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WAYS TO RUN A MORE PROFITABLE BUSINESS



Here are six profit-building techniques that all companies can use to reach new levels of profitability while also making their operations more efficient and tapping into new market opportunities.

Introduction

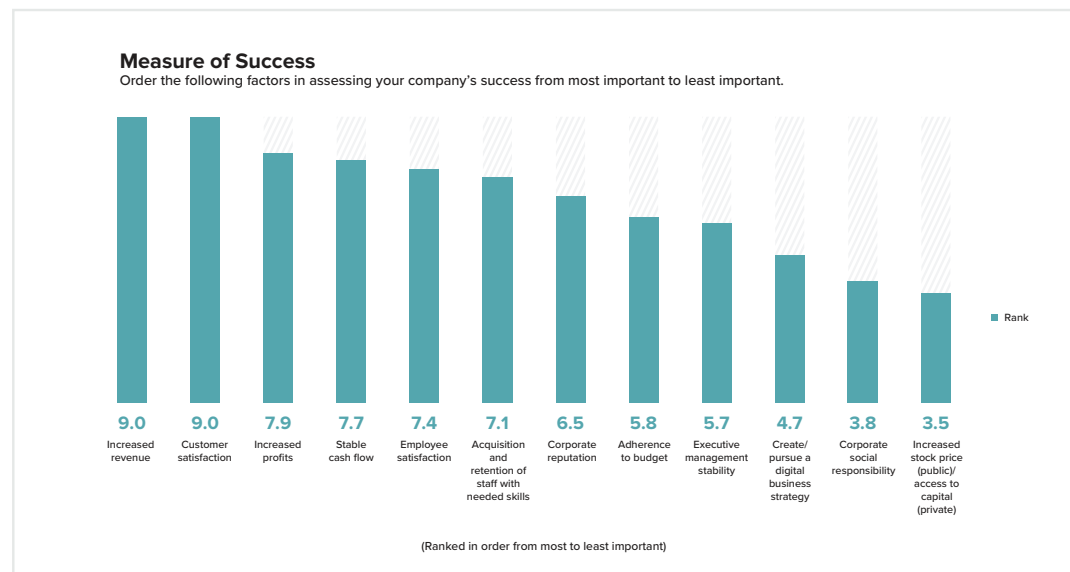
When revenues exceed expenses, you're profitable. Sounds simple enough, but as any business owner knows, the rapid pace of technological and market change in a dynamic global economy means that what worked last year—or last month—may not rake in the earnings now.

Unprofitable firms can get caught in a macro version of what economists call a vicious circle: Lenders and investors shy away. Talented employees leave for greener pastures. Stock value diminishes, officer bonuses are cut, vendors aren't paid according to terms. With limited resources, companies can't pursue ambitious new business

opportunities or make investments to sustain growth. For companies without outside funding, no profit means no capital.

That scenario keeps business leaders awake at night, a new survey of 361 business leaders by Brainyard shows. Increased profits are both a top success factor, and, along with achieving revenue goals, a major source of anxiety for 2020.

Experts say it's reasonable for startups to take anywhere from one to three years to achieve profitability, subsisting in the meantime on outside funding. However, the burst of the dot-com bubble—which was largely inflated



Data: NetSuite Brainyard Winter 2020 Executive Outlook Survey Respondents: 361



by venture capital infusions—as well as recent IPO flops by gig-economy darlings like Uber and WeWork have changed the way business leaders and investors think about profitability.

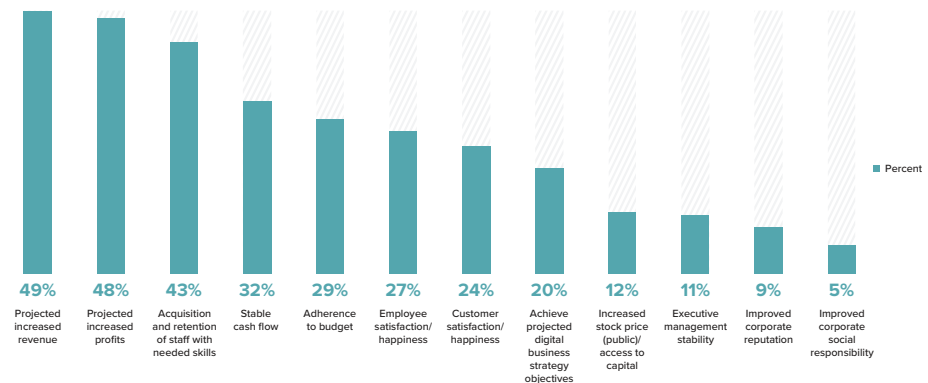
WeWork, which lost \$1.25 billion in Q3 2019 yet was valued at \$47 billion, had to shift its corporate governance model to appease investors after a failed attempt at an initial public offering. Uber was forced to make its own set of sweeping changes. Often celebrated for its focus on growth and capturing market share, as losses pile up, including \$5 billion in the second quarter of 2019, Uber investors are clamoring for a turn toward profits.

