RUNS WELL WORKBOOK

CAMPBELLTOWN

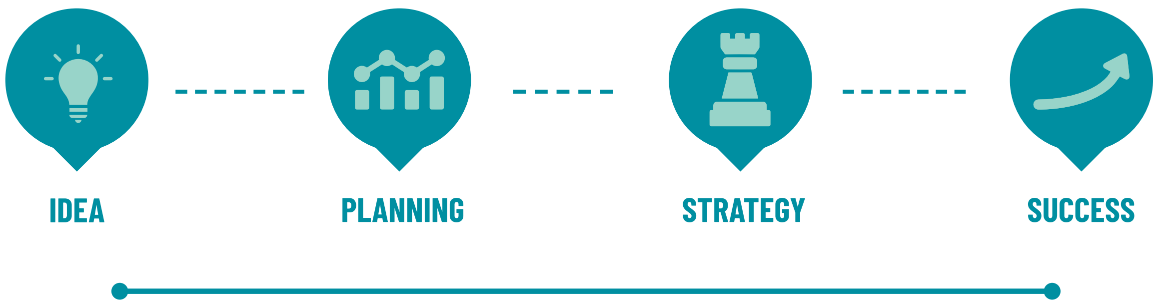
RUNS WELL **WORKBOOK**

PURPOSE
Be part of our Street Appeal Grant Program and improve the outdoor appearance and ambiance of your business.

SCOPE
The pilot Street Appeal Grant Program will be rolled out to ground floor businesses located in the Campbelltown CBD.

OBJECTIVE
Enhance the experience for your visitors and customers while increasing the vibrancy of our city centre.

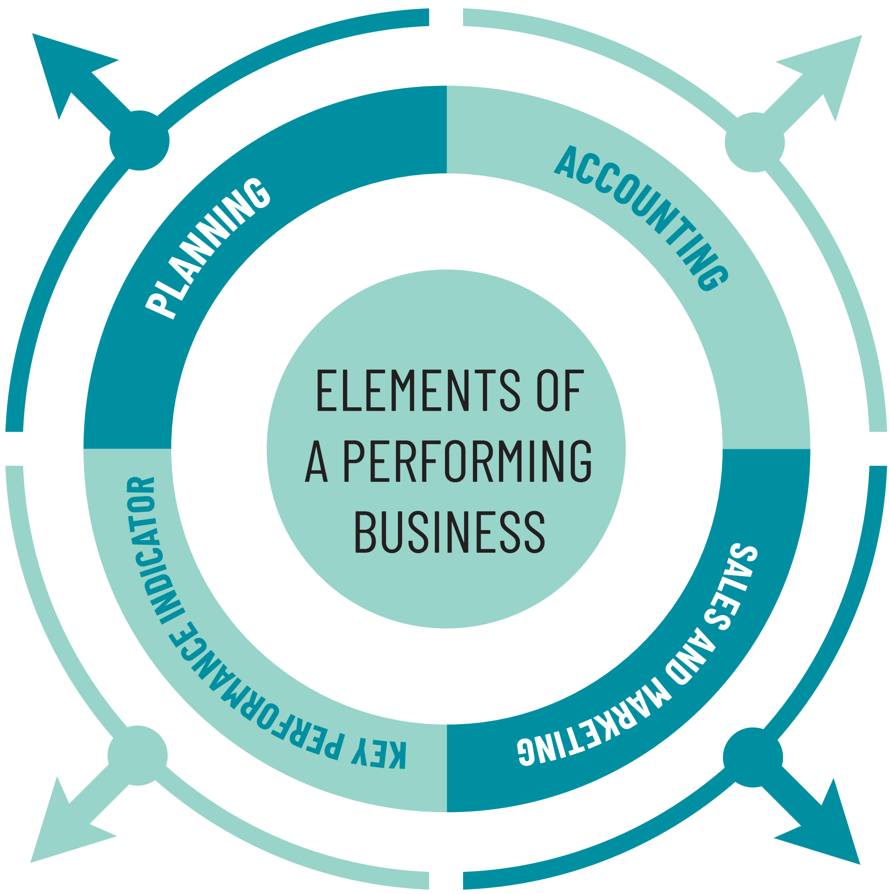
SUCCESS DRIVERS
This workbook will help you identify what improvements you can make to increase the success of your business.



SUCCESSFUL BUSINESSES NEED TO LOOK GOOD AND RUN WELL

The **runs well** component of the grant program will focus on improving the performance of your business and encourage growth. This component will upskill businesses in areas across business planning, accounting, budgeting, measurement, KPIs, sales, and marketing.

The following workbook provides a structure to help your business run well.



BUSINESS PLANNING

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Business planning can be the key to your success as it will:

HELP YOU PRIORITISE

It gives your business direction, defines your objectives, maps out strategies to achieve your goals and helps you to manage possible bumps in the road.

