



The 5 Ways Profit Guide

By David Bater

Introduction

Is there a “secret” way to grow your profits?

No not really, but very often “The Way” is ignored or misunderstood,

For years I’ve used and taught a simple “secret” formula to massively drive profits in any business.

This “secret” formula is the basis of my Business 5 Ways Profit Growth System.

Interestingly, those business owners in the category of small to medium enterprises (SME’s) seem to embrace this formula far easier than those “big business” owners who have been in business a long time.

So what is this “secret” formula... and why am I sharing it? At **ActionCOACH** we have a mission, defined by the chairman Brad Sugars in 1993 “World Abundance through Business Re-education.”

Since good business knowledge is one of the key elements of success, the more knowledge I can offer you to help you “re-educate” yourself and your team on how to run a more profitable business, the more comfortable you will become with the idea of Business Coaching, and the more open you may be to some of the other systems and strategies available through the global **ActionCOACH** system.

There is “Magic” in Numbers

Be aware of one thing however.

The following “formula” is based on a series of profit drivers – best explained by simple numbers and formulas.

If you are a “number phobic,” don’t worry. The examples are simple and easy to follow.

However, know that as a business owner, there is “magic” in knowing numbers – from what the numbers in your business really are – to how new sets of numbers can literally add thousands, or even hundreds of thousands of pounds to your bottom line.

When you become a master of your numbers (because, after all the language of business is numbers), you will see vast improvements in your company and in the opportunities presented to you.

And when you are comfortable with the numbers in the “secret” formula you will be ready and able to work all the factors in the Business 5 Ways Profit Growth System.

Then, you’ll start seeing more bottom-line growth and profit than you – and your competitors could ever imagine.

The “5 Ways...” What It Is and How It Works For Your Bottom Line

So what is this simple growth and profits focussed formula?

While most people see profits based on two factors (revenues and costs), the **Business 5 Ways Profit Growth System** sees profit based on 5 separate profit drivers.

Just with a few simple distinctions, the “5 Ways” gives you 2.5 times more options to work on your profit – giving you 2.5 times more opportunity to boost your profits – versus other “expert” business owners who love to “cut their way” on the expense side to boost their profits.

What are those factors?

Very simply:

1. **Leads.** This is the total number of leads – those people who have contacted or have been contacted by the business - over the course of the year.
2. **Conversion rate.** This is the percentage of people who actually bought. For example, if 10 people contact a business and 3 people buy something, that business has a conversion rate of 3 out of 10 or 30%, for that day.
3. **Average value sale.** This is the average (£'s) value per sale – estimated over the course of a year. It's just an average, and can range from £5 to £200 (say for a retailer) or up to tens of thousands of £'s (say for a car dealership).
4. **Average number of transactions.** This is the number of purchases the average customer/client will make over the course of the year. Again, this is an average and varies with industry, for example can be frequently (say in the case of a retail business) or not so frequent (say in a professional services practice).
5. **Profit margin.** This is the profit percentage of each and every sale. Simply put, if a business sells something for £100 and the profit element was £25, the profit percentage or profit margin is 25%.

So how does this all relate to top line revenues and bottom-line profits?

Let's see...

How to Apply the “5 Ways” to Your Company

In your sample company we can use a very simple formula to multiply the factors we’ve just discussed.

Remember, this formula multiplies factors, not just adds them.

This means the cumulative impact on the bottom line is massive.

The “5 Ways” formula looks like this:

Leads x Conversion rate = **Customers/Clients**

Customers/Clients x Average £ value sale x Average number of transactions = **Revenues**

Revenues x Profit margin = **Profit**

In your company looking back over the past 12 months, let’s say you have either estimated or fully determined the following numbers:

Leads	4000
x	x
Conversion rate	25%
=	=
Customers/Clients	1000
x	x
Average £ value sale	£100
x	x
Average number of transactions	2
=	=
Revenues	££200,00
x	x
Profit margin	25%
=	=
Profit	£50,000

What does all this mean?

Simply, you are running a business that converts 1 in 4 leads into paying customers, and those customers' average two purchases, at an average of £100 each year – and your business enjoys a 25% profit margin, on revenues of £200,000.

More importantly it also means your total profit for the year is £50,000

So what would happen if, over the course of the next year, you could increase results in each of the 5 profit driver areas?

What would that mean to you?

Let's do it, and let's take a look at what happens to your bottom-line.

			10% Increase
Leads	4000		4400
x	x		x
Conversion rate	25%		27.5%
=	=		=
Customers/Clients	1000		1210
x	x		x
Average £ value sale	£100		£110
x	x		x
Average number of transactions	2		2.2
=	=		=
Revenues	£200,000		£292,820
x	x		x
Profit margin	25%		27.5%
=	=		=
Profit	£50,000		£80,525.50

I've highlighted certain numbers to emphasise a point, notice the "=" in front of the numbers, they are OUTCOMES and are affected by the profit driver activity. Knowing which driver and which activity to focus on is important to achieving results.

How a 10% Increase in Top-Line Revenue Becomes a 61% Increase in Profit

Examine the numbers closely and you'll see the 10% increase is incremental – which means you could easily nudge numbers up by that amount over a period of months – or even weeks.

