SEVEN KEY STRATEGIES TO GROW YOUR PROFITS

Here are the top profit-building strategies that all growing businesses are using to improve business processes, gain market share and grow their bottom lines.

Businesses are busy growing right now, and they're more optimistic than they've been in the past 35 years, according to the National Federation of Independent Business (NFIB). Job creation, expansion plans, and increased compensation all hit record high levels in October 2018, when 30 percent of business owners said it was a good time to expand substantially due to the strength of the economy (72 percent) and strong sales (14 percent).

If your company isn't already doing so, now is the time to take advantage of this robust economy and grow your profits. That's sometimes easier said than done. Many growing businesses operate with fixed budgets and finite resources. Forced to put out daily fires, fulfill the most pressing requests and manage customer issues, business managers don't always have the time or energy to develop—and put into action—new strategies for growing profits.

But when the economic landscape is positive, it's an ideal time to examine all areas of your business and take steps to:

- Optimize processes
- Drive operational excellence
- Better leverage organizational strengths
- Reduce or eliminate waste
- Expand into new markets
- Sell across more channels
- Find new revenue streams

In this white paper, we explore seven key strategies that organizations have used to improve their results and show you how to use them to your company's advantage. Ranging from top-line revenue-oriented actions to regulatory burden management to simple cost-cutting tips, these strategies will help you free up scarce resources, maximize your company's strengths and grow your profits in 2019. Each strategy is accompanied by a case study that brings the ideas to life.

Profit-Building Strategy #1
TAKE A 360-DEGREE SNAPSHOT OF YOUR BUSINESS

Increasing your company's profits requires visibility into all aspects of your operations, not just sales, accounting, or distribution. By capturing events, activities, and outcomes across all departments, you can begin to view your operations holistically and recognize the patterns and connections behind success and setbacks and then devise fixes and develop new strategies aimed at improving profitability.

When developing a 360-degree view of your business, the best place to start is with your customers. Ask yourself questions like:

- Who are our most profitable customers?
- Are there identifiable characteristics that make them so?

- Who are our least profitable customers?
- Which customers should we be putting more energy into? Are there some less profitable customers that share traits with our most profitable ones, and are they worth putting more energy into?
- Similarly, which should we be deemphasizing?

Optimizing your most profitable customers and products, or the ones with high potential is a clear way to higher profits.

Three Action Steps to Take Today:

- Avoid taking the silo approach to business improvement and instead, take a complete 360-degree view of the entire organization.
- Incorporate both internal (sales, marketing, and HR) viewpoints into the process to create a holistic picture.
- Use strategic planning to outline your company's goals and their organization's operational drivers to its overall revenue/profit plan

You can use the same approach with company projects, whether it be in marketing or product development. If, for example, a project is getting to be too difficult and taking too much time, it's probably eating up your costly human resources. And speaking of employees, you can gain a 360-degree view of them by answering questions like:

- Who are our best performers?
- Do they share any identifiable characteristics?
- Are any employees not performing up to speed? (And do they share any identifiable characteristics?)

Don't forget to apply the 360-degree view of your company's reputation and its perception among customers by asking:

- What are people saying about us online? Are we employing the tools that allow us to listen to those sentiments?
- What kind of feedback are we receiving from our customers? (Are we asking for their feedback?)
- How does that compare with what people are saying about our competition?
- What steps can we take to better differentiate ourselves and our perception in the marketplace?
- And, how can we leverage industry-specific, specialized automation tools to analyze key customer-related data points that tell us how we're doing, what's working, and what we can improve on?

Getting that 360-degree view isn't easy, but it starts with integrated software systems, often with embedded analytic capabilities and a unified database approach. When software systems aren't integrated, companies wind up with overlapping, disparate databases that don't provide holistic business performance data, let alone in a timely fashion.

