Your sales should always be increasing, even during a recession. Never allow complacency to creep in. In other words, by believing you have enough customers or income. The marketplace has a nasty habit of biting you with this mindset.

This sales performance analysis needs to be done every 6 months, to keep your pulse on how your overall sales are performing.

5 Steps Sales Analysis

Now, let's have a look at your sales performance.

Step 1:

Gather your historical financial results over the past 3 years. Having a software package such as Sage Pastel or Quickbooks will be a great help.

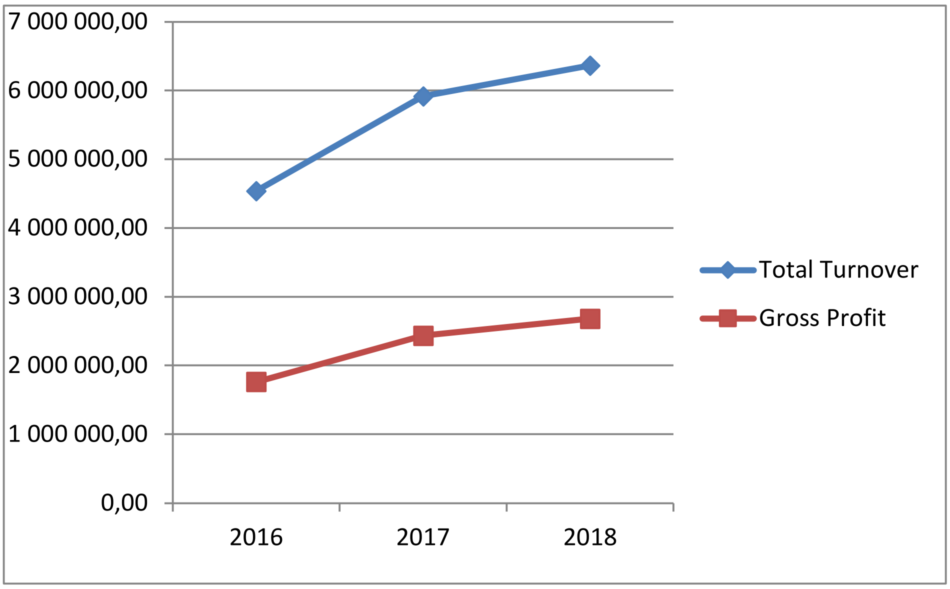
Open up a spreadsheet such as Excel and insert the overall turnover (sales) and gross profit for each year.

	2016	**2017**	**2018**
Total Turnover	4 538 294,00	5 915 926,00	6 364 231,00
Gross Profit	1 762 479,00	2 433 261,00	2 681 357,00
GP%	39	41	42

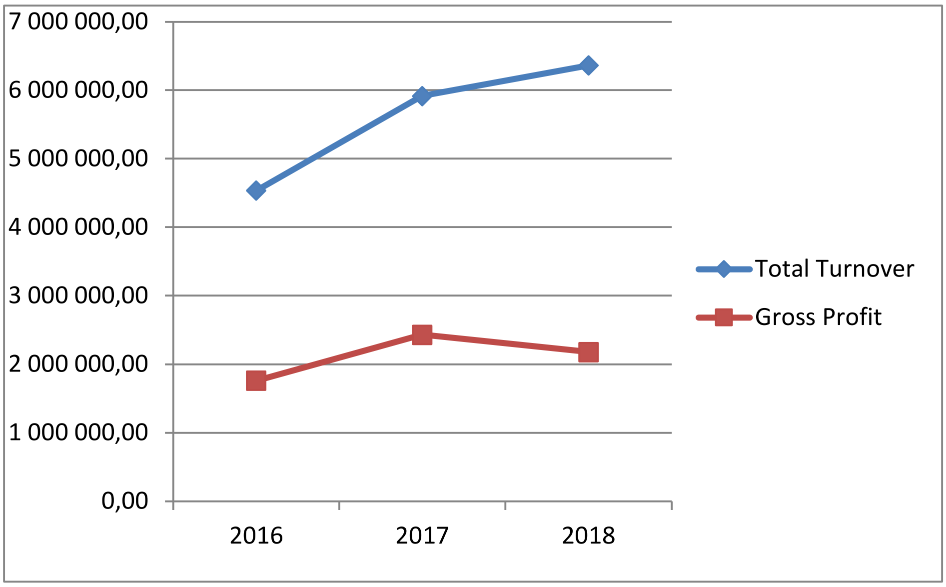
Then, calculate the Gross Profit percentage for each year.

