

Make Profit Count

I had lunch with business owner I recently met - nothing unusual in that! This guy had years of experience under his belt, and operated a business that he had started quite some years ago, and which he explained to me how he had proudly grown to have sales of about \$2 million each year.

At first, it sounded like he was on the right track.

But after digging a little further, I discovered that this business owner had a sole focus on sales turnover - only. He had no real interest in his business's costs, and how much he actually made from the business - just how he had to get turnover (sales), and how he had built it up over the years!

He had never put together a plan for his business, other than "sell lots and make plenty of money". We talked about marketing strategy and a number of other matters, all of which he had a good handle on.

But when we got to profit, he assured me it was "all good".

So, out of curiosity, I asked him the obvious question: "how much do you make?" This also led me to the question "how much does it cost you in production?".

Guess what? He had no real clue of either!!!

He had put in lots of thought about his great product, lots of thought about sales, lots of work organising his factory and staff, and even debt management. But he hadn't thought about what was crucially important - PROFIT!

This guy as it turned out, after I extracted the figures (from his - now previous - accountant), was keeping \$25k per year, out of sales of fractionally under \$2 million dollars, which had not really changed for years! He had his house indebted to pay for business expenses, and had very little in the way of outside investments - since in reality, everything he had was being ploughed back into an unprofitable business. All for the sake of achieving turnover!

Any business that sells products (or services) needs to know its direct costs of sales. Even if you are not aware of the indirect costs to apportion to your product, at least, you must be aware of the direct costs of making whatever it is you sell!

Now, we worked with him to figure out the actual cost to make the things he sold. And we have gone on to educate him, and he will now be paying far more attention to the bottom line, not just the top one.

I have seen this situation repeated time and time again, over more years than I care to remember, and sadly, often the result is an indebted client, working for nothing but the bank.

When you're in business, sales are great, but profit is essential. It alone lets you replace your business assets as they wear out, and provides the necessary funds for expansion.

But more than that, profit funds your life. It pays off your home and puts food on your table.

So don't forget to MAKE PROFIT COUNT.

Contact Brad to arrange a profit review, and to find out how you can make your business more profitable today.