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BUSINESS PLANNING

STRATEGIES FOR MAKING PROFITS



Paper 09.82



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BUSINESS PLANNING

STRATEGIES FOR MAKING PROFITS



Paper 09.82



1. **Aim For Excellence In Your Business**

To achieve profits in a Small/Medium Enterprise it is essential that the business operator plans to achieve excellence in the operation of the business.

Unless excellence is achieved in all of aspects of the business operation, then the business will not generate the optimum level of profitability. Excellence is built around:

1. A clear understanding of the market for the goods or services produced by your business. (Refer [Paper 08.01 - "Marketing - An Overview"](#)).
2. Finding, recruiting, motivating, training and retaining excellent employees. (Refer [Paper 17.52 - "Key Characteristics Of Best Practice In Human Resources"](#)).
3. Prompt identification and elimination of trouble spots as they emerge in the business.
4. Implementing a Quality Assurance System suitable to your business and then maintaining excellent quality. In other words - being able to deliver an excellent service everytime the business has any contact with a Customer.
5. Ensuring that the business has very satisfied Customers. This will require the business operator to:
 - undertake detailed research into the business's customer base
 - analyse the customers' requirements in-depth
 - be able to view every aspect of the business from the customer's point of view
 - being able to "walk in the customer's shoes"(Refer [Paper 18.20 - "Customer Knowledge And Service"](#)).



6. Regularly reviewing the financial state of health of the business. This will include receiving daily, weekly and monthly reports on the progress of the business, but in particular receiving detailed:
 - Departmentalised Financial Accounts on a monthly basis (Refer [Paper 05.50 - "Management Departmentalised Accounts"](#))
 - Key Performance Indicators (Refer [Paper 06.74 - "Using Key Performance Indicators To Create Value For SMEs"](#))
 - Comparisons to Budget (Refer [Paper 05.35 - "Budgets and Cashflow Forecasts"](#))
 - Detailed Aged Debtors' Analysis (Refer [Paper 05.05 - "Sundry Debtors"](#))
 - Detailed Aged Creditors' Analysis (Refer [Paper 05.60 - "Sundry Creditors"](#))
 - Detailed Analysis of Stock (Refer [Paper 05.11 - "Stock Management"](#))
 - Analysis of Work in Progress, highlighting problem projects still in Work in Progress (Refer [Paper 05.10 - "Work In Progress"](#))
 - Updated Cashflow Forecast (Refer [Paper 05.35 - "Budget And Cashflow Forecasts"](#))
7. Excellence will be assisted by the business regularly undertaking an internal review of it's current position by the preparation of a Strengths, Weaknesses, Opportunities and Threats Analysis (SWOT Analysis). (Refer [Paper 21.58 - "SWOT Analysis"](#)).
8. Regularly updating strategies to minimise the affects of weaknesses identified in the business.
9. Regularly updating strategies to maximise the strengths of the business.
10. Six monthly review, updating and amending as required by the enterprises' Business Plan. (Refer [Paper 09.70 - "Monitoring implementation Of The Business Plan"](#)).

2. Be Different!

1. If you want to make profits in your business, you should try to make your business look different from that of your competitors. (Refer [Paper 21.13 - "Competitors"](#)).
2. Dare to be different!



3. Analyse your competitors and work out where you can differentiate your business from theirs. Otherwise - how are the customers going to know that you are any different to any one of hundreds of potential competitors?

3. Be First

1. If you want to make money, you should be first - rather than better.
2. What this requires is an exercise of judgment as to when the product or service is ready to go to market at a satisfactory quality level, without procrastinating over achieving the final couple of percentage points of quality. If you do that you may have missed the opportunity to be the “pace setter” in the market by being first with the product.
3. Being first - will also differentiate your business from that of your competitors.

