

5 Ways to Double your Profits



An ActionCOACH resource
Presented by ActionVictoria

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Introduction

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

For years, ActionCOACH founder Brad Sugars and his ActionCOACH Business Coaches have taught a simple, “secret” formula to massively grow profits in any business.

Interestingly, those owners in the category of small-and-medium sized businesses seem to embrace this formula far easier than those “big business” owners who have been in business for a long time.

So what is this “secret” formula ... and why is ActionCOACH sharing it?

The ActionCOACH mission Brad Sugars defined in 1993 is “World Abundance Through Business Re-Education.” Since good business knowledge is one of the key elements to business success, the more knowledge ActionCOACH 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 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 “number phobic,” don’t worry. The examples are simple and easy to follow. However, know that as an owner, there is “magic” in knowing numbers – from what your numbers in your business really are – to how new sets of numbers can literally add thousands, or even hundreds of thousands of dollars to your bottom-line.

You need to know what the situation is before you attempt to change it; otherwise you’ll have no idea whether you’ve successfully implemented change, and if you have, by how much.

Understand this; if you want to get to a particular destination, you’ll never know that you’ve arrived unless you know where you started. Make sense? For instance if you want to increase your profitability by 25% what does that actually mean? It’s meaningless; unless you already know what your profitability is at the time you took that decision. If you want to drive to Sydney, how would you know in which direction to head unless you know where you started?

When you can become a master of your numbers (because, after all, the language of business is numbers), you will see vast improvements in your business 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 equation.

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

You therefore must work with your financial advisors/accountants to extract the current numbers out of your business for you to be able to start implementing profit-boosting strategies. Once you have these numbers written down you are all ready to start working on bringing in more profit into your business!



There's a catch...

Of course you would like to have some more profit in your business. Who wouldn't? The catch is, profit is the one-thing business owners cannot get more of. You can however certainly influence your bottom line by working on, and improving the variables that contribute towards the profitability of your business.

Confused? Then read on. You should view your business in terms of its five separate and distinct areas. You need to break your business down into a simple schematic of what the business looks like. It doesn't matter where you are, what you do or how big your business is, the schematic still applies. We call it the Business Chassis. When you truly understand how a business works, you'll realize that profit's a factor that is the result of other variables and can't be directly altered in isolation.

You can't get more customers. But you can increase the number of leads you get and improve your conversion rate, which together will result in more customers. Similarly, you can't get a higher turnover without improving the number of transactions each customer make as well as the average dollar amount they spend with you.

The "5 Ways" ... What it is and how it works

So what is this simple growth and profit-focused formula?

While most people see profits based only on two factors (revenues and costs), the "5 Ways" 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 boost your profits – versus other "expert" 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 who have been contacted by the business – over the course of a year.
2. **Conversion rate.** This is the percentage of people who actually bought. For example, if 10 people walk through a store and three people buy something, that store's conversion rate of 3 out of 10, or 30%, for that day.
3. **Average dollar sale.** This is the average dollar amount per sale – estimated over the course of a year. It's just an average, and can range from \$5 or \$10 (say for a discount retailer) up to tens of thousands of dollars (say for a car dealership).
4. **Average number of transactions.** This is the number of purchases the average customer will make over the course of a year. Again, this can be an estimate. In a retail setting, this will probably be larger than those companies that operate in a professional services industry.
5. **Profit margin.** This is the profit percentage of each and every sale. Simply put, if a business sells something for \$100, and profit was \$25, the profit margin is 25%.

So how does this all relate to top line revenue and bottom-line profit? Let's see.

Step 1. Increasing Leads in Your Business

So based on our 5 ways formula above we can see that 'leads' are the first thing in the process we need to work on. Leads are defined as the total number of potential buyers that a particular business contacted or that contacted the business that year. Leads are also known as 'potentials' or 'prospects.'



