

KNOW YOUR NUMBERS



THE KNOW YOUR NUMBERS WORKBOOK

You need to know your numbers so you know what's going on in your business. This workbook shows you the numbers you need to track in your trade business and why they are important.

My coaching clients track these using our Big Numbers Tracker. (Good name, eh?).

Here's why they are important and what they tell you about your business.

I'll explain the numbers by reference to the Big Numbers Tracker
and we'll show you how you can get the Big Numbers Tracker.

THE BIG NUMBERS - REVENUE + GROSS PROFIT + NET PROFIT

They are the big numbers, aren't they? We track all 3 for each month and the Big Numbers Tracker draws a graph, so we can see movement and trends.

We track revenue, gross profit and net profit monthly. I call these lag indicators - they lag behind the present and show you what has already happened.

We want to see an upward trend on all 3 - growth in revenue and profits. We want to check that the gross and net profit you think you should be getting are reflected in your numbers. (If you're not getting them, we go looking for why - what went wrong?) The first step in fixing a problem is to identify it.

And we're looking for anomalies. If we can explain an anomaly, all good. If we can't, we go looking again.



LEAD INDICATORS - MARKETING ACTIVITY (\$ + CALLS)

It's a lead indicator because it leads reality. Marketing activity **now** generates work and revenue **in the future**. If you're not doing any marketing (or not enough) you'll be quiet down the track. We track marketing spend in \$ and marketing activity in calls and emails and letters etc.

LEAD INDICATORS - THE QUOTE TRACKER (TOTAL QUOTED \$ AND WEIGHTED \$ AND WORK IN PROGRESS)

It's another lead indicator. If you're doing lots of quotes, you're likely to be busier down the track. If not, let's do marketing to make sure you are.

We track each quote or proposal, so we see the likely future business, so we make sure we follow and we track won jobs and work in progress because that's another good number to know. (Weighted value is quoted value multiplied by (x) % chance of winning - what \$ you're actually likely to win).



PROFITABILITY - LABOUR COSTS (HOURLY RATE PER CHARGED HOUR)

We have a calculator that helps you understand how much each of your trades people in the field cost you. Not per hour you pay them but per hour you get to charge them to a job.

This is to help you understand whether you are charging enough. Is your pricing structure profitable?

Mystery Business 3	Year		2019									
Your Labour	Thomas		Chris		Ash		Brad		Ryan		Zack	
Worker Type	Employee		Employee		Employee		Sr. Apprentice		Jr. Apprentice		Casual Worker	
Hourly Rate	\$2700		\$2700		\$2700		\$1833		\$1404		\$3000	
Superannuation	Yes		Yes		Yes		Yes		Yes		Yes	
Workcover	Yes		Yes		Yes		Yes		Yes		Yes	
Holiday Days	20		20		20		20		20		0	
Sick Days	10		10		10		10		10		0	
Public Holidays	10		10		10		10		10		0	
TAFE Days - rain days	0		0		0		2		8		0	
Work Hours	40		40		40		40		40		40	
Job Efficiency	80%		80%		80%		80%		80%		80%	
Superannuation Rate	9.5%		9.5%		9.5%		9.5%		9.5%		9.5%	
Workcover Rate	3.0%		3.0%		3.0%		3.0%		3.0%		3.0%	
Payroll Tax	0.0%		0.0%		0.0%		0.0%		0.0%		0.0%	
True Cost of Labour	Thomas		Chris		Ash		Brad		Ryan		Zack	
Annual Pay	\$56,376		\$57,420		\$57,420		\$38,273		\$29,316		\$62,640	
Superannuation	\$5,356		\$5,455		\$5,455		\$3,636		\$2,785		\$5,951	
Workcover	\$1,681		\$1,723		\$1,723		\$1,148		\$873		\$1,679	
Payroll Tax	\$0		\$0		\$0		\$0		\$0		\$0	
Total Cost	\$63,423		\$64,598		\$64,598		\$43,057		\$32,980		\$70,470	
Cost per Employed Hour	\$30		\$31		\$31		\$21		\$16		\$34	
Cost per Charged Hour	\$45		\$46		\$46		\$31		\$24		\$42	
Work Days in Year	261		261		261		261		261		261	
Work Hours in Year	2,088		2,088		2,088		2,088		2,088		2,088	
Net Work Days	221		221		221		219		219		261	
Net Work Hours	1,768		1,768		1,768		1,752		1,704		2,088	
Actual Work Hours	1,414		1,414		1,414		1,402		1,363		1,870	

PROFITABILITY - OVERHEADS (OVERHEADS PER WEEK OR DAY)

Simple enough - we add up all your overheads - cars, insurances, business coach, marketing, admin, your own salary, tools, everything.

