What you can do to improve the profitability of your business

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What is profit?

Profit is what's left over after you've paid all your expenses. In other words, profit is a residual. It is the consequence of what happens in and to your business.

Some of these things are within your control, and some are outside your control. If you're going to affect your profit, you have to focus on those things over which you have control.

To consolidate your understanding it is helpful to know that only four specific factors determine your profit:

1. The **price** you charge for the products and/or services you sell.

2. The **quantity** (or volume) of products and/or services you sell.

3. The costs you incur directly in producing or buying the products and services you sell. (We call these **variable costs** because they increase or decrease as your sales increase or decrease).

4. The costs you incur whether or not you make any sales. (These are best described as **fixed costs** because they do not change with changes in sales volume - at least not on a daily basis).

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How to increase profit

If you're looking for ways to increase your profitability, you have to focus your attention on the four profit-determining factors: price, volume, variable costs, and fixed costs.

Let's look at each of these four factors under three headings - the factor, the possible action you could take to enact change, and the required conditions that would have to occur to increase profits.

It's important to note that profitability can be increased by taking action to increase or decrease any of the four factors, as long as some conditions are met.

Factor	Action	Required Conditions
Price	Increase	Sales volume could either remain unchanged or decline. If sales volume declines, the decline would have to be less than the offset created by the price and resulting profit increases.
	Decrease	The sales volume would have to increase sufficiently to compensate for the decline in price. If sales volume increases as a result of the decreased price, there is a possibility of a decrease in the per-unit fixed and variable costs because of increased economies of scale.
Variable Costs	Increase	The increased variable costs should lead to or be a result of improved product or service quality. The market would have to accept a higher price, or the heightened quality would have to attract enough new buyers to offset the increased variable costs.
	Decrease	The sales volume would have to remain unchanged. The decrease in variable costs could not be allowed to affect product or service quality, which would have a consequential effect on sales. If they did decline, the fall in gross profit would have to be less than the decreased variable costs.
Sales Volume	Increase	The price could either remain unchanged or decline. If the price were reduced, the reduction would have to be less than the offset created by the volume and resulting profit increases. Another possibility is to achieve a reduction in per-unit fixed and variable costs due to increased economies of scale.
	Decrease	A savings in fixed costs would have to be achieved by reducing the size of the business, or production levels would have to be evaluated to find variable cost economies of scale. This savings would have to be greater than the reduction in gross profit due to the decreased sales volume.
Fixed Costs	Increase	The increase in fixed costs should lead to or be a result of improved product or service quality. The market would have to accept a higher price, or the heightened quality would have to attract enough new buyers to offset the increased fixed costs.
	Decrease	Sales volume would have to remain unchanged. The decreased fixed costs could not be allowed to affect product or service quality, which would have a consequential effect on sales. If they decline, the fall in gross profit would have to be less than the decreased fixed costs.

How to increase profit

The key concept highlighted on the previous summary is that no single factor can be considered without considering its impact on, or the impact from, each of the other factors.

The second thing to notice is that a profit improvement strategy may involve either an increase or a decrease in each of the 4 factors. There is no standard formula for improving profitability; it depends entirely on specific circumstances and the relative strengths and weaknesses of your business.

It is important to know that any favorable change seen in price and/or your variable costs improves your gross margin per dollar of sales. On the other hand, a favorable change in your sales volume and/or your fixed costs indicates greater productivity. Therefore, the overhead you incur in running your business involves lower costs per dollar of sales.

How to increase profit

In other words, any profit improvement strategy must focus on both of the following things:

1. Achieving a higher gross margin per dollar of sales by increasing price; and / or
2. Reducing variable costs / fixed costs of your business

So that we can put everything into perspective, let's consider the profit improvement potential that would arise from a modest improvement in each of the four factors. To demonstrate the powerful effect of small changes, we'll also make a 5% improvement to each respective factor.

	Before	Change (%)	Result
Price	$100	5% increase	$105
Sales Volume	1,000	5% increase	1,050
Total Revenue	**$100,000**		**$110,250**
Variable Costs ($60)	$60,000	5% decrease	($57) $59,850
Gross Margin	$40,000		$50,400
Fixed Costs	$30,000	5% decrease	$28,500
Net Profit	**$10,000**		**$21,900**

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How to increase profit

It can be seen that a 5% favorable change in each of the four factors, without a consequential unfavorable impact on the other three, would more than double your profit (from $10,000 to $21,900) - a 119% improvement.

