



## Increase your profit without just cutting costs and increasing prices

Ralph Godley

You would expect an accountant to say 'keep your costs down', whether they are direct or overhead expenses. You are probably less likely to get them to consider some of the other key areas that can help to improve your profitability.

### Focus on Core business

Identify key areas of profitability and those with an upward trend. Enthusiasm for new products and services can all too often distract from profitable core activity. Research shows that the more successful businesses focus on core activities.

### Know your customer and ensure your customers know you

Many businesses focus purely on new customer generation, it is important to maintain a balance between generating new ones and servicing existing customers.

Selling to existing customers costs six times less than it does to sell to a new customer. It is important that staff are fully aware of your products and the cross selling opportunities. It is equally important to ensure that your customers are fully au fait with your products and services. How many times have you heard the saying 'I didn't know you did that?' and, as a result, a customer has bought from a competitor.

Ensure you keep up to date with customer expectations; most business is lost through indifference.

### Cherry pick, rather than mass market new customers

When looking for more customers, focus on characteristics that are similar to your more profitable, existing customers.

If you are looking for new customers, consider splitting the role between those in your organisation that are good at hunting new customers and those who are good at looking after existing ones.

### Spend time on the business not just doing the business

If you are looking to increase capacity or improve efficiency, spend time looking at the way you do business, it can be surprising how often it is possible to achieve increased sales and profitability without taking on more people or investing in additional resources.

### Measurable objectives

Setting key targets that can be easily measured, and communicated, are undoubtedly valuable and very effective in the quest for profit improvements.

## Invest in your people

Often, staffing is the biggest cost and the most significant resource. Consider developing existing staff and rewarding them with a bonus scheme, training or better working conditions, an approach which can often help to reduce employment costs through improved retention and reduced absenteeism.

## Outsource

For non core activity or where in house skills are lacking, it may be more appropriate to outsource functions. There is a growing trend for companies outsourcing specialist services where there is a shortage of technical know how or the cost of doing it in-house would be prohibitive.

## Persistence

It is not rocket science, but in most scenarios the failure to attain one's goals is simply the result of a failure to pursue them. Good ideas and intentions all too often are lost when we revert back to old ways and bad habits.

There is much more to profit improvement than just cutting costs and increasing prices. Whilst you might start with gusto with a programme for increased profit, it is surprising how, by giving a little attention to some of the points above, what a significant difference you can make to the bottom line of your business.

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