

The Simplicity of Dramatically Increasing the Bottom Line of your Business

Has there ever been a more difficult time to even try to maintain profit levels never mind increase them?

Decreasing margins, rising labor and material costs, increased competition, escalating marketing, operational, and administrative expenses, higher product costs and higher taxes are just some of the many profit defeating problems you face.

All of which seemingly make even maintaining profits extremely difficult for many companies and almost impossible for most.

Yes, being in business today can be a very complex and daunting process, but I assure you making a great deal more money is actually quite simple.

Being in business today can be a very complex process, but making more money in business is not that complex. The basic business formula is that your profit equals your revenue minus your cost.

Any way you look at it there are really only two basic ways to increase your profits.

You can either increase sales or decrease expenses. The overwhelming majority of business owners and managers in this country think that the most effective way to increase profits is to increase sales. Countless books have been written on this subject and seminars teaching companies how to increase sales are held every day, in every city across the country.

The priority of most business owners and management is to find ways to increase sales. They plan, set goals, develop new products, hire new salespeople, run sales, and actively pursue an increased base of sales and customers in thousands of other ways. Yes, increasing sales is the top priority of most businesses; in many, it is the *only* priority.

But attempting to increase sales costs money. In most cases a great deal of money. Marketing costs money. Advertising costs money. Hiring more sales people costs money.

Each of these efforts can severely hinder your cash flow and **none can guarantee your profits will increase.**

But there is another way to increase profits. A much easier and far more effective way to generate significantly increased profits while dramatically improving cash flow.

Think about this; if you increase sales by \$10,000 you might realize a net bottom line pretax profit (after selling expenses, operating costs, cost of goods sold, etc.) of \$200 to \$500 if you are like most companies who show a net pretax profit of 2% -5% per year or less.

That is right, for every dollar you increase sales you are only adding a couple of pennies to the bottom line!

Now think about this; if you reduce costs by that same \$10,000 you have just increased your bottom line by \$10,000. **The cost was zero.** In fact, you have improved your cash flow by eliminating the cost associated with trying to increase sales and by the \$10,000 you saved.

You see, reducing expenses costs nothing, saves significant amounts of money, dramatically improves your profits and cash flow, often increases productivity, and has countless secondary benefits for any company.

Dollars saved by reducing expenses and controlling costs have an immediate short and long term direct and very dramatic effect on the profit picture of your company.

But few companies make any serious ongoing effort to try to reduce or control costs. Those that do might spend only a fraction of the time and effort they spend on trying to increase sales on decreasing and controlling costs.

Imagine not paying much, if any, attention to 50% of your success formula. But this is exactly what happens in all too many companies. I would be willing to bet that this is exactly what happens in your company.

Uncontrolled, increasing costs are hurting your company in hundreds of ways. Increased costs drain profits and devastate your cash flow.

Uncontrolled costs can put your company out of business.

Cost control and expense reduction are perhaps the two most neglected areas of management in any company. Yet, they are without question the two areas of improvement that will have the most dramatic effect on your bottom line and, in fact, your entire operation, with the least amount of effort.

But, as it is with each of us, the fastest path to improvement is to normally look within. Unfortunately, most companies, like most people, will only look within when all other options are exhausted.

Think about these examples. A \$4,000 reduction in costs for a company that has a pretax profit ratio of 4% is equal to a gain in sales of \$100,000. A 1% reduction in costs for a company that has \$10,000,000 in sales and a 5% pretax profit ratio puts \$95,000 pretax dollars on the bottom line.

This means this company's profit went from \$500,000 to \$595,000 by simply cutting costs 1%. They have just increased their pretax profits by 19% simply by decreasing their costs 1%. Think about that, a 19% increase in pretax profits without increasing sales a penny. To realize this same increase in profits through increased sales this company (at a 5% profit level) would need to increase sales \$1,900,000.

I assure you, few things in business can be accomplished with less effort that will have such a dramatic effect on your bottom line.

Thinking in these terms will reinforce the dramatic effect cost control and cost reduction can have on your bottom line. Clearly, dollars saved by reducing expenses and controlling costs can have a very direct and massive effect on the profit picture of your company, with a fraction of the effort and cost of the increase in sales that would be required to produce the same increase in profits.

But few companies make any serious ongoing effort to try and reduce or control costs. Those that do might spend only a fraction of the time and effort they spend on increasing sales. Oh, sure they may talk about cutting and controlling costs and they may even take a few obvious steps to do something about it, but normally that is the extent of their short term efforts in this area.

But this is exactly what happens in all too many companies. I would be willing to bet that this is exactly what happens in your company.

Isn't it time to change this?

This edition of The Welch Report has been provided by Derrick Welch the author of **'In Pursuit of Profits: How to at Least Double your Profits Without Increasing Your Sales'. Including 1,000 Cost Control, Expense Reduction, and Income Producing Strategies You Can Start Using Today To Dramatically Increase Your Bottom Line.**

And **'Defy Mediocrity. Choose to be Uncommon. Think of the Alternative'**.

Derrick is dedicated to providing you the tools you need to dramatically improve the bottom line of your company and the direction of your career. For more information please visit: Derrickwelch.com.