

The Business Owners Guide To
Building Profit
And Cash Flow

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Four Steps to Increase Weekly Profit by \$1,067

The training is free, all you need do is make a decision to act.

For a business owner a shortage of cash will produce a range of emotions from frustration at lost opportunity through to the crushing heart ache of self-doubt, - black times when some owners are forced to consider “What if this doesn’t work out?”

It is said money does not buy happiness. I expect this is true in life, but in business more money solves most, if not all, dilemmas. I have worked with small business owners for 32 years, each time I meet with a client for the first time, the scenario is similar. The owner is busy, cash flow is tight, competition is fierce, *and*, the obvious is overlooked.

“...more money solves most, if not all, dilemmas.”

I created buildabetterbusiness.com to enable business owners to increase the profitability of their business, this short book outlines the steps you need to take to achieve such an outcome. The process is free, the reason why is explained on the last page.

You will need to invest 8 minutes to read the book, I promise it will be a valuable choice.

I will demonstrate how the owner of business, currently generating a profit of \$86,000 per year, is able to increase cash flow by \$1,067 per week, simply by doing the obvious.

Step 1: Answer A Simple Question

The training is free, all you need do is make a decision to act.

I commence every profit improvement campaign by asking my client this simple question:

Without having to invest more money or commit more time, what would you need to do to increase the profitability of your business by \$1,067¹ per week? It's a fairly simple question, but nobody ever gets the answer right.

As I explain in [this post](#) on [buildabetterbusiness.com](#) , winning more sales, is not the correct answer. (See over for the correct answer.)

1: The increase depends on existing profitability, but is always current profit + 60% more. In the example running through this book exiting profit is around \$86,000 and the target for improvement is \$1,067 per week. Refer to the table below to find the potential for stronger cash flow in your business.

If your annual profit is:	I want to deliver a weekly increase in cash flow of:
\$50,000	\$577
\$86,500	\$1,067
\$150,000	\$1,730
\$250,000	\$2,884

Step 1: The Answer is Obvious, But Only to Accountants.

It's time you were let in on the secret.

Without having to invest more money or commit more time, what would you need to do to increase the profitability of your business by \$1,067 per week?

Answer: Increase Gross Profit by \$1,067. And what this means in plain English is generate more profit from your existing level of sales activity, before looking to increase sales volume.

You can achieve this by working in three areas, Pricing Strategy, Segmentation & effectiveness, and Sales & Marketing.

Sales	\$650,000	
Materials	305,000	
Gross Profit	345,000	400,484
Expenses	258,500	258,500
Net Profit	\$86,500	\$141,984

+\$1,067 per week

Do not confuse Pricing Strategy with increasing price, they are different as you will soon discover. Segmentation involves the separation of customers, products, and services into profitable and less profitable categories. You then nurture the profitable and fix the less profitable.

Next work on your Sales & Marketing to attract a steady stream of work from profitable "A Class" customers you and your team enjoy working with.

Step 2: Pricing Strategy

The training is free, all you need do is make a decision to act.

For each of my 32 years as a consulting accountant my go to strategy to achieve a positive and immediate impact on cash flow, and the lifestyle of the owners, has been pricing strategy.

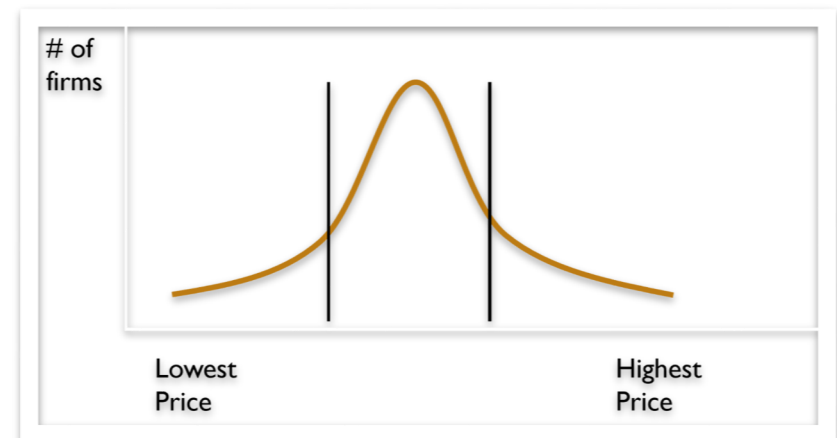
There is enormous pressure on small business owners to deliver both security and a comfortable lifestyle to their family. Understandably therefore, owners are reluctant to tinker too much with the price they charge.

It's understandable in as much as nobody wants to lose customers, or price themselves out of work.

So most business owners set their price in the mid-range.

This presents a massive opportunity. If your price is set somewhere between the two black lines, you have an opportunity to increase price by 10%, perhaps more, without losing market share to competitors.