GIVE YOU CONTROL

The planning process helps you learn about the different forces and factors that may affect your success. If you're already in business, it helps you take a look at what's working and what you can improve on.

HELP YOU GET FINANCE

Having a plan shows banks and investors why they should invest in your business, helping you if you're ever seeking finance.

Plans should include:

- Business profile
- Vision, mission and goals
- Market research
- Operational strategy
- Products and/or services
- Marketing plan
- Financial strategy
- Key performance indicators
- Budgets

FIND BUSINESS PLANNING TEMPLATES HERE:

www.Service.nsw.gov.au/guide/start-or-grow-business-nsw

www.Business.gov.au/planning/business-plans

www.Nab.com.au/business/small-business/moments/manage/planning/write-business-plan

ACCOUNTING

ACCOUNTING

Accounting is the process of summarising, analysing and reporting transactions so you can understand the business's performance and report to the ATO.

The financial statements used in accounting are a summary of financial transactions over an accounting period, highlighting a company's operations, financial position and cash flows.

It's recommended to keep your accounts in a well known accounting system such as Xero or MYOB. There are 3 different financial statements that you'll need to understand to better run your business:

1. PROFIT AND LOSS STATEMENT

- **Income** - Income earned by the business *(sales, fee revenues).*
- **Expenses** – Costs and expenditure incurred in the operation of the business *(purchase, rent, salary and wages, electricity).*
- **Profit/Loss** - Used to determine the operational surplus or loss for the reporting period.

2. BALANCE SHEET

- **Assets** - What your business has or owns *(cash, accounts receivable, supplies, equipment).*
- **Liabilities** - What the business owes to outsiders *(payable, overdrafts, loans).*
- **Owner's equity (assets less liabilities)** - what the owner owns *(investment and business profit)*. Used to show the net worth of the business.

3. CASH FLOW STATEMENT

- **Operations** – Cash flows from running the business.
- **Investing** – Cash flows from investing the assets.
- **Financing** – Cash flows for financing the business.

KEY PERFORMANCE INDICATORS

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A key performance indicator *(KPI)* demonstrates how effectively your business is achieving key business objectives. You can use KPI's to evaluate success at reaching targets, overall performance, and processes in departments.

REFLECTION #1

How do you currently measure the performance of your business?

REFLECTION #2

What new performance measures could you implement for your business?

IDEA CHECKLIST #1

Tick the below tips that you could implement to improve your performance measurement.

- [ ] **Sales per m²**

  Measure a location's efficiency by comparing your revenue with the amount of floor space your store occupies.

  Sales per square meter = Revenue/selling area

- [ ] **Year over year sales**

  Compare quarterly sales with those of the previous year to track sales. Use this alongside other KPI's to explain why the sales were up or down (eg. new products, promotions, or staff helped drive sales).

  Year-over-year sales = Current year's sales – last year's sales/last year's sales

- [ ] **Average transaction value**

  Find out the average amount a customer spends each visit. This could indicate your higher value products are more popular or customers are buying large quantities each visit.

  Average transaction value = Revenue/number of transactions

- [ ] **Sales per employee**

  Find out who makes the most sales. Friendly competition between sales staff can be motivational and this data can be used for performance reviews, compensation, and evaluating training needs.

- [ ] **Cost of goods sold (COGS)**

  How much did your merchandise cost you? Have the costs changed over time? This retail performance metric tracks how much it costs you to acquire or manufacture your goods. This information helps you set prices, membership rewards, and is essential for your accounting records.

  COGS = Starting inventory – ending inventory

- [ ] **Online vs in-store sales**

  Track how much revenue is coming from online and in-store so you can see which channels are necessary and if it's efficient having both.

- [ ] **Shrinkage**

  Shrinkage is the loss of inventory by anything other than sales. Common causes of shrinkage are administrative errors, employee theft, shoplifting, and supplier fraud.

  Shrinkage = Ending inventory value – actual inventory value

- [ ] **Sell through**

  This metric tracks the percentage of units sold vs total available units. This helps evaluate a product's performance by comparing it with other products you sell. This KPI is best used on a weekly to monthly rotation.

  Sell through = Number of units sold/starting inventory

- [ ] **Gross margin return on investment (GMROI)**

  The GMROI ratio evaluates how much money your inventory is making you. The higher the ratio, the higher your margin on each product. Make sure you consider how many sales you're making, the margin and the initial cost.

  GMROI = Gross profit/average inventory cost

- [ ] **Customer retention rate**

  It costs more to acquire a new customer than retain an existing one. Loyalty programs are great at retaining customers. This KPI help you find out how to get repeat business.

  Retention rate = Number of customers at period end – number of new customers during period/number of customers at start of period

- [ ] **Customer satisfaction**

  Customer satisfaction is key to customer retention. You can get this data through surveys.

