

*A fully funded program to help owners*

**Build Business Profits**

*And Cash Flow*

Workshops, one to one sessions, and unlimited professional advice. Free for members of Gawler Business Development Group. *(See inside for membership information.)*



## **A Program to Support Local Small Businesses Focusing on Profit Improvement.**

A grant from the Town of Gawler designed to boost economic activity means business owners have an opportunity to work one to one with experienced Chartered Accountant and Business Advisors through a program focused on building business profitability and cashflow.

Lindy Hunt and Leigh Parsons, directors of Adelaide Retaining Walls Pty Ltd (*participants of the pilot program*) said the program empowered them to make change.

*“ We began to focus on what makes the business profitable rather than just winning the next sale, and learnt how to be more accountable, ” said Lindy Hunt. “We have always known what we wanted the business to be like, but prior to doing this program we lacked a system that made us accountable to the plans we had for the business,” added Leigh Parsons.*

The program has been created by Chartered Accountant Philip Arnfield who has over 32 years experience working with small business owners.

*“I did not create this program so owners could increase the profitability of their business by a few thousand dollars. I know, small improvements to key parts of the business can have a significant impact on the profit earned. It is my expectation participating business owners will set targets to increase profits by tens of thousands of dollars a year.” Philip Arnfield.*

This booklet has been written by program creator Philip Arnfield and outlines how this training initiative will help business owners achieve significant profit improvement.

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# Program Outcomes & Format

## Outcomes

As a result of *successfully implementing* the lessons learnt in this program business owner will achieve a significant increase in profitability.

Good training produces a permanent change in behaviour, this cannot be achieved simply by placing information before people, the learner must engage in activities. Accordingly, one outcome of this program will be that participants engage in activities to assist them to implement the strategies taught.

Business Owners will:

- change their focus from sales turnover to profit
- establish a plan for improved profitability
- commit to actions that will deliver on the potential for improved performance, as well as establish new levels of accountability.

## Format

Participants will first meet with the presenter in a one to one setting so as to establish the existing level of performance of the business and the aspirations the owners have for improvement. Each of the six core modules will be delivered in a live workshop setting and will also be available in an online format for those unable to attend the live session. The online version of the workshop will present the same content as the live session and will therefore be an excellent revision resource. The workshops will be four weeks apart and in between sessions participants will have an opportunity to meet with the presenter, again in one to one sessions, so as to facilitate the implementation of the strategies presented at the workshop. Participants will also have unlimited telephone access to the presenter throughout the program,.

## **Business Best Suited to this Program**

The program focuses on increasing profitability by addressing three areas, pricing strategy, operational effectiveness, and sales and marketing. Accordingly the program is not suited to service (professional and trade based), jobbing and manufacturing businesses.

Suitable business types would therefore include, but not be limited to: General Medical practices, Vets, Dentists, Plumbers, Electricians, Bakeries, Motor Vehicle Repairs & Maintenance, Manufacturers, Accountants, engineers, Cabinet Makers etc.

Business size is not relevant, the program is as applicable to a business with 100 employees, as it is to a business with 2 employees.

## **Eligibility Criteria**

Enrolment in the program is **free** for members of the Gawler Business Development Group.

Membership is automatic for businesses operating from leased commercial premises within the Gawler Council area.

If you operate a home based or mobile business within the Town of Gawler membership is \$150 per year; and for businesses located and or operating outside the Town of Gawler area, the annual membership fee is \$250.

## **Timing & Venue**

The workshops will commence in August 2018, the day of the week, and time of day will be determined after the 10 positions have been filled. Participants will be polled to determine the most suitable day of the week and time. The previous 2 workshop series were delivered on Monday evenings, commencing at 6.00pm and concluding at 7.30pm. The location was Café Nova in Gawler.

## Three Steps to Increase Weekly Profit

*The program is free, all you need do is make a decision to apply.*

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 commence every profit improvement campaign by asking the program participant 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 \$1,000<sup>1</sup> per week?** It’s a fairly simple question, but nobody ever gets the answer right

*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 targeted improvement is \$1,067 per week. Refer to the table below to find the potential for stronger cash flow in your business.*

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

# 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, 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 discover in this program. Segmentation involves the separation of customers, products, and services into profitable and less profitable categories, so you can 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 1: 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.

