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## 10 WAYS TO INCREASE PROFITS RIGHT NOW

### **#1: Change Prices**

What would happen if you increase your prices by one percent? When was the last time that you increased your prices? Two years ago? Three years ago? What costs have changed? Would your customer notice a price change? What about the standard COLA, or “Cost Of Living Adjustment”? It’s a sure bet that your costs have changed from one year to the next, and it has probably been in a “due north” direction.

When you consider changing prices, make sure you first consider the ramifications, the potential benefits and downside. Financial analysis is usually a requirement before you take action.

### **#2: Find Your Profit**

What product or services do you provide that provide you with the most profit? To increase profits significantly, you must invest time and resources in your most profitable goods and services. Good business owners absolutely know the profit margin on every product and service they sell. I know a restaurant owner that knows how much it costs for coffee and where their break-even point is with free coffee refills. Once you know which products and services generate the most profit, focus your attention on activities that promote and sell those items. To help determine your greatest profit centers.

### **#3: Go Back To The Well**

Develop your best customer and keep them. Your very best customers make you the most money. It’s the old “80-20 Rule”: 80% of your business comes from 20% of your customer. So do what it takes to keep them happy. These are your best customers because they like what you sell. They buy from you again and again. And they’re inexpensive to serve. Call them your “# 1” customers. To increase your bottom line, accommodate them. It is cheaper to keep a customer than to find a new one. Start developing your “#2 customers”, the ones that still need some help with buying, ordering or contact to become a “# 1”. Set a plan for how many “# 2” customers you are going to convert to “# 1” annually.

## **#4: Fire Your Unprofitable Customers**

Unprofitable customers are the ones that seem to have a problem with you every time they order. Typically, they want to constantly haggle over price, they want free “stuff” thrown in, and they need it by Noon yesterday, “or else!”. Then they take their sweet time paying the invoice. It’s been that way for years. How much time do you spend on these kinds of problem/unprofitable customers? What would happen if you took that time and devoted it to your “# 1” customers? You already know the answer. Start weeding these problem customers out. Let your competitors have them, so it costs them money instead of you.

## **#5: Bill and Collect Your Accounts Receivables**

Most companies have a loan with the bank on operating funds. Think about the impact to your bottom line if you didn’t have to pay so much interest to the bank, simply by having your accounts receivable turning 12 to 20 times a year. There are companies out there that take 30 days just to bill, let alone collect on bills. Consider billing a job when the job is complete, rather than at the end of a month. And if a job rolls over into the following month, think about billing for work performed, rather than for a job completed. Finally, consider the implications if you had a customer that paid you in 120 days and you paid your employee and vendors in 30 days? How long will you stay in business? What is your cost to borrow money? That answer is different for everyone. Consider a professional cash manager’s research and opinion to help you reach your conclusions.

## **#6: Cut Expenses**

Most of us know that one of the fast ways to be more profitable is to cut expenses, yet only when things get bad do we actually do it. As to my restaurant owner example, he is always reviewing expenses either in cost of sales or in operating expenses to obtain the best deal for the least amount. He doesn’t have embossed letterhead or a three-color logo, but a two-color logo. A three-color logo has to go on a four-color press, while a two-color logo can go on a two-color press and cuts his cost by as much as half. He spends one day a month going through his expenses and looking for items that could possibly be changed or eliminated altogether. One huge expense is personnel. Are you top-heavy in people? Consider a work flow and productivity analysis to make that determination, and make sure you follow all [Human Resource guidelines](#) to stay out of any legal troubles.

## **#7: Review Your Insurance Bills**

Look at your insurance bills. Do you have just what you need to cover yourself in case of problems? Find out what the coverage is that you have. Get someone to come in and review the insurance bills and pay them for any savings they find. Every two years seek bids on your insurance package. You may keep the one you now have, but at least you will keep them honest and their pencils sharp. Are your employees classified in the proper work compensation codes? Have you checked the calculation of the work comp bill? I have a client who reviewed these bills, and found a clerical error that amounted to a 25% savings on their insurance cost.

## **#8: Increase Productivity**

Again, my restaurant owner looks at his process that his people perform on a monthly basis and determines first if it is needed, if it is required to keep the business going, or if it is just a nice activity to have. If it is nice to have, how can he make it simple and easy so that his people can help make more money and service the customer the best they can. To increase productivity, you have to determine what is required or needed and provide your people with the tools to help them make things better. You should expect productivity increases of 25% and more each year from employees who want to work smarter, not harder.

### **#9: Automate Everything**

To help with productivity, you need to [automate everything](#) you can such as voice mail, faxing, email, order taking, inventory control and all the paper-pushing that your company does now. Meeting agendas and reports are a great example of this. Many clients of mine were generating volumes of reports and agendas for meetings, felling entire forests in spun paper, and then spending valuable time collating, and mailing. Now they are creating electronic pdf files and e-mailing the information, saving them time, personnel and money.

### **#10: Partner Up With Another Compatible Business**

Develop relationships with businesses that are compatible to your business. I suggested this to a realtor who is a client of mine, and introduced her to some of my business clients who work with homeowners, such as a plumber, an electrician, and a banker. Now she provides her customers with a ready referral list for any problem. She not only gets leads from her own work, she also gets leads from her referral network. And her partners know that they are going to get business from her. She has someone she can refer to when her clients need help with repairs and other details of selling or buying a house. Form these relationships and increase your sphere of influence and customer base.