Feel free to think: *"Not possible in my industry!"*, but **please** keep reading for another 30 seconds, so as to consider this.....



If you did increase your price by 10% **and** maintained your existing volume of work, what would the impact be on profit and cash flow? Let me help you work it out, first with an example from my client files, and then for your business.

My case study business is a motor mechanics workshop, Jock's business generated annual sales of \$650,000 and made a profit of \$86,500.

Jock's decision to lift price by 7% increased his profit by \$45,500! He was an extremely satisfied client. *(I couldn't convince him to go for 10% because he wanted to keep his rate below \$90 per hour.)*



7% of \$650,000 = \$45,500

What is the weekly turnover of your business? And what is 10% of this number?

Your Sales Revenue \$

10 % of your Sales Revenue \$

Assuming you did not lose any sales volume as a result of the increase, the second number is the amount by which your weekly cash flow will increase as a result of a 10% lift in price. Unlike an increase in sales volume which brings with it an increase in activity and costs, a price rise has no associated cost and the entire increase is transformed to bottom line profit and cash flow. – dollar for dollar!

But of course, we need to take account of all the work you will loose because of your decision to increase price.....

If you are worried the price rise will impact the volume of work, you may be comforted by the safety net provided by step 4, the Sales & Marketing Plan.

But I don't think you will need a safety net because customers are not as price sensitive as business owners believe them to be. My evidence in support of this belief **is delivered in the free course Pricing for Profit**, where you learn 8 key lessons about pricing:

1. Most customers base their purchasing decision on things other than price . The course provides compelling evidence in support of this proposition..	5. Discover some customers volunteer to pay a higher price. This is the #1 most popular profit building lesson of I delivered across 32 years in practice. If you have a one price fits all policy you are missing out on thousands of dollars lost profit every month!
2. Find out the real reason why customers ask “How much do you charge?” and how you should respond.	6. Learn how to keep price sensitive customers on your books but on terms better suited to you.
3. Learn how to calculate the number of ultra price sensitive customers you can afford to lose after a price rise, and be no worse off, because the customers staying pay more.	7. Learn how to steal valuable pricing strategies from the best marketing minds in the world, simply by reading your junk mail, and doing the weekly grocery shopping.
4. Reinforce what you know to be true: you should focus on good customers and sack the rascals; let them go to a competitor and mess with their business.	8. Understand the psychology of buying from a business to business and business to customer perspective.

Step 3: Segmenting Customers, Products & Services

This step will be a little confusing for some, numbers can mess with a brain, which is why God invented accountants. So significant is the gain to be achieved by getting your head around segmentation, and effectiveness, opting out of this step is not allowed! For those who do struggle with the financial aspects of the business I have created a system to see you right, further details are available over the page.

We all know some customers are not worth having and some jobs are not worth doing. But we do them anyway, on the basis some dollars are better than no dollars—**Wrong!**

Service businesses generate profit from the conversion of hours worked to hours charged to customers.

Effectiveness is the measurement of hours traceable into customer invoices, as a percentage of the total number of hours worked.

What comes as a shock to business owners is how low this % is in their businesses, typically in the range 54% to 62%. They are shocked because *busyness* is mistaken for effectiveness, in fact busyness hides low effectiveness.

And the main reason for low effectiveness is the owners preparedness to do work they should not be doing.

Setting a target of 70% has a dramatic impact on profit and cash flow as can be seen on the diagram on page 10.



Measure what matters

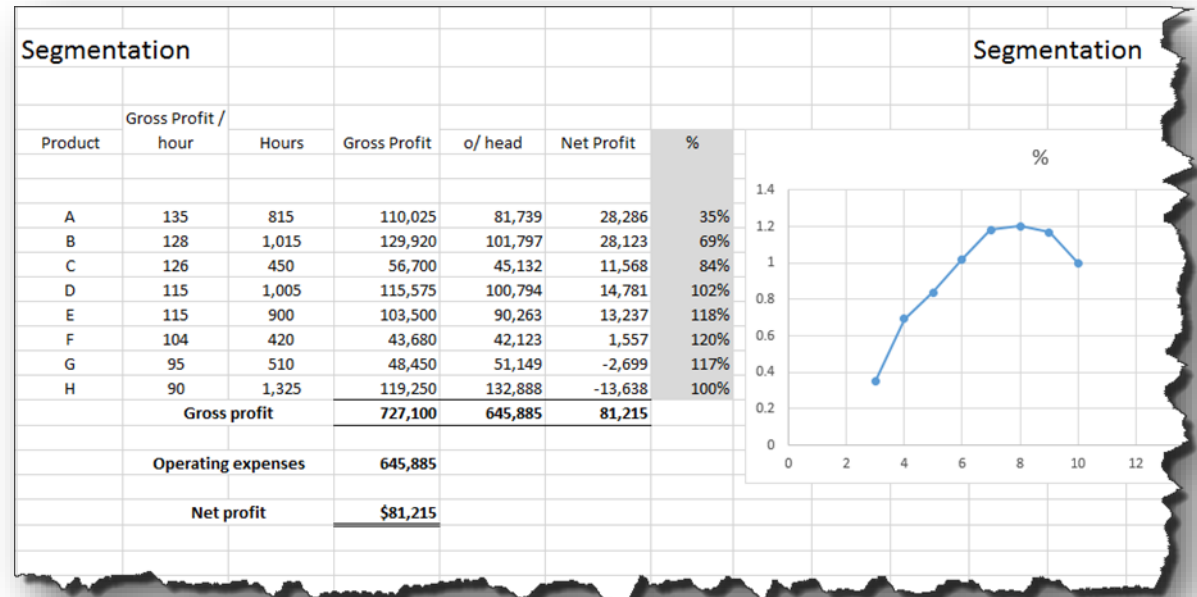
At the completion of this module you will be able to clearly identify the main profit drivers of your business (they will be different to what you think they are); set weekly performance targets in respect of the profit drivers, monitor performance relative to the targets, and take corrective action as required.

