

Forecasting: preparing for the future

When you wake up, you probably look at the weather forecast to determine what you're going to wear for the day. Just as you prepare for the weather forecast each day, you should prepare for your business forecast. Otherwise, you risk being unprepared for a storm that can wreak havoc on your business.

Through forecasting, small business owners look at historical data to predict future trends, such as sales, cost of production and expenses. Every business has its own ebbs and flows, as each business is affected by various factors, such as weather, location, technology and seasonal issues.

To start forecasting, you'll need data so you can make cash flow projections and adjust as needed. For example, when looking at sales reports, do you notice that your sales decrease every winter? If that's the case, you can implement changes to your business to help maximize sales during other periods and work to minimize expenses during the winter. Forecasting helps small business owners contextualize their sales fluctuations, allowing you to better understand trends and plan for the future.

Looking at the past, present and future can help you stay two steps ahead and prepare for successful cash management and positive cash flow.

A Checklist

To get started with forecasting, consider the following checklist:

- Establish the time period you will forecast: three months, one year, etc.
- Get your financial reports together—sales, profit and loss, etc.
- Acknowledge seasonal changes.
- Analyze previous sale cycles.
- Understand any hidden variables, such as costs, inflation, etc.
- Create a customer profile to truly understand who is buying your product.
- Assess your competition.
- Define forecasting methods.
- Project future staffing needs and expenses.



We're here to help.™

Look at What's Working, and What's Not

To stay in business, you always need to be two steps ahead of the game. Forecasting and planning can help you get there. As part of that process, you should review what's working in your business, and what's not. Here are some of the main factors you may want to consider:

- Look at your most profitable products and services.
- Eliminate anything that no longer serves your business or costs more money than it's worth
- Review your year-over-year earnings.
- Identify pain points in your business.
- Write down your worst-case scenario.

When you look at what is and isn't working, you can start to eliminate the things dragging down your business while focusing on the things keeping you profitable. In addition, being proactive and identifying your pain points can help foolproof your cash management plan.

Plan for Your Business Goals

In addition to forecasting for the future, it's key that small business owners assess their short- and long-term goals and start planning now. For example, do you plan on expanding in the next few years? Will you be adding additional team members? Or will you be scaling back or trying out new products and services?

Analyzing your goals and objectives goes hand in hand with forecasting and can help you set key business benchmarks. Consider the following:

- What assets do you need to reach your short- and long-term goals?
- What growth do you anticipate for the future?
- What hurdles make it difficult to reach your goals?
- How much do you need to earn to pay your expenses, save and feel comfortable?

Answering these questions can help put you on the best path toward achieving your business goals.