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Hey, it's Cindy. I have a confession to make. I have always enjoyed math when other kids were struggling with geometry and wondering when in their life they would ever have a need for algebra. I was busy calculating the area of a circle and solving for X and I liked it today. Though math is even easier. I had a calculator when I was in school and I was lucky to have that, but now we have computers and spreadsheets to do all the heavy lifting for us and yet a lot of small business owners that I talked to still claim to hate math and worse to be confused and overwhelmed by it. Here's the thing though. You don't have to love it, but if you want to be successful in business, there's really no avoiding math. Business owners need these skills in today's episode of the Tiny Course Empire Podcast, we're going to talk about the critical calculations that you must be making in your business every single day, and how to manage them without making yourself crazy.

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Hey, it's Cindy and I am so glad you are here today. You have no idea how happy it makes me that you are choosing to spend a little bit of your time with me learning

about something that is so important to your. Business success, even though maybe you're sitting there right now, thinking, oh, I really do not want to talk about math. I do not want to learn about math. I hate numbers and I hate spreadsheets. Good for you for sticking with this and being here anyway, I'm going to demystify this math for you and make it easier for you to manage your business if you're new here, welcome. I'm glad you decided to spend a little bit of your time with me. Please be sure and hit that subscribe button on whatever. Podcast player you are using so you don't miss any future episodes. We release a new episode every Thursday morning so we will see you then as long as you hit that subscribe button, you'll find recommended resources, show notes and the transcript for this episode at [tinycourseempire/54](https://tinycourseempire.com/54) And while you're there, you will also find a free download that I have made for you with some of these calculations in a downloadable spreadsheet. You can just plug your own numbers in. You don't even have to get out your calculator. I've made it super easy for you to be successful with this so with that said, let's get on with some entrepreneurial math. We have 4 phases of math or four areas of math that we want to cover. Today we're going to start with understanding your profitability. We are going to look at how you can predict the future. We are going to take a look at how you can set and achieve. Their income, goals and finally, we're going to look at what you can use or how you can use math to improve and scale your business. so, let's get started with understanding your profitability. I got to be honest with you here. This is an area where I see a lot of brand new small business owners really not understanding what's going on in their business. They may be looking at their numbers and saying, oh, I'm making you know I'm earning fifty thousand dollars or i'm. Earning seventy thousand dollars or whatever. And that's great, but that is not the end of the story. That is just the beginning of the story. That's your revenue. That's your gross income. What you really want to be looking for is what is your profits? How much did you take home? How much of that gross revenue did you actually put in the bank at the end of the year? That's your profits. That's your net income. And that is a far, far more important. Remember, then your revenue We've all heard stories of small business owners, maybe flashy coaches, flashy business coaches online who claim to be earning 7 or 8 figures and the reality is they are bringing in that kind of money. But they're also spending just as much as they earn. And that's not. And it's not nothing, right? There's still something to be said for bringing in that kind of revenue in your business, but if you're not taking home a significant portion of it, what are you doing? All the work for? So understanding what your profit margin is the first thing that you really need to get clear on in your business and your profit margin is impacted by everything that it costs you to run your business. So that's all of your

expenses. It's your taxes. And that's something that a lot of new small business owners forget taxes. That's like the biggest chunk of money right off the top. And if you are not thinking about that, if you're coming to small business with an employee mindset, it's easy to forget about those taxes. It's easy to forget that you owe 10 or 15 or 20 or 30 % of your income to the government right off the top. And if you don't remember that, then you can wind up in trouble at the end of the year. So taxes is a big consideration. You have to keep in mind, so when you're thinking about your expenses, these are things like contractors, affiliate commissions that you payout, PayPal fees, stripe fees, payment processing fees, equipment that you purchase, your new computer, your monitor, your webcam, your microphone, all of those things. Any insurance that you have to carry as a business owner, software licenses, travel expenses. If you're going to conferences or you're speaking at a conference. Business licenses in some areas you have to have a license to be in business. Anyone you hire to help manage your business, Bookkeepers, accountants, lawyers, All of those people, and your own payroll. If you are an LLC like we are and you have W2 employees, my husband and I are employees of the business. Our payroll is an expense that the business pays, so anything that is left after all of those expenses and all of those taxes are paid. That's your profit and you can calculate what your profit margin is by just making a simple calculation and this is honestly it's an oversimplification and you really want to advise you to talk to a qualified accountant and not take advice from some random podcaster here, but do make sure that you understand not just how much your business brings in, but how much it spends to do that so you can calculate your profit margin by subtracting. What you spent to earn money in your business, What you spent in your business, What's your expenses were subtract that number from your gross revenue from the total amount of money that you brought in. And take what's left and divide it by your total revenue.

