

Management

Three steps to increase profitability



By Terence J. Shepherd, CM&AA, CPA, MST

When's this economy ever going to break? Two years after the recession was officially announced to be over, the question still painfully lingers for many small and medium-sized businesses. The question I am often asked is, "What steps should I be taking?"

I have three basic action steps that I use in my consulting practices that businesses can immediately put into motion.

Step one is to have a written plan that includes specific critical features. Studies have proven time and time again that in the majority of cases, both people and businesses that have a written plan have far superior results than those

that don't. For those with a written plan, make sure it is realistic and has specific measurable action steps.

Step two is to stop looking at sales as a single line item that you want to get X percent higher. There are only four ways to grow a business and three ways deal with sales (the fourth is process and system improvement). Pinpoint a thorough understanding of the different components that make up your sales and then manage each one individually.

Start with the number of customers. How many do you have now, how many do you lose each year and how many do you plan to get? Develop a customer service plan that specifically reduces deflections and attracts the new.

Determine how many times your average customer does business with you. What do you need to do to increase it? Lastly, how much is the average transaction of each sale? What specials offers, cross-selling and bundling can you offer to increase it?

Once you have the components of your exist-

ing sales, run some quick numbers on a 5 percent improvement in each, you'll be surprised to see how dramatic the combined improvements would be.

Step three is to look at your message. Mike Shultz and John Doer from Rain Today offer a three-legged stool concept.

The first leg: Resonate! What are you doing to create demand for your product? The second leg: Differentiate! Why should they choose you versus the person down the road? The third leg: Substantiate! Why should they believe you?

The three suggestions offer a business owner uncomplicated proven action steps to increase revenue and profitability. The steps are simple; the secret of their success, however, lies in the execution. There are no silver bullets. Put in the time and you'll be justly rewarded. ■

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