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To create a growth strategy you first need to understand the break-even point of your business. A breakeven analysis is a calculation of how much your company needs to sell to cover the costs associated with doing business. The calculations examine the link between sales and costs.

Determining a break-even requires understanding your direct, variable and fixed costs. Rather than talking about how to actually calculate the breakeven, let's discuss how to use the information.

Here are some ways to use your break-even analysis:

1. Launching new products or services can be very exciting, however do your homework first. Understanding how much you need to sell to offset the cost of each new product or service is critical to your success. You should also understand how long it will take for this new product to be profitable. Knowing this information can help you make those important decisions on how long to continue pursuing, or when to pull the plug.
2. Analyze your best sellers and determine if you can reduce costs, thus creating larger profits. Understanding each cost associated with your products and services, can help you determine when and if, you can afford to make adjustments.
3. If you have a product or service with a low-cost basis, by putting more effort into these sales, you can drastically increase your bottom line.
4. It is extremely important to understand the impact of adding overhead to your company and the effect it has on your sales. Often times companies don't pay enough attention to their overhead and do not realize there is a problem until it's too late. Monitoring your break-even can avoid these situations.
5. You can use this analysis to incentivize your sales team by setting goals and rewarding performance when exceeding your break-even point. This can be done on a per month, per week or per day analysis. An example might be: if you are selling a retail product and you know that selling 25 units per week is your breakeven, for every week your staff sell 30 units you will provide them a lunch. This is a great opportunity to reward and show your appreciation for their efforts.

Analyzing your break-even is a continuous process and should be reviewed frequently. As you add or reduce products and services, or need to add additional overhead, a break-even analysis will help you understand the financial impact of those decisions.

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SVA can help you create a break-even analysis and set strategic goals. Give us a call and let's talk about how we can help your business become more profitable.

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