

## Projecting revenue increase in 2010

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**“It was tough going keeping existing customers and selling new opportunities in 2009. I hesitate to project an upswing for 2010. What do you think will happen to small businesses in the coming year?”**

Small business should absolutely forecast revenue increases for 2010. It has to be more than a forecast, however. You have to make it happen. This year it's not a matter of optimism, it's a matter of necessity.

### ADD IT UP

You may have heard me say it before: Businesses are organisms and as such are either growing or dying. That will be especially true in 2010. Revenue will have to go up in order to keep pace.

You may not be completely sure how much growth you need to stay safe. It's actually pretty easy to calculate. All you need is a straightforward recap of 2009 expense sub-categories of G&A (general and administrative expenses), marketing and sales expenses and overhead salaries and benefits. Project likely increases for each category for 2010 and add in your net income goal for 2010. Add together overhead expenses and net income goal, then work backwards to calculate breakeven revenue by dividing by your projected gross profit percentage. If you need help checking your numbers, give us a call.

Here are some items to keep in mind as you do your 2010 calculations. Carrying costs are likely to be going up in 2010. Town, county, state and federal governments and other public institutions are trying to close budget gaps. Expect to pay more for taxes and surcharges, as well as health care, etc.

Fees for "in-demand" goods and services are probably going to increase slowly as well. As buyers return and demand picks up, sellers are likely to take the opportunity to boost prices. The pick-up may be modest and happen over a long period of time. That almost makes the increases more dangerous, as they tend to go unnoticed and gnaw away at a company's already stretched bottom line.

### SALES TIME

There are only a couple ways to come up with the money to cover additional expenses. The easy answers, lower production costs and reduced spending on overhead, are long gone.

Cutting more expenses isn't an option for most companies. In the past year most businesses have let go of staff, reduced working hours, eliminated extras and cut expenses wherever they could. Owners have had to forgo distributions, and some have had to put money back into the business from personal accounts. Most businesses are working with very little fat left to trim away.

From an operating basis, companies are already below where they need to be. As backlogs start to mount and business picks up, companies will have to add hours to keep up. Many businesses dealt with income shortfalls this year by implementing shorter work weeks and letting staff go. That can only work for so long. With additional hours come additional costs. There goes any cash flow slack a company might have, unless the company picks up more accounts with upfront payments and higher overall profits.

One usually obvious solution is to increase margins by increasing fees to existing customers. That can be a dicey proposition if the customer base is shaky. Unless your company has a unique, high-demand product or service, price increases may be slow to come as desperate competitors continue to try to woo away your best customers with discounts and other incentives. That leaves more sales as the only logical way forward in a turning economy.

### GET CRACKING

Many sectors of the economy are already showing signs of recovery. Business-to-Business is starting to pick up momentum. Business-to-Consumer is sputtering along, trying to catch a rising tide, and eventually it will. The recovery may look "fragile" at this stage, but some businesses are starting to move ahead. These will be the leaders of the recovery.

Business owners need to think through whether they want their companies to be leaders or followers in this recovery. It is much easier to be a leader than it is to get behind now and have to play catch up down the road. The first businesses out of the start box with revenue and profit success will have more extra money to play with sooner. Extra funds will allow those businesses to fuel marketing, hire personnel, invest in systems and reward owners for their patience and support in lean times.

Now is the time to go figure out which clients and prospects will line up to fill your coffers. Get cracking!

Looking for a good book? Try "The Sales Bible: The Ultimate Resource, New Edition", by Jeffrey Gitomer.

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