When Golden Star Technology (GST), an IT integrator and reseller that supplies more than 2,000 customers with HP, Dell, and Cisco technologies and services, realized that its profitability was being held back by limited visibility, manual processes, and customization issues, the company decided to do something about it. The firm lacked dedicated software for customer relationship management (CRM) and professional services, and it relied heavily on Excel spreadsheets and personal contact lists to manage its valued customers.

After implementing an integrated financial system, GST gained project scoping and management, improved per-project financials, and achieved faster project completion times. In addition, the firm's customer service and satisfaction increased thanks to its on-demand data access and greater organizational transparency. Today, GST leverages a single source of data for informed decisions on strategic growth and innovation, both of which are now well within the company's reach.

Profit-Building Strategy #2

DRIVE DOWN COSTS BY MAXIMIZING OPERATIONAL EFFICIENCY

Companies of all sizes are using sophisticated business software that helps fuel growth, but many of them struggle to manage costs and maximize operational efficiency due to a hodgepodge of disconnected functional systems. This disjointed software array fosters problems that range from workflow bottlenecks to employee productivity barriers to customer service problems, and it is especially a major pain point for smaller firms that lack robust, internal IT teams.

The good news is that streamlined, integrated platforms help companies transcend those growing pains. These platforms are catalysts for profitable growth because they help avoid these traps:

- Wasted employee productivity. In some organizations, employees spend hours manually re-entering order information into the accounting and invoicing system, while others pull that same information from a CRM system for order fulfillment processes. When an order is canceled, employees must sift through mounds of data to reconcile this information again. Such labor-intensive and manual tasks reduce organizational agility.

Three Action Steps to Take Today:

- Recognize that more efficient operations will help you move faster, enhancing your company's overall profitability.
- Invest in the automation tools needed to reduce cycle times, close your books faster and streamline the quote-to-case process.
- More than anything, ensure that the systems driving the stem-to-stern customer experience are well integrated so that they work together as one well-oiled machine.

- Lack of real-time visibility. Today's fulfillment and distribution environment demands high levels of visibility. When software systems aren't integrated, the multiple, overlapping databases don't provide a timely, coherent view of business performance. As a result, businesses either end up making critical decisions slowly, based on inaccurate or un- synthesized information, or they make hasty and risky decisions from gut instinct.
- Complex and costly integration processes. With so many disparate applications, IT teams waste an inordinate amount of time and money on integrating, maintaining, and acquiring new versions of these applications. That valuable IT time that could be used to make the business more productive is wasted, while maintenance costs skyrocket.

The right technology can solve all of these issues, and more. An investment in modern-day technologies will cut operating costs in the long run.

Take the case of Klenzoid, a provider of industrial water solutions. Upon close review, the company learned that multiple disconnected systems (including a custom-built enterprise resource planning system [ERP]), Lotus Notes for CRM, and other manual processes were keeping it from the automation and integration required to drive better operational efficiency.

After implementing a real-time, unified business management solution, Klenzoid was able to start innovating on its business processes, increasing customer satisfaction, and positioning itself as a leader in the market.

Over time, Klenzoid's integrated systems increased operational efficiency by 40 percent and allowed the company to gain better visibility into inventory, ensuring nearly-perfect on-time delivery for its chemicals and equipment. Customer satisfaction has skyrocketed, with Klenzoid doubling its business-to-business (B2B) client base to 1,500 customers.

Profit-Building Strategy #3
FINE-TUNE YOUR TAX, REGULATION AND COMPLIANCE ACTIVITIES

Many companies view human resources (HR) and payroll departments as employee-centric entities, but they are also crucial tools in protecting your organization from profit losses. If, for example, federal or state tax laws and industry-specific regulations aren't followed carefully, your company can rack up costly fines, fees, and government penalties. The same goes for the payroll department that doesn't file the appropriate forms (e.g., W-2s) on time, or that assigns the wrong worker classification, or fails to maintain proper employee records.

