

# How to Increase Profitability



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**There's really only two basic ways you can improve profit in a business – sell more and spend less! But it's never quite as simple as that, and small adjustments can reap bigger rewards in time.**

Management information can show you what profits you make, you can compare your actuals against what you expected to do, or see what's happening over time, but the ultimate function of management accounts is to help inform you in your decision making and actions. The one thing we all know is that if you do nothing then nothing will change!

Profit ultimately is the same as cash, but you'll never generate more cash if you don't make a profit. With extensive experience of working with SME businesses of varying sizes, across multiple industries, we hope this handy 'how to' guide provides useful insight and practical tips you can implement in your business.

## Revenue:

1. Review your prices for your products or services... when was the last time you implemented a price increase in your company?
2. Make it part of your normal practice to review your pricing regularly (every year).
3. Review which customers make you money (and which don't) – be brutally honest and implement a plan to stop working with those who don't contribute.
4. Review which products or services make you the most money, and those that don't make you money. Implement a plan to stop selling those items that don't make you money.
5. Look for opportunities to increase your average spend per customer – is there something they buy that other customers often buy together?
6. Is there an opportunity to cross sell other products or services to your customers? Maybe a new product or service that are related?
7. Look at whether you're recovering the cost of shipping in your sales. It may have been the case two years ago but costs go up!
8. Establish how you find your best clients – do more of that (and less of the rest) and measure your return on investment in finding new customers.
9. Look at how other companies in your sector advertise their presence and investigate whether that could work better for you.
10. If you invoice clients on a retainer basis, make sure your team aren't over servicing the clients in time. It's easily done and we all want to please the client but it can easily get out of hand without you even knowing about it. Make sure your team know exactly what the deliverables are and how much time it should take. Then consciously give the client 'extras', otherwise it just gets more manic!
11. Create new products or services – keep it fresh and exciting for customers by offering the next best version.





## Costs:

1. Review all your costs at individual expense level – there’s always “fat” in there somewhere that can be removed.
2. Renegotiate your prices and terms with suppliers – if you don’t ask then you definitely won’t get.
3. See whether it’s best to consolidate suppliers, or get the best prices by shopping around more.
4. There is no such thing as fixed costs! It’s quite liberating justifying to yourself the costs in your business, and really establishing whether you need it or whether it’s just “convenient”.
5. Measure the cost of acquiring a new client in each marketing channel and consider which of the marketing you do now works best for you.
6. Get creative!! Can you make your products from a different (cheaper) material? Can you source the material or resource from somewhere else that is cheaper? Is there a way of delivering your service that removes some cost from your company?
7. Make sure you have the right number of people in your company – service companies often don’t measure or track their “capacity” for doing billable work – they employ the people and then try to sell the work. You will be more profitable if you can “flex” your workforce to the variation in your sales.
8. Have the right people with the appropriate talents in your business, and make sure they are doing the right job at the right time. If you feel your team is not working for you then make changes.
9. Develop real processes and habits in your business – make them trainable and you’ll reduce inefficiency and be able to handle growth more easily. Do it as soon as you can and make sure new members of the team get trained properly.
10. Finally, have a plan and measure how you’re doing against it. It doesn’t have to be war and peace, or a complex business plan, but what gets measured gets done and it will help you maximise the profit in your company!

If you don’t know how to do this, just give us a call and we’ll be able to help you out – it’s what we love to do.



## About YRH Finance Team

**YRH Finance Team works in a flexible, affordable way to professionalise the operational finance functions of SMEs. Our part-time finance teams work with business owners to help their businesses grow faster and be even more successful; more efficient and profitable, with better cashflow and less business risk.**

### Our reports

YRH Finance Team is dedicated to supporting business owners and professionalising the finance functions of SMEs.

This report is one of a series of publications offering best practice advice and invaluable insights.

### Contact us

If you would like to discuss any aspect of this report or would like a free and confidential chat with one of our experts to explore how we could help you, please email us at [hello@yourrighthand.co.uk](mailto:hello@yourrighthand.co.uk) or call us on **01252 820002**.

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