



50 Ways To Increase Your Profits

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Introduction

All businesses must be profitable to survive; and thrive.

This does not mean you must be “increasing your sales” or: “reducing your costs”. It is about recognised principles & methods, which have produced outstanding results for decades. This is about growing the rewards for the business owner(s), while minimising the risk of bankruptcy.

Regardless of the type of business you are running, profitability is key to your success and long-term sustainability. And while the industry in which you operate will dictate certain operational, sales and marketing issues, the basics of business financials remain the same.

So the principles applied to one business to help provide better financial returns can be just as easily applied to any other business.

These principles and concepts have been proven by businesses of all sizes.

The methods are explained in a logical order starting with the Balance Sheet (Statement of Financial Situation), continuing with the Profit & Loss (Statement of Financial Performance) and finishing with concepts such as Break Even Point, Expense Budget and Cash Flow Forecast.

The wording has been intentionally kept clear and simple. But don't be mistaken: These concepts are valuable, efficient and some are really cutting edge.

Don't try to implement all at once, look for the 'low hanging fruit' and apply the principles as you think they will have most impact on your business. And remember, you can always ask for help.

No.	Account / Item	Process	Impact	Implemented Yes/No?
1	Cash & Bank	Make sure your money is earning high interests (Most of the Banks are now offering saving accounts, linked to a normal cheque account, with higher interest).	Straight to the bottom line	
2	Debtors/ Accounts receivable	Invoices must be issued in a timely manner when selling <u>products</u> : Either at the same time the goods are dispatched, or immediately after, or progress invoices for long projects (Leaving invoicing until the end of the month is leaving money on the table, and not your table...).	Improves cash flow (therefore increases interest income or reduces interest expenses).	
3	Debtors/ Accounts receivable	Invoices must be issued in a timely manner when selling <u>services</u> : At best, progress invoices are issued regularly while the service is being carried out (long projects), otherwise immediately after completion of the work.	Improves cash flow	
4	Debtors/ Accounts receivable	Mailing out monthly client statements with all invoices overdue & outstanding generally improves Debtors payment.	Improves cash flow	

No.	Account / Item	Process	Impact	Implemented Yes/No?
5	Debtors/ Accounts receivable	Reducing sales terms: Are your sales terms in line with your industry standards? Have you considered 7 or 14 days instead of 30 or 45 days?	Improves cash flow	
6	Debtors/ Accounts receivable	Introduce a Debt Collection process (whether manual or automated): It will improve collection and reduce Debtors' days.	Straight into the bank account	
7	Inventories	An adequate Stock Control (Returning or selling excess) will reduce the level of stock.	Less in inventory, more money in the bank	
8	Inventories	An adequate purchasing policy ("Just-in-time", lot size) will reduce the level of stock.	Less in inventory, more money in the bank	
9	Equipment	Sale or disposal of unused Equipment	More money in the bank + gain in space + reduction in energy costs + reduction in Depreciation	

No.	Account / Item	Process	Impact	Implemented Yes/No?
10	Equipment	Purchasing versus leasing: A financial analysis prior any acquisition will point out the pros & cons. Try to align lease payments with lifespan of equipment.	Impacts the profits	
11	Overdraft, Short Term borrowings	Credit cards are often the most expensive way to finance something: Consolidating your debts with one bank/lender may reduce your repayments.	Improves cash flow and profits by reducing interest payments	
12	Creditors / Accounts Payable	Do not pay the invoices as soon as you receive them: Extending the Payment Terms (reasonably), or organising payments once or twice a month only will improve Cash Flow.	More money in the bank	
13	Sales: Increase Average Sale	Selling more of the existing products/services to existing clients by offering <u>additional products/services</u> when you client is in the process of buying (Also known as <u>add-on sales</u> , which has the effect of Increasing the Average Sale per purchase).	Impact on profits depends on Gross Profit/Margin ratio and cash flow situation.	

