

Five steps to improving profit

If increasing sales isn't an option due to limited capacity, resources, or demand, consider looking inward to improve profitability. Strategies like improving productivity, increasing profit margins, and refining your offerings or target audience can make a significant difference.

The simplest way to improve your profit is by raising your prices. If all factors remain unchanged, i.e., customers continue to buy from you, and competitors don't undercut your pricing, any increase directly enhances your bottom line. However, raising prices isn't always feasible, especially without drawing attention from customers. Here are five alternative strategies to improve your business's profit without relying on price adjustments.

Step 1. Improve productivity processes

Reasons for low productivity vary, though common culprits are not having economies of scale to invest in automation or capital-intensive infrastructure, if you're far away from your markets, there's a labor skill gap or lack of investment.

One answer is to improve every step of every process to save time, money and speed up delivery:

- › Identify and streamline inefficient processes and use technology to automate repetitive tasks.
- › Implement software solutions for project management, customer relationship management (CRM), and other key business functions.
- › Use artificial intelligence and machine learning for data analysis and decision-making, including inventory management to reduce holding costs and minimize delays.
- › Adopt energy-efficient and sustainability practices to reduce utility costs and future proof any requirements to make changes by new legislation.
- › Change any key performance indicators (KPIs) to better measure and track productivity.
- › Reduce rework and customer complaints with improved quality controls (ideally automated).

Combine these productivity improvements and customize them to fit your specific business needs.

Step 2. Increase leads with existing resources

This is about creating more opportunities to convert prospects into customers. It might mean driving additional traffic to your website, attracting greater foot traffic to your location, receiving more inquiries by phone, or securing invitations to bid on additional contracts.

Increase leads by:

- › Being active in social media by talking about staff, customers and success in [Facebook](#), use [LinkedIn's networking platform](#) to connect on a professional level, [X](#), allows you to microblog, [YouTube](#) and [Instagram](#) help distribute videos and images.
- › Introducing a lead nurturing program with an e-newsletter, product whitepapers, free demos, samples, reviews, video explanations or quotes. The more complex your business, the deeper you need to delve with research, data and insights for prospects.
- › Identifying developing new customer targets or larger markets. Consider exporting if your business model allows it, or targeting segments you've previously ignored, such as local government, larger corporates.
- › Investing in developing new products or services to open up a new revenue stream. There could be R&D grants and subsidies you may be eligible for to assist funding.
- › Partnering with another business to open up a whole new market.
- › Building an online distribution channel to open up your business to customers outside your current location and region.

When you strategically leverage your existing resources, you can identify untapped opportunities to attract and engage potential customers.

Step 3. Increase your conversion rate and transactions

A major productivity push is to convert more leads into customers, then increase the share of wallet by making sure they purchase as much as possible.

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Consider:

- › Setting up a sales funnel to identify and use customer relationship management (CRM) software such as [HubSpot](#), which allows you to conduct A/B message testing, ranking contacts in order of sales readiness, and prioritize them according to their engagement and level of interest
- › Expanding the range of what you offer, so there's an increased opportunity for a customer to add on.
- › Using virtual warehousing and online sales to diversify and extend your product range without investing in more stock.

Calculate the increase in profit from a 5% or 10% improvement in conversion. It's worth the investment.

Step 4: Increase the average value of each sale

If you're able to develop premium products and services, then you can start to sell items that cost more, which is different from increasing your price.

You could also focus on selling more of the products or services that have the biggest margins.

Likewise, review the viability of lower-margin products or services, and switch out any that are not adding value to your bottom line.

Next steps

- › Appoint a profit and productivity manager to audit your business for opportunities to improve.
- › Identify any capital changes such as new machinery or premises to lower your per unit cost.
- › Invest in accounting and CRM software to accurately track sales, expenses, margins and customer success tactics.
- › Speak with your accounting team to explore additional ideas to improve your margins.

While not all of the above steps might apply to your business, it's worth taking the time to evaluate each one to work out what is relevant. You'll almost always find ways to use what you have to improve your profit.

Step 5: Improve net profit percentage

Consider how you can widen the gap between what you pay for raw materials, stock, or components and the final selling price. You can cut back by:

- › Reducing cost of goods sold (COGS) by using lower-cost materials where possible, without affecting quality.
- › Talking to your suppliers about renegotiating your terms. They might offer you discounts or updated payment options.
- › Reducing waste, buying only what you need, recycling and reusing where you can.
- › Eliminating unnecessary product features, which could be a significant production cost, as customers may not care if the feature is there or not.
- › Taking advantage of discounts for paying on time, paying early, or buying in bulk. If you have the cash in reserve, then use it to drive your costs down.
- › Closing down any departments or product lines that contribute little to profitability. It's often better to focus those resources on more profitable business, even if they are products and services you've offered for some time.

You won't find that every product or service you use in your business can be lowered or re-negotiated, but there'll be more than you think.

Note

This is a guide only and should neither replace competent advice, nor be taken or relied upon as financial or professional advice. Seek professional advice before making any decision that could affect your business.