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## Small Business Resource Association



# THE SBRA COMMUNITY KNOW YOUR NUMBERS



**By Gary Seibert, CEO,  
Small Business Resource Association**

I do a lot of consulting with new business start-ups and businesses that are in the first 1 to 3 years. Most of them are very good at what they do (their trade) but they lack the knowledge and experience on how to set-up and run a successful business. Oddly enough, most of them have used an attorney to set up their LLC and an accountant to do their payroll and taxes at the end of the year, but for monetary reasons, they do not use them for anything else.

Pricing your products, and/or services, is tricky in itself. If your selling price is high you may be considered too expensive. If it is low, customers may think there is no value in what you are offering. Knowing your competition and what their prices are is very important no matter how long you have been in business. You do not have to be the lowest but try to be the best.

However, this article is not about numbers associated with your selling price, it is all about the numbers that represent your total cost associated with your product or service and how much space there is between that number and your selling price. Your margin of profit.

Let me give you some examples.

Years ago, I was hired to turn around a family entertainment business that was bleeding about \$200,000 a year. This was a ten-acre property with 70,000 square feet under roof. There were nine different attractions that people would pay individually for by purchasing tickets. Knowing they were losing money was easy to figure out, but finding out where they were losing the money was the real task at hand. Nobody had a clue as to how much profit was made at each attraction. They knew how much

was brought in each day and what the payroll was for that day. That was as far as it went with the numbers.

These numbers were not inclusive of all the other costs associated with running a large family entertainment business. They had high administrative costs, repair and maintenance, food costs, inventory, utilities, marketing, payroll taxes and benefits, outside legal and accounting costs, gas for go-carts, chemicals for the bumper boat pond, and the list goes on. Then there was insurance. Because of all the different kinds of attractions and because of the "danger" associated with some of the attractions, the insurance policy for the company was close to \$125,000/year—over \$10,000/month.

Yes, enough money was collected at go-karts each day to pay for the go kart attendants, but when you factored in repairs, maintenance, gas, insurance and other overhead costs, the attraction that everyone thought was the backbone of the business was the one breaking the back of the business. Compared to other go-kart tracks, their prices were lower. Good for the consumer but not for the business. Other attractions had similar problems. Prices were too low to support the rising cost of doing business and the marketing that was being done was not targeting the right demographics to support a facility like this.

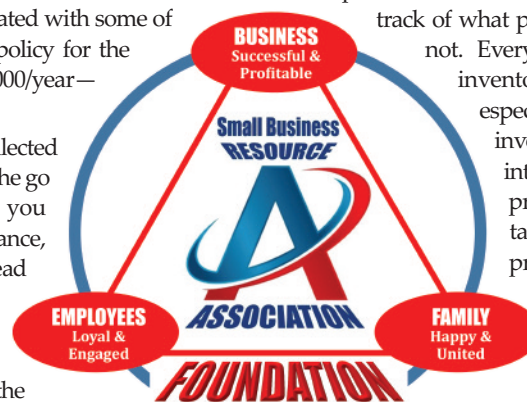
Knowing the numbers allowed us to start shopping for better pricing from our vendors or finding new resources. We found an insurance company that specialized in amusement parks and was able to give us better insurance at \$65,000 less than what we were currently paying. We

brought in more money by providing packages along with all-day wrist bands. We re-directed our marketing dollars spend to more social media targeted at families with a median family income of \$60,000 and up. We also got rid of several of the money looser attractions and replaced them with attractions the consumer was looking for. It took us a little over a year but we turned red ink into black and negative numbers into positive.

Small retail businesses that provide a variety of products MUST have a good POS system to keep track of what products are selling and what are not. Everything on your shelves, or, in inventory, is costing you money especially if you have financed your inventory. Every day you are paying interest and losing your margin of profit. Items that are not selling are taking up space and cash from products that could be making you money. Try to turn your inventory as often as you can. Offer fewer great selling items and sell more. Too much inventory is confusing and people that are confused do not buy anything.

Reduce the number of items that have low margins of profit and stock more great selling, high margin items. If a product isn't selling, get rid of as quick as you can. Clearance sales, end of year clearance, buy one-get one free or donate it to a charity. Your first loss is your best loss.

When you have your numbers right you will know exactly what you must bring in every day in order to make a profit. Your profit is in your numbers. Know what they are and stick to them.



# SBRA Business Spotlight

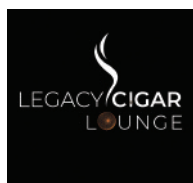
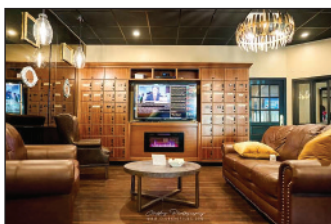


## Legacy Cigar Lounge

559 Penn Avenue West Reading PA 19611

Phone: 484-238-0153

Website: [www.legacycigarpa.com](http://www.legacycigarpa.com)



Legacy Cigar Lounge is a veteran family-owned establishment that offers a premium cigar experience, craft cocktails and liquors and delicious small plates in a socially inviting atmosphere. Legacy is open to the general public. Guests enjoy relaxing in the comfort of the cutting edge air filtration system. The lounge also features live music, happy hours and specialty events. Reserve a private space for celebrations and business gatherings or plan an event in the new non-smoking lower level.



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## SBRA EVENTS

Events: Register at <https://www.sbrassociation.com/#EVENTS>

- Breakfast Referral Club – September 5th at B2 Bistro
- SBRA Mingle – September 24th at B2 Bistro



An exclusive program for high school students interested in learning about and experiencing the life of an entrepreneur!

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