Turn these figures into a linear graph.

Now, ideally, your graph should look like this ... … where your gross profit is always running parallel to your turnover.



However, where your gross profit is declining, yet your turnover is rising, your business could be heading for trouble.



Step 2:

If your profits are declining, yet your sales are increasing, indications are that some of the causes can be …

1. You have either lost a big customer, or a few customers, or a contract; or
2. Your overheads or direct costs are too high; or
3. Your pricing is not right; or
4. You have too many product returns; or
5. Too many discounts are being given to customers; or
6. You have too many C customers on your books.

By fixing these issues fast, your profits will improve drastically and quickly.

To solve the problem ….

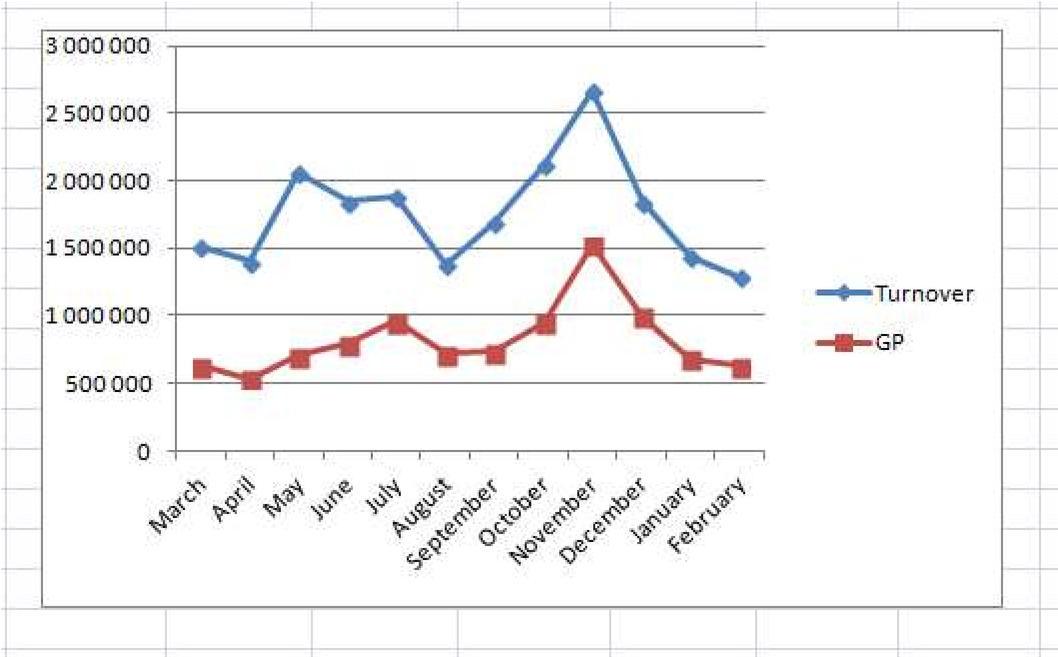
1. Your lost business, you need to acquire more A/B customers or contracts; and
2. If your overheads or direct costs are too high, you need to shave or reduce them; and
3. If your pricing is not right, you need to adjust it; and
4. Product returns, establish why this is happening and correct the problem.
5. Control the granting of discounts or reduce the value of the discount.
6. Ditch your profit eating C customers.

Step 3. and now, by month ... In another spreadsheet, insert the turnover and gross profit for each month over the past year and turn them into a graph.

With the marketplace changing so rapidly, your performance over the past year is more relevant than for the past 3 years.

