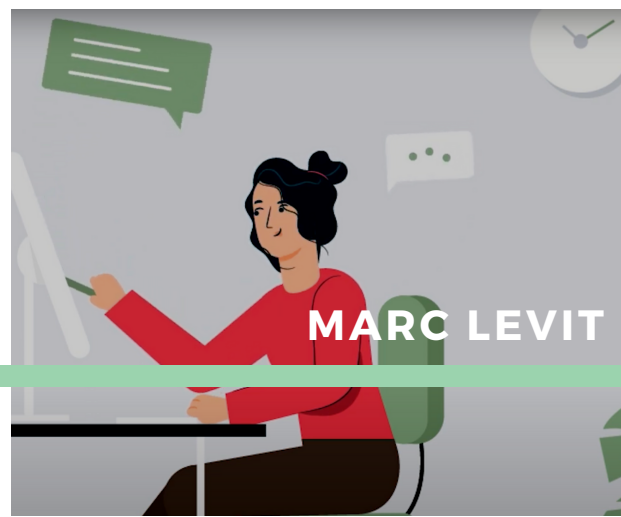


THE MONTH END

EPISODE 13

ForecastEasy



SHOW NOTES

ForecastEasy 

SPEAKER BIO

Marc Levit is the founder of [ForecastEasy](#), a cloud-based forecasting tool founded in early 2021. ForecastEasy can guide strategies and goals for business owners and help them generate detailed reports for shareholders, banks, and potential investors.

TAKEAWAYS

Forecast 101

What is a Forecast?

- Taking a founder's five-year plan and putting it on paper and trying to quantify what that vision looks like.
- **Forecast vs Budget:** a forecast is a 3-5 year plan: where are we going, and how do we get there. Budgets are a little more factual: here's how we expect to do in the next 12 months, and compare actual numbers.

The financials that are forecasted, and when I need to forecast:

- The most strategic statement is the income statement. Now is the time to start; whether you're day one, day zero, or day 1,000. It's about turning your vision into numbers and seeing if it will work out.

TAKEAWAYS (Cont'd)

Forecast 101 (Cont'd)

How far out should the forecast be? How often should it be updated?

- Five years! Three is too few, 10 is too many. Five years is the right amount for 98% of businesses.
- Update quarterly - maybe more often, if there are big changes that need to be added.

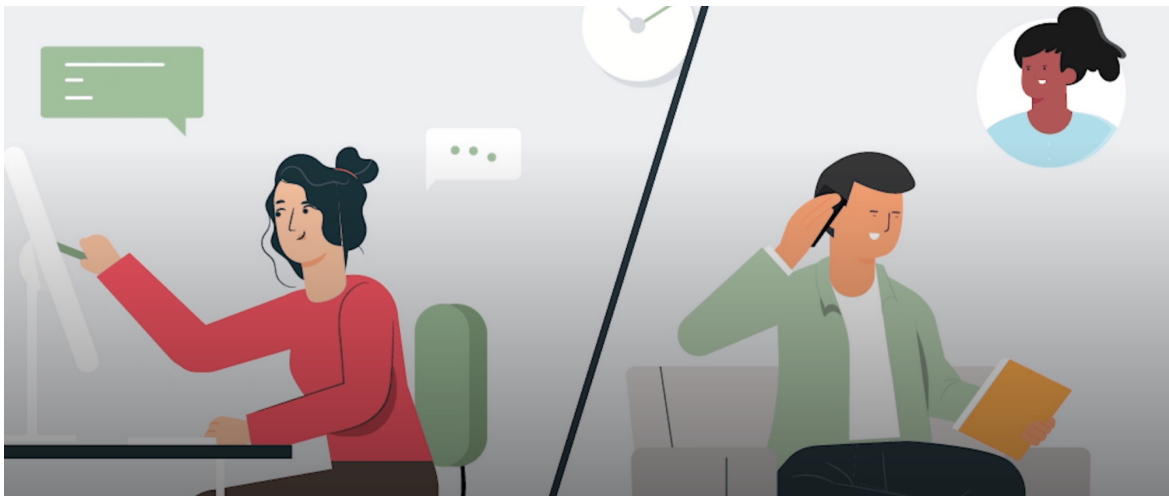
Next Steps: Building Out a Forecast

What are the key inputs, or drivers?

- **Products and channels.** Less is more to begin, but really focus on channels that you have a different price point in and list the product lines and create a grid. Concentrate on 3-5 channels and 5-12 SKUs.

What key information should we be looking at?

- The most important number on an income statement is gross margin. If we can break the gross margin down as detailed as we can, to understand which channels and what products are most profitable, that's where the founders can have very strong power for where they want to push the extra effort.



FOUNDER DO'S AND DON'TS

Founder Do:

Do forecast! I don't care if it's a cocktail napkin or a highly complex financial model, or anything in between. Simply writing down on a piece of paper: here's what's in my head, and here's what it turns into with numbers - it's going to help you so much. It's; plan, plan, plan. Measure twice, cut once. I really hope that getting this long term plan helps you figure out the best places to play in your industry and how to get there.

Founder Don't:

Don't be intimidated! All of the founders that I know are sales people, marketing people, or product people. Not one of them is a finance or accounting person. Sometimes people like numbers or get numbers, or other times they want to run away as quickly as possible, but the most effective founders know how the numbers work with their overall vision.

I encourage you to work with the folks on your team, or our outsourced advisors, to really understand how your sales, marketing, and product development build ties into the numbers. There's tools and resources out there to help you with this to really break it down into a granular fashion, and it's quick and easy, and the numbers are pretty close to right.

Don't be intimidated - you don't need to know finance to be able to develop your P&L down to gross margin; it's just answering questions over and over again: what are our volumes, prices, and COGS?

NOTABLE SHOW QUOTES

Marc on forecasts vs. budgets:

“Forecasting is like blueprinting; Where are we going to put the house? How many rooms will it be? Will it be an open concept?”

Budgeting is a little more tactical; When does the plumber arrive? How about the electrician? How many hours is it going to take?

Both are important: budgeting is more about 'how do I get to tomorrow and get the day-to-day done?' Forecasting decides if the plan is still the right plan on a long term basis.”

Marc on forecasting:

“The only thing that we know about forecasts is that we’re going to get them wrong, but at least it helps to tell us the direction of - if we go somewhere - what it may look like.”

Marc on what to look at and when to start:

“To repeat: income statement, income statement, income statement, and now, now, now!”

Marc on the importance of gross margins:

“Focusing on gross margin per-channel or per-product talks about the brand’s health and lifeblood and where we want to allocate resources.”

Brad on letting the forecast tell a story:

"This is the whole point of forecasting: you don’t need to be there today, but you need to tell the story of how you’re going to get there. That story is the most important for you as the business owner to help make decisions as well as identify key relationships from suppliers and negotiation tactics as you raise money.”

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