

BUSINESS MADE EASY[!]

A man with short, light-colored hair, wearing a blue and white checkered button-down shirt, is smiling broadly. He is splashing in water, with white foam around him. The background is a light, textured grey.

Episode 12

The 5 Key Ways to Grow Any Business

Full Episode Transcription

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G'day g'day. Welcome to another episode of The Business Made Easy Podcast where we make business easy. I'm Jason and I'm thrilled that you're with me today. Thank you so much for your time and thanks for being here. It's going to be a great episode, I promise you. I hope whatever you're doing in business, you are doing well at it and it's doing well for you and you're kicking some goals out there. That's what it's all about and the reason for this podcast is to give you tips and tools to help you to maximise the time that you're having in your business and certainly maximising the profits and returns etc out of there as well. And have a good life at the end of the day because it's not all about money. Although money is important, it helps achieve our goals. It is about having a good life. A good life in business as well and putting back into you and making sure that you're well. That we want our businesses to do well as well. Plus, thinking of all the people that we can help out there with our businesses and the work that we do as well. So, there are lots of pluses for being in business and I want to make sure that you are getting every single one of them that you possibly can.

So, today's episode was sparked by a lot of consulting work I've been doing lately with clients and they all seem to be having the same problem and I'm going to share a story with you shortly but today's episode I thought, if they're having these problems then surely a lot of other people out there are having them in business as well. So, I thought I would take you through what I have taken them through and hopefully help you with your business and what you're up to as well. So, a really good episode for you. If you want to grow your business and don't know where to start, this is a great episode for you. And I guess it starts and I'll share this story with you with Bill and Sharon. Now I must admit, the names have been changed here so to protect

the innocent but Bill and Sharon – I was doing some work with recently and we just finished doing their upside-down budget. So, when I work with a client, I always take them through this process to start them, I guess, identifying what it is that they actually need out of their business. So, if you don't know what an upside-down budget is or you need to have a look at that if you go back to episode 10. This is episode 12 but if you go back to episode 10, I take you through the upside down budget process and how to go about doing that. But, it is a starting point of where you need to be today. I guess you need to know what money or turn over you need to be making out of your business to work through today's episode. So, duck back to episode 10 if you haven't already and check that out. Or just listen through this, you might already be at this stage. But, ideally, you want to know what level of turnover you need in your business. And Bill and Sharon – we'd done that process. We'd identified exactly the level of business or turnover that they needed to be generating in their business. And, the next question from them was, how? Like, that seems like a big number we've got to improve by. You know, we got to make some drastic changes to be able to get to that magical figure. And I think from memory, the figure was about 1.5 million dollars and they were currently turning over, I think it was about one million dollars. So, you know, there was almost like a 50% – well it wasn't almost, there was a 50% increase that they had to get in their business in order to reach their lifestyle goals. You might be feeling this as well and this applies whether you're on online, offline, a service business or like a physical product type business. Whatever business it is that you're doing, today's episode, the formula that I'm going to share with you will work for you. I call it the five ways to grow your business. It is a formula and I do have a gift for you at the end of the episode so stay tuned. I'll share that link with you as well to help you through this process.

But, yeah, it's the five ways to grow your business and it is originally not my idea. I got the idea from reading Jay Abraham's book and it's called Getting Everything You Can Out of All You've Got, was his book. And he shared a formula in there on three ways to grow your business but I've basically just taken that formula and adapted it further to what I see as being necessary to grow your business. So, full disclaimer here. This was originally put out by Jay Abraham and it really resonated with me and it's a great way if you're looking to grow, like, how can I grow? And, it works on the principle of making small changes in key areas of your business as opposed to just going out and trying to make large chunks. So, I guess, it's like, instead of going and trying to shift a mountain, you're just moving things one shovel at a time and over time it exponentiates out of there. So, I'll go through that as we go.

All right. So, the five ways to grow a business. So, as I say, Bill and Sharon and I'll use them as an example today when I work through the formula with you, but they really were stumped as to how they were going to grow so I took them through this formula and like it can just be such a daunting task. Seem like such a daunting task at times trying to grow and then you can get frustrated with that. You know, I'd go, "Oh, I've got to throw all this resource at this." So, yeah, it doesn't have to be that way. So, stick with me through today's formula with Bill and Sharon's story and then we'll get you making some serious money in your business.