We calculate it for a year and then for a month, week, day and hour.

Your business needs to make enough (on top of your wages and materials) to cover this - your gross profits need to cover this and leave some for profit too.

(And your gross profits, less your overheads is your net profit)

Mystry Trade Business	Run Date	24/12/2018			
Overheads	Last 12M	Per Month	Per Week	Per Work Day	Per Work Hour
<u>Admin</u>					
Accounting	\$3,000	\$250	\$58	\$12	\$1
Bookkeeping	\$11,180	\$932	\$215	\$44	\$6
Bank Charges	\$2,600	\$217	\$50	\$10	\$1
Business Coach	\$18,000	\$1,500	\$346	\$71	\$9
ASIC Fees	\$1,500	\$125	\$29	\$6	\$1
Insurance	\$10,000	\$833	\$192	\$40	\$5
Legal Expenses		\$0	\$0	\$0	\$0
Postage		\$0	\$0	\$0	\$0
Registrations	\$1,850	\$154	\$36	\$7	\$1
Computers		\$0	\$0	\$0	\$0
<u>Communications</u>					
Internet	\$4,500	\$375	\$87	\$18	\$2
Phone		\$0	\$0	\$0	\$0
Mobile		\$0	\$0	\$0	\$0
<u>Office</u>					
Cleaning		\$0	\$0	\$0	\$0
Rent		\$0	\$0	\$0	\$0
Electricity		\$0	\$0	\$0	\$0
Body Corporate	\$3,600	\$300	\$69	\$14	\$2
Office Expenses	\$4,500	\$375	\$87	\$18	\$2
Repairs & Maintenance		\$0	\$0	\$0	\$0
Rates & Taxes		\$0	\$0	\$0	\$0

BREAKEVEN ANALYSIS (BREAKEVEN POINT - BY DAY OR WEEK)

This graph takes your total labour costs (wages + super + work cover + your total overheads) and calculates it monthly, weekly, and daily so you can see how much revenue you need to make before you break even - **every week**. So you are right on top of your profitability. This also helps you understand your costs properly. You can see if you're covering your labour and overheads and materials weekly. It helps you think about your pricing or your estimating.

It is important to know if you're not profitable or less profitable than you thought - you need to fix the problem.



PROFIT (ON EACH JOB)

Understanding how much profit you made on each job (or on a selection of them if every job is too much effort) compared to how much profit you expected to make when you quoted.

This is less about your pricing and more about your estimates of how long other people will take to do jobs or how much materials they'll use or even what your subcontractors will actually charge you.

Did you make what you expected?

Are you quoting right?

Are your techs taking as long as you estimated?

It's a mystery 2	Quoted	Labour Hours	Labour Rate	Materials	Materials	Labour	Quoted Profit	Invoiced	Labour Hours	Labour Rate	Materials	Materials	Labour	End Profit	Differential
Bayswater	\$10,000	100	\$41	\$2,000	20%	41%	\$3,900	\$9,000	90	\$40	\$8,000	89%	40%	-\$2,600	-\$6,500
St James	\$20,000	200	\$42	\$5,000	25%	42%	\$6,600	\$25,000	200	\$42	\$5,000	20%	34%	\$11,600	\$5,000
Willerton	\$25,000	250	\$40	\$7,000	28%	40%	\$8,000	\$20,000	250	\$40	\$10,000	50%	50%	\$0	-\$8,000
Ellenbrook	\$50,000	500	\$42	\$15,000	30%	42%	\$14,000	\$50,000	500	\$42	\$16,000	32%	42%	\$13,000	-\$1,000
Job Name	\$100,000	1,000	\$35	\$20,000	20%	35%	\$45,000	\$100,000	1,000	\$35	\$15,000	15%	35%	\$50,000	\$5,000
Job Name	\$10,000	100	\$35	\$2,500	25%	35%	\$4,000	\$12,000	100	\$40	\$1,000	8%	33%	\$7,000	\$3,000
Job Name	\$100,000	1,000	\$36	\$30,000	30%	36%	\$34,000	\$120,000	1,200	\$30	\$55,000	46%	30%	\$29,000	-\$5,000

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We'll show you how you can get
your hands on the Big Numbers
Tracker so you can enter and
track your own numbers.

