

# How to increase your profit

In business, your profits are your reward for your endeavours. In fact, profitability is one of the essential measures of a business' success. Profits are the very lifeblood of a business. They fuel growth, support the owners, provide for the well being of the staff, and ultimately determine the success or failure of the business. So how can you increase your profits?

## Gross profit

The objective is either to expand sales income while controlling direct costs, or reduce direct costs to increase gross profit. You should ensure that:

- You know your market and your competitors
- Your product knowledge is complete and you are technically able in all aspects of the business
- Your service or products are of high quality, delivered on time and according to specification
- You take advantage of cost-effective means to increase sales - consider recommendations, promotions, leaflets, press releases, and adverts (NB - Be wary of dropping prices to boost sales. The increased volume may not be sufficient to cover the reduced gross profit margin)
- Your direct costs are kept to an absolute minimum. Look carefully at material and labour costs, as well as production methods. Be flexible and innovative in seeking more cost-effective solutions (NB - Before changing your supplier, consider the level of service you are receiving as well as the cost)
- If you charge a rate for a job it is important to ensure that you use your working time effectively. On average, a self employed trader should endeavour to charge for 35 hours per week. Keep a timesheet so you can monitor and adjust your use of time and ensure that you "cost" jobs effectively.

## Overheads

You should aim to keep costs under your control, after all a £1 reduction in costs is a £1 increase in profit – ask yourself what a similar rise in profit would require from sales?

- **Expenses** - Keep your business expenses to an absolute minimum, and ensure that any additional overheads you assume result in increased profitability/efficiency
- **Overheads** - When increasing your overheads are you satisfied that you have reviewed the market to establish where to place your orders? Reliability and backup service are important factors to take into account. The cheapest may not be the best for your business
- **Finance** - Where assets are acquired on finance be sure to obtain quotations for your finance from your suppliers, your bank, and a finance company to ensure that you are obtaining the best rate available.
- **Reviews** - Many businesses could benefit from a regular review of their costs. Through regular cost reporting and analysis a business owner can easily spot the major costs to their business and can ensure that these are reviewed to ensure they are obtaining the best possible rates for their good and services. Even bank charges can often be reduced
- **Credit Control** - Implement and follow a rigorous credit control system to prevent or minimise bad debts and to improve the rate at which your customers pay you. Please refer to Sollertia's previous fact sheet "Effective Credit Control"

## Summary

You must be aware of your income and expenditure. Management reporting and Information is essential for monitoring the trends and patterns in your business.

Reports can be produced in a number of key business areas tailored to suit the individual business and can cover:

- Monthly Profit & loss
- Monthly Balance Sheet
- Daily , Weekly or Monthly Cash flow reports
- Debtors lists
- Cost Analysis:
  - o Total Business
  - o Product
  - o Service

*Sollertia has assisted many of its customers in a number of areas that have resulted in increasing profitability. Our service and solutions are easily tailored to match the needs of our individual customers and have provided real benefits. Contact us today to see how we can help your business.*



SOLLERTIA

10 Crow Lane East  
Newton le Willows  
WA12 9UY  
T 0845 0946 202  
F 0845 0946 203  
E solutions@sollertia.info  
W www.sollertia.info  
Tw twitter.com/sollertia



Integration



Support



Direction



Partnerships