So, I sat down with Bill and Sharon and I brought up the formula that we wanted to work through in their business. And the way this five key ways formula works is, it starts with and I'll actually go through the five key areas first and then we'll work through bit by bit on how to do this. So, if we look at

when we want to look at growing a business, it all starts with enquiries. Whatever business you're in before someone's a customer, they are an enquiry and what I see happen a lot out there is people spending an enormous amount of time and money on Facebook ads and trying to get more business. "I got to get more leads. Got to get more leads." So, they go out there and throw everything they can at Facebook and, you know, when I say to them, why do you want more leads? Well, that will be more sales and it's not necessarily going to be more sales. So, a number of leads, yes, is important but I'm going to show you that it's not everything. Then once we've got a lead, so once we've got a prospective customer, they're not yet a customer, they're someone making an enquiry, we then want to convert them into being a customer.

So, that's the next key area that I want to look at growing is, what percentage of my current sales or enquiries, prospects am I converting to a sale? So, that's the next key area. Once we know that, we then want to look at, okay, well what's the average that each customer is spending with us? What does that look like as a number? And you can do this on a monthly, quarterly, annual basis. For this exercise, I would just, for the starting exercise to get going, I would just look at an annual figure. Just doing everything annually. It's nice and simple and easy to do. And then we want to look at the – once we know the average that each customer is spending with us, we want to look at the sales per year. So, how the number of times that customer is visiting our store or buying from us. So, how many times – once we have an enquiry, just to refresh, once we have an enquiry, what percentage of those enquiries are converting to customers? Then we want to look at, well what's the average spend that each customer, once they become a customer, spends with us in

dollar terms? And then how many times per year does a customer buy from us? Now once we know those four key areas, we then will have the actual turnover of our business. From there, we then want to work out what – and the fifth piece of the puzzle is the gross profit margin. Now, when we're talking about gross profit margin, what we're talking about there is, what is the gross profit left after we've paid for our direct costs? So, if you are a product type business, you know, so you've got products on the shelf. You might be an online store or e-commerce store or something like that, then after you've paid for your goods and your direct freight of those goods – anything directly related to that product to buy, what is the gross profit left? It doesn't include rent and it doesn't include rates or stationery or anything like that. What we call overhead costs or indirect costs. Gross profit is your cost of goods sold or it's after you've bought the item. And I'll do a separate session on that actually. We might do a session on understanding financials and if that would be of help as well.

But, once we know the gross margin of our sales then we're right to go. So, that's the fifth element. So, what I'm going to do now is I'm going to take you through the exercise that I did with Bill and Sharon and I hope I haven't lost you there with that but stick with me as we go through this exercise you'll see further what it is I'm talking about.

All right. So, what I did is I sat down with Bill and Sharon and we brought up the five ways calculator which I'll provide you with details at the end, how you can grab a copy of it. But we sat down and we started plugging in some numbers based on their current trading performance. Now, remember we wanted to go from a million dollars in sales, we wanted to grow their business

to 1.5 million dollars in sale by the end of the year. So, we had 12 months to do it and it seemed like an impossible feat but when I showed them this method and we went through it, we broke it down into some key metrics that we were able to put goals around and then strategy around each of the key five areas. So, the first thing we looked at, as I mentioned earlier, the number of new enquiries that were coming into the business per year. So, they're getting on average – when I spoke to them, they're getting about 1,000 new enquires per year coming into their business. So, off their Facebook ads and whatever marketing, it is that they're doing, they're getting about 1,000 new enquiries coming into the business per year. So, just a point on that, if you're not already measuring your enquiry rate into the business, it really is a key metric that you should have an understanding of because it's basically how well your Facebook ads are performing. So, are you getting enquiries off those? Are you converting? Are they working for you? It is a really important metric. If you're in a physical business, let's say you've got a shop or a retail shop or something like that, you might want to have a door counter to measure how much traffics coming in and out of your store. Make sure as a little point, that you divide it by two because remember people come in your store and walk out of your store. You don't want them just going in one way and just staying overnight. So, yeah. So, make sure you divide that result by two because we're coming in and out of the store. I'm in the service business and I measure the number of new enquiries that I get in terms of emails and phone calls. So, if people are emailing or phoning me to potentially want to work with me, then I measure that metric because I want to know that things are resonating out there and, you know, any advertising and marketing's working. So, always measure that metric of the number of enquiries. It's a

fundamental to have on your dashboard. And we'll talk about dashboards and what to have on there in another episode.