No.	Account / Item	Process	Impact	Implemented Yes/No?
14	Sales: Increase Frequency	Selling more of the existing products/services to existing clients by selling <u>more often</u> (Also known as increasing the number of times the client comes back). This is easier to do with services.	Impact on profits depends on Gross Profit/Margin ratio and cash flow situation.	
15	Sales: Increase Traffic	Selling existing products/services to <u>new</u> clients by prospecting or attracting new potential clients.	Impact on profits depends on Gross Profit/Margin ratio and cash flow situation.	
16	Sales: Increase Conversion	Selling existing products/services to <u>new</u> clients, by improving the “prospect to client” conversion ratio.	Impact on profits depends on Gross Profit/Margin ratio and cash flow situation.	
17	Sales	Selling <u>new</u> products/services to <u>existing</u> clients: When was the last time you asked your clients what additional products/services they would be willing to purchase from you? You would be amazed how simple it can be...	Impact on profits depends on Gross Profit/Margin ratio and cash flow situation.	

No.	Account / Item	Process	Impact	Implemented Yes/No?
18	Sales	<p>Selling <u>new</u> products/services to <u>new</u> clients in a new market: Depending the industry you are in, this may be a difficult and risky way to increase Sales. But if you are well organised, it is also a great way to expand your business.</p>	<p>Impact on profits depends on Gross Profit/Margin ratio and cash flow situation.</p>	
19	Sales: Price Increase	<p>When was the last time you increased your prices? Increasing your prices by 3 or 4 % every year will generally be better accepted than a 20% increase every 5 years.</p>	<p>Straight to the bottom-line. Plus, you will have more cash in the bank over the 5-year period.</p>	
20	Sales: Discount Policy	<p>Review your discount policy (If you have one): Make sure some of your clients don't get a "historical discount" out of proportion with current pricing & discount policy.</p>	<p>Straight to the bottom-line.</p>	
21	Sales: Slow Payers	<p>Higher prices or interest charged to slow payers: Should some of your clients pay significantly slower than the others, do not hesitate to charge them more than "normal" or "preferred" clients.</p>	<p>Straight to the bottom-line.</p>	

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22	Sales: Temporary Surcharge	A significant raise in price of some materials can justify a temporary or extraordinary surcharge on top of the normal price (Commodities such as Fuel, Corn, Wheat, Gold, Copper, Zinc, etc.). This should be a separate line/item on the quote, the product list and the invoice.	Straight to the bottom line	
23	Cost of Sales: Variable Costs	Reduce Cost of Materials via cheaper suppliers: When was the last time you put your current materials' supplier in competition with others?	Straight to the bottom line	
24	Cost of Sales: Variable Costs	Reduce Cost of Materials via asking your supplier for a discount: At worst he/she says "No"; At best, not only do you get a discount, but you also know this supplier really values your business.	Straight to the bottom line	
25	Cost of Sales: Fixed Costs	Reduce time of processing the goods/services via a more efficient workflow (Part of the Lean Manufacturing).	Reduction in all costs associated with the process (Labour, Electricity, etc).	

No.	Account / Item	Process	Impact	Implemented Yes/No?
26	Cost of Sales: Fixed Costs	Optimisation of the machines & equipment usage rate for a better absorption of fixed costs (Also part of the Lean Manufacturing).	Overall reduction of the cost per unit	
27	Cost of Sales: Fixed Costs	Reduction in Utilities cost via cheaper suppliers or using aggregators – Shop Around! (Electricity, Gas, Petrol, Steam, Coal, etc.)	Overall reduction of the cost per unit	
28	Cost of Sales: Fixed Costs	Optimisation of the workforce (Set productivity objectives, Define standards, Introduce flexibility to absorb production peaks).	Overall reduction of the cost per unit	
29	Gross Profit / Margin	Concentrate efforts on high margin product/services.	Higher margins, higher profits.	
30	Overheads: Bad Debts	Chase overdue Accounts (Debtors): Do not let them get away with it...	Straight to the bottom line	
31	Overheads: Telecom	Reduction via cheaper supplier: When was the last time you challenged your supplier's competitiveness, or looked at new technologies such as VOIP?	Straight to the bottom line	