You may take issue with the assumption that there are no consequential impacts. However, it's a fact that small improvements made to each of the four factors that determine your profit combine to give a staggering overall impact.

And, of course, the reverse is also true. If you discount your price, allow your sales volume to fall, fail to control your overhead costs, or let your variable costs get away from you, you can destroy a potentially profitable business. This can happen very quickly.

You see, it's all about what we call **leverage** - a concept that can make or break a business. If you get all the little things right, the big picture looks after itself. But if you get all the little things wrong, you're going to be in real trouble.

Developing a profit improvement strategy

You'll recall that to improve your profitability, you must either make a larger gross margin on each dollar of sales or sell more whilst minimising variable / fixed costs. It goes without saying that you'll have the biggest improvement if you can achieve both simultaneously.

Improving Your Gross Margin

Remember that your gross margin is the difference between the price of your product and what it costs you to buy or make it. Therefore, the only way to increase your gross margin is to sell at a higher price or buy/make at a lower price.

How to calculate your Gross Margin: -

Gross Profit = Sales - Cost of Goods Sold (COGS)

$$\text{Gross Margin} = \frac{\text{Gross Profit}}{\text{Sales}}$$

In most instances (but not all), you have limited scope to buy at a lower price. For this reason, your selling price is the critical variable.

Without doubt, the biggest single barrier preventing business owners from making an acceptable profit is their refusal to charge a price that enables them to achieve it. **You are not in business to match the price your competitors set; you are there to service your customers.**

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Developing a profit improvement strategy

The following table indicates the increased sales required to compensate for a price discounting policy. If your gross margin is 30% and you reduce price by 10%, you need sales volume to increase by 50% to maintain your initial profit. Rarely has such a strategy worked in the past, and it's unlikely that it will work in the future. If your present margin is:

	20%	25%	30%	35%	40%	45%	50%	55%	60%
And you reduce price by	**To produce the same exact profit, your sales volume must increase by**								
2%	11%	9%	7%	6%	5%	5%	4%	4%	3%
4%	25%	19%	15%	13%	11%	10%	9%	8%	7%
6%	43%	32%	25%	21%	18%	15%	14%	12%	11%
8%	67%	47%	36%	30%	25%	22%	19%	17%	15%
10%	100%	67%	50%	40%	33%	29%	25%	22%	20%
12%	150%	92%	67%	52%	43%	36%	32%	28%	25%
14%	233%	127%	88%	67%	54%	45%	39%	34%	30%
16%	400%	178%	114%	84%	67%	55%	47%	41%	36%
18%	900%	257%	150%	106%	82%	67%	56%	49%	43%
20%	-	400%	200%	133%	100%	80%	67%	57%	50%
25%	-	-	500%	250%	167%	125%	100%	83%	71%
30%	-	-	-	600%	300%	200%	150%	120%	100%

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Developing a profit improvement strategy

On the other hand, the next table shows the amount by which your sales would have to decline following a price increase before your gross profit is reduced below its previous level. At a 30% margin and a 10% increase in price, you could sustain a 25% reduction in sales volume before your profit is reduced to the previous level. For this to occur you would have to lose one out of every four customers! If your present margin is:

	20%	**25%**	**30%**	**35%**	**40%**	**45%**	**50%**	**55%**	**60%**
And you increase price by	**To produce the same exact profit, your sales volume must be reduced by**								
2%	9%	7%	6%	5%	5%	4%	4%	4%	3%
4%	17%	14%	12%	10%	9%	8%	7%	7%	6%
6%	23%	19%	17%	15%	13%	12%	11%	10%	9%
8%	29%	24%	21%	19%	17%	15%	14%	13%	12%
10%	33%	29%	25%	22%	20%	18%	17%	15%	14%
12%	38%	32%	29%	26%	23%	21%	19%	18%	17%
14%	41%	36%	32%	29%	26%	24%	22%	20%	19%
16%	44%	39%	35%	31%	29%	26%	24%	23%	21%
18%	47%	42%	38%	34%	31%	29%	26%	25%	23%
20%	50%	44%	40%	36%	33%	31%	29%	27%	25%
25%	56%	50%	45%	42%	38%	36%	33%	31%	29%
30%	60%	55%	50%	46%	43%	40%	38%	35%	33%

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Developing a profit improvement strategy

Many small business owners regard price as the only factor influencing the buying decision of their customers, and will undoubtedly feel that the proposition of a high price strategy (and by implication, high value) will not work.

