

# 7 Steps To Improve Profitability



# 4 Ways To Grow Your Business

There are 4 main ways to improve profitability

1. More customers
2. Increasing Average Transaction Value
3. Increasing Number Of Transactions
4. Cost Savings and Efficiencies

In this report we will explore each of these methods using 7 easy to implement methods of increasing profitability quickly.

# Get More Customers

## 1. More Leads

Before a customer become a customer they will usually become a lead beforehand. Understanding how much you pay for a lead are an essential part of running and growing your business.

**A Lead** – Is someone in your target demographic and in your target market, who has expressed a need, and is open to learning more about the solutions you offer.

You need to understand how much new leads and prospects are worth to your business. A simple calculation to find out how much you pay for leads is by dividing your monthly marketing spend by the amount of new leads you get each month.

Simple ways to improve your cost per lead is to ensure all marketing channels are measurable. Cut out any areas that do not bring in tangible results. Test and find out what works for you and amplify any areas that are producing results.

You would hope that that the more leads you get the more you will convert into customers.

## 2. Improve Conversion Rates

Conversion rates are “the success” rate where you get a person to complete your desired action. An example of this is pay per click (PPC) campaign where you want them to buy a product.

To improve conversion rates you have to analyse why people are not doing what you want them to do and make changes. Sometimes small changes make the difference, but to make significant improvements you need to be prepared to make drastic changes.

# Get More Customers

## 3. Sales From Old Customer

*“A 5% reduction in the customer defection rate can increase profits by 5 – 95%” –Bain & Company.*

Keeping your customers happy should be priority for your business. Old customers are not always lost. They just need a good reason to return.

Try to re-engage your old customers.

Firstly find out why they left your business in the first place.

Secondly provide them with assurances that these issues have been addressed and provide them with an offer that entices them to return.

# Increase Transaction Value

## 4. Upsell & Increase Prices

“55% of customers would pay extra to guarantee a better service,” – **Defaqto research.**

Most customers buy based on value, not price.

If you are doing a great job in providing value for your existing customers it would be wise to quantify exactly what your goods or services are worth to them.

You may find out that even if you raised the price by 10% your customer will still consider it value for money.

Try to find a “biting point” for your price increase where the it doesn't affect volumes.

Even if it affects volumes you will make more of a profit on each unit.

# Increase Number Of Transactions

## 5. Cross Sell

*“The probability of selling to an existing customer is 60 – 70%. The probability of selling to a new prospect is 5-20%” – Marketing Metrics.*

Your best customers are your existing customers. Find new ways to deepen your relationship with existing customers to improve their experience further.

Offer them a total solution to their problem.

If this means you have to cross- sell additional related products or form a partnership with another company then do so.

## 6. Variable Costs

Variable costs are costs you only incur when you make a product or sell one.

They are based on your consumption.

Many costs have fixed and variable cost components.

Examples of variable costs are:

- Marketing
- Some staffing costs
- Materials

When trying to keep down costs you need to work out which variable costs make the most impact.

Strip out anything that does not add value to the business.

## 7. Fixed Costs

Fixed costs are costs that are fixed every month or year, like rent or insurance.

Fixed costs should be kept to a minimum, make your business cost base agile, giving you the flexibility to increase or decrease expenditure depending on when you are busy.

Start by reviewing all of your long term fixed contracts and agree flexible contracts as soon as you can.

Challenge your fixed costs. Do you really need what you are buying?

Remember your aim is to provide as much value to your customers as possible. Anything that doesn't add to their experience has potential to be eliminated.

Treat staff as a variable cost not a fixed cost where possible.

Every company has permanent employees that do not contribute as much as they could.

To eliminate the problem of not getting value for money by employing staff on a fixed-term contract of 6 months to 2 years.

# Conclusion

Engine optimisation is a fundamental part of running your business. Mapping out how you can improve every part of your business is your responsibility as a business owner.

The market changes constantly so you need to take time out each month to review how your business will overcome the challenges that lay ahead and take advantage of the opportunities you have.

7 steps to profitability provides you with some quick ways to improve your bottom line but improvements will be short lived unless they are integrated into an engine optimisation program.

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+4420-7193-6584