The problem is that the tax and regulatory environment is constantly in flux, with new rules and regulations being passed into law every year. In fact, according to Vertex Inc., there were 721 total U.S. sales tax rate changes in 2017 alone, a substantial increase of 29 percent from the 558 changes that occurred in 2016. This adds up to a lot of headaches for tax, accounting, and payroll departments (it only takes one employee complaint to trigger a payroll audit).

Three Action Steps to Take Today:

- Commit to avoiding costly tax, regulation and compliance mistakes that not only eat away at profits, but also wast key employee time. Make compliance a business practice, rather than a nuisance to be ignored.
- Use technology to streamline tedious financial and human resource tasks and ensure better overall compliance.
- Focus on streamlining corporate tax functions in order to gain efficiencies, reduce reporting timeframes and save money.

The cost of non-compliance involves more than just fines, fees, and penalties. There's also the time and labor involved with redoing paperwork, correcting existing errors, and filling out all of the additional forms, especially during an era when labor is in high demand and more expensive than ever.

Because human resource and payroll records have to be perfect, and because of the sheer volume of records that these departments deal with, automation tools have become a must-have for companies that want to avoid unintentional non-compliance.

No company knows this better than Fisher Unitech, a software and services firm that, until recently, was tracking employee vacation time in a spiral notebook. After adopting automated HR tools, the firm now manages its end-to-end HR processes using a single system. It also rests easy knowing that employees have the crucial tax and regulatory information they need right at their fingertips.

Finally, streamlined reporting helps Fisher Unitech's HR department easily consume data. And, workforce analytics aimed at crucial turnover reduction targets help Fisher Unitech improve employee retention, all of which enhances the firm's overall profitability.

Profit-Building Strategy #4

SELL MORE TO YOUR CURRENT CUSTOMERS

It costs five times more to attract a new customer than it does to keep an existing one, yet 44 percent of companies focus more on customer acquisition than they do on retention (18 percent). Here's the kicker: You're 60-70 percent likely to sell to an existing customer, compared to the 5-20 percent likelihood of selling to a new prospect.

If your company isn't cross-selling and upselling, not to mention simply delighting your existing customers, you're just leaving money on the table. This applies to B2B and B2C, both of which are generally ripe for:

- Cross-selling products and services related to current buys (an offer of batteries to go with a camera, for example, or ink to go with a printer).
- Upselling higher-margin products and services that the customer isn't aware of.
- Understanding your customer's buying behavior and coming up with offers that are timely, contextual, and customized to that buyer's needs.

For upselling and cross-selling to positively impact your firm's bottom line, your account managers should be constantly communicating with customers and teasing out their unfulfilled needs. For example, your customers may have new departments or subsidiaries that could also use products or services.

For that customer, you can offer a product or service bundle that will meet those needs in the "one-stop shop" format that so many buyers love.

You can also maximize existing customer rapport by getting to know their business—and key pain points—and then helping them do their jobs better. This will be much appreciated in a business world where everyone is strapped for time. To find out where you can add the most value for those customers, take these three steps:

- Develop ongoing relationships with them, take them to lunch, and call them on a regular basis.
- Survey them and aggregate that data to better understand the commonalities and differences across your customer base.

Three Action Steps to Take Today:

- Make sure your account managers are constantly communicating with customers and inquiring about their unfulfilled needs.
- Get to know your customers' businesses and key pain points, and then use that information to help them do their jobs better.
- Offer a product or service bundle that will meet those needs in the "one-stop shop" format.

- Use customer sentiment tactics and tools to find out what they're saying on social media. If you have a website, what sites were they visiting before they came to your site and where did they go after they left?

Taking these steps will not only help you meet immediate needs, but it will also help your company develop a broader array of products that you can cross-sell or upsell across your entire customer base.

For example, RST Brands, a provider of outdoor living furniture and accessories, leverages targeted email and watches the weather to improve its outreach. If the company launches an email campaign late in the summer, it can target customers in the northern U.S. with offers related to furniture covers and other accessories geared toward winter protection. RST customers located in the south, meanwhile, might get an RST email pointing them toward great deals on excess inventory.