You may accept that it's right for some businesses, but it doesn't necessarily need to apply to your business.

There's <u>no</u> business that doesn't have the potential to command a premium price for its products or services **if** - it is able to market those products or services in such a way that **the customer perceives added value.**

The only way to get out of the price trap is to promote other features and benefits that you can offer your customers (for example, better quality, longer warranty, satisfaction guarantees, 24 - hour accessibility, more convenient location, greater resale value).

It may be that your competitors already offer all of these things but unless they also emphasis this in their marketing, how will the customer ever know?

Think about it for a moment.

Developing a profit improvement strategy

Your job as a business owner is to translate the ***perception of value*** and then to back it up by what you sell with superb service. Remember, price is only important when all other things are equal.

This means two things. Firstly, you have to deliver value and secondly you have to educate your customers to be aware that they're receiving value. One without the other leaves you exposed.

Improving productivity

This is all about getting more sales per dollar of fixed costs. It can be achieved by increasing your sales at a faster rate than your fixed costs increase and/or reducing your fixed costs without affecting your sales.

A good staring point is looking at your fixed costs.

You must incur these costs to remain in business. In the short run, they do not change as your volume of sales changes. Examples include rent, wages, advertising (to a large extent), interest, and lease costs.

Some of these costs are discretionary in the sense that you can decide to reduce them simply by cutting back. Others, however, are committed and you can't avoid them.

Improving productivity

To determine the critical things about each fixed cost, ask yourself a few questions:

1. What service does this cost provide to my business? Can I obtain the same service from another source at a lower cost?

2. If so, is it feasible to switch to another supplier of that service? If I did switch to another supplier, would I get equivalent quality and would this affect the quality of my product or service?

3. If I were to spend more on this service, would it generate additional gross profit that exceeds the additional cost?

You'll notice that all of these questions are directed toward what you're getting for what you're spending. They aren't simply concerned about whether you can eliminate or reduce the cost.

Improving productivity

Advertising is one of the best ways to increase your sales. The folly is spending on advertising that doesn't work. You can learn how to create advertising that does work, and you can test the results.

When we talk about productivity, we're talking about how to get the most out of your advertising dollar. This is unquestionably one of the major untapped areas of your potential profit growth.

Effective advertising is clearly one way to create new customers. This is a specialised area in itself, but there are four absolutely critical things to get right:

1. Target your customers - never try to appeal to everyone. Focus specifically on those people you know will benefit from your product/service. How you word your headline will be the primary factor in accurately targeting your offer.

2. Make your offer compelling and relevant to the market you target. Don't be cute or clever. Say it exactly as it is.

3. Graphics and layout will make your ad readable and noticeable. Don't try to make your ad look like an ad. Make it look like something worth reading.

4. Write your copy in terms that your readers can clearly understand. It must be specific and believable. If you have a clearly defined target market, and your offer is compelling and well stated, your copy can be poor, and you'll still get a good response. But good copy writing won't sell a poor concept/offer.

Improving productivity

A specifically focused target (i.e., people in the market who are predisposed to buy) is 20 times more powerful than how you express your message. If you know exactly who is interested in what you have to offer, and you make an offer that's compelling, you don't have to be a brilliant copywriter to get a cost-effective response from your ads.

The only sure way to get customers to come back and act as advocates for your business is to give them absolutely superb service. They need to feel that you really care about them and that your goal in business is to delight them with the way you look after them. Most businesses fall short of this ideal, but it is an objective well worth striving to deliver.

Improving productivity

Example 1:

Often businesses focus on drawing in new customers whilst not enough emphasis is placed on it's current clientele. Lets put this into perspective.

Suppose you have 1,000 customers who spend an average of $250 per year with you. Suppose that you have a customer loss rate of just 10% each year, and a customer who stays with you deals with you for an average of 10 years.

