6 Profit Slippage Areas

It is an all too common scenario: a business owner had cash flow problems at $1mill a year, and thought that by growing it, it would alleviate their money problems. They built it up to $2 or $3mill or more, and low and behold their money problems still followed them. Now they have a much bigger business, with more responsibilities, more overheads, more stress, but still have no more money going into their top pocket.

They eventually throw their hands in the air, either scale their business back down or just stagnate, they give up on their dreams and settle, feeling overworked and underpaid, thinking what is the point.

Important Principal: If you can't control the money you're already making, making more money won't solve the problem, only amplify it.

Before adding layers of growth to your business, you must get your financial house in order, by plug the gaps in the common areas of missed income, sales conversions, excess spending or profit slippage.

It will not only help you build a much stronger financial foundation, but you will maximise returns from every dollar made through the business going forward.

Here are the 6 common areas that can be focused on to maximise returns and minimise profit slippage...

1. Have the Right Pricing Structure

Be competitive in pricing but don't go so far as to deny your company the profits that you are worthy of for the product or service you are selling.

2. Add Value, Not Discount

A lot of business owners want to be the business that gives a discount. Don't be that business. Show how your business adds value, and how paying for what you offer provides value and isn't something to be discounted.

3. Negotiate Prices From Suppliers

Don't get stuck in paying more for something just because you've always been paying that amount for it. Take the time to re-evaluate your contracts with your suppliers to negotiate their prices to unlock potential savings that will increase cash flow.

4. Effective Job Costing

Look at the way you have been costing your jobs over time. Track and measure your job costings to see where you can maximise margins.

5. Measure and Manage Productivity

We reviewed several ways that you could reflect on the tasks of your staff and make steps for restructuring. How can you shift around current staff, or add new staff to build your own capacity?

6. Manage Fixed Expenses

You know that you have a certain amount of expenses that you can't get away from paying each month to keep your business running. But where can you go lean and mean in cutting down these fixed expenses while not cutting down on your service or products? Review what your expenses are, and don't overpay or be lazy in searching out better options. Pay less for better service or products where you can.

Identifying your gaps will not only help you build a much stronger financial foundation, but you will maximise returns from every dollar made through the business going forward.