



Four ways to grow a business bottom line!

Are you looking to grow your business but are not sure how to go about it or which path to follow? It is one thing to say we need to improve our profitability – yet in today's competitive marketplace this is much easier said than done!

The usual approach is to either increase sales or reduce costs – and whilst both undoubtedly are needed, how do you actually go about it – where should you focus?

If you are in this situation, a useful framework to use is:



Increase the profit per sale

While in an increasingly competitive marketplace this may seem somewhat of a challenge options to consider include:

- Better buying to provide an improved gross margin (often overlooked by many in small business – generally gains you make at the Gross Margin line will fall through to your bottom line!)
- Eliminating elements of your offering that have a cost, but which customers simply do not value or even use!
- Use anchoring to upsell products – restaurants often use this approach with wine, they have a cheap “house” wine, an expensive wine and the one they really want to sell at the mid point. This approach works with a wide range of products and services
- Taking advantage of volume discounts from suppliers for fast moving lines
- Focusing on best selling – higher margin lines

- Specifically targeting those customer groups who prefer your higher value/margin lines
- Increase your prices! Will only work if you can convince your clients the price differential is worth paying for – and this will only work, if they see your offering and service as being different & superior to the competition!

In relation to the last point, research confirms that over 90% of buyers (consumers and businesses) see little difference between businesses they purchase from – and when this occurs, products and services become commoditized and the focus shifts to price!

The message here is you need to create a clear point of difference to your competition – be different and your customers will reward you for it!

Increase amount of each purchase

This is a significant area of opportunity for many businesses – to simply increase the total transaction value by selling more to the same customer. Not selling for the sake of it (they will punish you for it) but understanding your customer needs and ensuring the customer has the full range of what they need to achieve the outcome they are seeking.

The secret here is that you first need to listen and understand what the customer is looking to achieve – then by cross selling other products and services they really need – they will love you for it!

This is not about selling – rather, it is more about educating your customers! My local auto aftermarket store do this exceptionally well – their product knowledge is outstanding – first they take the time to understand what I am trying to achieve – they then explain the options available – they educate me – invariably I spend a lot more than I originally intended – but I never feel “sold to” and always walk away totally satisfied!

Other options increase the profit per sale include:

- “Package” complimentary products to provide increased value for your clients
- Think about what has never been traditionally offered in your industry but is complimentary to the product and service you are selling and add it to your range
- In line with “educating” your customer, also ensure the customer knows how to get the most out of your product or service – apart from the fact they will be delighted and then share their experience with others, this often opens the door to provide additional products or services they may need! It is a double win!

Increase purchase frequency

It is a sad fact that for most businesses, the term “valued customer” is nothing more than a motherhood statement. The reality is that the customer relationship ends almost as soon as the customer walks out the door!

If you doubt the validity of these statements, name two businesses you deal with where you feel you are a truly valued customer!

My own experience – asking this question of 100's business owners for many years is less than 10% can name a business they deal with where they feel truly valued. To some extent, this is also confirmed by research which suggests over 65% of so called satisfied customers – never repurchase from the same business again!!!

This is insanity! Existing customers have taken a decision to choose you over another supplier – appreciate them – value them! Give them a reason to return and share their experience with others!

- Treat them as individuals
- Remember their names, personal interests, preferences (This is the most common feature of businesses that rank highly in terms of customer satisfaction)
- Stay in touch (Sorry a quarterly newsletter where you talk about yourself doesn't cut it!)
- Provide genuine after sales support
- Give them access to special offers not available to the general public
- Follow up to ensure they are totally satisfied (most customers don't complain they simply go elsewhere)
- Follow up to ensure they are getting full value from the product or service – is it working as they hoped?
- Be in touch when the product or service is nearing the end of its product cycle
- Think about creating a community of customers via Social Media around what is of interest to your customers

Decrease costs

In today's world, the opportunity for cost reduction for many businesses is at face value limited. To survive businesses need to be lean and do generally keep a close eye on costs. However, opportunities do exist!

- Examine all your major costs items and consider if alternatives exist! (Could you move to smaller premises if you increased sales via the web)
- Could functions now performed in-house be "out sourced" – For example there are an increasing number of people working from home providing "back office" support to businesses using technology
- Can you use technology like Google Hangouts to allow team members to work remotely and through this improve their productivity and reduce your costs
- Similarly can you use Google Hangouts for client meetings, saving time and travel costs (Hangouts allows up to 10 people to meet via video conferencing – you can also share what you have on your computer screen)
- If you purchase goods for resale – seek a range of suppliers to ensure competitive offers are available
- As indicated previously consider eliminating elements of your offer that have a cost but which customers simply do not value or use
- Use sites like oDesk or eLance to source specialists who have skills you do not possess

In relation to the last point – this is one of the greatest "hidden costs" for business. All too often business owners try to perform tasks in-house for which they do not possess the skill set. Invariably the task is not performed well, it takes far more time than it should and the desired outcome is often not achieved.

A common example being owners trying to maintain their own financial accounts, apart from the time it takes & the real cost incurred when a professional has to rectify errors made – the hidden costs are:

- The lack of sound and timely data on which to make business decisions
- The fact that the time it takes to do this work detracts from time available to focus on what is truly important – growing your business
- Because this work is often completed after hours – it impacts on family time and relationships

Other common examples include, building ones own website, writing ones own copy for websites or promotional material, etc. These “hidden” or “opportunity costs” for many businesses is often overlooked – yet it is a real cost and needs to be considered!

Summary

When it comes to increasing a business bottom line the immediate reaction is to simply focus on sales via marketing and/or commence a drive to trim major expense lines.

Whilst both have merit, as outlined in this paper if you use the approach outlined, often different & more sustainable ways of achieving that outcome can be revealed.

To get the most out of the process:

- Involve your whole team
- Focus on one element at a time (How do we increase the amount of each purchase?)
- Keep this theme for a month or until all options have been explored – then move on to another (How do we increase the profit per sale?)

When approached in this way many more options will be revealed – you may find your business is transformed and your bottom line profitability significantly improved!

Bruce Hall