

No Time Like The Present

Did you start 2004 with both a sales goal and an earnings goal? If not, I hope you won't make the same mistake in 2005. It's pretty well accepted that setting goals is the first step in achieving success in business, and it's also pretty well accepted that reaching your sales goal is a hollow victory if you don't make a solid profit on that sales volume. There's an old saying—and I'm sure you've heard it before!—that failing to plan is exactly the same as planning to fail.

It's not too late to avoid that mistake in 2005, though, and it won't take as long as you might think to put the beginnings of an entire business plan in place. In fact, if you'll put everything else aside for about an hour, I can walk you through the process.

Hey, is there really any reason we can't do that right now?

10 Questions

The process of setting your goals and establishing plans to achieve those goals requires only that you ask and answer 10 questions. Here they are:

1. How much money did I make last year? You may not have exact figures this close to the end of the year, but you should at least be able to come up with an approximate figure, within, say, a couple of thousand dollars. By the time you get to the final planning stage, you should have a clear understanding of what you earned last year, both cash compensation and the value of the non-cash benefits you gained from your business.

2. How much do I want to make this year? This is your earnings goal for 2005, and again, when you get to the final planning stages, this goal should include both cash compensation and non-cash benefits—everything from health care and/or insurance benefits to the value of driving a company car.

3. What was my sales volume last year? This figure establishes a baseline for setting your sales volume goal for 2005. Once you know how much you earned at last year's sales volume, you can start thinking about how much sales volume it will take to reach your 2005 earnings goal.

4. Where can I cut costs and/or find other profit improvement based on last year's sales volume? This is where you take a hard look at your operating results and ratios, comparing them to easily available information about profit leaders. PrintImage International's 2004-2005 Operating Ratio Study is one source for this information, and it should be pretty easy to identify areas in which you're not performing as well as those profit leaders. Granted, it may not be all that easy to improve your performance, but at least you'll know where your profit-draining problems are. From that point, your next two questions are:

5. How do I solve these problems, and

6. How much of my 2005 earnings goal can be realized by improving the profitability of my existing sales volume? Remember, every additional dollar of current sales volume which drops to the bottom line is one less dollar that has to be realized by sales growth.

7. How much additional sales volume will I need to reach my earnings goal? This figure added to last year's sales volume becomes your 2005 sales volume objective. I hope you'll see the wisdom behind this approach to goalsetting. It's not a "crystal ball" exercise in guessing at what your sales volume might be. Instead, it's a calculation of what your sales volume *needs to be* in order to reach your earnings goal.

8. What will it take to generate all that sales volume? Now we come to the specifics of your marketing plan, and this part of the planning process brings up another entire batch of questions. Which of my current customers are likely to generate more business next year? How much new volume might that add up to? Which of my current customers are likely to generate less business next year? How much lost volume might that represent? What should I do to maximize sales gain and minimize sales loss with my current customers?

More questions: How many new customers will it take to generate the volume I need? How will I capture those new customers? What role will direct mail play? What role will direct sales play? Who will do the prospecting and

the follow-up and the convincing? Does anybody need training or better management in order to make it all happen?

Still more questions: How much will all of this cost? How will that effect the profitability assumptions I've made so far? Will it take more new sales volume than I originally thought to reach my earnings goal?

Obviously, this part of the planning process will take more than an hour. Hopefully, you now know some of the questions to ask in fleshing out your marketing plan, and before too long, you'll have a pretty good idea of how much sales volume it will probably take to reach your earnings goal. At that point, you'll be faced with a reality check:

9. Am I setting reasonable and attainable goals? Up to this point, we've only considered how much you *want* to make. Now we have to decide whether it's reasonable to expect it to happen. One of my clients came up with a formula that required an 8% sales increase to reach her earnings goal for 2005 and after some discussion, we both felt that was a reasonable target. Another client's formula required a 36% sales increase, and he realized pretty quickly that his earnings goal would have to change.

That's what you have to do, of course, when the numbers don't add up. If you can't realistically expect the sales volume increase that your earnings goal requires, you have to reduce your earnings goal. In this particular client's case, his earnings goal had to change from \$100,000 to \$88,000—a target we both feel is reasonable and attainable and which still represents a substantial increase over 2004. And, going into 2005 he has a plan to turn his goal into reality.

10. When do I start working towards these goals? This is the last question, and I hope it's the easiest one to answer. You start right now, with a commitment to taking the next steps!

Commitment and Compounding

I've written about New Year's Resolutions a couple of times, and noted that many quick/small commercial printers make those resolutions every year with the best of intentions, but then never follow through. I hope you'll make the commitment to take the next steps, from the introduction to a process to the actual creation of a plan—and that you'll follow that plan and achieve your earnings and sales volume goals in 2005, and beyond.

Here's a final thought for today. The sooner you get at it, the more "compounding power" you'll see and benefit from. Remember, every new customer you gain in the early part of the year will have the whole rest of the year to contribute to your goals. Printers have a tendency to procrastinate. I say there's no time like the present to start setting and then working toward your goals.