



This article first appeared in the May issue of *My Business*
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BUSINESS COACH BRAD SUGARS

Seven ways to boost your profits

HERE'S A LITTLE known secret about business. It doesn't matter what your turnover is, or how many employees you have, or how many customers you've got. It doesn't matter how many offices you own or if you've got a cool company logo.

Profit is the only thing in business that counts.

Say you want to increase your profits. Where do you start? First, you need to determine where you are. Just saying you want to increase your profitability by 25 per cent is meaningless, unless you have some benchmark to measure against.

You need to discover what your average dollar sale is and what your current profit margins are. Going into this exercise you might be tempted into thinking reducing costs is the key to higher profits. Keeping costs down is important, but if you really want to make more money, you have to increase your income.

To do that you'll be focusing a lot of your efforts on marketing – an area most business people view as an expense. I suggest you start thinking of marketing as an investment – with every new customer viewed as a customer you have just bought. I also suggest you spend at least 50 per cent of your time in this area of your business.

Generally, increased profits come from four areas: management, money, marketing and merchandise. These 'Four Ms of Profit' work together to help boost your bottom-line, and you can take a few things from more extensive strategies in each category to start leveraging your profits right now.

Let's take a look at seven actions you can start today to make your income statement look better next year:

1. Provide team training – This is a management task, but one that can really improve your company's overall performance. Does the team know they are

even a team? Are they aware of company sales goals or objectives? Are they even aware of the types of products you sell or services you offer? Do they know what your highest margin product or service is? Do you?

The point is, you can't create leverage or any kind of synergy unless your team knows where they are and where they need to go. Either you need to provide direction – or they will provide direction for you.

2. Segment your current customers into four grades – A, B, C and D. Concentrate on your A customers. They are the most profitable, most loyal and best source of referrals. Your C and D customers? Sack them. They are a waste of your time and resources, and they are constantly looking for bargains and discounts. Keep in mind the 80-20 rule that says 80 per cent of your business comes from 20 per cent of your customers.

3. Keep track of costs and set budgets – This seems like a no-brainer, but it is amazing how many businesses have no idea what their actual costs are. Spend a whole week and check every expense. You might be surprised how much you're actually spending on some things, and how little you're spending on others.

4. Increase your margins and prices – This may be counter-intuitive and terrifying, but it is the easiest way to immediately increase profits. The good news is, most times you raise prices most customers won't even notice.

5. Stop discounting – This is another strategy that has a profound impact on profit. When you stop discounting, you literally stop giving money away. Think of it this way: if you constantly discount, why even bother having a retail price? Not only does discounting cost you money, it gives your customers the general impression your 'normal' prices are a rip-off. In some

instances, you may be able to raise your price, add value for very little cost out-of-pocket and enormously leverage profits.

6. Make it easy to buy – Look to lower the barriers of doing business with you at every level. This could mean allowing creative payment terms or financing options (you could even make this a new profit centre in your existing operation!). It could also mean allowing trade-ins or trade-ups on merchandise, or creating a lay-by plan, depending on the type of business you have. The point is, once you have the customer, make sure you do everything to help them spend as much with you as possible.

7. Down-sell – Finally, you may have heard of up-selling and cross-selling, but down-selling might be a new one for you. What exactly does this mean? Basically, no customer leaves your premises without buying something. If you know a customer can't afford a higher priced item, show that item to the customer first, then offer the lower priced item as an alternative.

A key to this strategy is to make sure you are absolutely certain your up-selling isn't working with a particular customer or product. It's always better to up-sell as a general rule. But if your goal is to ensure money is generated at every opportunity, down-selling in certain circumstances may help fill that role for you. ●

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