4. There Are Tremendous Business Opportunities

1. There are tremendous business opportunities available for most SMEs if:
 - some pre-planning involving the creation of systems is done
 - concentrate on customer services
 - prepare an analysis of the market
 - implementation of an appropriate Marketing Plan (Refer [Paper 08.50 - "Development Of A Marketing Plan"](#))
 - staff are correctly trained to deliver the service (Refer [Paper 17.70 - Excellent Staff Management, Motivation And Communication"](#)).
2. But one of the most important things is being pro-active in marketing. (Refer [Paper 08.40 - "Marketing For Small Business"](#)).
3. Customers are not going to come to your business unless they know about you and know about the type of services or products that you have available.
4. You cannot make profits if you do not have a regular stream of customers coming to your business.
5. You have to accelerate the growth of your customer base and then educate your customers on the type of goods and services that you have available.



5. Add Value

1. To make profits - you have to add value to the basic product or service.
2. You should be continually thinking of ways and means of adding value to whatever you are producing in your business.
3. You are there to solve a customer's problem and for that the customer will reward you by paying a price that will be inflated if the customer perceives that s/he has received excellent service and add-on value.
4. If the customer only receives very basic service and no frills, then the customer will expect to only pay a "bargain basement" price.

6. Believe In Your Product Or Service

1. To obtain the add-on value, you and your staff will have to believe in the product or service that you are selling.
2. Show your customers that you are completely satisfied with what you are producing. Package the whole product or service with the add-on service and sell it to the customer with a passion!
3. You will not receive excellent profits in your business unless there is some passion and commitment in the way your business deals with it's customers.
4. Successful businesses promote and sell their product with great enthusiasm and then embrace their customers with outstanding customer service. This is how businesses earn additional profits as compared to other businesses that struggle to make profits.

7. Test The Product

1. Successful businesses continually test the product or service in the market place. They send out questionnaires to their customers in relation to their product. They make telephone calls after the customer has purchased the product to see whether the customer was satisfied with it. They continually test and evaluate and ask their customer base whether they are happy with the product or service.



2. Customers like being asked whether the product met their expectations. They like to think that the business person thought of them and went out of their way to make a telephone call to enquire:
 - whether the product was suitable
 - whether the patient had recovered from the illness
 - whether the legal advice was understood

8. Give Proposals - Not Quotes

1. Having got a potential customer to the position where they have asked you to tell them what you can do for them - the document given to the potential customer probably should not be called a “Quotation”, because all that a quotation does is encourage them to go out and obtain alternative quotes.

Perhaps what you should be doing is giving them a “Proposal” - which sets out a full Action Plan as to how you intend doing the work. Use the proposal document to give them additional information then that given in a traditional quotation, so as to give an all-encompassing proposal as to how the work would be completed.

2. Put some “padding” into it! Make it look nice! Make it look professional! Deliver it to the customer and then phone them the next day to see whether they have accepted your proposal.
3. One thing that successful businesses do is always follow up any proposals or quotations given to customers.
4. A lot of small businesses do not follow up quotations and tend to miss out, as the customer wanted some slight variation done and as the customer did not hear from the business - assumed that they were not interested.
5. Submitting a proposal with details of how you are going to go about the work - in other words an Action Plan - will differentiate your business. If the customer has sought quotations from other businesses and they submit a hand written form that merely sets out the price for doing “such and such” a project at a cost of \$....., enables your proposal to appear more professional.
6. A detailed professional written proposal should impress the customer.

9. Use A Customer/Prospect Database

1. One thing that successful small businesses do very well is to maintain an accurate Customer and Prospect Database.
2. They utilise competitions, coupons, invoices and any other device they can think of to get the names and addresses, telephone and facsimile numbers of anyone who has dealings with their business. Whether they buy or not.
3. They are then able to communicate directly with that customer or prospect and advise the prospect or customer of the types of products and services and the type of customer support systems that they have in place.
4. It allows them to do very targeted marketing and to concentrate directly on the target group which they have identified as being their customer base.
5. The existence of a Customer/Prospect Database, in most instances, significantly improves the profitability of an SME.
6. The key thing is having established the database, is to make sure that it is being used and continually updated.

For further information, refer to [Paper 18.10 - "Customer Database"](#).

