

13 WAYS TO IMPROVE YOUR PROFITABILITY

A strong profit margin can be essential to success, but it's also one of the most difficult to sustain in the long term. There's no simple formula to improving your profitability—what works for one company may not for another, and what works now may not work forever.

That's why it's important to always be innovating, looking for new ways to boost margins.

Sometimes, it's the little things that make the biggest difference, which is why we have assembled this list of 13 tips to improve your profitability.



Streamline Operations. Eliminate processes and products that don't add value to the company or directly serve the customer. Do this before you do anything else! Take a step back and look for potential inconsistencies or inefficiencies in the way you operate. A lot of business owners get so used to the way they sell that they don't realize when some things aren't working anymore.



Target new customers. Look for new advertising channels. You may find that you aren't using online marketing effectively, via social media for example. Maybe try offering a customer referral plan, rewarding your loyal customers for letting their friends know about your services. Find new markets and try out creative ways to reach out to new people.



Make sure everyone performs. Similarly, the problem with your operations may lie in knowledge or talent gaps on your team. Track performance and making sure everyone is pulling their weight. Offer your top-performers incentives to mentor their colleagues, too — they have a whole lot to offer your team.



Look for ways to lower your fixed overhead. What are your base expenses and how much are they contributing to your overhead costs? Some base expenses, like rent and utility payments, seem static and immobile. You may be able to save money on them by reducing waste, shopping around for alternatives, or using what you have more effectively.



Consider your outstanding debt. Most companies carry some amount of debt. If you can get a more competitive interest rate, consider refinancing your loans or shifting your balances to a new credit card. This will reduce your interest payments and cut into your principal faster. In some instances, you can negotiate a lower interest rate on credit cards or existing loans with your originator, too.



Expand your partnerships. Don't go it alone. Leverage your partnerships and connect with other companies in your community, network, or industry to expand your reach. Mutually beneficial business collaborations are great for offering stability and using collective resources more effectively.



Sell bigger. Re-packaging your product or services in larger amounts or bundling your products into convenient packages will help move product or generate workload hours. If you package goods so that customers receive a small discount when buying big, you can still generate a healthy profit on each sale.



Keep turnover in check. Hiring new employees is costly and time consuming. It can also eat into your bottom line, as you train new staff members to processes. Keeping your people on board limits attrition and prevents brain drain. How do you prevent turnover? Sometimes it's as simple as setting reasonable expectations for your employees and treating them respectfully.



Check what you're paying your vendors. Choosing the wrong vendors can result in enormous lost profits over time. Smart business owners are always looking for new ways to get the materials and services they need to operate at a lower price point. It's far too easy to fall into the habit of consistent service, losing sight of how much that service costs.

This problem is especially true when it comes to [payment processing](#), where two companies offering identical services and hardware may charge wildly different rates. Do your vendors have competitors who are willing to offer you a lower price without sacrificing quality and service in the process? Always be on the lookout!



Reward customer loyalty. Find your own creative way to give back to your most loyal and trusted consumer base. Bars and restaurants often comp a drink or dessert for regulars, some cafes offer punch cards--"your 10th cup is on us!" What can your company do to make customers feel appreciated?



Incentivize cost cutting. Let your employees know how they can help the company cut costs, whether it be reducing paper waste or improving internal processes to save time. When people are doing a good job of saving money, let them know! Small rewards can do wonders for incentivizing positive progress. You may just end up reducing your waste and making the planet greener in the process.



Boost your benefits. It doesn't seem like spending more would also result in a healthier bottom line, but dozens of studies show that improving worker quality of life and reducing stress boost profitability.



And, finally, **establish a plan and set benchmarks** to see what kind of results you can achieve. Always closely track your progress so you know what's making a difference and what isn't.

Generating more profit isn't always easy, but it can be done. From cutting costs to shopping for better rates to pushing your product into new, unfamiliar spaces, creative business owners have a lot of options when it comes to sustaining healthy growth. Trying new things does more than boost your bottom line, too — it keeps your job feeling fresh and exciting (and may end up revolutionizing the way you run your shop!)