So let me give you an example. If you earned two hundred thousand dollars in your business and you spent 50,000 thousand on contractors and affiliate commissions, and your accountant and taxes and all of those other expenses, so you earn 200,000 thousand you spent fifty thousand that means that you have a 75 % profit margin. To 75 % of that, 200,000 thousand is what's left and you arrive at that number by dividing 150,000 thousand by two hundred thousand dollars so one hundred. And fifty thousand was the amount leftover after you paid all of your bills. 200,000 thousand is the amount that you brought in total. Divide 150,000 thousand by two hundred thousand multiply it by one hundred and you get 75 % That's your profit margin in that scenario. So that is the number one thing that you need to

understand about your business. What is your profit margin and you're going to use that number as we talk more about these other calculations that you should be making in your business, you're going to use that number to do things like predict how much money you're going to earn. And scale your business. So why else do you need to understand this?

Well, comparing your profit margins overtime will help determine your true business growth. So for example, if all you look at is your gross revenue, then you're getting an incomplete and sometimes even an inaccurate picture of your actual business growth. Imagine that your year over year revenue doubled. Say you went from 200,000 thousand to 400,000 thousand in revenue. On the surface that looks fantastic. It looks absolutely phenomenal and a lot of small business owners would tell you that they doubled their business, but. If your expenses during that time tripled, did you really double your business? I would argue that you didn't, because your profit actually went down. Your gross income doubled, but the amount of that income you took home actually went down. So is your business really growing at that point, or are you in a losing position? Those are the things that you have to ask yourself, and that's the questions that can come up when you know. What your true profitability is, so that's why it's important to understand this number and again profit margin. Super simple to figure out, subtract your expenses from your gross income. Divide that result by your gross income and multiply by 100 to find your profit margin. Super simple again. I'm going to have a spreadsheet that does this for you to make it even easier, I'll have that in the show notes at [tinycourseempire.com/54](http://tinycourseempire.com/54), You can download that there.

The next thing we want to talk about is how you can predict the future in your business. One critical skill that business owners need to have is to be able to know what will you earn next month or next year. You have to be able to look at the trends in your business and make that determination. I remember when I was just starting out and I was looking at things like business plans. If you've ever looked at a formal business plan, it will have questions on there, like how much do you expect to earn? And I always thought how would you even know? I don't have any idea how many customers I'm going have or what they're going to buy or how many I'm going to sell of any given thing. How can I possibly know how much money I'm going to earn? Well, this is how when you understand how math works in your business, it becomes really easy to predict how much you're going to earn next year or next month or next week, or today. And one way to do that is by looking at the trends. If you keep track of what your business income is and what your profit

margin is overtime, then you can look at the trends and accurately predict how much you're going to earn in the next period of time.

For example, if you know that in your business you earn ten thousand dollars a month and you can look back at last year and see you were earning 8000\$ a month. And then you were earning 9000\$ a month and now you're earning ten thousand dollars a month. It's a reasonable expectation that in the near future you're going to begin to earn eleven thousand dollars a month. You can literally look at your spreadsheet, spot those trends, and predict where you're going to be in the next period of time. Now obviously it's not quite as simple as that. There are more variables that go into this than just looking at numbers on a spreadsheet, but this is going to give you a baseline. It's going to give you a reasonable expectation of your future business income and then from there you can predict what your profits will be because we already know what your profit margin is, assuming nothing has changed there. You can then multiply your profit margin by how much you expect to earn. Then you will know how much you can expect to bring home next month or next year. So an example is if last year's income was a hundred and fifty thousand dollars with a seventy five percent profit margin and this year you predict that you're going to earn 200,000 thousand then you can reasonably predict that your profits will be a hundred and fifty thousand dollars because seventy percent of two hundred thousand is a hundred and fifty thousand dollars. So that allows you to budget for future growth. It allows you to say should I hire another contractor? Well, am I going to have the money? Should I buy a new computer? You can look at your predicted income for the next several months or the next year and know if you're going to be able to pay for it before you make any big business moves. You will be able to look at these numbers and understand whether or not you will be able to afford those changes in your business. Or maybe even whether or not you'll be able to afford changes in your life. Maybe you want to buy a new house, or you wanna take a dream vacation, or you need a new car, whatever those expenses are in your life, you can look at your predicted income and know without a doubt whether or not you're going to be able to afford those things. And if you don't know, or if you see that you may not be able to afford them with what's currently going on in your business, then we can move on to the next step, which is setting. In achieving your income goals. This is where you get to just pick a number, decide how much money you want to earn, and then we're going to work backwards to figure out how to get there.

