23 WAYS TO MORE PROFIT



FACT: If a business has a profit of £40,000 at the end of year 1, and is able to grow this profit by 10% per year over 25 years, then the profit in year 25 will be almost £394,000[1].

This booklet is your first step to increasing your business profit giving you more cash in the bank.

[1] The actual value based on these figures is £393,989.31.

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Do you want to achieve a profit of almost £394,000?

This is a significant amount of money, isn't it? That's how much a business with a net profit of £40,000 at the end of year 1 could earn if that profit is increased by 10% each year for 25 years[1]. Obviously, if you have a net profit of more than £40,000 then the lifetime growth potential is even higher.

There are many strategies that you can use to increase your profit and this booklet has been written to highlight some of these. By completing the tick boxes, the booklet will help you identify which ones you are already making the most of and which ones may be worth considering further. It can really help if you get someone who is not embroiled in the day-to-day running of your business to help with this as they can look at things objectively, help you to create an action plan, and then make sure you stay focused until the desired results are achieved.

As a next step, we recommend that you have a discussion with your accountant about the strategies you would like to explore in more detail. Alternatively, if you would like a fresh perspective on your options, then we would be delighted to help.

It is easy, and FREE, to contact us via any of the following options:

Calling the free phone number:

0800 011 2680

Send an e-mail to:

info@wmal.co.uk

Or visit our website:

www.wmal.co.uk

We will be happy to have an initial FREE discussion with you about your completed checklist. Also, you are welcome to pass on our contact details to others who may be interested, or let us know their contact details and we will send them a copy of the booklet.

We hope that you find the booklet useful and thought provoking. It would be great to have the opportunity to speak with you in the near future so we do hope that you get in touch.

Emma Wagner and Nick Mason

Wagner Mason Accountants Ltd

Accountants, Tax & Business Advisers

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Introduction

There are 8 key profit drivers and 23 key strategies within these that will help increase your profit.

The 8 key profit drivers are split into two categories:

- **Increasing sales**
  (profit drivers 1 -5)
- **Reducing costs**
  (profit drivers 6-8)

A word of caution; although reducing costs will improve your profit you cannot cut your way to greatness. The scope for cost savings is finite whereas there is almost no limit to how far you can increase your sales. This means that the sales drivers are far more important and should be your main priority.

Complete the checklist on the following pages to identify the key strategies that you would like to discuss further. A notes and comments box has been included at the bottom of each page for you to write any additional information that you want to remember or consider further.

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Profit Driver 1

Getting more sales leads of the type you want

1. Becoming more compellingly attractive to potential customers

YES	NO	N/A

Tip: Differentiate your business from your competitors in ways that your customers value so that choosing you is an easier decision for them. For example, you could give your customers something extra that is worth a lot to them but is easy and inexpensive for you to provide.

2. Improving your marketing systems

YES	NO	N/A

Tip: Always make sure that your customers understand how good your products or services are and exactly how they will benefit when buying from you. Use case studies and YouTube videos from happy customers to help promote this. Consider revamping all your marketing literature to make it more eye-catching and effective. You could also get others to help you grow your customer base by creating strategic marketing alliances.

3. Improving your referral systems

YES	NO	N/A

Tip: Referrals are FREE! A word-of-mouth recommendation is a much warmer introduction than an advert, brochure or cold call therefore it is important to have good referral systems in place. Satisfied customers are usually very happy to recommend you to others so make use of this valuable resource.

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Profit Driver 2

Converting more of your sales leads into customers

4. Improving your sales systems

YES	NO	N/A

Tip: Create a sales process that makes buying less risky for customers. Many customers don't buy because they think they will lose money or waste their time on the wrong choice. By making doing business with you less risky, or even removing the risk entirely, customers are more likely to buy from you. Take time to find out exactly what your customers are looking for so that you can showcase all the products or services you have that may be of interest to them.