10. Understand The Effect Of The “Pareto Principle” In Your Business

1. The Pareto Principle states that 20% of your effort will produce 80% of your results. This is commonly referred to as the “20/80 Rule”.
2. To be a successful small business that generates excellent profits, you should be identifying every group of 20% in your business that produces 80%.
3. 20% of your customers probably produce around 80% of your income. List out those customers. Try and give them more of your time and effort. Give them fantastic service and in most cases they will increase even further the volume of business that they do with you.



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4. The Pareto Principle should be used to identify what really works in your business and what does not work. If 20% of your customers produces 80% of your results - you should be considering channelling more and more of your staff's efforts to that segment that make up 20% of your business or alternatively find other people who are very similar to the group that is in the 20% list and try and attract them to your business.
5. Successful small businesses identify their leading customers, best work practices and best staff by utilising the Pareto Principle and they then go out of their way to give the customer excellent service. They also try to modify their other operations to the same as the operations that are working fantastically well. They reward the "super" staff and try and motivate and train the remainder of their staff to perform at the same level.

11. Encourage People To Come Back More Often

1. One of the easiest ways to increase the profitability of your business is to sell more product to existing customers.
2. What you need to do is to determine strategies and promotions that will encourage your customers to visit your premises more often.
3. Do not assume that if a customer only comes to see you once every two months that they are buying everything from you. Perhaps they are not aware of some of the other products or services that you have available.
4. If you told them about your other products and services perhaps they would start visiting your business more regularly.
5. You have already secured those people as customers. They know and trust your business. They are the easiest persons for you to start with when trying to increase the frequency of visitors to your business.

12. You've Got To Tell Your Customers

1. Successful small businesses don't assume that their customers know all of their products or services. They make sure that the customer is told about them.



2. They implement strategies whereby there is direct contact by the business with the customer at least six (6) times every year, to advise them about products and services, customer promotions, seminars, product launches, invitations to be on Customer Advisory Committees etc.
3. They continually communicate with their customer base.

13. Target Business

1. Most small business operators have not got a bottomless pit of money to be spent on marketing and advertising promotions.
2. They have to target their campaign to the group of people in the community who they believe will deal with them.
3. This is primarily their present customer base and other people who look like or have the same interests as their present customer base.
4. Because they know their customers intimately - because they can walk in their customers' shoes - because they think of things from the customer's point of view - they are able to target their business at people in the community who they believe are their logical customers.

14. Referral System

1. Every business needs to have established a system for generating referrals.
2. If you have not got a referral system - then you are leaving the future of your business to fate!
3. Profitable small businesses are very proactive in the generation of referrals to their business.
4. Encourage your customer base to refer their friends, relatives, neighbours, associates and employees etc., to use your business. Make it easy for them. Send them an invitation to bring a friend to a seminar, a fashion parade or an information evening.
5. Always send out extra copies of your firm's brochure and ask customers to hand on the spare copies.



6. Ensure that your system records the name of any customer who has referred a new person to your business and then send the referrer an appropriate “thank you” letter and a small gift in appreciation.
7. The gift could be a Gift Voucher to be spent at your store. Invariably the customer will buy something else whilst they are there. (You have used the Gift Voucher as an encouragement to the customer to make another visit to your business).
8. Don’t get so close to the business that you are blind to the opportunities that are around you.
9. Your customer base is one of the key assets you have.
10. Think laterally of ways and means of utilising the customer base to assist you in the development of a very profitable business.

15. Empathy With Your Customers

1. You will have great difficulty in implementing these strategies if you have not developed outstanding empathy with your customers.
2. You have to show your customers that you care and understand their problems. Show them how you can help them solve their problems.
3. Get testimonials from happy customers to be placed in newsletters and brochures as a way of showing your customers that you do understand their problems.
4. These testimonials will show your customers that you do understand their problems, in that you have solved similar problems - as evidenced by the testimonials.