The furniture seller uses welcome and pop-up messages on its website that allows it to treat distinct buckets of customers differently. Its campaigns can also be tweaked to meet particular goals. For instance, the company can offer 10 percent off a purchase if a customer subscribes to its email list. Combined, these efforts all help RST brands improve its sales ratios with current customers while also improving its own profitability.

Profit-Building Strategy #5
SELL THROUGH MORE CHANNELS

It's not enough to just continue selling more to your current customers. In order to grow, you also have to build out your customer pipeline, specifically by exploiting more sales channels. These include offline, online, direct, and wholesale sales channels.

This also has two important side effects: It diversifies revenue streams so that your business isn't overly reliant on the whims of any one single channel; and it increases your company's exposure, boosting its visibility among more customers.

Consider this: You may have a fantastic website, but people still have to find it in order for it to produce results. If, however, you sell your products on your website and also list them on several online marketplaces, your brand and product reach can increase significantly.

Flipping the conversation, marketing, and selling on multiple channels also gives you a chance to gather more information about your customers and their habits. You can then leverage this data when crafting your marketing or sales campaigns and when deciding which sales channel to target next.

Three Action Steps to Take Today:

- Use automation tools to develop a collaborative and consistent customer experience across all channels.
- Target consumers at different stages of the buyer's journey, including the early stages (where someone might discover your product via social media) and at the buying stage (where a customer will turn to a comparison shopping engine for help).
- Leverage multi-channel marketing and selling to gather more information about your customers and their habits.

The key to a successful, multi-channel strategy is to use automation tools to develop a collaborative and consistent customer experience across all channels. Product offerings, pricing, brand messaging, customer support, and fulfillment should feel the same, even as customers move from one channel to another. That enjoyable experience is crucial to driving a purchase.

Operating in a fairly competitive environment where customer expectations can shift quickly, Toad&Co, a provider of sustainable clothing and accessories, leverages a combination of catalogs, online presence, and showrooms to understand its customer. To provide a seamless and consistent customer experience across channels, Toad has a single view of data and insights from each channel.

When the retailer moved each aspect of its business onto a unified cloud platform, it was able to reduce the amount of unsold inventory by 20 percent because it could now optimize inventory across channels and leverage better demand forecasting (e.g., how much product it needed to fulfill customer orders).

By treating each of these pieces as a channel rather than distinct operating units that could compete with one another, Toad knows that its customers get what they want from whatever channel is most convenient every time.

Profit-Building Strategy #6
IDENTIFY AND EXPLOIT NEW REVENUE STREAMS

Perhaps your company started with a single product that appealed to a specific, target customer. Over time, it may have added more features or services as customers requested them, or as the market presented those opportunities. Now it's time to increase your company's profits by adding even more selection to its product or service base, and by exploiting new revenue streams like subscription models.

This is an important step because new revenue streams help your company scale quickly while staying relevant, competitive, and profitable. They also allow you to solve new customer problems, thus enhancing client loyalty in an era where the nearest competitor can be literally one click away.

Exploring new markets for your existing products will also help you expand your revenue streams. An electrical distributor that has traditionally worked only with electrical contractors on job sites, for example, can expand its online presence and begin selling electrical components directly to do-it-yourselfers who need both the products themselves and the expertise that independent distributors are well known for (e.g., through short video tutorials that walk users through an installation process, for example).

Exploiting multiple, new revenue streams requires knowing where expansion makes the most sense. Ask yourself questions like:

- What are your current customers asking for?
- What is the general market asking for (outside of our traditional customer base)?
- Do we have the expertise to fulfill these needs? (Is manufacturing capable of adding new product lines? Is our fulfillment department up to the task? Is our transportation network in place?)
- Will we be able to scale up quickly once we identify a new, potential revenue stream?
- And finally, how will all of these help boost company profits within the shortest possible timeframe?