5. Improving your follow-up systems

YES	NO	N/A

Tip: The majority of customers will not buy the first time but that does not mean to say that they will not buy at all. Also, many sales people give up after the first rejection. Therefore, by becoming systematically persistent you will increase your chances of obtaining some of the customers that take longer to win over. Use automated E-mail systems to continually send valuable information to potential customers. This keeps you fresh in their mind as well as building a trusted relationship.

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Profit Driver 3

Increasing customer loyalty so they stay customers for longer

6. Improving your customer service systems

YES	NO	N/A

Tip: It is not just the quality of your products or services that matter. The quality of how you deliver them is also important. Make sure that you have systems in place to ensure that the service your customers experience is excellent every time they deal with you. Everyone in your business should be trained to be approachable, polite and professional at all times.

7. Becoming more valuable to your customers so that it is harder for them to do without you and harder for a competitor to provide the same result

YES	NO	N/A

Tip: Make sure you really understand what your customers want and then make sure that you provide the best solution backed up with outstanding customer service. Make sure that your customers feel valued and have a positive experience every time they do business with you.

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Profit Driver 4

Increasing the number of times your customers do business with you

	YES	NO	N/A
8. Providing products or services that meet more of your customers' needs			

Tip: As already mentioned, make sure that you really understand the needs of your customers. Armed with this knowledge you can then develop your products or services to meet more of these needs. Use questionnaires, user groups, product feedback forms etc to gain this understanding.

	YES	NO	N/A
9. Improving your systems for encouraging, rewarding and enabling more frequent purchases by customers			

Tip: Encourage your customers to buy more often by implementing multi-buy and volume discounts, loyalty schemes, special offers and promotions.

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Profit Driver 5

Increasing the amount customers spend every time they do business with you

10. Improving your pricing systems

YES	NO	N/A

Tip: Getting your price right is crucial and can transform your business. To find this right price requires understanding your business numbers and the maths behind it all. To increase your price without losing customers you need to focus on adding value, creating a brand, removing risk from your customers and differentiating your business from the competition.

11. Improving the quality of your customers

YES	NO	N/A

Tip: Compete on value and not on price. This means that customers that always look for a bargain no matter what will go elsewhere leaving you with the type of customer who values what you do. To achieve this, make sure your sales and marketing systems promote the value and benefits of using your products or services.

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Profit Driver 5
(Continued)

12. Improving your up-selling systems so your customers buy more expensive options

YES	NO	N/A

Tip: Having different packages (e.g. bronze, silver and gold) is a good way of being able to charge different prices for different customers. It also allows you to sell upgrades to existing customers. Look at where your customers would benefit by upgrading and explain these benefits to them. Offer an incentive to help make it an easier decision.

13. Improving your cross-selling systems so your customers buy extra items

YES	NO	N/A

Tip: Offer ranges and collections that encourage your customers to want to complete the set. Offer other unrelated low price items at the point of sale that the customer is likely to buy on impulse. Bundle items together and offer at an advantageous price.

14. Understanding your true product costs so you can systematically drive up sales of the more profitable items in your sales mix

YES	NO	N/A

Tip: Understanding your business numbers will allow you to identify the 20% of products or services that produce 80% of your profit. Once identified, you can then explore in detail how to sell more of these products or services. The numbers may not be exactly 80/20. You are simply looking for an imbalance between what you put in and what you get out.

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Profit Driver 6

Improving productivity and efficiency so that you need fewer inputs (e.g. labour, materials, services) to support each pound of turnover

15. Improving your operational systems, procedures and work practices

YES	NO	N/A

Tip: Don't leave things to chance. To get the best results you need to have systems so that you do the right things every single time. Documenting how you do things and training everyone to follow these documented processes means that everyone will do everything in the same way and to the same high standard every time. It also means that the business is less dependent on any individual or group and the results you get are more consistent. It is worth noting that a business that has clearly defined systems is more valuable and easier to sell than one that does not.