Most people confuse responses, or the number of potential buyers, with results. The sound of ringing phones does not mean that the cash registers are ringing as well. Here are our top 7 tips to improve the number of leads coming into your business:

1. **Separate suspects from prospects:** Too many advertising/promotion dollars – and too much time – are spent on people who will never buy. Unless your lead generation advertising weeds these people out, it's not working effectively. It's putting a strain on those who process and follow up on leads. The media you select, the offers you make, your creative strategy, and even your tone all play key roles in drawing out high potential prospects and screening out suspects.
2. **Sell the next step harder than you sell your product or service:** The whole objective of lead generation programs is to begin the sales process, not to complete it. Your initial direct mail or e-mail should push for action on the next step – sending for more information, a free sample, a free analysis. Once you have qualified prospects, you can concentrate on a full presentation of product benefits, features, and applications.
3. **Construct meaningful, actionable tests: No direct response program** – whether executed in direct mail, e-mail print, online or broadcast – can be improved without valid testing. Make sure you test the most significant factors first – lists/media and offers. Once you have a read of results, react quickly and incorporate them into your program. Your results analysis should not only include number of leads and cost per lead, but cost per appointment and per sale. Making decisions on lead costs alone can be disastrous.
4. **Once is not enough:** Give suspects more than a single time to qualify themselves. No matter how intrusive your direct mail package, email, print ad or online ad, your target may miss it the first time around. Give prospects multiple opportunities to say “Yes” to your offer – whether that means getting additional information, a price quote, or a call/visit from your sales representative. The more narrowly defined your market, the more time you have to spend on each prospect.
5. **Understand their “hot buttons”:** Executives are much more often concerned about their time than about saving a few dollars. Direct mail/e-mail efforts that don't demand a lot of time and that demonstrate how the product/service can save the recipient time works very well to management segments. If the savings are enormous, that's a different story. And the best story is getting the recipient to believe responding is the first step in MAKING BIG MONEY. Middle managers may be more concerned about preservation (of their jobs) and about making a safe, unquestionable choice.

6. **Use testimonials and case histories:** Aside from the credibility they imbue, they provide the prospect with applications and usage guidance. Large corporations should select testimonials or case histories that emphasize the company's ability to provide fast, personal service. Smaller marketers should use endorsements reflecting on the company's strength and stability. Include testimonials which underscore how customers were rewarded by finding out more when they were prospects.

7. **Plan separate, creative strategies and offers for different levels of decision-makers:** Even if you're prospecting within a specific industry, copy and offer – and sometimes graphics – must change by function and by the objective of your communication. The highly technical approach you make to the head of the IT department will not work in addressing the CEO. And the CEO's possible interest in your product/service will differ from the CFO's.

3 Rules with Lead Generation

There are three major rules to follow in generating leads. First, you need to **Test & Measure** how many leads you get from each marketing campaign. Second, you need to follow the **AIDA principle**, and third you need to follow the **WIIFM** principal.



Test & Measure

You need to test which elements of your marketing are working and which are not. Measuring your marketing results on a daily basis is a must.

AIDA - Every marketing piece should follow this acronym.

- **ATTENTION** - Does the ad (namely the headline) grab your attention?
- **INTEREST** - Does the ad generate the readers' interest?
- **DESIRE** - Does the ad build desire for your product?
- **ACTION** - Does the ad prompt the reader to take action?

WIIFM - This acronym stands for "WHAT'S IN IT FOR ME?" Think like you are the prospect and how you can help them.

By following these strategies you will turn your marketing costs from an expense into an investment.

Step 2. Increasing Your Conversion Rate



Conversion rate is the percentage of people that did buy versus those who could have bought. An example of this is 10 people walking through a store with three people buying something. For the day, the store had a conversion rate of 3 out of 10, or 30%.

A lot of the time business owners come to us saying they need more leads in their business. Whilst this may be the case, often what we will find is they have plenty of leads coming into their business – they just don't have the skills to convert them into paying customers.