- [ ] **Units per transaction**

  Track the number of items sold in a transaction to evaluate sales trends or employee performance.

  Units per transaction = Number of units sold/number of transactions

IDEA CHECKLIST CONTINUED...

- [ ] **Inventory turnover**

  Track the performance of your merchandise by measuring turnover. Put different items at the front of your store, or on the front page of your online marketplace, and see how it affects your inventory turnover.
  Inventory turnover = Cost of goods sold/average inventory at cost

- [ ] **Conversion rate**

  Measure the number of visits that turn into sales. This can help evaluate the performance of ads or promotions.
  Conversion rate = Number of sales/number of visitors

- [ ] **Shopper dwell time**

  Track how much time people spend in your store or on your website and what section they are spending the most time in. The longer someone spends looking at a product/display, the more likely they are to make a purchase.

- [ ] **Click-through rate (CTR)**

  This retail metric is for online marketplaces to evaluate how well your marketing campaigns are performing. The CTR measures the times your ad was clicked vs the number of times it was viewed.
  CTR = Number of clicks/number of impressions

- [ ] **Operating expense (OPEX)**

  Your operational expenses are costs associated with operating your business on a day-to-day basis. These include rent, inventory, insurance, payroll, etc.

- [ ] **Quick ratio**

  The quick ratio measures your ability to meet your current liabilities without selling any inventory. A ratio above one is desirable and means you are in good financial health.
  Quick ratio = Cash + marketable securities + accounts receivable/current liabilities

- [ ] **Current ratio**

  The current ratio measures a company's ability to meet obligations. This ratio checks to see if your business can meet its obligations within a year.
  Current ratio = Current assets/current liabilities

- [ ] **Accounts payable turnover (APT)**

  Track the amount of time your business takes to pay suppliers to gauge your financial position from a cash flow perspective.
  APT = Total supply purchases/beginning AP – ending AP/2

- [ ] **Days of inventory outstanding (DIO)**

  Use this KPI to track how long it takes for your inventory to turn into sales.
  DIO = Average inventory cost/COGS

- [ ] **Days sales outstanding (DSO)**

  Measure how long it takes to receive payment after a sale.
  DSO = Accounts receivable/total credit sales

- [ ] **Net profit margin**

  Your net profit margin is the most important financial KPI as it measures how much money you are making relative to revenue. The higher the number, the more profitable you are.
  Net Profit Margin = Net income/net sales

ACTION LIST #1

Reflect on the above and list the top 5 KPI's that could improve your performance measurement:

1 ______

2 ______

3 ______

4 ______

5 ______

SALES AND MARKETING

SALES AND MARKETING

Sales are activities involved in promoting and selling goods or services. Marketing is the process or technique of promoting, selling, and distributing a product or service.

REFLECTION #1

What are your current sales and marketing tactics for your business?

REFLECTION #2

What can you do to improve your sales and marketing?

IDEA CHECKLIST #1

Tick the below tips that you could implement to improve your sales and marketing:

- [ ] **Identify customer profile**
  What is the profile of your ideal customer? A clear understanding of what they look like will give you a better understanding on how to engage them. *Examples of customer profile details may include: age, occupation, gender, income, family situation, interests/hobbies, location, lifestyle etc.*

- [ ] **Identify key stakeholders**
  Make sure you're dealing with the key decision makers in any purchase.

- [ ] **Document market trends**
  Look for trends and new market ideas so you can keep up to date with a fast-moving market.

- [ ] **Identify issues and trigger events**
  What triggers a purchase? Identifying these trigger events can help you tailor your sales and marketing efforts. *Examples may include trust, value, reviews, price etc.*

- [ ] **Market to meet needs**
  Understanding the need of the buyer makes them more likely to 'buy' your product rather than have it 'sold' to them.

- [ ] **Build relationships**
  Building relationships is critical to selling, as consumers are more likely to buy from businesses they trust.

- [ ] **Establish a social media platform**
  Social media engages a whole new generation of buyers so if you're not on social media, you may be missing out on connecting to potential customers.

- [ ] **Document sales process**
  Ensuring your sales process is consistent with all staff improves sale outcomes and allows you to see if your strategy is working.

- [ ] **Address buyer needs**
  Working to address the customer needs instead of selling to them can bring more sales to your business - they will appreciate the honest approach.

- [ ] **Measure sales performance**
  Always measure your sales tactics to get insight in to what works, so you can make adjustments accordingly.

ACTION LIST #1

Reflect on the above and list the top 5 sales and marketing strategies that could increase your profitability:

1 ________________________________

2 ________________________________

3 ________________________________

4 ________________________________

5 ________________________________

NEED FURTHER HELP

Contact Geoffrey Ellis at the Business Development Centre Macarthur
Email *geoff@bdcmacarthur.com.au* for further information.

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