

Improving your profit productivity

Building a more productive and profitable business requires a strategic approach to managing costs, optimizing revenue, and improving efficiency.

Follow these practical steps, and you'll fine-tune your operations, strengthen cash flow, identify key areas for improvement, and maximize profitability.

✓ Pricing and revenue management

- Increase prices
- Offer incentives for early payment
- Check credit terms
- Recalculate your break-even point
- Match or exceed industry gross margins

✓ Cost control and efficiency

- Trim your costs
- Check communication and technology costs
- Review suppliers
- Check costs are within budget
- Review seasonal trends

✓ Cash flow and daily management

- Check your cash daily
- Chase debts
- Send invoices out faster
- Maintain a cash reserve
- Forecast cash flow

✓ Inventory and operations

- Decrease stock levels
- Use inventory software
- Sell unused assets
- Make sure your systems are efficient
- Reduce fraud and theft

✓ Sales and market expansion

- Increase sales
- Keep an eye out for new markets
- Target advertising
- Track sales vs. forecasts
- Stay on top of competitors

✓ Customer technology and optimization

- Sell online
- Offer your customers more ways to pay
- Improve your cash cycle
- Manage your customer cycle
- Use the rule of 80/20

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Pricing and revenue management

Increase prices

Small businesses may only sometimes charge what things are worth. That's why it's important to evaluate regularly whether prices can be increased by checking your costs and what competitors are charging.

If you don't keep up with inflation, you're going backwards. As a general rule of thumb, customers should be paying more each year, unless your input costs are also falling. A small increase in price without any fall in sales or increase in overheads adds up over time.

Offer incentives for early payment

Encouraging early payments can improve cash flow and reduce overdue accounts. Offer discounts, bonus loyalty points, or free add-ons to motivate customers while maintaining profitability.

Evaluate the financial impact before implementing incentives. Set clear terms, communicate benefits effectively, and structure offers in a way that supports long-term revenue goals.

Check credit terms

Clearly defined payment terms help maintain cash flow and prevent late payments. Display due dates, penalties, and early payment incentives on invoices and contracts to set expectations.

Regularly review credit policies to align with business needs. If late payments become frequent, consider requiring deposits, shortening terms, or applying penalties while keeping customers informed.

Recalculate your break-even point

If revenue is high but profits are low, reassess your break-even point—the sales needed to cover costs. Adjust pricing, lower overheads, or prioritize high-margin products to improve profitability.

Market shifts and cost changes impact profitability, so update break-even calculations regularly. Use financial reports and forecasting tools to track expenses and sales trends.

Match or exceed industry gross margins

Compare your gross margins to industry benchmarks to stay competitive. If margins are low, explore price adjustments, cost reductions, or higher-margin products and services.

Regularly analyze product mix, supplier costs, and operational efficiencies. Small pricing or cost management changes can significantly improve profitability over time.

Cost control and efficiency

Trim your costs

Cutting unnecessary expenses improves profitability. Regularly review operations to identify savings in supplier contracts, energy use, and unused services. Small cost reductions add up over time.

Cost-cutting should be strategic and sustainable. Avoid harming customer experience or productivity. Instead, streamline processes, automate tasks, and shift resources to higher-value areas.

Check communication and technology costs

Phone and internet expenses can be reduced by reviewing contracts and exploring better deals. Prices change frequently, so staying informed helps identify cost-saving opportunities.

If a cheaper provider offers comparable service, consider switching. However, assess quality and reliability first. Small adjustments in communication expenses can lead to long-term savings.

Review suppliers

Managing stock levels improves cash flow. Use online ordering and inventory systems to prevent overstocking while identifying slow-moving products that tie up capital.

Bulk purchases may offer discounts but require careful timing. Weigh the upfront cost against working capital needs to maintain financial flexibility, especially in uncertain times.

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Check costs are within budget

Monitor fixed costs like rent, utilities, and subscriptions to stay within budget. Unexpected increases can erode profits, so tracking expenses regularly helps catch issues early.

If costs exceed expectations, explore renegotiating contracts, switching providers, or reducing consumption. Small adjustments in overheads help maintain financial stability.

Review seasonal trends

Understanding seasonal trends helps optimize planning. Demand fluctuates due to school terms, weather, and holidays, so adjusting inventory, staffing, and marketing can improve efficiency.

Align promotions and purchases with key events throughout the year. Capitalizing on seasonal demand keeps operations efficient and maximizes revenue opportunities.

Cash flow and daily management

Check your cash daily

Monitoring cash flow daily helps track spending, spot trends, and identify unnecessary expenses. Regular reviews improve financial control and highlight areas for adjustment.

A clear understanding of where money is going allows for better decision-making. Consistent tracking prevents surprises and supports smarter cash management.

Chase debts

Following up on overdue payments keeps cash flow steady. Set clear policies for reminders, calls, and formal notices to reduce outstanding invoices.

Use a system to track overdue accounts and act early. A firm but professional approach helps recover funds while maintaining good customer relationships.

Send invoices out faster

Assigning invoicing to a dedicated team member helps avoid delays and errors. A structured process with clear deadlines improves billing consistency.

Sending invoices promptly encourages faster payments. The sooner clients receive them, the more likely they are to settle on time, reducing overdue accounts.

Maintain a cash reserve

Setting aside a cash reserve helps your business manage unexpected expenses and seasonal fluctuations. Even a small buffer can prevent cash flow issues and reduce reliance on credit or emergency loans.

Regularly contributing to this reserve strengthens financial stability. Treat it as a priority, just like paying suppliers or employees, so you always have funds available when needed.