Here's how to work out how many leads are coming into your business that are NOT being converted.

For the next two weeks keep a record of every phone call, every email enquiry, every walk in every single prospective buyer that contacts your business. Ask every single one of them how they found out about your business and keep a record of it. Was it referral, website, social media etc.?

Then, at the end of the two weeks see how many of them have bought from you. If you think you are at about 6 or 7 out of 10, it will be about 3 or 4 out of 10. We have seen this with so many companies, even restaurants who think they get everybody, then measure the people that call versus the people that book, and the people that read the menu out front versus those who actually come in ...

Your Conversion Rate is a massive opportunity ... If it is lower than say 50%, then we've got to get to work ... first, you've got to start measuring it every day. That focus alone will get it up to 10% higher than it is right now ...

Here are some of our favorite strategies to improve your conversion rate:

- **Follow up** – It is amazing how such a simple strategy can be so effective. Every quote, introduction, tender you do is just the start of your conversion process. So many businesses spend hundreds of pounds getting a lead, many hours preparing a quote and then, if they don't hear back, just say "oh well," and move onto the next lead. This is such a waste of time, effort and money that anybody doing it should be ashamed.

Just think of how many times you have been offered something and then life has got in the way so you did not get around to ordering it. How pleasant would it have been if somebody had reminded you and helped you complete the purchase? Also remember if you do not follow up, your competition will!

- **Unique Selling Proposition (USP)** – Why should somebody buy from you rather than your competition? When times get tough you may find more people in your sector trying to compete on price. Educating your prospects about your uniqueness and how you add value is the only way to ensure you get the business and still make a good margin. If you can communicate with your prospect all the benefits they will get by buying from you, why would they go anywhere else?



- **Guarantee** – One of the main reasons people don't buy is that they have a fear they will be let down at some point in the process. It is your job to identify in what areas these fears may lie and then to guarantee that by buying from you they will not be let down. Just look to the big companies like M&S, Domino Pizza and DHL for great examples of this.
- **Benefits and testimonials** – Another great way to alleviate people's fears of buying from you is to show them what benefits your existing customers have received by buying from you by getting written testimonials from them. These should include real benefits to them, not just "they are great people to buy from." If your customers do not know what to say then there is no harm in preparing a testimonial for them to sign.
- **Measure it** – It has been proven that just by regularly measuring your results, they will improve by up to 5%. This works because by monitoring your results you are setting your subconscious brain to look for ways to improve that factor.

Stay focused on your conversion rate for 3 months and watch the dramatic effect it has on your bottom line.

Once you've got it right, or at least much better than it is today, then and only then is it time to go to work getting more prospects and investing more money into your marketing and fixing the marketing you are doing now.

Improving the number of leads as well as your conversion rate will therefore increase the total number of customers in your business.

Step 3. Increasing Your Number of Transactions



As business owners, we spend lots of time and money attracting new customers to our business. Yet, we often lose sight of a valuable asset: our existing customers! By paying more attention to our existing customers, they will stay with us longer and refer others to our business.

Here are our top 5 easy ways to increase the number of transactions per customer in your business!

1. **Consistently stay in contact with your customers-** This may be by providing a newsletter, postcard, lunch or phone call. The best system will depend on your type of business and the customers within the

business. For example, an “A” customer with a large company may be someone that you take to lunch quarterly. A “C” customer for that same company may get a phone call quarterly.

2. **Survey your customers-** Have a quarterly or annual system for surveying your customers. This will give you excellent feedback from them on their current and future business needs. Further, they will be more likely to buy from you if they know that you value their opinion in making your business decisions.
3. **Special or exclusive offers-** Offer them a package of services that is only offered to existing customers. This is an excellent way to show them that you value their ongoing business. Further, it may be a way to have them do additional business with you!
4. **Membership rewards-** Depending on your business, you may have a membership rewards program. This may be that you get \$\$ off after a certain threshold or get your nth service for free. The idea behind membership rewards programs is to reward customer loyalty. Once it becomes their habit to be your customer, it will be hard to break.
5. **Exceptional experience-** will bring customers back more frequently! Ask yourself and your employees what you can do differently or better to encourage customers to come back more often. For example, Donut Mondays or Happy Hour Fridays as a way to build relationships and bring them into your business.