The bottom-line is, that the new bottom-line looks very interesting, doesn't it?

Even though we've increased each factor by just 10%, we've managed to boost bottom-line profits by 61% - or a total £30,520.50.

What could you do with an extra £30,000 in your business this year?

Think 10% is impressive?

Do some math of your own and see what the numbers look like if you increase 30%, 50% or even 100% down the line.

The key is that we are multiplying factors' – not adding – which is a massive impact on profit.

Contrary to those "expert" and "mature" business owners who focus solely on increasing margins, the "5 Ways" isn't a complicated numbers game.

It's simply looking at your business in a different way and working a set of numbers that exist in every company in every industry.

While your competitors will be in an endless cycle of trying to grow top line revenue and cutting expenses to generate more profit, you'll have at least 5 other factors with which to work.

There are literally hundreds of strategies you can use; all are available in my **ActionCOACH** toolbox with many available to "Download" at www.davidbater.com to boost those numbers immediately and over time.

If you want to do some extra homework, you can work your own numbers and brainstorm ways you could increase leads, get more customers coming back, increase the amount they spend and raise your profit margins.

Unlike some of your homework from school days, however, there can be a literal and immediate payoff to your efforts – in the form of extra £'s in your pockets.

Plus, you'll be miles ahead of the majority of business owners operating businesses today.

Better yet, you'll be pleasantly surprised how "measuring the numbers" is easy to do – and you'll be more than happy with the ultimate results.

It is Not What You Know That Makes The Difference. It's What You DO With What You Know...

Right so, you've read the theory...

Are you prepared to put the effort in and put what you now know into practice?

The Entrepreneur Mindset focuses **ON** building the business, most business owners' focus on surviving **IN** the business.

If you're **IN** your business I guarantee you are missing opportunities right now. I call this the holes in the bath tub – opportunities are disappearing down these holes – **AND** you never get them again.

The biggest profit breakthrough for you is to stand back, take an honest look at your business and plug those holes.

(After all, would you fill a bath tub full of holes? No you'd waste a lot of water.)

However you can't do that if you don't know where to look, so to the first step – identify where to look.

Remember the old adage... **"You can't manage what you don't measure" or "The Numbers Tell The Story"**

Step one – Set up a data capture process to capture these vital numbers, (basic pen and paper will do to get started). **Just get started!**

Step two – Look for the quick gains – start with "margins" where are the holes? Focus on cash, where is the cash disappearing? What are your margins?

Step three – Next take a good look at your "conversion rate" (sales process) again where are the holes, where are you losing customers? A good strategy to start is, flow chart the entire sales process, where is the improvements to be made?

Step four – Tackle the average £ value of each sale – I bet you've been to MacDonald's – They have this off to a fine art "Do you want fries with that?" or "Would you like to supersize?" Those questions are worth absolutely millions in profits to them. What's your equivalent question? Or maybe a simple checklist of add-on items for example if you sell paint, you can have a check list to enquire about brushes, brush cleaner, sand paper, paint thinners – get the point? This is a biggie my experience as a retailer and working with dozens of businesses I know there are massive losses happening here right now.

Step five – Tackle the “number of transactions” You’ll notice the earlier steps involved your time and effort not your cash! That’s why I’ve suggested them in this order. Now it starts to require cash investment (but by now your efforts have generated a healthy return) this is where you look at customer retention strategies – customer service – your database of past and lapsed customers (you do have one, don’t you?) How often are you staying in touch with your customers? Are they fully aware of ALL your products or services?

Step six – Lead generation – by far this is the area least understood by business owners and where the most profits (cash) are lost. This is where those numbers are absolutely crucial – I’ve often heard “Only 50% of marketing works – but which 50%?” My experience this is often nearer 80% and marketing is a BIG COST to the business, so when the squeeze comes it gets stopped. My view marketing should always be an investment – in other words give you a measured return. You know this by measuring, testing on a small scale and focus on the 20% that is working on a bigger scale. Collect the data now and for each source.

Let’s get into action...

So what is your current situation and what is your target? Say in the next 90 days. Now go to work **ON** creating it.

Download this FREE worksheet at www.davidbater.com registration on the site is required registration and membership is FREE.

Formula	Current	Areas of Possibility	Increase	New Nos.
Leads	<input type="text"/>	Leads	%	<input type="text"/>
$\frac{X}{X}$	$\frac{X}{X}$			$\frac{X}{X}$
Conversion	%	Conversion Rates	%	%
=	=			=
Customers	<input type="text"/>			<input type="text"/>
$\frac{X}{X}$	$\frac{X}{X}$			$\frac{X}{X}$
#Trans	<input type="text"/>	Number of Transactions	%	<input type="text"/>
$\frac{X}{X}$	$\frac{X}{X}$			$\frac{X}{X}$
Ave £ Sale	£	Average £ Sale	%	£
=	=			=
Revenues	£			£
$\frac{X}{X}$	$\frac{X}{X}$			$\frac{X}{X}$
Margins	%	Margins	%	%
=	=			=
Profits	£			£

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