Forgetting about inflation, each customer has a lifetime value to you of $2,500. Therefore, a 10% attrition rate is costing you $250,000 in potential future revenue each year.

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Example 2:

Another thing that most businesses overlook is the simple act of asking the customer to buy. It's no accident that McDonald's is one of the largest and most profitable businesses in the world.

The fact is, nothing is left to chance at McDonald's. Everything is done according to a plan.

Even the question," … *and will you be having fries and a drink with your meal today?"* is part of a well-designed system. About 30% of the time, people say yes, even though they may not have originally intended to do so. The effect is a 30% increase in sales of fries or drinks and over 100% increase in profit contribution from those lines.

Improving productivity

Example 3:

A restaurant owner used to ask guests at the end of the main course (without really thinking), *"Would you like anything else?*" The answer usually was, *"No, just some coffee, thanks."*

He changed this to, "*Now, can I offer you a beautiful platter of Australian and New Zealand cheeses, or would you prefer to make a selection from our new dessert menu? The pies are absolutely delightful today!"*

The result was that he instantly tripled dessert and cheese platter sales and still got to make the coffee sale. It's all in what you say and how you say it.

Improving productivity

Word-of-mouth referral is one of the best means of creating new customers. But *satisfied* customers do not become advocates for your business - ***delighted*** customers do!

This table demonstrates the powerful effect of a relatively small improvement in the critical variables - customer attrition rate, new customer attraction rate, frequency of customer purchasing, and the average value of each sale - on total sales revenue.

The Components of Sales	**Present Rate**	**Present Position**	**Possible Rate**	**Possible Position**	
Number of Customers		1,000		1,000	
Less Customers Lost	10%	100	5%	50	
		900		950	
Add New Customers	10%	100	12%	120	
Total Customers		1,000		1,070	
Sales Frequency	10	10	11	11	
Number of Transactions		10,000		11,770	
Average Sale ($)	$25	$25	$27.50	$27.50	
Total Revenue		**$250,000**		**$323,675**	30% increase

Perhaps the best-kept secret in the business world is that it is very simple to improve the profitability of a business, but there's a catch. What to do is the easy part. Being willing to do it is the stumbling block.

Improving productivity

In every case, business success stories are associated with people who had the courage to change their way of doing business.

There are no special tricks to make a business more profitable. However, there is one overriding consideration that must be accepted:

'If what you're doing now isn't working, then you must do something different!'

In every industry and irrespective of the state of the economy - there are some businesses that consistently outperform others in their industry, not by small amounts but by staggering amounts. This is called the margin of excellence. They have it right, and the others have it wrong. It's as simple as that.

Improved business performance comes from a willingness to do something different and then getting the details right. If you get all the little things right the big picture looks after itself.

A profit improvement study case

Case study:

	Before	After	Change	See Note #
Sales	$842,750	$970,005	15.1%	1
Gross Profit Margin	36%	39%	8.3%	3
Fixed Overheads	$213,015	$235,595	10.6%	3
Capital Employed	$676,578	$720,571	6.5%	4
Net Profit	$90,375	$142,706	57.9%	5
Return On Capital Employed	13.4%	19.8%	47.76%	

Analysis of the profit improvement:

Improved gross profit margin	$74,912
Less increased overheads	$22,580
Increase in profit	**$52,331**

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A profit improvement study case

Analysis Notes:

1. Sales

Strategy

More effective advertising: A budget was established, the market was segmented and targeted, an analysis of advertising effectiveness was undertaken, and ads that "pulled" more were developed.

Attention was devoted to team training (with respect to product knowledge, selling skills, and customer courtesy).

Performance standards and targets were established and closely monitored.

Result: 15.1% increase in dollar value of sales (some of which was due to selective price increases on key products).

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A profit improvement study case

2. Gross Profit Margin

Strategy

A detailed analysis of the major profit contributors was undertaken (with regard to both the product lines and customer segments).

Products that weren’t achieving required margins and/or which didn’t fit the business were dropped.

Team members were acquainted with the major profit contributors.

More selective purchasing was established, and greater attention was given to quantity discounts.

Selective price increases improved margins and enabled better service to be delivered at the point of sale.

Advertising and selling was directed to higher profit lines and targeted to properly qualified customers.

<u>Result</u>: An 8.3% improvement in gross margin.