Ensuring you provide constant, high-level service to your current customers there is no reason for them to ever leave your business. They will return more often and spend more money; leaving you will less need to generate new leads.

Step 4. Increasing Your Average Dollar Sale

How would you like to increase your revenue with the same number of customers and transactions? That's what you do when you increase your average dollar sale.

Here are a few questions to ask yourself to potentially increase your average dollar sale?

1. Are you ready to increase prices? To make a decision on pricing, you need to look at when you last increased prices, your competition and your costs. If your costs have increased substantially since you last increased prices, perhaps this is the right time to increase prices. Increasing prices is the easiest way to increase your average dollar sale.
2. Can you offer complimentary products or services to your customers? Compare your business to a retail store. You see all those small dollar items at the cash register. It is the magazines, gum, candy, drinks or batteries that customers buy on impulse upon check out. This is a very subtle way of catering to the consumer while increasing the businesses' average dollar sale. Think about what additional products or services that you can add or promote that will help the customer while increasing your average dollar sale.



3. Do you provide a checklist that outlines all products? Many times, our customers aren't aware of all the products and services that we offer. We can give them the options with their checkout, invoice or contract that will let them see what else we sell. It will be an excellent way to give them options to add new products and revenue.

4. Are there new products or services that you should add to your company? Think about your ideal customer and what type of products they need. If they work well with your offering, you will add more value by adding to your offering!

Many business owners are afraid of increasing their prices. If you are meeting or exceeding your customer expectations, be confident and communicative with your customers in letting them know what is happening and why.

Make sure that your customers know the full suite of products or services. It is a way to increase their overall loyalty, too!

Improving your number of transactions and average dollar sale will therefore increase the total turnover in your business.

Step 5. Increasing Your Margin

Profit Margins are critical to your profitability. You can have a fast growing business but without acceptable profit margins, all of your growth efforts will be for nothing. It is critically important that you not only know your overall margins, but you must know them by product or service type.

Why is this so important? Because you want to be sure you are promoting and selling your highest margin products and services whenever you can. These are the game-changers for you. These products and services are the ones that provide the resources to cover your costs and provide you with resources to invest in your business.

There are two primary ways you can improve the Profit Margins in your business:

1. **Reduce your expenses** or
2. **Raise your prices**

Most cringe at the thought of raising prices, especially in today's fragile market, but if you have done the hard work of creating a Unique Selling Position and have truly differentiated yourself from your competition, then raising your prices may be an option. It is mainly fear of the unknown that keeps business owners from taking the bold step to increase their margins through a price increase. But studies have shown that your loyal customers are not doing business from you because of price alone. Most will understand and appreciate your rationale and will remain strong, loyal customers – that is if you have treated them like they were special and found ways to deliver MORE than they expected of you.



