

Silver Advantage Consulting Alert

Business Planning: How To Profitably Increase Sales

By Steve Handler, CPA - Partner

May 2015 -- During regular business planning engagements, chief executives and other senior managers often ask our consultants how their companies can take actions that will profitably increase their sales. Michael Silver & Company CPAs' experience working with and advising smaller and medium-sized companies with their strategic business planning activities has yielded several strategic recommendations to be considered:

Raise prices. While no company wants to place this type of strategy at the top of the list, quite often, raising the price of your product or service will increase the income from sales, but it might not necessarily increase the overall sales volume. One trick is not to raise prices to the level that will reduce new purchases/orders. It's vitally important to conduct marketing research in order to understand and measure at what price range or level customers will purchase, hold off on purchasing, or look elsewhere for a lower price. Try to set a price level that is competitive, but also one that allows you to make a sustainable profit.

Lower prices. On the other hand, while every company fears reducing their prices to a level that seriously impacts their overall profitability, again, conducting market research is important. How price elastic is your product or service? If you lower your prices by 5%, will your overall sales increase by 10%? Will gross profits increase as a result? However, be careful not to lower your prices too much. Often, the attitude is: "We lose money on every sale, but we'll make it up on volume."

Offer more services or products. When considering this strategy, only consider products or services that can be sold profitably. For example, consider compatible offerings such as warranties, customer support, product or service-focused accessories, etc. Additionally, at the same time, it's important to consider whether you have products or services that could be cross-sold to your current customers.

Attract new customers. While every company puts this strategy at the top of their list, the trick is to avoid incurring such high marketing and sales costs that results in making the execution or implementation of the strategy unprofitable. Attracting more customers is often accomplished by exploring new geographic territories, expanding internationally, identifying or acquiring new distributors, or expanding delivery platforms, such as taking advantage of social media outlets and creating a more robust website.

Offer price breaks at higher volume levels. With this strategy, it's important to be sure to calculate that the volume breaks will result in additional profit. This is one way to reward your best customers, as well as provide them with an incentive to buy more of your products or services.

Reduce sales returns and adjustments. Improving the overall quality of your products, as well as your before and after sales processes, will often result in fewer returns and adjustments, thereby increasing your profits.

Some or all of these observations and suggestions may be applicable to your business. However, each must be thoughtfully and cautiously considered, and will often require market research as well as business modeling in order to be properly evaluated. Michael Silver & Company CPAs can assist you in identifying approaches for your company in order to profitably increase sales. Please contact me at 847.213.2107 to arrange a complimentary consultation focused on addressing your company's specific sales goals and objectives.

Steve Handler has been a Partner with Michael Silver & Company CPAs since 1997. His prior experience includes 15 years as a Partner in another CPA firm, and over a decade of management experience as an industry executive. In addition to assisting international companies with their U.S. operations, and extensive experience in real estate, Steve is a Certified Management Consultant with expertise in mergers & acquisitions, long-range planning for closely-held businesses, compensation planning, and commercial lease negotiations.

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