16. Develop The Profit Leverage For Your Business

1. Key areas for generating profit leverage are:
 - The development of the database for prospects and customers
 - Using the “Pareto Principle” to list your customers and their purchases, so that you know the top 20% of your customers
 - Then think about the extra products and services that you can sell to them
 - Make sure that you communicate to your customers to tell them about the products and services that you have developed
 - Appropriately train, motivate and reward staff so that they won’t let you down, because if they do, you will pay for it in your bottom line result
2. The key factor in the overall generation of leverage to earn additional profits is making sure you have a written system that sets out in detail how all of these various functions are going to work and come together.
3. A business must be able to produce excellent service in accordance with it’s system on EVERY occasion that contact is made with a customer. Not just occasionally. Not only on Saturday mornings. But on EVERY occasion. You can’t blame casual staff working on Sunday mornings. If that’s a peak selling period then perhaps you should have permanent staff working then.
4. Businesses that make excellent bottom line profitability ensure that their systems have been implemented and that ALL staff - both permanents and casuals - are appropriately trained to deliver that excellent service.
5. These are the keys to increasing profitability in a business.

17. “Value Of A Lifetime” Customer

1. If you give excellent service, then you should be able to generate a lifetime customer. Even if lifetime is only defined as seven to ten years, it is easy to determine the value of that customer by calculating a formula:
2. ***“Profit per transaction multiplied by the number of times per annum that you anticipate the customer will visit you multiplied by the number of years you anticipate that customer will service your business”.***
3. You should be conscious of the lifetime value of a customer.



18. Think Like The Customer

1. One of the biggest problem that stands in the way of improved business profitability is that a lot of small business operators keep on thinking like the person who owns the business, rather than the customers that they are there to serve.
2. Start thinking like your customers. Identify various different types of customers that frequent your business. Perhaps put photographs of them in the staff room to remind your staff of the customers of the business.
3. Everytime that you are going to send out some material, brochures, letters, make phone calls to customers - look at the photographs and try to visualise whether that particular customer will be turned on by the material that you are sending to them or the phone call that you are about to make.
4. This is all part of knowing your target market with a passion. How will Mrs Brown react to this brochure? What are her concerns and fears? What does she want your business to do? What is her problem? How can your business solve it?

19. Regularly Review Prices

1. Many small businesses do not regularly review their prices and then wonder why they are not optimising profitability in their businesses.
2. Even if inflation is only going up 3% or 4% per annum - then prices should also be going up by the monthly equivalent.
3. If you are educating your market and offering excellent service, you will probably find that you can increase your prices by around 10%. An increase of this nature should all be reflected in bottom line profitability.
4. If you are giving your customers excellent service and your staff are well trained and motivated, then you are entitled to earn a reasonable profit for your endeavours.
5. If you are giving that excellent service - most of your customers will not complain about an adjustment in selling prices of around 10%.
6. The key factor is that you regularly review your prices to make sure you are not falling behind.



20. Educate Staff

If you are going to earn optimum bottom line profitability in your business, it is essential that staff are trained in all aspects of the operation of your business, including:

- Product/Service knowledge
- Technical aspects of the products or services
- After sales service
- Greeting of customers
- Telephone manners
- Face to face interviews with customers
- Dress and personal appearance skills
- Communication skills

21. Up-Sell/Cross-Sell

1. Another aspect of staff training is to train staff on to how to responsibly up-sell, cross-sell and add-on sell as part of the sales transaction.
2. To do this they will need to know what other sections of the organisation do. What products and services they have available for sale? They should be trained in what additional products or services logically go with a basic product or service that has been sold by the organisation.
3. Staff should be automatically trained to raise the additional sale items with the customer.

22. This Is How We Do It Here!

1. Just because someone has worked as a Salesperson or a Professional with some other organisation - does not mean that they understand how your business works.
2. If you have developed a system, you should be able to tell the employee how you do business and insist that the employee is always inquiring about the add-on sale.
3. If you are going to be a very profitable business, then in most cases you will need to obtain the add-on sales to secure that extra profitability.