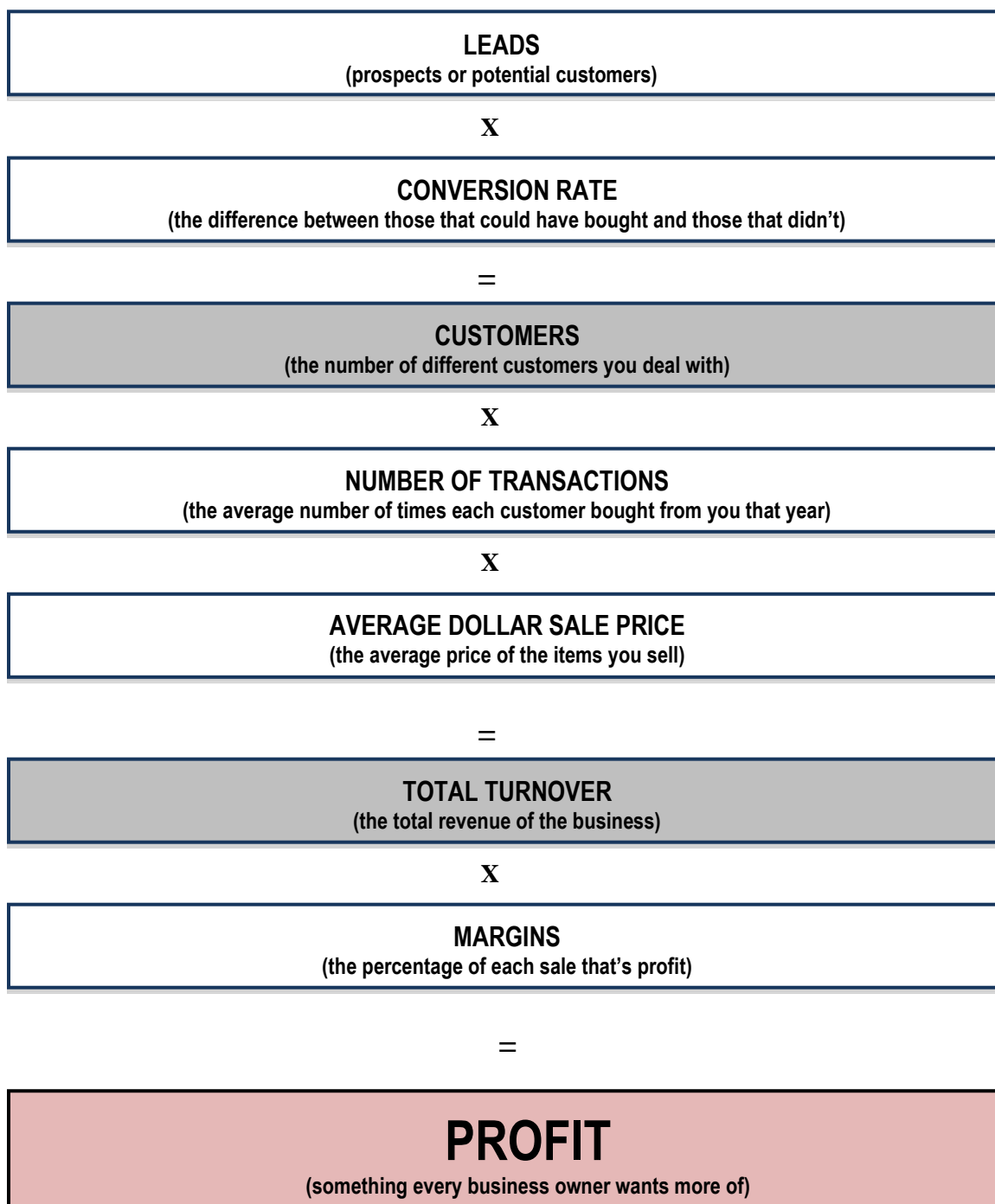
Cutting is costs is often times easier, but not necessarily the right move to make when you are trying to grow

your company. Eliminating waste is always good, but often times expense cutting comes in the form of eliminating services, reducing staff and degrading your ability to deliver on your promise. Be careful not to impact your operational efficiency and speed of delivery when reducing your expenses. The last thing you want to do is to become a “me too” business simply because of your efforts to cut costs.

Now, with that caution in mind, there are always ways to gain efficiency and reduce the effective cost of your system. Toyota and other large manufacturing companies, particularly those based in Japan, are masters at eliminating costs through waste reduction, efficiency gains, reduced work in process inventories and unnecessary movement of people and supplies. If they can do it, so can you. When was the last time you critically evaluated your business operations with an eye towards gaining efficiencies and reducing unnecessary steps on your process? This is a powerful way to reduce your costs –while at the same time, improving your productivity and customer satisfaction. If you are not familiar with the tools and techniques for doing this, drop me a note and I will direct you to them.