So, like I said, just pick a number. Do you want to take home a hundred thousand dollars a year? Do you want to take home three hundred thousand dollars a year? Do you want to take home fifty thousand dollars a year, whatever that number is, just choose it. Keep it in mind, and then we're going to figure out how many sales you need to make to get there. The first thing we have to do is account for your expenses, of course. So say you want to take home in profit one hundred thousand dollars. You know your profit margin is 75 %. Simple math will tell you how much you need to earn in gross revenue in order to take home a hundred thousand dollars. Here's how you do that. You divide a hundred thousand by seventy five % and that gives you one hundred and thirty three thousand dollars and that's what your gross income needs to be for you to take home a hundred thousand dollars.

Assuming your expenses remain consistent, then you figure out how many sales do you need to make that number to earn that gross revenue. So, for example, let's say you have a 20\$ a month membership, and you want to earn a hundred and thirty three thousand dollars so that you can take home a hundred thousand dollars in profit. Then you need 555 members to get there. Here's how I did that math. One hundred and thirty three thousand dollars divided by twelve is eleven thousand eight hundred and thirty three dollars per month then divide that eleven thousand eight hundred and thirty three dollars by twenty, which you're charging each month for your membership and you get 555 members. Then you can further break these goals down into monthly, weekly or even daily income goals and. Figure out how many sales you need to make every single day or every single week or every single month to achieve that annual income goal that you've set for yourself. But all of this depends on understanding your gross income versus your profit margin. So go back to the profit margin conversation that we had a few minutes ago to figure that out. If you need to. All right now there is one more math trick that I want to share with you and this is going to help you to really achieve those goals because I got to tell you achieving your income goals doesn't always mean getting more eyes on your offer.

Sometimes just a tiny improvement in your conversion rate can mean a big bump in your sales, but you can't know that if you don't have a handle on how to calculate your conversion rates in the first place. And that's where math will help you out. So conversion rates matter on your sales pages and on your optin pages. And in case you're not familiar with the term conversion rate, simply refers to the number of visitors who see a page, who then convert to a customer or to a subscriber as a result. So for sales pages, higher conversion rates means you're making more sales and for opt in pages. Higher conversion rates mean you get more email, subscribers

which in turn translates into more sales. Now I said this was a ratio of the percentage of people who see a site versus the percentage of people who convert to a customer or to a subscriber and that makes calculating your conversion rate really easy. The number of sales or opt INS divided by the number of visitors to the page multiplied by 100 So an example of that. Is let's say you launch a new product and you make 37 sales and then you go and you look at your Google Analytics and you see that page had 300 visitors. If you divide 37 by 300 and multiply it by 100 you'll see that you have a 12.33% conversion rate. Now imagine that course or that product sells for 99 and you increase your conversion rate by just 1% now instead of selling 37 of that product to those 300 visitors, you will have sold 40. So in other words, you made an additional 300\$ just by improving your conversion rate by 1% and the way you figured that out is by working the equation backwards instead of dividing the number of sales. By the number of visitors to get the conversion rate, you multiply the conversion rate by the number of visitors to calculate the number of sales you'll make. 12.33% or 12.33 times 300 which is the number of visitors, so the percentage times the number of visitors equals 40 to make those three extra sales without improving the conversion rate, though, you'd have to get 24 additional. People on the sales page because 24 times a 12% conversion is 3 sales, so hopefully you can see that actually working to improve your conversion rate can be a lot easier than trying to get more eyes on your offers in the 1st place. And by the way you guys this is just algebra in real life right? So all that high school math that you learned? Here's where it pays off, and once you understand how it works and how conversion rates. Work, you can use these calculations to help you achieve your income goals no matter what. They are a combination of more traffic and higher conversion rates will inevitably lead to higher revenue. Then pair that with your profitability calculations to ensure you're taking home more profits too.

That's all there is to it, you guys. This is so powerful and it is something that so many new and even more established online business owners just don't really fully understand. And it is critical to your success. I really want to encourage you to dig into those numbers and figure out what they mean. It doesn't have to be complicated. It doesn't have to be overwhelming. Just a few really simple calculations can help you be so much more successful in your business. I want to invite you to head over to [tinycourseempire.com/54](https://tinycourseempire.com/54) to find the show notes for this episode. The transcripts all the resources we mentioned, and I've got a spreadsheet. There for you too, that's going to help you make these calculations even easier. While you're there, be sure to leave me a comment. I would love to know how

you're using math in your business to set or achieve your goals, and if you have questions, hit me up. I am happy to help you figure it out if you're struggling.

And finally, if you're enjoying the show, would you do me a favor and leave a rating and review over at Apple Podcast or wherever you're listening? That helps other people to find us if you have a friend or a colleague who could use this specific. Episode go ahead and send them the direct link. It's [tinycourseempire.com/54](https://tinycourseempire.com/54), Have a terrific day everyone and I will talk to you all again next week.

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