

PROFIT DEVELOPMENT GROUP

SPECIAL REPORT

Ten Things to Do Today to Improve Profit

A must read White Paper
By
Jim Reser, President
Profit Development Group

Profit is the most important product your business makes. You might operate a bank, a machine shop, a law practice, or a printing company, but if you aren't producing a profit, you soon won't be making anything.

To see that you get to continue doing what you want to do, you need to make sure you are making a profit at it.

Here are ten things you can do, in order from Easy to Advanced, to ensure that you will be *profitable*.

EASY

1. Control Expenses: The easiest thing you can do today is to control your expenses. Grab your latest Income Statement and look down your list of expenses.

Understand each and every Expense item and look for reasons to reduce or eliminate each one. Has your business become more efficient so you need less space and could save by moving, or by sub-leasing your extra space? Are you employees all busy, or could you "rent" their unused time to another business? Are you making the most of technology? Are you using co-op advertising as a way to shift some of your marketing costs to your suppliers?

Are you aware of tax reduction strategies that might apply to your case? Call your CPA today.

2. Challenge Worker Productivity: Are your employees as productive as they could be? Or are you standing in their way? Too many business owners don't empower their employees to contribute as much to the company as they could. Do you have a 10-year employee who could take on more responsibility with a special project? Do you have a three-month employee who is learning faster than you expected and who could benefit from added experience in a short-handed department?

If you have employees who have about six hours of work to do in an eight-hour day, consider sub-contracting work for that person with another company – or cross-train that excellent worker on jobs in other departments or functions.

Motivate your workers with contests, incentives, benefits, and rewards. Fear motivates, but only in the short run, and has chilling effects on employee enthusiasm.

Ask your employees for their ideas on how to improve profits. Be open with the information you use to make decisions and let them help you to look at things in new ways. "Open Book Management" is not a fad, but a serious way to get buy-in from the people, beside yourself, who have the most to gain from the success of your business.

3. Delegate Tasks: We all have a ton of "things to do" every day, from opening the store to answering E-mail, from making sales to handling complaints or problems, from designing a marketing campaign to balancing the bank account.

Three resources you can use to deal with tasks include:

- Employees
- Contractors
- Prioritizing

Employees can be much underutilized. Recruit them to help make your work flow easier. They may have a regular routine of work they already do, but may have extra capacity to do other things of value to your company. If you receive more E-mail than you have time to deal with, set up a Filter or Sort function in your E-mail program to channel some of the load to employees who are suited to dealing with those items. You should follow up to make sure the work is accomplished, but you could realize a time savings of two or three WEEKS per year. Your employees probably have learned all kinds of things since you hired them. Like you, they may have taken classes and courses to improve skills that could be useful to your company. Re-interview them to find out what new things they know and that they could use for the firm's success. *You will be surprised.*

Contractors are an ideal source of savings when you experience a seasonal upsurge in business, are marketing a special offer to customers, or have an occasional project and need specialized talent or skill not available from inside your organization.

Check out local temporary employment firms. Make sure you specify what you need from temps and don't assume that they have only day laborers available. Some temps have experience in finance, sales, accounting, heavy equipment, plant management, or computer networking.

Reach out to your chamber of commerce, Small Business Development Center, or local college to find consultants to help you work through challenges or make the most of opportunities. One great thing about using consultants is that they will focus on the project at hand and you don't have to retain them as an employee for the whole year, just because you need them for a three-month project.

Prioritize your workload so you can schedule higher priority items for your Prime Time. You know when you work best, so make that your sales time, creative time, or high-impact productivity time. Answer phone calls and E-mail during your non-peak hours, but make sure you handle it. Each call or E-mail might translate into business opportunity, but make sure you control the priorities you set.

4. Think: Sounds easy. But when was the last time you took a day off to go to the place where your brain works best? Find the place where you feel comfortable and grab a pad of paper and some pens.

Now, THINK. Think about where your business is now, and where you want it to be in the next few months or a year. Don't think too much beyond a year, or you will bog down under the weight of it all.

Imagine what a customer might think about doing business with you. Can you make your business process more clear? Easier? More rewarding or exciting? More secure?

Consider the competition. What are they doing that is new or different? What are you doing to make a dramatic difference between your company and all the others?

Challenge yourself to consider what you would do if you were just starting up your business for the first time. What things would you do differently? What things would you have not done?

Invent a new product or service for your business to offer. Dream and reach a little beyond what your firm does now, to see what could be. Whether or not you implement your idea, you get a chance to expand your business concept and get excited about your business again.

INTERMEDIATE

5. Review Prices. Make sure the prices you charge accurately reflect the value you provide to your customers. Determine why your customers buy from you, and price accordingly.

If you operate a security alarm service, remember that people are buying safety for themselves, their families, their property, or their livelihood. They buy superior service and high quality products, and do not always trust low prices.