No.	Account / Item	Process	Impact	Implemented Yes/No?
32	Overheads: Stationary	Reduction via cheaper supplier (Shop around!)	Straight to the bottom line	
33	Overheads: Company Vehicles	Reduction via optimisation of purchasing price / leasing agreement.	Straight to the bottom line	
34	Purchasing Procedure	Introducing a Purchasing Procedure with relevant approval step(s) should prevent overbuying or purchasing supplies for obsolete equipment.	Straight to the bottom line	
35	Outsource	Some functions such as Accounting, Payroll, IT, etc. can easily be outsourced: The cost for the business is less than if they were in-house.	Reduction in Overheads, increase in profits.	
36	Interest Paid	Review your bank interest rates and negotiate them down.	Straight to the bottom line	
37	Client retention	It is estimated that gaining a new client costs 7 times more than retaining an existing one. So by looking after your current clients and making sure they are satisfied with your products/services, you actually maintain sales and save money.	Maintain Sales level + Reduction in the cost of acquiring new clients (Promotion, Prospecting, Advertising, follow-up, etc.)	

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38	Communication with clients	Statistics show that customers are 52% more likely to repeat business with someone who communicates regularly with them and/or from which they have received a promotional item, particularly at Christmas time.	Maintain Sales level.	
39	Identifying unprofitable accounts	Analyse your client base and take action on clients that are not profitable enough: Either increase prices with them or cut them out.	You either get more money in the bank, or save money.	
40	Employee Incentive	An Employee Incentive Plan can have a great impact on the company's performance.	Increase in company performance hence, increase in profits.	
41	Employee Incentive	An Employee Incentive Plan can reduce your employee turnover	Savings in recruitment costs + Reduction in down time	
42	Set Targets	Set targets for your employees and communicate them: It is easier to work towards a target, an objective, rather than having no direction.	Increase in company performance, hence increase in profits.	

No.	Account / Item	Process	Impact	Implemented Yes/No?
43	Training	Training for new employees or existing workers can attract Australian Federal government incentives & rebates through the traineeship programme. The cash incentive can reach several thousand Dollars per trainee.	In some cases, the cash incentive may be higher than the cost = Profit straight to the bottom line. In addition, your staff efficiency should be improved.	
44	Increase Yield	Add benefits to your basic line of products/services that enable you to charge a higher price (Example with the motor vehicle industry: Basic price is a manual with no options. Then, automatic + leather interior + sun roof + etc. add to the price...)	Impact on profits depends on Gross Profit/Margin ratio and cash flow situation.	
45	Break Even Point	Calculating the Break Even Point at company, division or product level makes you realise better the cost of products/services and the sales needed (Therefore pushing you to maximise profitability).	Straight to the bottom line	
46	Expenses Budget	By budgeting and monitoring the expenses, you avoid overspending (Which would reduce your profit).	Straight to the bottom line	

No.	Account / Item	Process	Impact	Implemented Yes/No?
47	Cash Flow Forecast	A monthly or weekly Cash Flow Forecast will allow you to know how much money and when it is needed in the bank and when you can invest the cash to receive high interests.	Increase in Interest income + Reduction in Interest paid + Reduction in bank charges.	
48	Process	Review all your processes and you will probably identify bottlenecks and unnecessary steps: Remove these will increase productivity in all departments and reduce costs.	More output in all department of the company, for the same costs.	
49	Know your market	Regular research of your market and surveying of your clients will help you maintain your edge and/or improve position in the market place.	Impact on profits depends on Gross Profit/Margin ratio and cash flow situation.	

No.	Account / Item	Process	Impact	Implemented Yes/No?
50	Competition	Know your competition as well as you know your own products, services and business: It will help you to understand what you need to do to attack their weaknesses or defend against their strengths (Therefore putting forward better offerings and gain market share).	Impact on profits depends on Gross Profit/Margin ratio and cash flow situation.	
51	Key Performance Indicators / Dashboard	The implementation of key ratios and trends measurement will allow you to identify potential issues before they become a problem.	Maximum cost is avoided thanks to immediate corrective action.	
52	Accountant / Tax Adviser	Talk regularly to your Accountant, and/or Tax Adviser - Tax laws are changing often and there may be legal ways to reduce the amount of tax you need to pay (For me, Less Tax = More Profits).	Impact on profits depends on the use of the extra funds.	

Yes, we've given you a couple more than *50 Ways To Increase Your Profits* – there are always surprises in business. And there may well be other ways to improve the profit in your specific business. But the principles given here are tried and tested. Look for and apply the principles that are most appropriate to your business and situation.