The challenge is to first know your margins, then be purposeful about improving them on a regular and steady basis. The trend for your margins should always be favourable. Work hard on this last segment of the Business Chassis and you will position yourself for phenomenal growth and incredible profits. Not a bad outcome for the effort involved!

5 Ways in Action...



Understand this; the items that come after an = sign, can't be directly influenced. But the items that come after an X (areas we have covered above) can. Profit has a lot to do with the last part of the above flow – the Average Dollar Sale (which affects Turnover) and Margins. Activities designed to improve Turnover and Margins have a direct effect on Profit. They include things like pricing policy, discounting, up-selling and controlling expenditure.

How to apply the “5 ways” in 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. That means the cumulative impact on the bottom-line is massive.

The “5 Ways” formula looks like this:

Leads x Conversion Rate = **Customers**

Customers x Avg. Value/Dollar Sale x Number of Transactions = **Revenue**

Revenue x Profit Margins = **Profit**

In your company, let’s say you have either estimated or fully determined the following numbers:

$4,000 \times 25\% = 1000$ **Customers**

$1000 \times \$100 \times 2 = \$200,000$ **Revenue**

$\$200,000 \times 25\% = \$50,000$ **Profit**

What does all of this mean?

Simply put, you are running a business that converts 1 in 4 prospects into paying customers, and those customers average two purchases at \$100 per purchase each year – and your company enjoys a 25% profit margin on revenues of \$200,000. 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 by just 10% in each of the 5 areas? Let’s do it, and then let’s take a look at what happens to your bottom line:

$4,400 \times 27.5\% = 1210$ **Customers**

$1210 \times \$110 \times 2.2 = \$292,820$ **Revenue**

$\$292,820 \times 27.5\% = \$80,525.50$ **Profit**



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% (including top line revenue), we were able to boost bottom-line profit by 61% – or a total of \$30,525.50. What could you do with an extra \$30,000 in your business this year?

Think 10% is impressive? Do some math on 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 has a massive impact on profit.

Contrary to those “mature” and “expert” business owners, 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.

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. And there are literally hundreds of strategies you can use (all available in the ActionCOACH system) 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 what and the amount they buy and raise your profit margins. Unlike some of your old homework from your school days, however, there can be a literal and immediate payoff to your efforts – in the form of literal dollars in your pocket.

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

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



So, are You ready for a Free Business Coaching Session?

As an owner, you have to ask yourself if you're coachable – or at least willing to be coached.

That means admitting you don't know everything after all we can't know everything, right? It also means being willing to implement new and sometimes uncomfortable ideas for you and your business.

You also need to be willing to do the work we agree on together necessary to grow your business.

Why?

Because unlike a consultant who may do a project and leave, I'll be teaching you on strategy and process – and leave it to you to implement.

I won't do the work, but I would expect the work to get done. We can discuss how you can go about this when we catch up.

For the coaching process, that's where accountability comes in and is the key to your achievement and your company's ultimate success.

So, is working harder and longer without making the money you want an issue for you?

If it is, for a limited time, you can get a 5 ways strategy session, without paying a cent.

At the end of just 45 minutes, you will...

1. Get crystal clear about what's possible in growing your business, and how to go about getting the level of income you really want to have...
2. Find out the 3 essential building blocks for growing your business fast...
3. Discover the #1 thing that's stopping you from getting the customers you need...
4. Identify the most powerful actions that will move you closer to your target income...
5. Leave the session renewed, re-energised and inspired to take your business to the next level.

Keen to get started?

Call ActionVictoria today to organize your free one on one 5 ways strategy coaching session.

Phone 03 8684 2222 or E-Mail Bronwyn at the office bronwyncollins@actioncoach.com to speak with a coach today.



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