

Improve Your Bottom Line

A question that entrepreneurs often ask themselves is: How can I make more money? And often their instinctive answer is to say increase revenues.

However, increasing revenues makes sense only if it leads to higher profits.

So how can entrepreneurs improve the bottom line? By following these five key steps:

1. Assess the profitability of your business

Periodically analyse your business's gross profit margin and operating margin and compare them to those of the best companies in your industry (or related industries). Benchmarking in this way can help you identify opportunities for improvement.

2. Analyse individual components

Review the profitability of various areas of your business such as individual products or services, business lines, individual jobs, geographic locations, clients, etc. This will allow you to zero in on winners and losers. Use the 80/20 rule.

3. Examine your options

Consider what actions you could take to improve profits. Your options might include reducing costs, increasing prices or eliminating unprofitable products and clients. You should carry out a thorough assessment for each alternative including creating scenarios for possible outcomes.

4. Make a plan

Select the best options for improving your business's profitability and devise a work plan for implementing your decisions.

5. Set targets and follow-up

Based on the options you have chosen, you should establish a schedule with ambitious, yet realistic, targets. You should then conduct a rigorous quarterly follow-up to make sure the plan is on track or implement corrective actions.

A key success factor for improving the profitability of a business is to ensure you are properly costing for all inputs into products or services. In many cases, entrepreneurs don't have accurate costing

systems, leading to wrong conclusions and bad decision-making.

As well, entrepreneurs should make sure they have a clear understanding of their value proposition to the market (why clients should buy from them). This will help them determine the best options for increasing profits.

For instance, a decision to eliminate an unprofitable product may lead to a loss of customers who want to get everything from a single supplier. Or, alternatively, a business might conclude a price increase is in order given the perceived value of its products over those offered by competitors.

You have to determine what sets your company and its products apart from the rest. It may be possible for you to raise your prices without negatively affecting profit.

Putting your profit improvement plan into practise takes time but it should show up on the bottom line quickly.

Thanks to Jorge Hena for the above advice.

Call Now

To see how we can help you improve your bottom line call Seamus Parfrey today on **021 431 0266**.