



Making Predictions (about your business numbers)

1. Break the future down to one-line item at a time.
2. Look to the past. What did your company spend last year for this expense? For the last ten years? Is there a trend? If your company is new, look to suppliers, industry data, and ask the experts.
3. What do you know about adjustments by looking ahead? Have you been notified of an upcoming utility increase needed? Have you just purchased a new machine to increase production or decrease expenses? How will those changes affect your predictions?
4. Have you just raised prices that will increase revenue per item sold but could also reduce the total number of items sold? How price sensitive are your customers? What is your competition doing?
5. Predict good things happening and bad. How will you handle the bad? Do you have access to cash you may need?
6. Calculate your break-even number. This is how much you have to sell to pay the bills. This is the point where expenses are equal to revenue. Additional thought may be needed for cash flow considerations such as owner draws, depreciation, loan payments and growth.

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7. Consider the odds and resist wishful thinking. Ask others their opinions about the odds. Is your idea or business going to make you a fortune or will it make you broke? We know the odds in small business are against you. Maybe you know something that makes you willing to gamble. If you are inclined to gamble at casinos, you are a wishful thinker. The odds at a casino are against you. If you play long enough, you WILL lose.
8. Examine where you went wrong before and learn from your mistakes. Do not repeat mistakes. Optimism can be a mistake. However, if there were no optimists, no one would take on the risks associated with entrepreneurship. The potential gain must outweigh the risk in order to be worthwhile.
9. What your sales will be next year is unpredictable; but we MUST make a prediction based on what we know. What were sales last year? What is happening within your business to increase sales? What is happening in your local market area and in your industry? What is happening nationally and possibly internationally to the whole economy? What is your strategy to position your business for success considering all these variables?
10. Put numbers on the paper. Change the numbers as your knowledge increases. Test your assumptions. The more you know about your customers, your industry, your marketplace, and your expenses, the better your predictions will be. Make decisions based on those predictions.

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