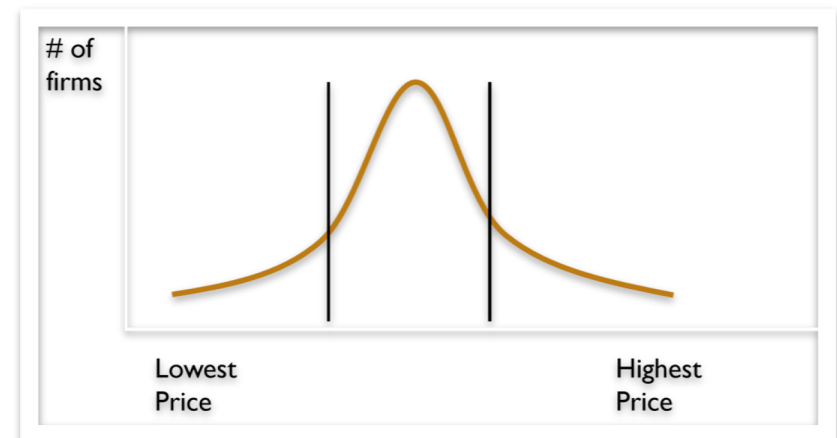
There is enormous pressure on small business owners to deliver both security and a comfortable lifestyle to their family. Understandably therefore, owners are reluctant to tinker too much with the price they charge.

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! . *(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 3, 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 Pricing for Profit** module, 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 I have delivered across 32 years in practice. If you have a one price fits all policy you are missing out on thousands of dollars in lost profit every month!
2. Find 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 2: Segmenting Customers, Products & Services

This step will be a little confusing for some, numbers can mess with a brain, which is why accountants were invented. 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 14.



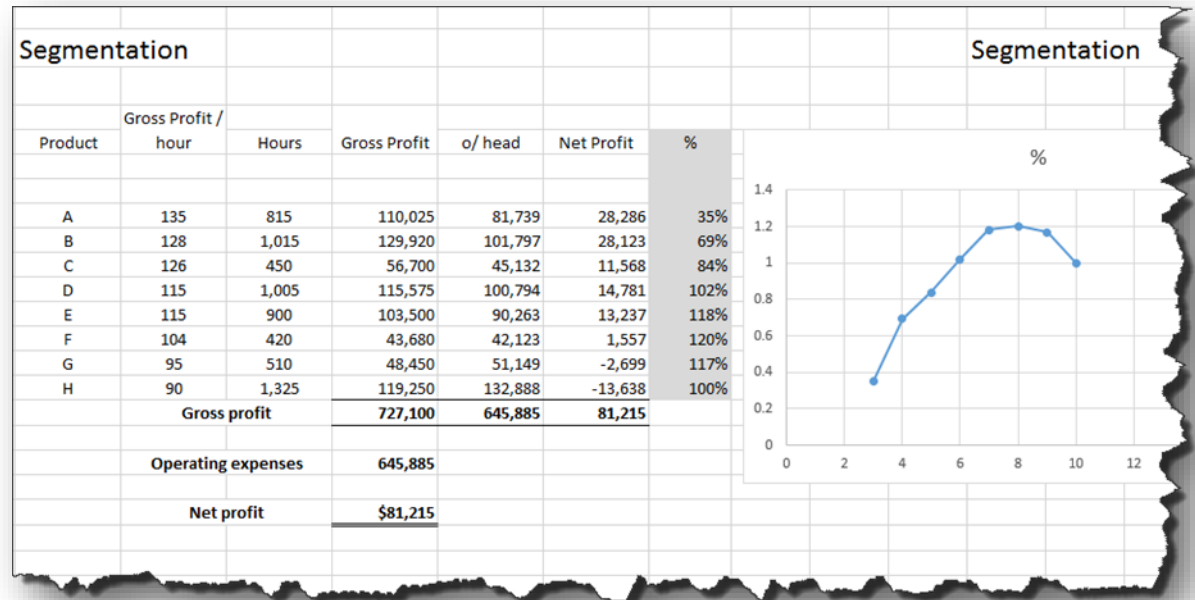
### Measure what matters

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...](#)

In the Measure What Matters module 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.

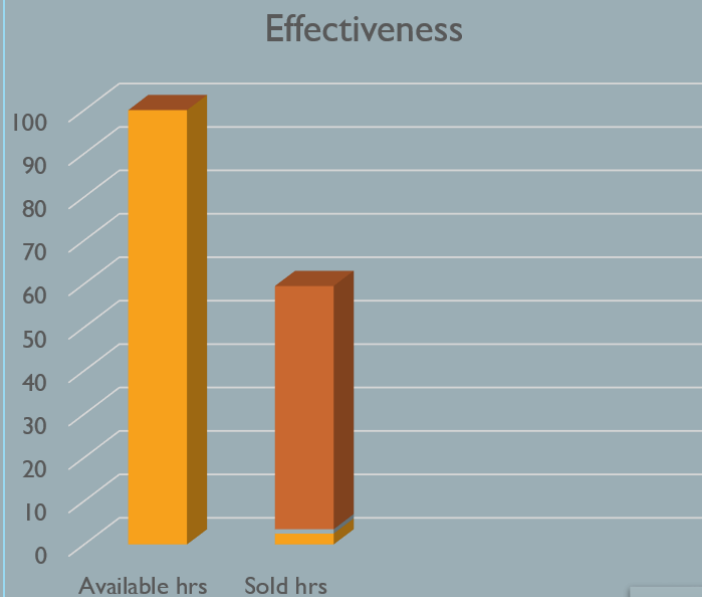


If you have difficulty dealing with the financial aspects of the business, you do not have to miss out on this opportunity to increase profitability, simply delegate this responsibility to others, following the system you will receive as a part of the program.