That pressure has Uber seeking to [sell off its food-delivery business in India and reduce other money-losing ventures](#).

In short, the market is officially over high-flyers that are heavy on flashy business models and promises of market dominance without the results to back it all up. Both companies tried to substitute CEO charisma and messaging for profits and failed big time. Good old-fashioned profitability is in style, and the good news is that with modern strategies, tools and techniques, companies at any level of the maturation scale can achieve their earnings goals.

Areas of Concern

What are the Top 4 areas where you're concerned your company will not attain its 2020 objectives?



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It's a two-part process: Run smarter and leaner, and sell more.

Technology is one key to stoking innovation, reducing costs, enhancing employee productivity and winning new customers. Individually, each of these can bring profitability into closer reach. Collectively, they have a profound impact on a company's ability to exceed its goals.

With cloud computing, for instance, even the smallest firm can gain access to advanced compute capacity and software without the high upfront costs of on-premises hardware and

internal IT resources. Add business systems that can automate manual processes, and you can begin to standardize on best practices, reduce errors, integrate disparate systems/departments, improve collaboration, speed up business cycles and decrease costs—all of which help improve profitability.

In this guide, we'll explain why there's no time like the present to revisit your profitability goals, outline six profit-building techniques and reveal ways to streamline your operations and build more effective teams.

Which of the Following is the Most Significant Challenge to Your Company's Plans?

Internal barriers

14%

Increasing competition from existing competitors

14%

Shortage of talent or skills required

13%

Increasing costs and margin compressions

25%

Slowing demand

10%

Disruption from technology companies and startups

24%

Source: EY Global Capital Confidence Barometer



Money in the Bank: 6 Profit Builders to Put into Action Now

If profitability is elusive, consider whether the culprit is incomplete data, manual and unintegrated processes, minimal operational visibility, misaligned product or service offerings, a team unable to meet the task or some combination.

One edge that young and smaller companies have is the opportunity to build flexibility into their business models from the get-go. That will make you well-positioned to avoid these obstacles and pivot when the market changes.

Part of developing that flexibility involves defining the mechanisms around which a business can scale, where the costs of critical operations and product development remain relatively fixed (or decrease) as customer segments and other revenue opportunities grow. Another part of building in flexibility comes from developing a culture of continuous improvement in business processes.

Here are six profit-builders to help bust through barriers and start building a business that meets and exceeds its profitability goals:

Profit Builder #1

Get a 360-degree view of your business.

To make sure you're setting the right goals, you

need to know where your company is right now, with up-to-date data presented in a format that constantly and automatically updates so decision-makers always have the latest, most accurate view of the business. That means gaining visibility into all aspects of your operations, not just sales, accounting and/or distribution. Once you capture events, activities and outcomes across all departments, you'll have a holistic view of your operations that will enable leaders to pinpoint patterns and connections behind both successes and setbacks.

Then, you can use that information to come up with fixes and develop new strategies aimed at improving profitability. Ask yourself:

- Who are our most profitable customers? Are there identifiable characteristics that make them profitable?
- Who are our least profitable customers? Should we consider deemphasizing the relationship?
- Which customers have potential, and should we be putting more energy into developing them?

You can do the same exercise with your products or services. By optimizing your most profitable customers and products—or, those with the



The good news is that there are integrated platforms that help companies of all sizes connect the data dots.

highest potential—you can come up with some clear way to ignite profits, sometimes by simply aligning resources toward the customers or products performing the best.

