

FIVE ROUTES TO GREATER PROFITABILITY

"A business absolutely devoted to service will have only one worry about profits. They will be embarrassingly large." — Henry Ford

Increasing the profitability of an enterprise takes some careful deliberation on how one strategy can affect the rest of the strategies and the overall goal. Popular methods normally deal with increasing sales, controlling and reducing costs, improving the product offer, increasing margins or reducing capital employed in the business.

In the following text, we review steps for increasing the profitability in your business or organization:

1. Perform a market analysis.

Different methods of market research such as focus groups, customer feedback and other commercial market analyses are only some of the options. This process should reveal the market conditions from a number of perspectives: economic cycles, technological trends, consumer preferences and etc.

2. Consider increasing your sales volume.

- Increasing sale may at first seem as a straight forward approach to increasing profitability. Since sales does not equal profits, managers and owners also need to be proactive about controlling costs, monitoring prices, managing the amount of capital employed and the overall product mix.
- Hiring a sales representative to increase the geographical reach of your business is a great method as long as the increased sales produce increased profits.

- If you decide to increase sales by lowering margins, you need to achieve a substantial enough amount of sales to increase profits.



- If you decide to extend credit terms to your customers, you need to be able to handle this financial pressure on your cash flow. Alternatives include depositing your accounts receivable at a dedicated partner like IPS Invoice Payment System and receiving immediate payment.
- Understand the impact and potential of different lines of products. Focusing on products that result in losses is bad business practice, unless you have decided to use them in order to capture the market attention and switch the focus to products with better margins.

3. Look for ways to reduce your costs.

Knowing your costs, especially the hidden costs, cannot be stressed enough. If you do decide to use cost cutting as a way of increasing profitability, be very cautious about the process. Consult with bankers,

accountants and auditors and know the impact of each adjustment instead of allowing for arbitrary reductions.

4. Improve your product or service mix.

Extending on the previous point about knowing and identifying loss making products, it is just as important to know the upper and middle end of your product or service mix. This will help you adjust your supply accordingly, and will result in controlled costs and increased profitability.

5. Analyze your selling prices and profit margins.

This is a fairly delicate strategy. Depending on the setup of the market you are in and the price sensitivity of your customers, this approach can either lead to great wins or disastrous profit plateaus.

6. Look at the capital employed in your business.

Capital has to provide a good return, and there are several methods to ensure this. Employing credit control, reducing inventory, outsourcing inefficiencies and making better use of physical spaces such as buildings and factories.

7. Focus on balance.

The strategies we reviewed need to work in synergy in order to achieve balance. Don't forget that companies operate in ever-changing conditions and this balance will mean different things in different circumstances.

HOW TO OFFER THE BEST CUSTOMER SERVICE

"Quality in a service or product is not what you put into it. It is what the client or customer gets out of it." —Peter Drucker

Great customer service is about making customers want to come back. In this process, simply meeting customer expectations is never enough—you have to delight them by offering the best service possible.

In the content below, we take you through the **9 steps** necessary for implementing a successful customer service program:

1. Secure the commitment of top management.

Top management support with customer service programs is paramount. This is the ideal way to establish clear goals, measures and accountabilities.

2. Know your customers.

Anticipation is key. Customers have an expected level of service, and you as a business owner or manager have to learn everything about it through different means of market research.

3. Assimilate the major elements of customer service.

The process of customer service touches on every point of interaction with the customer, from the first contact with the company to after-sales support. Try to plan each of these steps carefully.

4. Develop service level metrics.

Being a qualitative concept, it is very important to set performance measures for customer service. Even if this is done in a less formal manner, knowing things like the amount of time it takes to respond to inquiries, the amount of time it takes to process

an order, the number of successfully resolved complaints and etc. is key.



5. Recruit the right staff.

Customer service is about competent and professional people. Use different methods for assessing the customer service commitment in potential candidates during your selection process.

6. Invest in your communications programs.

Internal and external communications are tied closely together. If the internal communication is not working properly, external communications will likely suffer. Communications have to be reliable, consistent and regular.

7. Handle complaints with a lot of care.

Training your staff to deal with complaints in a sympathetic manner is paramount. You have to highlight the importance of handling complaints with the utmost care because if handled properly, customers with successfully resolved complaints, tend to be more loyal than those without any complaints.

8. Reward good performance.

When your employees are doing the right things, reward them. Commit to recognizing even small accomplishments in the course of everyday business.

9. Stay close to the customer.

You need to get customer service right the first time, and every other time. Stay committed to it, and it will return the favour by creating an army of loyal customers.



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- Online Banking
- Cheque By Mail

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