The systems involves working with your accountant and that will come at a cost. However by the time you reach this stage of the program your business will already be generating more cash flow so you will be able to fund the accounting fees. **And as this program includes mentoring, the mentor a Chartered Accountant, can get you started free!**

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

## Action #2: 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 3: 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 those business owners I work with, who have no problem winning new customers, can I ask...

*“What was your concern about Step 1, the 10% price increase?”*

Winning new customers is a lot easier nowadays thanks to Facebook and Google! If you are not benefiting from digital marketing this course will open your eyes to the opportunity.

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.


The Sales & Marketing, and Measure What Matters components of this program will focus your attention on this criteria.



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 in step 3 I help participants calculate the profit improvement potential of their business.

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 Sales & Marketing modules of the course.



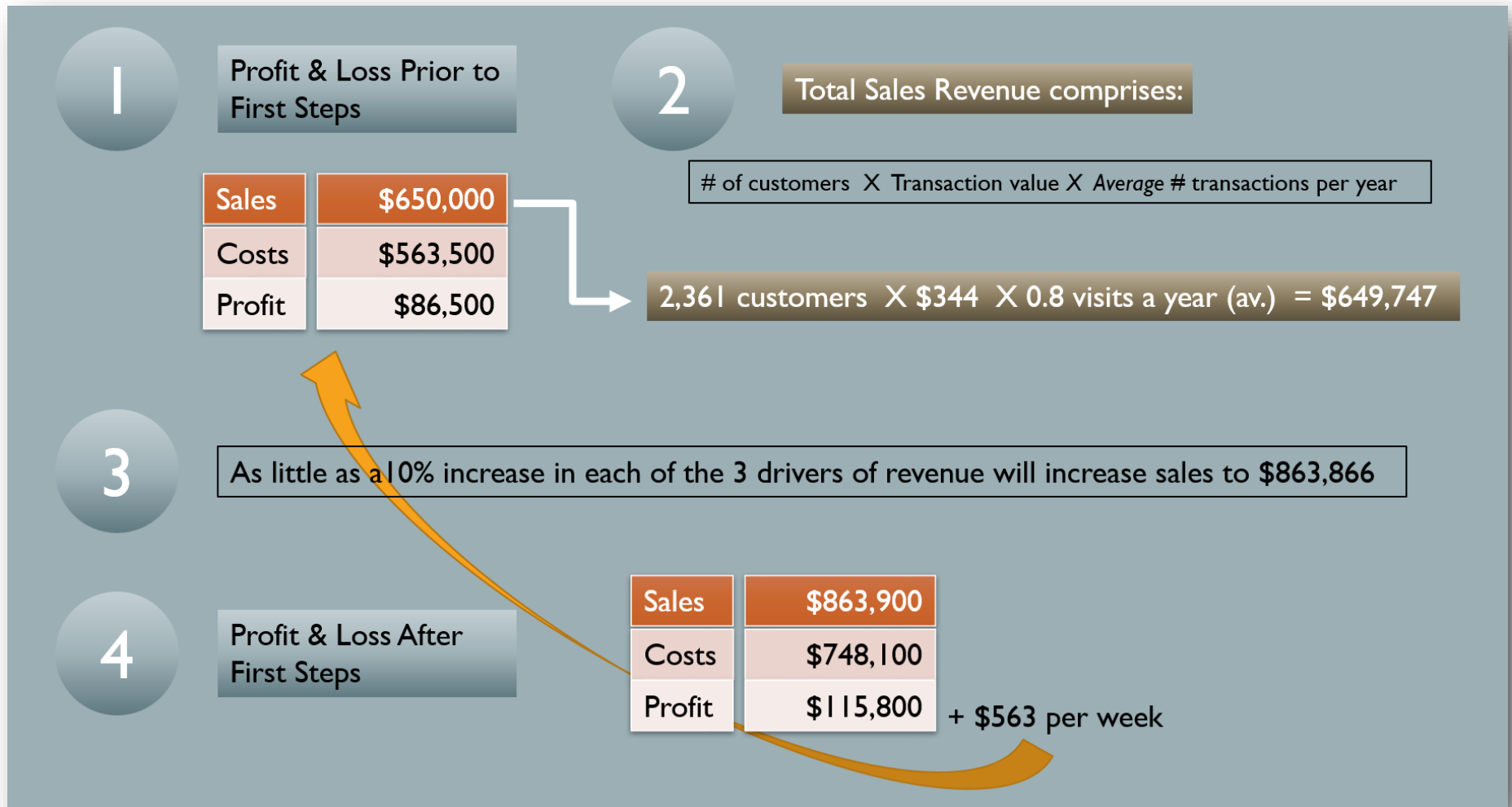
Free

### How to win “A” Class Customers

For some businesses more sales are last thing the owner needs, and for others new sales revenue is critical for survival. This subject is for owners in either position. As a result of completing this subject you will attract new A class customers and either transform or replace customers that do not fit your ideal profit profile. You will learn that winning new A Class customers is mostly about structuring methodical



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.



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## SUMMARY

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

**Start today. Enrol in the Profit Improvement program see page 25 for details**

## **Workshop Module #1: Profit Improvement—First Steps**

As a result of successfully completing this module you will calculate the profit earning potential of your business, establish a plan of attack and time frame for the achievement of significantly increased profitability and appoint a person, either a trusted employee, friend or family member with whom you will share your plans and charge with the responsibility of making you accountable for the actions you will commit to during this program.

You will also gain an insight into what is possible to be achieved through the implementation of the array of strategies to be presented throughout the remainder of the course and be instilled with confidence to introduce changes into your current processes.

You will be supplied with a simple to use piece of software to target realistic, but significant, profit improvement based on the underlying revenue drivers in your business. You will transpose your target onto a 5 step plan and detail the actions you will need to undertake in order to achieve the target.

At the completion of this course you will have a realistic plan in place for the achievement of higher levels of profitability.

## **Workshop Module #2: Pricing for Profit**

The price you charge more than any other business variable has the greatest impact on the profit you earn, unfortunately most business owners are reluctant to increase prices out of a fear of losing customers.

