

Tracking data

Successful business owners track and use business data

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Looking at the world of commerce, we see an ecosystem made up of companies of varying sizes, business models, offerings and buyers with unique needs, backgrounds, preferences and resources to trade in return for the goods and services on offer. If your imagination is particularly active, perhaps you can visualize this as a giant bazaar of olden times with bright colors and sounds, and owners of each market enthusiastically hawking their wares hoping to catch the attention and coin of passersby.

Perhaps you can see, as the sun sets and the market winds to a close, each market stall owner tallying up the day's take. Some will grin as they find out they made enough to pay off the cost of the products they sold, invest in new inventory for the next day, cover the expenses incurred to maintain their stall and have something left to take home to contribute to their living expenses or perhaps even splurge a little. On others, you may see disappointment register across their faces as they realize their take was not what they had hoped.

Some owners, tired from the efforts of the day, will shove the money in their pocket, close up the stall and go home. Others, before they leave for the day, will pull out a ledger and carefully enter the day's take — perhaps even counting and tallying their inventory to see what they sold. A smaller number will tuck that ledger into their satchel to take home with them for review later. That night, under candlelight, those dedicated stall owners will pull out the ledger and pour over it to see what valuable insights the information held within might tell them. This analysis could help them gain an under-



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standing of trends impacting their stall's performance. Perhaps they identify that one product is selling better than others, or that a previously hot product seems to be in decline, or that overall sales seem to be increasing or decreasing.

It is from this point that the owner can start to make informed decisions as to how to improve their chances for success. They may decide to enhance displays, replace products that are no longer selling, make improvements to the sales pitch, improve the look of their market stall to attract attention, find a more optimal location for their stall or even bring in an additional person to help with sales. This owner will repeat this same cycle of tracking, monitoring and analyzing sales information and, over time, should be able to see whether these decisions had a positive impact on the business.

In his book, "Zero to One Million: How to Build

a Company to One Million Dollars in Sales," author Ryan Allis describes the advent of the market system as far back as 6,000 B.C. in Mesopotamia where tribes would barter with one another for goods. Given this system's unfortunate reliance on a "coincidence of wants" that often didn't match, the money system was introduced around 2,000 B.C. and our modern economic model was born — perhaps in a bazaar like the one described above.

One might argue that today's small business owners face a much more sophisticated economy and complex business environment than the bazaar model. Yet, when we look at this deeply, the reality is that the basic principles of operating a small business have not shifted as far as we would think. Businesses still need to produce a product or service and market it in a way that compels a buyer to purchase it and business owners need to track and analyze their financial performance to make informed product selection, marketing, sales and staffing decisions.

What becomes very apparent when looking through this lens is that the decisions and actions of the individual business owners themselves have an extraordinary impact on their business's success. Going back to the bazaar example, if you had money to invest in a business, which business owner would you be more willing to risk your investment with? The one who tiredly shoves the day's take in his pocket and then shows up again the next day to repeat, in similar fashion, what they did the day before hoping for a similar or better outcome? Or would you bet on the one who put in the extra effort to track, analyze and implement informed changes to improve their business and product performance? Likely your investment would go to the latter.

Today's small business owner has much more sophisticated business performance data readily

at hand than the bazaar owner of yesteryear, from point-of-sale reports, digital banking records, financial performance tools such as QuickBooks, to the internet where an extraordinary wealth of resources and information on how to use data to make informed decisions exists. Information overload can certainly overwhelm, but it is a business owner's conscious choice to ignore performance data. This decision can have real costs to the business, both in terms of being able to effectively manage their business and attract future capital necessary for growth. So, if you find yourself at the helm of your business and would like to improve how you track, analyze and monitor your business performance, perhaps start with one area of your business such as gross sales, and expand your expertise from there. Need help or have questions on how to get started? Talk to your bookkeeper, CPA, banker or SBDC advisor.

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