



HOW TO INCREASE PROFIT MARGINS





- 1.- **Know Your Role:** Visionary or Integrator (learn to spend more time in your lane).
- 2.- **Hold Your Team Accountable:** People respect what you inspect. It's amazing what your team will do if you ask them to do it and then follow up consistently.
- 3.- **Fine tune your production processes:** The laws of physics apply in business, and velocity matters. A quick order-to-delivery product turnaround time will lower your overhead and generate revenue faster. In other words, the fewer steps you have, the more you can increase profit margins. Examine your production process, from first customer contact to delivery of your product, and figure out how to speed up each step. Automation is already transforming how we work by taking on repetitive tasks and customer service roles, but can you leverage automation to create new efficiencies? Streamlining can trim costs and increase your company's profit margins.
- 4.- **Plug Financial Leaks:** The beauty of studying how to increase profit margins is that they are, by definition, ratios. You don't necessarily need an increase in profits to increase margins – reducing expenses and examining how your business spends money is also a viable approach.

Is your forecasting off, causing you to overspend on raw materials? Are there quality control issues with your product? Are your distribution channels efficient? Consider all options for trimming loss so you can cut costs and increase profit margins.



5.- **Prioritize higher-end products & services:** When your profit margins dip, it's easy to take an "anything goes" approach to marketing and production. However, this may backfire in the long run as low-margin products produce less bang for your buck. Focus on products that deliver the highest profit to increase your profit and overall margin numbers. This will drive the heck out of top-line revenue and profits! Cut low-margin clients and put your resources toward better-producing areas of your business. It can be hard to end relationships with long-term clients, but there are professional ways to fire clients. Remember, your business is a valuable commodity, not a charity.

6.- **Comfort Club Program** (Increase from \$15 to \$30 per month)
Repeat customers increase profit margins faster than new customers. Why? They tend to spend more and tell others about your products and services. They also cost less as you don't have to spend marketing money to convert them from prospects into customers.

Creating a loyalty program for regular customers can increase profit margins and transform repeat customers into raving fans of your company.



7. – **Renegotiate with your vendors:** Contract negotiation is common during high inflation, so consider negotiating with your vendors before your contract is up for renewal. See if you can lower your costs through the power of negotiation before you increase prices. And if you're looking for a new vendor, remember to talk with multiple suppliers and have clear business goals in mind. If you're under contract, your vendors have no obligation to negotiate. However, if you approach them as a partner, they may see a benefit from lowering prices. Long-term vendor relationships are mutually beneficial, so your supplier has a vested interest in seeing your business thrive.

8.– **Increase Pricing:** (This includes PARTS). You can quickly increase profits if you consistently provide or perform high-quality professional services. Pricing must increase with inflation and with the growth and experience of your company.

Remember, an increase in profit margins or a price increase can raise your value in the eyes of your customers.

9. **Train Your Team:** Spend time with your team in the field and model to them what good looks like. Then find opportunities where they can put into practice what they have learned. Coach them where they need coaching.

*Parts of this document were adapted from Robins Research