This module will give you the confidence to introduce pricing strategies successfully adopted by larger corporations; far from deserting you, your customers will be thankful for the opportunities and choices your new strategies will make available. You will learn how to combat and defeat competitors trying to win market share with discounts, and how to increase prices without affecting your more price sensitive customers.

You will receive support from other business owners that are implementing the same strategies in their businesses, and you will have access to templates that will make it easy for you to communicate with your customers and make them aware of the new pricing strategies.

## **Workshop Module #3: 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.

You will also learn to segment customers, products and services into profitable, and less profitable categories, you will be encouraged to nurture the profitable and work on fixing the less profitable contributors.

## **Workshop Module #4: Building Customer Service Systems**

Think about businesses that you admire, ones that work like clockwork, have good employees, and seem to outperform their competitors. At the heart of their success will be a Customer Service System.

When you successfully complete this module you will have created a Customer Service System that will define how your business interacts with its customers at every point of customer contact; before the sale or service delivery, during the sales process, and after the sales or service delivery process.

## **Workshop Module #5: How to Find Good People**

Good people are found in places where there are good leaders.

As a result of completing this module you will have established a new way of working with your team. You will have met with them both individually and as a group to explain your plans for the business and your expectations of their role in the development of the business.

The process is likely to bring to your attention areas of employee frustration that need to be addressed in order for the business to operate most effectively.

## **Workshop Module #6: How to Win New “A Class” Customers**

For some businesses more sales are last thing the owner needs, and for others new sales revenue is critical for survival. This subject is for owners in either position.

As a result of completing this subject you will attract new “A class” customers and either transform or replace customers that do not fit your ideal profit profile.

You will learn that winning new “A Class” customers is mostly about structuring methodical sales and marketing campaigns and following through on your plans.

For those business owners that lack sales skills there is a section of the course that is devoted to providing some basic skills in this often neglected area. The material in this section would also be valuable for team members who are involved in the sales process.

## Program Creator & Presenter

The creator of the program is Philip Arnfield and he will also deliver the training and provide mentoring, support and advice.

Philip is a Chartered Accountant who operated his own city based firm for over 30 years. In 2011 he sold his practice so as to be able to concentrate on the creation of a profit improvement training program for small business owners.

Philip now specialises in this area and trains business owners, accountants and business advisors in Perth, Adelaide, Hobart, Melbourne, Sydney, Brisbane and Townsville.

In addition to his formal accounting qualification Philip holds a Bachelor Degree in Economics and a Certificate 1V in Training & Assessment.





## Application for Enrolments Now Open

Funding is available for 10 businesses, to apply:

- send an email registering your interest to Philip Arnfield at [philip@babb.com.au](mailto:philip@babb.com.au)
- telephone Philip on 0407 605 944