The 360-degree view should include distinctions between top-line growth (revenues or gross sales) and bottom-line growth (income after expenses have been deducted from revenues).

For example, a retailer or manufacturer that implements supply chain efficiency initiatives, say switching to a new raw material supplier that saves 20%; improves its inventory management processes; and establishes and monitors key performance indicators such as profitability-by-customer, inventory turnover and customer churn rates, is effectively enhancing bottom-line growth.

Profit Builder #2

Get your systems connected. Companies of all

sizes are using sophisticated business software that helps fuel growth through automation and data-driven decision-making, but many still struggle to manage costs and maximize operational efficiency. When companies optimize point products, they often then lack holistic visibility into operations at higher level. Given a hodgepodge of disconnected functional systems, business leaders can only look at data related to individual operational processes, and they're often forced to manually relate data between them—a complex and error-prone endeavor.

This disjointed software environment creates problems that range from workflow bottlenecks to employee productivity barriers to customer service breakdowns, and it's an especially major pain point for smaller firms that lack internal IT teams.

The good news is that there are integrated platforms that help companies of all sizes connect the data dots. These platforms are catalysts for profitable growth because they improve employee productivity, often by reducing the need for complex and costly integrations. They provide data visibility across the business. After all, when sales, marketing, HR and accounting departments aren't working from the same playbook (or in



this case, on the same technology platform) how can they be expected to perform in a synchronized, profitable manner?

When they lack a complete, unified view of data, businesses either make critical decisions too slowly—based on inaccurate or un-synthesized information—or they make hasty and risky decisions from gut instinct. And, with so many disparate applications to manage, IT teams waste an inordinate amount of time and money integrating, maintaining and acquiring new versions of these applications. That valuable IT time, which could be used to make the business more productive, goes to waste.

Profitable businesses invest in the automation needed to reduce cycle times, close their books faster and streamline the quote-to-cash process.

Profit Builder #3

Sell more to your existing customer base.

In a world where acquiring a new customer costs five times as much as [retaining an existing customer](#), selling more to your existing “fans” just makes good fiscal sense.

The bottom line is that if your company isn't cross-selling and upselling—not to mention simply delighting—existing customers, you're

Upselling higher-margin products and services, and developing offers that are timely, contextual and customized to a buyer's needs.

leaving money on the table. This applies to organizations that sell B2B (business-to-business) and B2C (business-to-consumer), 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, and developing offers that are timely, contextual and customized to a buyer's needs.

A good starting point for companies that want to maximize upselling and cross-selling to existing companies are account managers, who should constantly communicate with customers and tease out their unmet needs. For example, your customers may have new departments or subsidiaries that could also use products or services, but that you're not yet working with.



You can also maximize customer rapport by getting to know their businesses—and key pain points—and then helping them do their jobs better.

Also consider the trend of building ARR and MRR, or annual and monthly recurring revenue, streams as well as a services business arm. Many companies, even product-focused ones, are delivering their products using subscription business models, where revenue is recurring over time, or layering on services where customization and specialization are required, especially in B2B environments.

Profit Builder #4

Exploit new markets and revenue streams.

Reaching a break-even point with your business is an important milestone, but keeping the momentum going is equally critical in today's competitive business environment. 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 or by identifying and targeting adjacent or look-alike customer segments.

You can also increase your company's exposure and visibility to a wider swath of customers by exploiting more offline, online, direct and wholesale channels, or even working with sales channel partners, which can help diversify revenue quickly, without adding lots of headcount. This can be key to helping your company scale. An indirect sales channel can bring your product in to solve a customer problem that your own sales team might not even know about. Channel partners, with their wide reach and deep customer relationships, also help open new markets while enhancing client loyalty in an era where the nearest competitor is literally a click away.

Exploring new markets for your existing products will also help you diversify your revenue streams. An electrical distributor that has traditionally worked only with electrical contractors on jobsites, for example, can expand its online presence and begin selling components directly to do-it-yourselfers who need both the products and the expertise that independent distributors are well known for. A series of short video tutorials that walk users through the installation process for simple jobs is marketing gold.



Expanding globally takes time, effort and the right approach for each country.