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A profit improvement study case

3. Fixed Overheads

Strategy

All costs were analysed as a percentage of sales over the last 3 years using available information - the major cost areas were identified.

Each cost area was examined on a cost/benefit basis to determine whether the same result could be achieved at a lower cost from an alternative source, or whether it was appropriate to increase costs to deliver more customer-oriented service value.

Detailed cost budgets were prepared on a cash flow basis.

Actual costs were monitored against monthly budgets, and detailed reviews were undertaken quarterly.

Result: Fixed costs increased by 10.6%, which was in line with normal inflation at the time - in real terms, fixed costs remained constant (even though sales increased by about 5% in real terms and 15.1% in nominal terms).

Improving productivity

4. Capital Employed

Strategy

A post-sale credit control was put in place. Customers who failed to pay within the prescribed term were politely brought into line. Some customers left, and that was an added bonus. (They were the ones that increased servicing costs).

As part of gross margin analysis (see #2, Gross Profit Margin), inventory lines that were not achieving turnover targets were evaluated, and some duplicate lines were dropped.

Tighter control was instituted for inventory and the lead time for inventory purchasing orders.

Old, slow-moving inventory was disposed of quickly. (This released valuable space and increased cash flow).

Result: Inventory levels and receivables were reduced relative to the increase in sales. This released cash was then used to reduce bank loans and payables. Relationships with the bank and creditors improved significantly.

Although actual capital employed increased by 6.5%, the volume of sales it supported increased by 15.1%. In other words, a 6.5% increase in resources supported a 15.1% increase in sales volume.

Improving productivity

5. Net Profit - The Final Result

The net profit improved by $52,331, a 58% increase over the previous year. This example illustrates how small marginal changes, though modest in and of themselves, can combine to result in a huge difference.

Profit turnarounds of this magnitude cannot be achieved year in and year out, but every business has room for improvement. The choice is up to the owner/manager.

It is worthy to note that on the basis of a capitalisation rate of 20%, the business's improved profit increased the value of its goodwill as a going concern by $261,655.

But there's something important to remember: The advice and assistance that was given would have been absolutely useless unless the client had been prepared to make a total commitment to the task.

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Business growth model

The **'MP+ Business Growth Model'** is an essential tool used to optimise business profitability. This illustrates how growth can accumulate throughout all stages of the sales process and ultimately affect the value of a business. By capitalising on both areas of 'strength' and 'weakness' a sustainable growth model is within reach of all aspiring businesses. The 'Business Growth Model' offers a fresh perspective of your business efficiencies and provides suggested pathways towards facilitating growth. Potential improvements to your business can be assessed by using the following formula and subsequent calculation fields.

1. Retained Customer Base	Current	Increase	Target	Result
Total existing customers	12,500		12,500	
#C Rate of retention	90%	3.5%	94%	$15,584
Total existing customers	11,250	438	11,688	
#A Total number of new leads	100	3.5%	104	
#B Conversion rate success	15%	3.5%	19%	$31,167
Newly acquired customers	15	4	19	
Retained Customer Base	**11,265**	**442**	**11,707**	**$46,751** ↑

X +

2. Annual Customer	Current	Increase	Target	Result
#C Transactions per customer (p.a.)	4	3.5%	4	
#D Total transactions per year	45,060	3,406	48,466	$31,167
Average value of sales	$30.00	3.5%	$31.05	
Annual Customer Revenue	**$1,351,800**	**$153,054**	**$1,504,854**	**$77,919** ↑

X +

3. Business Profit Margin	Current	Increase	Target	Result
#E Gross Margin (%)	30%	3.5%	34%	
Gross Profit ($)	$405,540	$98,586	$504,126	$31,167
Overhead expenses / (reduction %)	$300,000	3.5%	$289,500	
Net Business Profit	**$105,540**	**$109,086**	**$214,626**	**$109,086** ↑

YOUR TARGET NET PROFIT IS: $214626

Which is an increase of 103.36% from your current net profit position!

Refer to the MP+ Business Growth Strategies for suggested pathways towards acheiving target increases.

[(1. Retained Customers Base) x

(2. Annual Customer Revenue) x

(3. Business Profit Margin)] = [(Net Business Profits)]

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Business growth strategies

Strategies that could influence the 'percentage' of change required to reach your target.