So, these guys, Bill and Sharon, they were getting 1,000 new enquiries per year and then I said to them, "What percentage of those are actually converting them into customers?" 'Cause not everyone buys just as soon as they make an enquiry. And it worked out about 80 %. So, about 80 out of every 100 enquiries were converting into actual paying customers. So, that's 800 they had per year that is turning into customers for them. We then looked at what the average dollar spent per transaction was. So, each time they did buy, what is the amount that that customer is spending per transaction? Now, I knew their turnover figure which was \$1,024,000 so I was easily able to identify this number because I could just divide the number of customers per year and do some calculations along with the number of times they were buying each year. So, we worked that back and it worked out to be about \$320 per sale. So, each of those 800 buyers, they are spending on average about \$320. And then I said to them, "How many times per year does a customer come?" Now, these guys product is one that's a fairly recurring product. You sort of, use it and you can replenish it. So, they said on average that people are buying every three months. So, four times a year, a customer will buy from them. So, when we put that figure in as well, we came up with their turnover of \$1,024,000 a year. That's their current gross sale figure. That's how much they're selling a year. And we checked that off to their financial statements and it was pretty well on the ball.

So, I then did some more calculations and we looked at it and we said, "Okay. What's your gross profit margin?" Now, they mark-up typically 100 % on

their product. So, their gross profit margin was 50 %. So, for every \$1 that they sell, they're left with 50 cents after they've paid for their stock and their direct costs in having that product. So, 50 cents in every \$1 – 50 %. So, that gives them a gross profit margin of \$512,000 and again we checked this to the financials which you can easily do and it's pretty well spot on. Even if you don't get quarterly or management accounts done or anything like that, you can do these calculations just grabbing the last tax return that was prepared by your accountant. You can grab the financial statements and you'd be able to check that and it will work out for you. So, we sat down and said, "Okay. Well, that's the current state. That's our current state of play. So, what changes could we make in those five key areas that could be micro changes?" And for the sake of this exercise, I'm just going to use a standard 10 % all right? So, I said to them, "If we could grow the number of enquiries that are coming into your business by 10 %, what would that be?" And obviously simply maths, 10 % of 1000, that's what they were currently getting, is 100. And I asked Bill and Sharon, I said, "Do you see it possible to get an extra – I mean you're already getting 1000 enquiries, would 100 extra be a reasonably easy target to get?" And they said, "Oh, yes. That's fine." So, we locked that in and so we agreed that we would now get 1,100 new enquiries and it's only 100 new enquiries. I'm not even talking about customers. I'm just talking about 100 extra clicks or enquiries from your advertising. I then said, "Could we convert an extra 10 % of those? Could we do something different in our sales messaging when we're talking with customers? Can we tweak or finetune that a little bit to try and get that up?" So, we locked that in and said, "Well, that's only an extra, you know, 168 people that we have to try and get to buy." So, we're just making a micro improvement there in the sales process and we could certainly try and get an extra 168 people in a year. So, we

locked that in. So, we're now instead of getting 800 new customers a year, we're now getting 968 because we've increased those micro percentages. We then said, "Could we increase the average dollar spent per transaction? So, when they're buying this product and a great strategy particularly in the online market space, like the one click upsell type thing. So, you know, when someone's checking out, you could say, you bought this, you may also like this. And try and increase the average dollar spend per transaction. It's a little bit like the old McDonalds, would you like fries with that question. That upselling. So, would you like an extra one of these complementary products or whatever it is - look at a way to increase that. Now, if we were going to increase that by 10 %, that's only an extra \$32 that we had to increase an average sale of \$320 by so they're already spending \$320 with us, we've only got to get the sale up to \$352. And Bill and Sharon agreed that that was something that they could do because they don't really ask for any additional sales or, I guess, helping the customer in any way other than what their initial enquiry was. So, they felt that was an area that could easily be increased. And then we decided to leave the number of transactions a year at 4. We could increase it by 10 % which would be 4.4 but we just, sort of, left that around the 4 mark because it was a quarterly type exercise. We then said, "All right. So, what's that look like in terms of our turnover? We've got now instead of 1000 new enquiries, we've now got 1100. Instead of converting 80 % of those, we're now converting 88 % of them. So, instead of 800 customers, we've got 968 customers." Then we said, "Instead of our average sale being \$320, can we push it to \$352?" And you can see these are only small changes in our original numbers. We're not having to shoot the lights out in any key area. So, each of these areas are working together and they're compounding to share the load on increasing your turnover sales. So, the end result that

dropped out of that was just under 1.5 million dollars. It was \$1,499,238. So, pretty close to the 1.5 that we've got to get. We went one step further though and we said, "Look, what if we could improve our margin?" Because Bill and Sharon's suppliers do offer a discount if they pay earlier. So, they can buy their products, they can actually get their products cheaper if they were to pay within the prescribed payment terms of that discount. So, we looked at that and we said, "We could easily improve our gross profit by being more efficient." So, if you're talking in a service business, not a bricks and mortar business, not a physical products business but a service business, when we're talking about efficiency here, this also applies to you because I'm in the service business and I look at that in terms of efficiency of delivery of my time. So, how can I maximise getting, I guess, a return on my hourly rate invested in whatever it is I'm doing? Can I deliver my product and value faster but for the same dollar value? So, that's what we're talking about here. If you're in a service business, we want the efficiency of delivery. Think of it that way. Same with an online business, if you're in a physical product online business, you can certainly do this by looking at your buying power and shopping around to get the maximum you can for your dollars.