The answers to these questions will help you whittle down your list of potential, additional revenue streams while ensuring that they're applicable to (and welcomed by) your existing and future client base and supported by your internal resources and processes.

That's exactly what Greenphire, a provider of reimbursement and other financial services for pharmaceutical companies running clinical trials, learned while exploring additional revenue opportunities a few years ago. Operating in the clinical trial industry, the company was dealing with a lot of administrative work that could easily be improved through automation.

Greenphire also had a plethora of potential new revenue streams at its avail, most of which were focused on helping its customers. Operating with a hybrid business model that incorporates both flat fees and usage-based billing, Greenphire recently partnered with Lyft to offer rides to clinical trial patients who bill their rides to pharmaceutical companies. This helped expand Greenphire's services to its existing clients by helping incorporate another expense that their customers were having to manage separately.

Three Action Steps to Take Today:

- Start exploring new revenue streams that help your company scale quickly while staying relevant, competitive, and profitable.
- Ask yourself questions like, "What are our current customers asking for?" and "What is the general market asking for (outside of our traditional customer base)?"
- Increase your company's profits by adding even more selection to its product or service base, and by exploiting new revenue streams like subscription models.

Profit-Building Strategy #7

EXPAND INTO GLOBAL MARKETS

With 95 percent of the world's consumers located outside of the U.S., exporting to increase profits is a business strategy that can't be ignored. And if you think exporting is only for big businesses, think again. Growing companies have a vast, untapped global potential lying in front of them, and it's theirs for the taking.

In fact, small to midsized firms account for 98 percent of U.S. exporters right now, but represent less than one-third of the known U.S. export value. This has been true for a while. As of 2010, roughly 270,000 of the total 293,000 exporters in the U.S. were either small or midsized firms, according to the Small Business Association.

By expanding globally, your business can:

- Extend the sales life of existing products.
- Reduce dependency on the domestic market.
- Grow profits due to seasonal changes or demand cycles that differ around the globe.
- Launch new products that may not have been applicable for U.S. customers.
- Gain greater access to talent.

Three Action Steps to Take Today:

- Start planning for international expansion now rather than later.
- Explore global growth as a way to extend the sales life of your existing products and reduce your firm's dependency on the domestic market.
- Implement technology that will scale with your business as it grows both internationally and domestically.

Global expansion does require readiness and commitment, so be sure to conduct foreign market research and evaluate regulations and methods of distributing your products abroad. For example, there will be cultural, social, legal, and economic differences, not to mention practical issues like currency and tax discrepancies to work out. Modern automation tools can accommodate many of these global business imperatives.

If you want to eventually expand into global markets, start planning for the expansion now. This is particularly true for your technology systems, which will need to be able to scale up to meet your new, international company's needs.

Founded 22 years ago by a Ph.D. candidate who created liquid yeast for his friends that owned a homebrew beer store, WhiteLabs took off as new yeast strains were made available to homebrew enthusiasts. The company has also benefitted from a boom in homebrew yeast sales, which is also being driven by professional customers who want more options.

With a booming craft beer industry now spreading across the U.S. and abroad, WhiteLabs was poised for rapid growth. Unfortunately, it was being held back by disparate, disconnected systems. Expanding globally isn't easy but trying to do it without a consistent approach for each country means even more cost and less chance of success. By switching to a unified global enterprise management system, the company has been able to expand and take advantage of revenue growth—both domestically and abroad—and now has locations in Denmark and China.

THE BOTTOM LINE

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Add a robust, enterprise-wide technology platform to the mix and you wind up with a streamlined operation that's ready for anything. Ultimately, if you can't grow revenue or realize efficiencies, you'll feel it in your bottom line. If your business is unable to take advantage of the opportunities outlined in this guide, it's time to switch to a modern, cloud-based business management suite. By leveraging automation and analytical capabilities, you'll be able to effectively implement innovative strategies, grow your profits, attract new customers and keep your current ones happy.

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