A new approach to increasing profit

By Harry Welby-Cooke 24 Feb 2015

Conventional businesses over simplify their definition of profit as the difference between sales and expenses. W
this approach, there are only three variables that can be manoeuvred or improved to influence profitability.
Businesses end up looking only at increasing sales or decreasing expenses to make more profit.

If you move away from this limiting view and break the sales variable into five separate components, they can be adapted
individually to leverage profits.

The five ways to effectively grow your business are: getting more leads, converting those leads into customers, getting
customers to make bigger purchases at higher price points, getting them to buy more often and getting more sales at high
profit margins. If you increase all of those factors by just 10 percent, you can give your bottom line a massive boost.

I use five simple, proven (and low-cost) strategies you can implement immediately to get more profit into your business. M
of them involve resources you probably already have or small "tweaks" to strategies you already use.

©blueximages via 123RF

Bestselling product

Find your bestselling product and increase the price by 10 percent. If you don't know what your strongest product is, now
the time to find out. Once you figure it out, boost the price on that item or service by 10 percent. It's a manageable size
increase and is small enough that most people won't even notice.

Sales scripts

Creating sales scripts for you, and particularly for your salespeople, can help boost your average rand sale - the average
amount made per sale, estimated over the course of a year. Sales scripts help to frame your sales process, especially if y
don't consider yourself a natural 'salesperson'. A sales script will also help your salespeople initiate and build rapport, whic
leads to higher sales.

Loyalty programs

To increase your average number of transactions, create loyalty and referral programs. However, just having a loyalty
strategy doesn't equate to instant success; to get the most out of a reward program, it should be targeted at your highest-
yield customers - loyal customers or clients who don't quibble over price.

The first step is segmenting your client base and identifying who these people are. An effectively implemented rewards or
referral program is not just a tool that defaults to discounts or giveaways, but something that leads to measurable profit

increases.

Guarantees

Guarantees go a long way in improving conversion rates, especially if none of your competitors have them. Guarantees are especially good for establishing long-term customer relationships. When developing a guarantee, start by identifying what makes your business or product unique. In other words, what is your unique selling proposition?

Start by interviewing your top customers to ascertain what it is and then build your guarantee around that. It is important to get word out about the guarantees you offer, so advertising is essential to success. Guarantees also boost the number of referrals from existing clients and can increase leads.

Evolving advertising

Lead generation through advertising is the most costly profit-boosting strategy option, so start with low-cost ways you can track results before you start spending large amounts on an advertising campaign. What's low cost? Something as simple a direct-response print advert or well-placed online advertising.

The key is to ensure you know who you are trying to reach and using the best medium to do so. Once you have that base compelling offer and good creative copy that is sales and response oriented will seal the deal.

Remember, you are looking for incremental increases to your bottom line. Small changes can make a big difference if you apply them in the right areas of your business.

ABOUT HARRY WELBY-COOKE

Leading business and executive coach and SA's Co-Master Licensee for global franchise company - ActionCOACH. For more information visit www.actioncoachsa.co.za
View my profile and articles...