So, we increased their margin by 10 % to 55 % and that was something [0:26:12]. So, the upside of all that is, we've increased this business in small 10 % increments and improved their gross profit, improved their turnover by half. So, gone from one million to 1.5 but we've also improved their gross profit from \$512,000 to \$824,000. So, that's a \$312,000 difference just in making these small changes. Now, this is a strategy that you can imply in your business and I've put together a calculator that'll help you to work through this. And I'm happy too – if you've got any enquiries, you can always drop me

a line and I can certainly answer any questions for you. But, I'll put over in the show notes, a link to this calculator and you can go over there and download it and you'll get that at businessmadeeasypodcast.com/episode12. So, businessmadeeasypodcast.com/episode12. Just make sure you put .com in there. So, it's businessmadeeasypodcast.com/episode12. And, yeah, make sure you put the .com and you will be able to download this from the show notes and you'll be able to work through this calculator that I've put together and it will help you with those tips as well. Once you identify these five areas and the percentages that you want to grow, each of those five areas then, you need to go back and then put a strategy around. So, in Bill and Sharon's case, they wanted to improve the number of enquiries from 1,000 to 1,100. Right, that's a separate strategy. What are we going to do to do that? So, just be mindful of that. You need to go and break that down into a separate strategy and you'll see what I mean there. Then you can monitor each of those and you'll see that it's just small chunks. You're not trying to move a mountain, you're just trying to do small chunks in key strategic areas of your business and you'll come out well and truly in front with those small changes.

So, I hope that helps you. Just a reminder, I've got a Facebook group over on the Business Made Easy Podcast Group. You can search that on Facebook and it'll come up. So, by all means, go over there because if you want help around this as well, I can help you in there, in the group and answer any questions that you've got. Or by all means, email me, drop me an email at Jason@businessmadeeasypodcast.com and I can also help you with that there as well. But the Facebook group would be a great place for you to start. The idea of that community is for business owners. It is a closed group. So, it's only for likeminded business people that really want to grow their business

or start a business. You may be wanting to start and want to get your head around this stuff as well. So, go over there, it's a great community and we're going to build on that as we go forward. So, I hope that's been a help to you. Bill and Sharon certainly found it helpful. They've now got their goals in place and their strategies and they're actually working towards each of these. And the beauty of this is, is that we can actually break it now down into quarterly or monthly targets for them and monitor it on a quarterly or monthly basis and that's what they're going to do. It really is a powerful way to engineer profit in your business and get your business pumping along. So, that's all I had time for today. As I say, if you want to grab a copy of that calculator, go over to businessmadeeasypodcast.com/episode12 and you'll be able to get that in the show notes. Thank you so much for your time and joining me today. I really do appreciate your time and love doing this for you. If you have any questions in business that you want answered, remember you can go over to the Business Made Easy Podcast website at businessmadeeasypodcast.com and you can record there, a question and I will get it in a voicemail and I'll actually answer it on the show for you. And when I answer your question on the show, I will be sure to send you out a Business Made Easy Podcast T-shirt to thank you for contributing to the show and being involved.

Well, that's all I have time for this week. Thank you so, so much for joining me. I do love having you here on the show and putting this show together for you each week. It's such a passion of mine to see business owners just flourishing and really getting great lives out of their business and really enjoying life and what they do in their business. And there are some great businesses out there so I hope you found this of benefit as well. Until next week, I'm going to

head over to Mia now. To your success. You have a good week. Kick some goals and I'll talk to you next week. Thanks, Mia. Take us home.

Thank you for Tuning In

We hope you enjoyed this episode.

If you have any feedback or questions about the content in this episode please don't hesitate to drop me a line at jason@businessmadeeasypodcast.com I would love to hear from you.

Other things that you might like to help grow your business.

We have a very active Facebook community that is free to join for business owners and entrepreneurs. You can get access here

www.businessmadeeasyfacebook.com/community

We are also on Instagram at

www.businessmadeeasypodcast.com/instagram

Thank you again,
I appreciate you!

*Regards
Jason*