[See more...](#)

Step 3: Segmenting Customers, Products & Services (cont.)

In the *free* Measure What Matters course you will learn

- how to calculate your desired gross profit per hour
- the hours you have available to generate your desired profit.
- how to work with a simple weekly monitoring system that estimates your effectiveness, relative to what you *need* to be achieving, to reach your profit target.



And if you have difficulty dealing with the financial aspects of the business, you do not have to miss out on this opportunity to increase profitability, simply delegate this responsibility to others, following the system I crafted for this purpose.

The systems can be accessed from downloaded from Lesson 1, Topic 6 in the Profit Improvement First Steps course, available free on buildabetterbusiness.com

This diagram is an extract from the Measure What Matters course, it provides an overview of how achieving an increase in effectiveness translates to an increase in net profit.

Action #3: Measure What Matters



What You Learn How to Do

Case Study

1. Calculate *gross profit* per hour

\$132

2. Work out available hours

3,450

3. Trace hours invoiced

1,932

56%

4. Target improvement 70% (+ 483 hours)

2,415

5. Profit improvement = 483 hours × \$132

\$63,756

Step 4: Winning A Constant Stream of Work

From “A Class” Customers

What do you think is the easiest thing to do in business?

Answer: Get new customers.

If you are surprised by this, you are in for a real treat.

And if you are like the majority of business owners I work with, who have no problem winning new customers, can I ask... *“What was your concern about Step 2, the 10% price increase?”*

[This blog post](#) explains where all the new customers are, and how to win them. – It has never been easier, thanks to Facebook and Google!

Because **SO MANY OPPORTUNITIES EXIT TO WIN NEW WORK** it is important your marketing and customer selection processes are focused solely on the recruitment of “A Class” or potential “A Class” customers.

Fortunately, both the Sales & Marketing, and Measure What Matters courses will focus your attention on this criterion. And again both courses are free on buildabetterbusiness.com



Step 4: Winning A Constant Stream of Work

From “A Class” Customers

My goal is to help you increase **profit & cash flow**, as opposed to growing the sales *volume* of the business. Accordingly the predominant purpose of the sales & marketing training is the creation of a stream of new “A Class” customers and additional work from existing “A Class” customers.

Most clients are surprised at how little marketing effort is required to achieve the profit goals they set. But do not take my word on the matter, discover this for yourself. To this end step 4 requires you to invest 60 minutes over the next 7 days to complete the Profit Improvement - First Steps course.

The diagram on the next page outlines how the case study business increased profit by \$563 per week as a direct result of the strategy outlined in the first steps course.