Forecast cash flow

Projecting future cash flow helps you anticipate shortfalls and plan for upcoming expenses. Use past financial data and market trends to create accurate forecasts.

Regular updates to your cash flow projections allow for proactive decision-making. Adjust spending, pricing, or payment terms as needed to keep your business financially stable.

Inventory and operations

Decrease stock levels

Lowering inventory frees up cash that would otherwise be tied up in stock. Using online ordering systems and efficient warehousing software helps maintain only what's needed for the short term. Regular stock reviews identify slow-moving or redundant products, allowing for better inventory control.

While bulk purchases may offer discounts, they also tie up funds that could be used elsewhere. In uncertain times, preserving cash flow is essential. Consider ordering stock closer to when it's needed to maintain financial flexibility while meeting demand.

Use inventory software

Inventory software provides real-time tracking, helping to manage stock levels efficiently and reduce the risk of overstocking or shortages. Automating inventory processes also minimizes human errors, making stock management more accurate and reliable.

A 'just-in-time' approach can further streamline operations by ordering only what's necessary. This reduces excess inventory, cuts storage costs, and means products are available when customers need them, improving cash flow and efficiency.

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Sell unused assets

Unused equipment or surplus assets can be turned into cash instead of collecting dust. If certain items are rarely used, consider selling them and leasing replacements when needed. This frees up funds while keeping necessary resources accessible.

Selling underutilized assets provides immediate financial flexibility. Redirecting this capital into more critical areas like operations or growth initiatives, improves efficiency and strengthens the business's overall financial position.

Make sure your systems are efficient

An efficient inventory system helps track stock levels, reduces errors, and improves productivity. When employees can easily access and update inventory records, operations run smoothly, and stock control becomes more reliable.

A well-structured system also enhances planning and decision-making. Maintain accurate records and you'll prevent overstocking or shortages, keeping cash flow steady and operations running efficiently.

Reduce fraud and theft

Educating employees about fraud risks and suspicious behaviors helps protect your business. Regular training on security measures keeps staff alert and proactive in preventing theft.

Security should be effective but unobtrusive. Using discreet measures like surveillance and inventory tracking protects assets while maintaining a positive customer experience and workplace environment.

Sales and market expansion

Increase sales

Growing sales without heavy discounting improves profitability. Expanding into new markets, adding distribution channels, or forming strategic partnerships can open new opportunities. Reconnecting with inactive customers or those due for renewal also helps drive revenue.

Encourage repeat business by offering targeted promotions and premium services. Staying ahead of competitors with innovative products keeps your offerings relevant. Focus on high-value customers, those who order frequently, pay on time, and require minimal support, to maximize returns.

Keep an eye out for new markets

Expanding into new regions can drive growth, but success depends on understanding market demand. Research potential locations with similar customer demographics and buying behaviors to identify promising opportunities.

Document what makes your business successful, from unique selling points to effective marketing strategies. Replicating these strengths in new markets increases the chances of attracting loyal customers and sustaining growth.

Target advertising

Effective advertising reaches the right people, not just the largest audience. Identifying your ideal customer and tailoring your message to their needs increases engagement and conversion rates.

Align your products and services with customer expectations to create a stronger connection. Personalized messaging and strategic placement make ads more compelling, driving both sales and long-term loyalty.

Track sales vs. forecasts

Regularly comparing actual sales to forecasts helps refine predictions and improve decision-making. Identifying discrepancies allows for quick adjustments to pricing, marketing, or inventory strategies.

If forecasts are consistently off, reassess your methods and data sources. Adjust projections based on real-time market conditions to create more accurate sales expectations and financial planning.

Stay on top of competitors

Watch your competition closely to check they haven't launched new products or found exclusive new suppliers you can't match. If they seem to generate more sales than you, try to determine what they're doing that's enticing your customers away, and how you can address it.

Complete a competitor analysis to understand what they are doing well and what you could do to offset these actions.

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Customer technology and optimization

Sell online

Expanding online helps reach new markets and diversify sales channels. While you may not match overseas pricing, focus on customers who value local service, warranties, and support. Many buyers prefer purchasing from businesses that offer both online convenience and physical store reliability.

Invest in a mobile-friendly website, great user experience, and a well-planned digital campaign. Visibility and ease of purchase are key to attracting and converting online shoppers.

Offer your customers more ways to pay

Multiple payment options improve customer convenience and transaction speed. Online and mobile payment solutions help meet evolving preferences, making purchases easier and more accessible.

Automated payment processing reduces time spent on invoicing and chasing overdue payments. A smoother system improves cash flow and minimizes administrative workload.

Improve your cash cycle

A shorter cash cycle gives faster access to funds, improving financial flexibility. Encourage quicker payments by requesting deposits, upfront payments, or offering incentives for early settlement.

This approach reduces reliance on credit and keeps capital available for business growth. Strong cash flow management leads to greater stability and investment opportunities.

Manage your customer cycle

Prioritize high-sales, high-margin products by promoting them and protecting market position. Monitor performance to detect sales declines early and adjust strategies as needed.

For low-margin, high-sales products, consider price adjustments or cost-cutting. If a high-margin item has low sales, increase promotion. Low-profit, low-sales products should be phased out to refocus resources.

Use the rule of 80/20

The majority of profits typically come from a small percentage of products or services. Identify and prioritize these high-value offerings to drive revenue and optimize resources.

Focus on high-margin items within this 20% to maximize profitability. Streamlining efforts around top-performing products strengthens financial performance with fewer transactions.

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Notes

Note

This is a guide only and should neither replace competent advice, nor be taken or relied upon as financial or professional advice. Seek professional advice before making any decision that could affect your business.