2012/13	March	April	May	June	July	August	September	October	November	December	January	February
Turnover	1 515 245	1 402 232	2 062 752	1 847 945	1 879 934	1 378 721	1 692 343	2 125 296	2 664 912	1 846 339	1 442 677	1 286 889
GP	629 295	539 568	705 283	792 762	955 883	719 315	734 178	953 974	1 521 820	988 097	681 528	631 240

Based on these figures, your graph will look like this ...



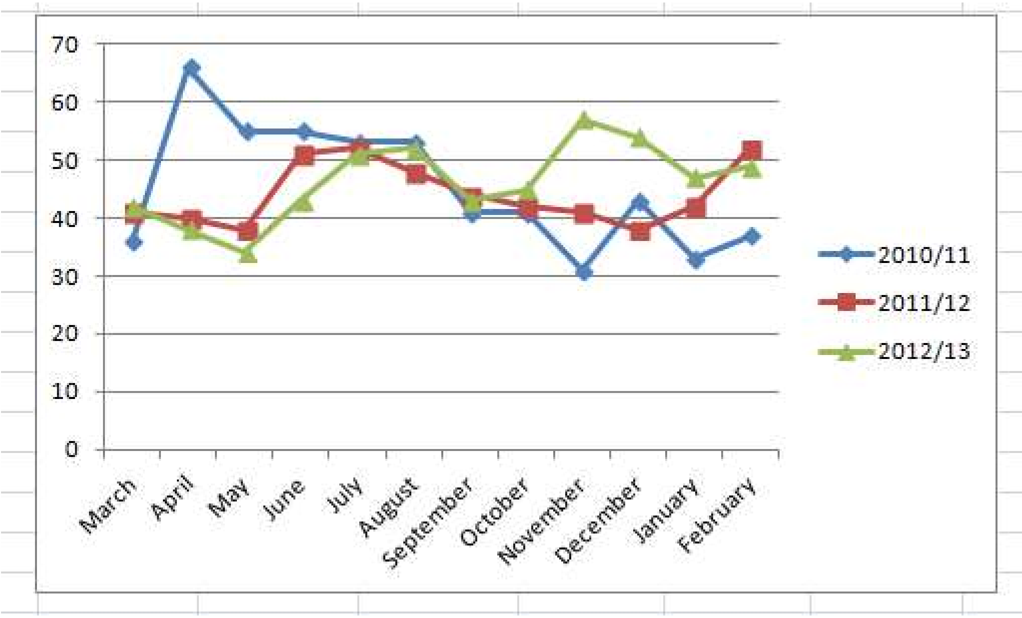
This graph is an indicator of which months are good and bad. In this case November is a good month. The research you then need to do is find out why November is a good month for example, is there a specific ocassion that makes this happen, or an advertising campaign, or a competition you're running, etc. Ideally, you need to replicate what you're doing at that time of year for other times in the year….. if you can.

Step 4. Now turnover is one thing to consider, but profitability is what counts. So, let's have a look at how profitable your sales have been over the same period.

Insert the gross profit percentage for each year and for each month and then turn it into a graph.

GP%	March	April	May	June	July	August	September	October	November	December	January	February
2010/11	36	66	55	55	53	53	41	41	31	43	33	37
2011/12	41	40	38	51	52	48	44	42	41	38	42	52
2012/13	42	38	34	43	51	52	43	45	57	54	47	49

Based on these figures, your graph will look like this ...



Check that the gross profit percentage is what you're wanting to achieve. For example, if you want 40%, then make sure each month and year equals or exceeds 40%.

If this percentage is below what you're wanting, then drill down into your Gross Profit figures and see which customers or products are 'short changing' you and then up their price or get rid of them.

Step 5. Finally, to protect your profits, diversify! It helps to have multiple streams of income for your business – as long as they are complementary to each other. However, don't have too many products to promote at the same time. Segment them into categories or groups and focus on promoting one category at a time.

NB: Generalists never make money, a niche product to a niche market always makes money!