How does your competition approach pricing? Which competitor is the price-change leader? Do they also seem to be the leader in sales?

The Secret to successfully raising prices is simple. *The Secret* is elegant and easy. *The Secret* is so important and exciting that most of your competitors will never think of it, let alone implement it.

The Secret is “Increase Value.”

Most businesses operate as if the owner thinks that the value of what they offer the market is self-evident. “We’ve been doing this for 30 years and everyone knows we do this, so we continue to offer it and people will buy from us.”

Well, maybe that works. In a monopoly. But, not for 99% of businesses.

Increase the value of what you sell by selling complementary products or services, by providing installations service, free information about more ways your product can be used or additional services you offer. Send your customers a newsletter about your product or service, or about their community or neighborhood. Offer a free review of their needs, to see if they need a new version, upgrade, better payment plan or some other change you can implement.

Increase value and you will find that customers respect your increase in price.

6. Develop KPI and Manage for Results: KPI means Key Performance Indicators, which are all the ways you have of telling whether your business is on track.

If you have a Business Plan (if you don’t have one, write one), you probably project your sales, expenses and profit expectations. Your experience tells you whether or not you are “on schedule” with your plan.

Pick out three measurements you can make easily and use them to determine whether your business is doing well, or has some room for improvement.

A restaurant owner might be able to tell if a particular night will be profitable by the number of diners seated by 6:30 p.m. A manufacturer might have a sinking feeling if raw material waste exceeds 4% on any given project.

A consultant might set a threshold of 60 hours of billable time per month at the published full rate. If she does less than that, it raises concern.

Find your Key Performance Indicators and manage your business to maximize the ways your company makes the most profit.

7. Do High Impact Selling: As the owner and leader of your business, you have the responsibility of making the highest impact sales for your business.

Pick the single product or service with the highest profit margin or with the most potential for creating combinations, upgrades, or follow-up services. YOU, as the owner or manager of your company, must make sales of this item your very highest priority. This is the product or service that has the greatest impact on your customers’ needs and on *your company’s profit*.

Next, focus on high-impact customers. Those are the customers who buy the most of your product **AND** who refer more business to you. These are the customers who sell for you because they are as excited about your products as you are. They are happy with your company and want to share the good news. Work hard to keep these people happy because they become your most productive sales force.

ADVANCED

8. Develop New Markets: Determine if now is the time to find a new customer base for your service. Can you handle more customers? Can you expand the geographic territory you serve? Are there more products your customers need that you can provide? Is now the time to crank up the productivity of your web site sales? Can you work out an affiliate relationship with a related company in another market, where you each sell the other’s product or service to your own customers, in exchange for commissions?

Talk to friendly competitors (maybe those not selling directly in your geographic territory) to see if you can join forces to serve the needs of a larger client that neither of you could handle alone.

Ask vendors and other suppliers about new products they are carrying or considering. There might be a whole new way for you to meet customer needs, without finding new customers.

9. Evangelize For Your Business: More than just selling your product, evangelizing involves conveying an enormous enthusiasm for your customers and your products or services.

Get excited about telling the story of your business or industry and how you work to solve problems or fill the needs of your customers. If you are an Internet Service Provider, you are not just selling E-mail and internet access. You are opening the gateway to a fascinating world of instant communications and information, and helping people connect to friends and information around the globe!

Recognize that your particular product or solution may not be a fit for your potential customer. Get to be very knowledgeable about your competitors' services so you can connect your customer with the right solution. Your customer will be very happy with your ability to get them connected with the *right solution* and next time they will call on you for more help. Even if you don't get every sale, you get the loyalty of a fan *because you solved the problem*.

10. Manage To Achieve Your Vision: Every thing you do in your business must contribute to achieving the vision your have conceived about success.

Make your vision a great one. Make it something that will have an extraordinary effect on your business and your life. Don't settle for a plain statement like "We will increase sales by 5% in each of our product categories and continue our tradition of competency with our two services." That is an average goal statement, but it isn't compelling or exciting. It is a tough one to get excited about.

Make sure your marketing efforts convey what you want to happen with your business. Include your vision in your Human Resources Policy Manual so your employees will know what values you see as important. Design your business processes to reflect your standards of customer service and product quality. Make sure you are staying up with the latest developments in your field. You won't necessarily need to buy expensive equipment to meet or exceed your customers' needs, but you don't want to be left behind when a competitor comes along with something amazingly better.

Pick any one of these ten strategies for improving profit and make it happen today. Implement as many as you can in the next month or year. But, however you choose to proceed, remember your definition of profit and strive to achieve that most satisfying result.

Jim Reser, President of Profit Development Group, is a business consultant with 12 years of experience in helping thousands of small business owners achieve their profit goals. Contact him in Durango, Colorado, at Jim@profitdevelop.com, or (970) 259-8028. © 2003, Profit Development Group, All Rights Reserved.