=sharing&oid=107214053231936034997&rtpof=true&sd=true)

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WE'RE YOUR NEW BUSINESS BESTIES THAT GETS YOU TO THE CEO YOU WANT TO BE



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