A - BUILDING YOUR LEADS

Print, screen and radio advertising
Trade journal advertising
Industry/school newsletter advertisement
Public relations
Press releases
Letterbox flyers
Brochures
Yellow/white pages & other directories
Direct Mail
Billboards/posters
Sponsorships
Website
Building/window signage & displays
Point of sale material/displays
Product packaging
Shopping centre promotions
Branded promotional girts, e.g. fridge magnets
Uniforms/name Tags
Business cads
Networking functions
Salespeople
Telemarketing
Competitions/surveys
Host beneficiary's
Strategic alliances
Seminars & events
Trade shows
Change/ open more locations/ different hours
Referral system
Social media
Directories
Window displays
Video/instore displays
Car signage
Passing trade
Tender lists
Open days & Sign On Days
Party Plan
Local Newspaper Advertising
Daily Newspaper
Television Advertising
Radio Advertising
Magazine Advertising
School Newsletter Ads
Newspaper, Magazine & Newsletter inserts
Sidewalk Handbills
Catalogues
White Pages
Barter/Trade Exchanges
Buy Database Lists
Piggy Back Invoice Mailings
Fax outs
Shop-A-Dockets
Taxi Backs
Cinema Advertising
Post Card Mailings
Instore & Sidewalk Signage
Create An Industry Newsletter

B - IMPROVING LEAD CONVERSION

Written guarantees
Show samples/example photo's
Quality brochures/information sheets
Added value offers
On-hold messages
Allow mail order/home delivery
Pre-send appointment cards
Point of sale displays/packaging
Use payment plans & financing
Take credit cards, cheques & EFTPOS etc.
Reprint press articles
Sales scripts
Smile, build trust & rapport
Ask questions & listen, provide ideas/advice
Educate on value, not price
Provide a timely response
Up sell, cross sell & down sell
Increase range or variety
1800/1300 number & reply paid address
Make it easy to buy
Measure Conversion Rates/set sales targets
Survey your past customers/people who don't buy
Office, vehicle & team appearance
Bulk buy specials
Print a Benefits/products/price list
Collect/target all prospect details
Stay in touch, cards, newsletters
Train entire team in sales/service
Company/staff profile & business cards
Always have stock on hand
Product/price listings
Packaging
Provide quality products
Target better prospects
Allow Prepayment
Set Sales Targets
Information Sheets/Booklets
Team Member Profiles
Use Prospect Questionnaires
Follow Up & Follow Up Again
A Gift Cheque Towards Purchase
Offer Exclusivity
Develop Your Own Product Line
Increase Product Knowledge
Educate How To Buy, What To Do
Provide Refreshments
Competitions, With Follow Up
Provide Team Incentives
Change Your Direct Mail Pieces
Charge For Normally Free Advice
Make An Offer
Start A Treat/Fad
Write Company's Magic Story
Define Your Uniqueness
Display Awards/Certificates
Account Applications
Daily/Weekly Cost Breakdown
Flowchart Your Sales Process

C - IMPROVING CUSTOMER TRANSACTIONS

Better service
Under promise & over deliver
Streamline your service
Deliver consistently & reliably
Keep in regular contact
Inform customers of entire range/new products
Always have stock
Send out a newsletter
Run a frequent buyers program
Pre-sell or take pre-payments
Re-book next visit now
Plan future purchases with clients
Offer on next purchase
Reminder system
Offer incentives/rebates
Target likely repeaters
Post purchase reassurance
Educate on full value
Direct mail regular/special Offers
Follow up & follow up again
Named promotional gifts
Free upgrades for more loyalty
Socialise with clients
Provide a shopping list
Sell other people's products & services
Maintain your database
Build a relationship
Offer free trials
Train your team
Increase credit levels
Information nights
Catalogues so visitors can re order
Know your customers name/ tell them yours
Increase your range
Offer service contracts
Create a membership /VIP Card
Use a Multiple Purchase Card
Co-operative promotions
Tell them your full name
New product launches
Rolling timeline of communication
Calendar timeline of communication
Increase product obsolescence
Introduce updates regularly
You keep clients vital information for them
Develop your own language
Product of the week/month
Ask them to come back
Use call cycling
Collect a database of past clients
Give out members cards or keyrings
Contracts
Till further notice deals
Accept trade-ins
Suggest alternative uses