4. In most cases, it won't be earned from selling your basic products or services.

23. Money Back Guarantees

1. If you offer your customers a money back guarantee, you are removing one of the greatest obstacles there is for preventing a business transaction occurring.
2. If you have developed an excellent system, have a good product or service and have trained your staff well, then you should have no fear in issuing money back guarantees to customers.
3. What it does for the customer is to emphasise to them that you have total belief in your product or service.

24. Create "Event" Marketing

1. Profitable businesses do not wait for the customers to come to them. They create "event" marketing throughout the year to entice customers to come to their businesses.
2. This can be built around events such as:
 - Christmas
 - Easter
 - End of Financial Year
 - St Valentine's Day
 - Australia Day
 - Anzac Day
 - Major Race Meetings
 - Major Sporting Events
 - Cultural Events in your area
3. It's an opportunity to show that you are different and so differentiate your business from that of your competitors. It gives you an opportunity to decorate your premises to a particular theme and for staff to wear appropriate uniforms. Perhaps you can run seminars or customer evenings as part of the particular theme that you are promoting.

25. Birthday Greetings

1. Another way that many retailers utilise to create additional sales during the year is to send a Birthday Card and a Gift Voucher to the customers listed on their database.
2. This usually encourages those customers to come to the store to redeem their Gift Voucher and in the vast majority of cases, they purchase more product than that of the value of the Gift Voucher.
3. What this does is to generate sales throughout the year - built around people's birthdays.
4. You cannot assume that that customer would have come to you for the purchases s/he made around her/his birthday.
5. The fact that you have thought about them, sent the card and the Gift Voucher, has encouraged her/him to come to your store to redeem their Gift Voucher and then to make those extra purchases.
6. The utilisation of the birthday greeting concept also has another benefit in that it spreads these types of sales throughout the year, rather than at a particular event time during the year.

26. Customer Clubs/Seminars

1. As part of the concept of differentiating your business, consideration could be given to forming Customer Clubs and running special Seminars and Promotional Events limited to Members of the Club.
2. What you are trying to achieve is that a targeted select group of people are made to feel important and are encouraged to do all of their spending in the particular category of goods or services that you provide at your business.

27. Are You Answering The Needs Of Your Customer?

If you wish to maximise your bottom line profitability, then this question - "*Are you answering the needs of your customer?*" should be able to be answered positively for every aspect of your system.



28. Competitor Files

1. If you are going to be informed on what is happening in your market place and be conscious of maximising bottom line profitability, then you also need to know what your competitors are doing.
2. The best way to do this is to firstly list your competitors and in doing this you should utilise some lateral thinking and perhaps envisage who your competitors might be over the next three to five years. Then establish files on all of your present competitors and envisaged competitors of the next three to five years and try to keep as much information as possible on each of your competitors.
3. A lot of information is freely available.
 - Newspaper cuttings
 - Advertisements
 - Brochures
 - The odd thing that “fell off the back of a truck”

as well as gossip in the market place in relation to particular competitors.

4. Every three months you should review your competitors' files to try to determine any strategies or policies on which a competitor may have embarked.
5. If they have a good idea - copy it and try to improve on it.
6. By being alert to what your competitors are doing, you may save yourself considerable expense if your competitor has embarked on a new strategy which you are able to detect because you have been monitoring your competitors.
7. Then of course, it's up to you to take corrective action to counter-act what the competitor is doing or about to do in the market place.

29. Prospects Conversion To Customers

1. Retailers should be recording the number of people who enter their store (prospects) and calculating the number of sales they make each day and then calculate the percentage of sales to prospects. They should record that figure and make it available to their staff on a regular basis.
2. There should be a conscious effort to improve on the conversion factor each day. This will significantly enhance the bottom line performance of the business.

30. Testimonials

1. Testimonials are an excellent way of communicating to the broader market place what a satisfied customer thinks about your business.
2. Encourage customers to give you testimonials and then use them in your marketing strategies to promote your business.

