

CBDC Business Start-Up Course

Lesson Fourteen – Bottom Line Growth

**Presented by Community Business Development Corporations and
Women in Business New Brunswick**



Community Business Development Corporation
Corporation au bénéfice du développement communautaire



Women in Business
Femmes en affaires
New Brunswick | Nouveau-Brunswick

What is Business Growth?

The process of improving a metric of an enterprise is Business growth. It can be achieved either by boosting the top-line (revenue) of the business with greater product sales or service income, or by increasing the bottom-line (profitability) of the operation by minimizing costs.

Strategies to Increase Your Bottom-Line

The bottom-line is a company's net income, or (profit/loss) figure on a company's income statement.

More specifically, the bottom-line is a company's income after all expenses have been deducted from revenues. These expenses include interest charges paid on loans, general and administrative costs and income taxes. A company's bottom line can also be referred to as net earnings or net profits.

Successful small business owners are always thinking about how to increase their earnings. When times are tough, every little bit of extra cash helps. And when things are going well, a healthy bottom line can enable you to build up an emergency fund, or even expand your business. Here are some strategies to consider if you'd like to improve your bottom line:

Adjusting Your Pricing

If your sales aren't where they should be, evaluate your pricing and determine if it's fair – not only to your customers, but also to you. If sales are good, but earnings are not, it might be time for an increase. Look at what your competitors are charging, and consider an increase that will help your profit, but not drive customers away. Consider the increase in the cost of living. If you are paying more for your supplies, you need to adjust your price for inflation. You may also be able to adjust the portion size for example if you are a restaurant operator.

Comparing Your Expenses

Comparing your expenses in percentages versus other businesses in the same sector provides you with information on where you have room for improvement.

For example:

Your revenues are \$75,000.

Your salary expenses are at 32 % and the industry standard is at a 25% average.

The 7% difference (7% of \$75,000) = \$5,250. Meaning you can increase your profit by \$5,250. To attain that 7% difference, you will need to look at adjusting work schedules, or possibly redefining work tasks to become more efficient.

Here is the [link](#) to the Government of Canada's industry standards.

Please note that some consultants subscribe to industry standards information for industry leaders and can help you adjust or streamline your business to become more efficient. Check with a representative from Women in Business NB for more details.

Are You Operating in a Lean Environment?

What is lean? Simply put, lean means creating more value for customers with fewer resources. A lean organization understands customer value and focuses its key processes to continuously improve it. The ultimate goal, is to provide a perfect value to the customer through a perfect process that has zero waste.

If lean is customer first, what is its value in the eyes of the customer? What features and services does the customer want? When do they want them and what price are they willing to pay? You need this information to be able to review your processes from ordering supplies, managing inventory, manufacturing products/delivering services/selling retail products to delivering products to customers while managing internal administrative processes needed to meet customers needs.

Lean principles apply to manufacturing, service and retail sectors. A popular misconception is that lean is suited only to manufacturing. Not true. Lean applies in every business and every process. It is not a tactic or a cost reduction program, but a way of thinking and acting for an entire organization. "Lean" means creating process that eliminate or reduces inefficiencies and waste.

Here are a few examples:

For the manufacturing sector:

A manufacturer wants to increase the size of his manufacturing facility to add more storage space and new equipment to meet customer needs. This would require major investments and put pressure on the company's working capital. Through a lean program, processes from ordering supplies, keeping inventories, manufacturing the product to delivering the product to the customer would be looked at and improved. Possible outcomes are that the company might not need and expansion, could reduce the amount of space needed to store only the inventory

it needed, eliminate clutter and waste material on the manufacturing floor and realign workflow. By doing this, the company should see a reduction in waste, productivity, increase bottom line and might not need an expansion.

For the service sector:

Companies in this sector are under constant pressure to deliver exceptional customer service. Whether a healthcare provider, IT company, marketing service, they still have wasteful processes that could be removed or reduced. Examples of these processes include the movement of files, information or documents, queues of orders to be processed, delays caused by missing information, unnecessary approval routes for documents and not getting things right the first time.

For the retail sector:

Companies in this sector must keep just the right amount of merchandise on the floor while having the right amount of inventory to meet customer needs. Inventory control and ordering processes are very important for this sector. Evaluate and understand customer buying cycles and trends.. Review demand management and order management systems to improve efficiencies within the company. Finally, merchandise layout will not only improve the customers shopping experience but could also help manage inventory.

Undertaking a lean initiative will require the participation of all staff and will normally increase staff satisfaction and involvement. Becoming more efficient may mean adding on new technologies, new innovations or automation.

Women in Business NB can also connect you to various specialists in your journey of becoming more efficient.

Reducing Interest Payments and Unnecessary Expenses

If you've been in business for a while and have established good credit, you may be able to qualify for a loan or business credit card at a lower rate. Talk to your banker about your existing loans and see if they can be refinanced or consolidated. Pay off credit cards by the due date. Compounded interest, or, interest on interest can extend your payment period over a long period of time, costing you a lot more money. Build a relationship with your suppliers that allows you net 15 days or 30 days on inventory purchases.

Unnecessary expenses can often lead to disappointing profits. These can come in many forms, such as expensive office space, ineffective advertising, frivolous small purchases, inventory that's not moving, etc. Schedule some time to closely examine where you're spending your money and then look for places to cut back. It is very expensive to keep inventory on hand that it not turning over.

Women in Business NB can help you look at various options.

Lesson Fourteen of the CBDC Business Start-Up Course has covered the topic *Bottom Line Growth* and touched on the subjects of: reducing your expenses, operating in a lean environment and lowering interest payments. The next lesson in this part of this course is *Lesson Fifteen – Growth Best Practices*.