Free

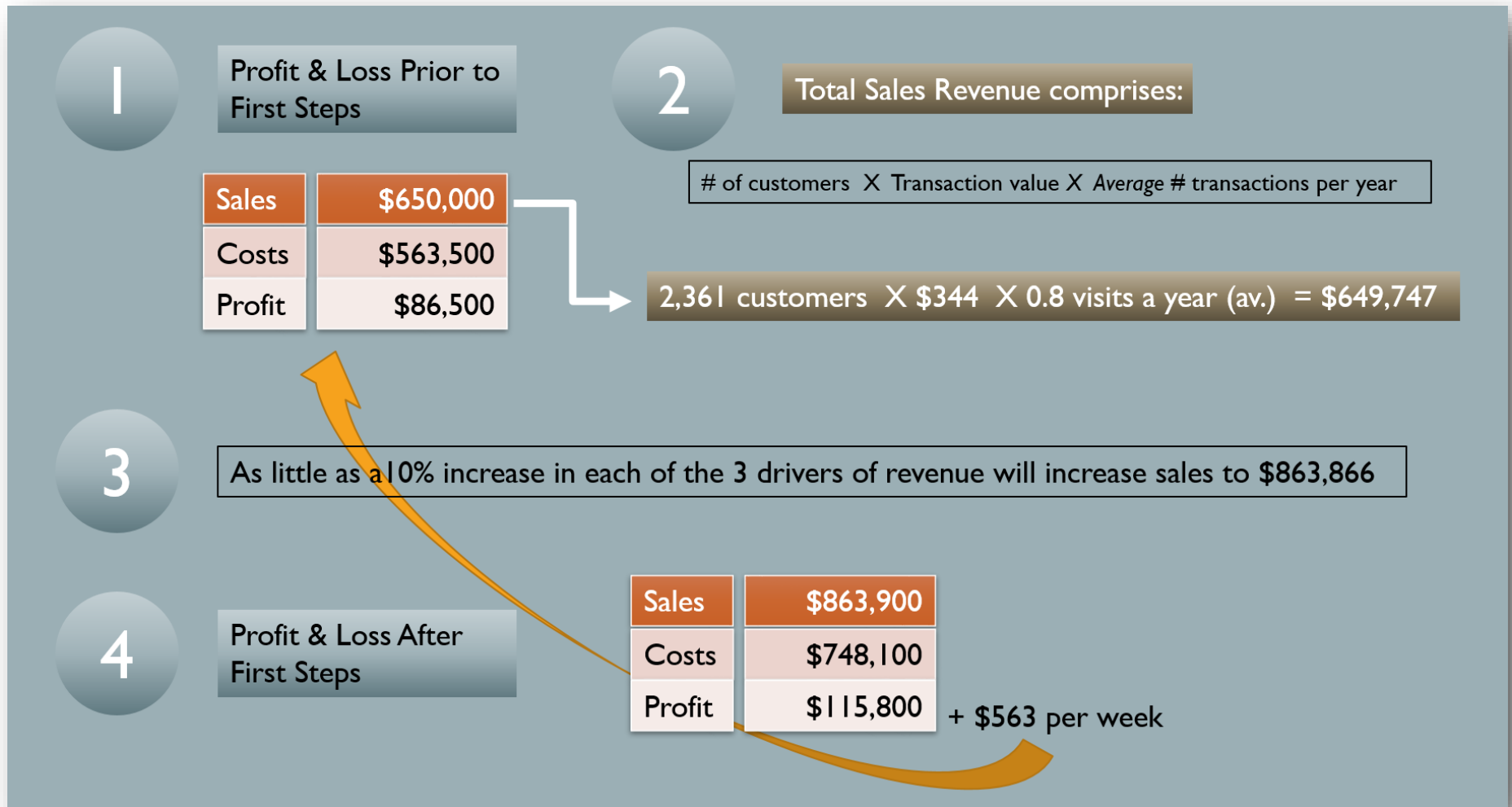


Profit Improvements – First Steps

Small changes to key parts of the business have a significant impact on the profit that is generated. As a result of completing this course you will change your focus from sales revenue to net profit; calculate the true profit earning potential of the business; and outline the specific actions that need to be taken to achieve that potential.

[See more...](#)

In the First steps Course you will calculate the impact on profitability of a small (10%) increase in each of the 3 drivers of revenue. In the sales & marketing course you will work on a few strategies from a list of 64, no more than a few will be necessary.



SUMMARY

Action	Profit Improvement per week	
	Case Study	Your business
Step 2: Take the course Pricing for Profit	\$1,250	\$
Step 3: Measure What Matters (50% of calculated outcome)	\$ 625	\$
Step 4: Sales & Marketing	\$ 563	\$
TOTAL	\$2,438	\$
Let's be conservative and work to only 60% of total	\$1,462	\$
Additional after tax weekly cash flow	\$1,067	\$

Start today. Enrol in the Profit Improvement—First Steps course on buildabetterbusiness.com

All the courses are free!

Why the Build a Better Courses are Free.

As you progress through the courses you will begin to work in a different way with your accountant / business advisor. I expect your accounting fees will be significantly higher than they are now as a direct result of assistance you seek in implementing strategies to assist with the development and or growth of the business.

The increase in fees will be funded out of the additional profit you achieve by completing the Foundation Courses of the Build a Better Business program.

My revenue is generated from accounting firms. I train team members and help them to be better management accountants, so they can help small business owners grow, and I provide systems for accountants to ensure their clients follow through on the commitments they make to build more profitable businesses.

Free



Working more effectively with your accountant

When it comes to insurance the aim is to have adequate cover, not the cheapest premium. The same is true for accounting fees, although that is not the natural disposition of business owners. One of the reasons we insist our members complete the Pricing for Profit course before any other is because of the significant improvement in cash flow the course

produces. We encourage our members to