31. Networking

1. Another way to significantly improve turnover and ultimately your bottom line performance, is to enter into network arrangements with other businesses, whereby you cross refer one another's customers.
2. If you have developed a customer database file, this can be utilised to refer your customers to other businesses who have agreed to give your customers excellent service on the understanding that they will refer their customers on their customer base to your business.
3. What you are able to do then is add further names to your own customer database, so that you can then communicate directly to these new customers on an ongoing basis.
4. You can also enter into arrangements with these other businesses to jointly host seminars, product evenings, fashion parades, jointly produce brochures/catalogues etc.

For further information, refer to [Paper 38.01 - "What Is A Network?"](#)).

32. Business Networks

1. Business Networks are a fast growing business strategy, whereby three or more small businesses come together to improve their muscle in the market place by the formation of a Network Company, which can then tender for larger projects, export sales, employ highly skilled people - such as Marketing Managers, all of which should assist the bottom line profitability of the businesses.
2. AusIndustry has developed very attractive subsidy arrangements for the development of Business Networks which generate additional export sales or import replacements. If you are in the type of business that can benefit from Business Networks - then perhaps one of the strategies for improving your profits should be to research the Business Network Programme as subsidised by AusIndustry.

For further information on this Programme - refer to [Paper 38.02 - "Introduction To Networking"](#).

33. Key Factors In Adding Value

The key factors in adding value to your business, so that it will be successful and generate high bottom line profitability includes the following:

1. Remember that you are selling “feelings” to your customers.
2. Deliver more than people expect.
3. Encourage customers to give you testimonials so that you can use these in your marketing.
4. Do everything in your power to encourage word of mouth referrals and then establish a system to ensure that you adequately handle word of mouth referrals and thank the person who gave you the referral.
5. If it is appropriate - take photographs of satisfied customers with the finished product, so that you can display these in Newsletters, Brochures and around your business. Send the photograph, appropriately framed and caption printed, back to your customer.

34. Create A System

1. There are many different items that are all part and parcel of making profits for a small business.
2. There are too many of them for you to remember in your head or for your staff to remember. The way that successful businesses do it is to create a written system incorporating as many of the ideas and strategies as possible that you believe is desirable so that your business can generate the profitability that you have targeted.
3. Write down the system. Make sure the system is distributed to all of your employees so that they all know what they are expected to do.
4. Regularly review the system with your staff and with your customers input to see whether it is working satisfactorily.

35. Identify The Things That Work

This will encourage you to identify the things that work in your business. If something is working - make sure that it is incorporated into the system so that everyone is using the new idea.

36. Look Outside

Every business should be looking outside it's narrowly defined area. Remove the blinkers. Use some lateral vision to determine what additional products or services you can sell to your customer base.

37. Integrity Is Important

Various surveys have indicated that customers want to do business with people they can trust.

Therefore you should be doing everything possible to protect the integrity of your business.

38. Think About Using A “Consultant”

Many successful businesses have utilised the services of a Consultant to help them improve their business strategies and profitability.

1. The person you invite into your business does not have to be a Professional Consultant. It might be an experienced business person or your Accountant or someone else - such as a customer - who you think has got something to add to your business.
2. Other people can sometimes see things in your business differently from how you see them.
3. That is the main benefit in bringing in an outsider or a consultant to review your business and to advise you.

39. Delegate

It is essential that you practice delegation in your business if you are going to maximise profitability. It's the only way that you're going to be free of the day to day activities in the business so that you can concentrate on the “business of business” issues that have been discussed in this paper.

40. Profitability Improvement

Some of the profitability improvement areas which you should look at would include:

1. Suppliers - perhaps you need to talk to them so that you can get a better range of stock, better price terms and conditions relating to the purchase of that stock.
2. Staff should be trained to smile a lot. They should also be trained how to greet customers and how to service those customers.
3. Remember if you want to increase prices, you have to provide a higher quality of service and product to justify that price. You also have to ensure that you keep on reproducing that higher quality of service and product, so that you can justify that price in the future.

41. Check Lists

When you have developed your written system on all aspects of your business, you can then develop check lists for various segments of the business so that staff are continually able to check that they have done everything that the system requires them to do, so as to maximise customer satisfaction and ultimately bottom line profitability.

This will assist in producing a consistent degree of excellence in your business.