D - INCREASING AVERAGE SALES VALUE

Increase your prices
Up sell
Allow payment terms
Arrange easy finance
Rearrange store layout
In store merchandising
Impulse buys
Product packaging
Create package deals
Gist with $XX purchase
Allow EFTPOS, cheques & credit cards
Make sure clients know your full product list
Sell extra warranty/insurance
Train your team
Use sales scripts
Create a quality image
Offer home delivery
Charge for delivery/post &package
Build rapport/treat as special
Team incentives for bigger sales
In store promotions
Red light specials
Educate on value, not price
Ask people to buy some more
Buy one get one free offers
Store, team & vehicle appearance
Provide as shopping list
Allow lay-by
Allow trade-ins/trade-ups
Add value
Create bulk buy deals
Sell service contracts
Set an average $$$ sale goal
4 for the price of 3 offers
Cross on add on sell
Down sell
Use a checklist
Use a questionnaire
Carry exclusive lines
Point of sale material
Sell with an either/or question
Charge consulting fees
Train your customers
Stock more high priced ranges
Only service 'A' grade customers
Stack 'C' & 'D' grade customers
Allow trade-ins/trade-ups
Measure the average $$$ sale
Customer incentives for bigger purchases
e.g. fly buy points
stop discounting
give away perceived value
in store video promotions
suggest most expensive first
Have a minimum $$
Order amount
Loyalty programs
Lock-in sales advance

E - PROFIT MARGIN MAXIMISATION

Increase your margins/prices
Sell your own label
Sell an exclusive label
Keep an accurate database
Sell via direct mail/internet
Commission only sales team
Team incentives based on margins
Work costs as percentage of sales
Set monthly expenditure budgets
Decrease range
Take stock on consignment
Lower $$ tied up in inventory
Only sell fast moving stock
Buy direct
Manufacture yourself
Repackage smaller/own label
Rent idle space
Have smaller outlets
Have mobile business
Re-finance
Sell more big margin goods/services
Automate as much as possible
Sell off old stock
Reduce/eliminate taxation expense
Negotiate fixed not variable expense
Employ people in-house
Outsource
Only buy what you need
Keep overheads to a minimum
Stop running advertisements that don't work
Measure everything
NO discounting
Sell only quality
Sack C and D grade clients
Sell via party plan/ multi-level
Providing team training
Pay NO overtime
Reduce team size
Reduce unnecessary management
Reduce director's fees
Efficiency, productivity, & time management
Negotiate employment agreements
Reduce duplication
Know your actual costs
Only allow your team to buy with an authorised purchase order
Better negotiation skills
Reduce ALL costs by 10%
Do it right the first time
Recycle
Buy in bulk, pay & receive over time
Promote idle time
Work 2 or even 3 shifts
Work from home
Join/start a buying group

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Your plan of attack

Even if you're already the leader in your industry, you will have opportunities to improve the profitability of your business. It's not always easy to achieve, but it's certainly possible.

You need a plan of attack, which should form part of your business plan. You also need to find out exactly what your existing and potential customers want and implement a suitable marketing plan that complements these traits.

As part of your marketing plan you need to organise your business so that you can strive in exceeding your customers expectations. This requires giving attention to your team members and equipping them with the resources and skills necessary for them to excel in what they do best.

Finally, you need a management control plan in place to make sure everything is working the way you designed it to work. It is important to set the right controls in place to ensure your business performs at its peak potential. A crucial part of business is not only to monitor key performance indicators but also identify areas of growth (within you business) that can be leveraged.

McKinley Plowman

Please complete the presentation evaluation form in order to receive a complementary copy of an electronic interactive version of the MP+ Business Growth Model and Business Growth Strategies.

McKinley Plowman are accountants, financial planners and finance brokers that specialise in the areas of:

- Profit improvements strategies
- Tax return compliance / planning
- Wealth creation & development
- Personal / Investment / Business financing

Our holistic approach provides a combination of Business Development, Taxation, Finance and Wealth Creation strategies that ensure clients are consistently rewarded with maximum profits, minimum tax and most importantly, financial freedom.

If you would like a free no obligation appointment to discuss your business, please call Nigel Plowman on (08) 9301 2200.

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