16. Improving your technology

YES	NO	N/A

Tip: Make sure that you keep up-to-date with the technology changes in your industry so that you can remain productive, efficient and competitive. Look at available software packages that can help manage your business records and accounts. Check out auctions that sell good quality equipment from companies that are liquidating their assets.

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Profit Driver 6
(Continued)

17. Improving the knowledge, skills and attitude of your team

YES	NO	N/A

Tip: Ensure that each member of your team understands their role within the business and has the appropriate skills required to perform their role. This makes them more motivated and more able to deliver high quality work which in turn makes your business much more productive. Remember to emphasise the importance of delivering an exceptional customer experience by making this part of your business culture and values.

18. Moving away from customers that set you back

YES	NO	N/A

Tip: Using the 80/20 rule again, understand which 20% of your customers generate 80% of your profit. These are the customers you want to keep. You will also want to keep the majority of your remaining customers but there will be some customers that are hard work for very little reward. As this takes time away from your more valuable customers do not be afraid to move away from the customers that set you back.

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Profit Driver 7

Reducing the price paid for inputs

19. Switching suppliers to get cheaper prices

YES	NO	N/A

Tip: Create a process to ensure that you regularly check what alternative suppliers are offering in terms of price. Remaining with the same supplier is easier but it can be costly. Suppliers often have really good deals for new customers so it is worth checking what is available before continuing/renewing with your existing supplier.

20. Negotiating lower prices with existing suppliers

YES	NO	N/A

Tip: Know what alternatives are available and use this to negotiate. If your existing suppliers know that you regularly check the marketplace and are not afraid to switch they will make more of an effort to keep you.

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Profit Driver 8

Better management of your assets and liabilities

21. Improving the way you collect from debtors

YES	NO	N/A

Tip: Provide multiple payment methods, e.g. direct debit, standing order, card and online. Make sure your bank details are included on invoices and that invoices go out immediately after the goods or services are delivered. Clearly and precisely describe the terms of sale on all quotations, price lists, invoices and statements. Set credit limits and stick to them. Ask customers to make deposit payments at the time orders are taken. Be transparent with your pricing and avoid hidden costs which can sour your customer relationships. Check the credit rating of new customers, especially for large purchases. Track accounts receivable to identify, and avoid, slow-paying customers. Have a process for sending out regular debtor reminders and for dealing with very overdue payments. Be polite but insistent in your debt collection routine. Ideally, do not have the same person doing sales and debt collection.

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Profit Driver 8
(Continued)

22. Changing how and when you extend credit to customers - and to whom

YES	NO	N/A

Tip: Compare how quickly you get paid compared to others in your industry. If you are extending credit for a longer period than others in your industry then you should consider reducing it. Use online sources to check the credit rating of your customers and use this information to decide who, and who not, to give credit to.

23. Re-arranging and/or renegotiating borrowings and interest rates

YES	NO	N/A

Tip: Create a process to ensure that you regularly shop around to check what interest rates are available from other lenders. If this check reveals that there is a more favourable rate, use this information to renegotiate with your existing lender. WAGNER MASON ACCOUNTANTS have contacts with the banks and asset financiers if you need help contacting the right people.

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We can help whatever stage your business is currently at.

Starting a Business

Start-up Advice	Business Plans
Grants	Raising Finance	Book Keeping
Accounts	Personal Tax

Running a Business

Accounting Systems	Budgeting
Business Improvement	Management Accounting
Tax Planning	Personal Tax

Growing a Business

| Cash Flows | Corporation Tax | VAT | Company Secretarial |
| Taking on employees - Payroll Services and Employment Taxes |
| Opening new premises - Financial Projections and Grants |
| Taking over a similar business - Financial Planning and Raising Finance |
| Going global – International Tax |

Succession Planning

| Business Valuations | Selling Businesses |
| Inheritance Tax Planning | Capital Gains Tax Planning |

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