42. Establish Appropriate Measures

1. Every business needs to establish appropriate measures, so that it can continually monitor achievement.
2. In a Retail Store, a business needs to know:
 - Number of customers
 - Average sale per customer
 - Average customer's number of visits to the store each year
3. This allows some projections to be carried out by increasing the number of customers, increasing the average sale per customer (because of the effect of add-on sales) and increasing the number of visits per customer, because of the direct marketing which you are planning.
4. This exercise can show some significant benefits to a business. For example - if a business had 2,000 customers per annum who visited the business on 3 occasions per year and the average sale was \$70.00 - the annual turnover would be:

$$2,000 \times 3 \times \$70.00 = \$420,000.00$$

5. If, through the implementation of marketing strategies, rewarding customers for referring people to your business, encouraging add-on sales and direct targeting to your customers of the other products and services that you have available that they might be interested in, the following increases were able to be made:
 - Number of customers increased by 10%
 - Number of visits increase from 3 to 4 per annum
 - Average sale - because of add-on items - increased by 15%

The figures would then be:

Number of customers	2,200
Number of visits	4
Average sale	\$80.50

This computes to the following:

$$2,200 \times 4 \times \$80.50 = \$708,400.00$$

An increase in turnover of \$288,400.00 or a 68.7% increase.

If the gross profit percentage in your business was 50% - this would be a gross profit increase of \$144,200.00.

If you had to employ some extra sales staff because of the increased turnover and your labour to turnover was 20% - the extra wages would cost (20% x \$288,400.00) \$57,680.00 (and this is probably a very high labour increase cost).

The improvement in bottom line profitability would be \$86,520.00.

For most small businesses, this would be a substantial profit improvement.

43. Using Measurement Data To Improve Profitability

1. The same sort of exercise can be prepared for any type of business. The key factors are:
 - Recording the number of customers handled by your business each year and then monitoring that number on a daily, weekly and monthly basis
 - Record the average sale and then monitor it daily, weekly and monthly
 - Record the number of visits to your store, so that you are able to calculate the total number of sales for the year divided by the number of your customers to determine the number of visits
 - Also monitor your prospect to sales conversion rate on a daily, weekly and monthly basis
2. These items, combined with the other items relating to:
 - product/service
 - customers
 - pricing
 - staff
 - staff training
 - marketing

-
-
- advertising
 - networking
 - management and planning

discussed in this Paper should be able to contribute to a significant improvement in your bottom line profitability.

44. Include Measurement Targets In Your Business Plan

In your Business Plan it is suggested that you write down your annual number of customers, your average sale and the number of times that you conduct business with your average customer during the year. Calculate that figure - make sure it equals your annual turnover and then set specific targets for the following year, showing:

- Number of customers last year - plus percentage increase targeted
- Average sale last year - plus targeted percentage increase
- Number of transactions with customers last year - plus targeted increase

This will enable you to determine what your new targeted annual sales figure will be for the current year. Then develop the system in your business to ensure that you can achieve that sales target.

The Work Sheet is contained in [Addendum 09.82A](#).

LINKS:

Paper 05.05	Sundry Debtors
Paper 05.10	Work In Progress
Paper 05.11	Stock Management
Paper 05.35	Budget And Cashflow Forecasts
Paper 05.50	Management Departmentalised Accounts
Paper 05.60	Sundry Creditors
Paper 06.74	Using Key Performance Indicators To Create Value For SMEs
Paper 08.01	Marketing - An Overview
Paper 08.40	Marketing For Small Business
Paper 08.50	Development Of A Marketing Plan
Paper 09.70	Monitoring Implementation Of The Business Plan
Paper 17.52	Key Characteristics Of Best Practice In Human Resources
Paper 17.70	Excellent Staff Management, Motivation And Communication
Paper 18.10	Customer Database
Paper 18.20	Customer Knowledge And Service
Paper 21.13	Competitors
Paper 21.58	SWOT Analysis
Paper 38.01	What Is A Network?
Paper 38.02	Introduction To Networking

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