A crucial aspect of any multi-channel strategy is automation tools that help deliver a consistent experience, no matter how the customer or partner is interacting with your company. As customers move from one channel to the next, product offerings, pricing, brand messaging, customer support and fulfillment should “feel” the same. When companies treat channels as a sum total versus distinct operating units that could compete with one another, customers get what they want from the channel that’s most convenient to them. This, in turn, ensures a predictable, consistent experience and ultimately leads to customer loyalty.

Profit builder #5

Expand globally. With 95% of the world’s consumers located outside of the United States, exporting is a profit-builder that no company can afford to ignore. Growing companies have a vast, untapped global potential lying in front of them, and it’s theirs for the taking. Consider this: Small businesses account for 97% of all U.S. exporters. Despite the obvious benefits of trading internationally,

less than 1% of American companies (30 million total) export.¹

This leaves the door open for companies that use global expansion to 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, and gain greater access to talent in today’s tight labor market.

Expanding globally takes time, effort and the right approach for each country. By switching to a unified global ERP system, your firm can expand and take advantage of revenue growth—both domestically and abroad with the regional complexity automated into the system, saving time, effort and, therefore, money. The key is to start planning for international expansion sooner rather than later and to implement the technology that will scale with your business as it grows.

Profit-BUILDER #6

Fine-tune your tax, regulatory, and compliance activities. Many companies view human resources (HR) and payroll departments as employee-centric entities, but these departments can also help boost profitability by



protecting your organization from losses. For example, if federal, state or industry-specific laws and regulations aren't followed carefully, your company can rack up costly fines, fees and government penalties.

The same goes for a payroll department that doesn't file the appropriate forms 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.'s biannual Tax Rate Report](#), there were 335 standard sales tax rate changes in the first half of 2019 alone. This represented a 5% increase over the same period in 2018, and it adds up to a lot of headaches for tax, accounting and payroll departments.

Along with the fines, fees, and penalties associated with non-compliance, there's also the time and labor involved with redoing paperwork, correcting errors and filling out additional forms,

Upselling higher-margin products and services, and developing offers that are timely, contextual and customized to a buyer's needs.

especially during an era when financial, HR and legal expertise is in high demand and more expensive than ever.

Using technology, companies can streamline tedious financial and human resource tasks and ensure better overall compliance. What's more, cloud-based software that is updated automatically can stay on top of tax and regulatory changes, sparing growing businesses the hassle and expense of updating their own systems and processes.

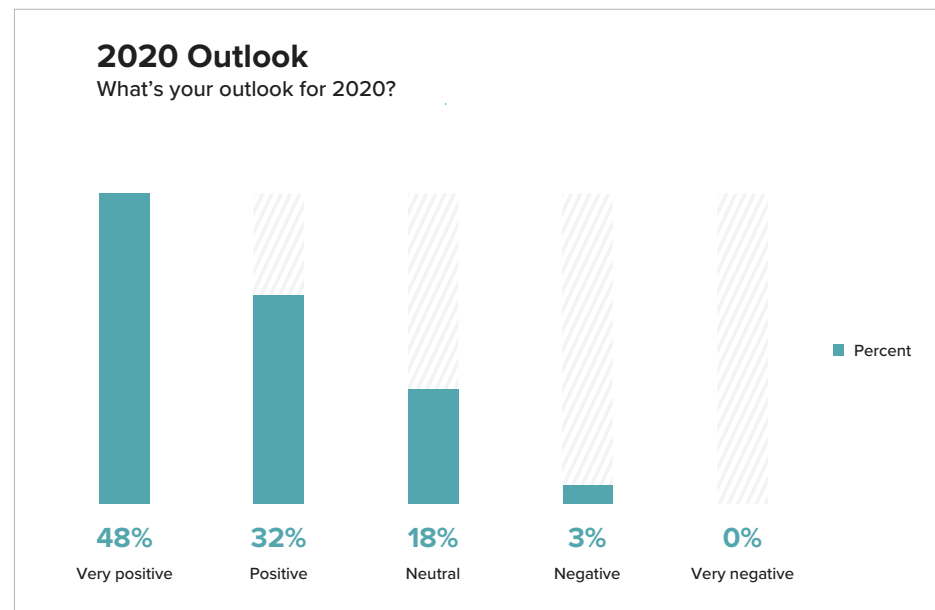


The Path to Greater Profitability

Now is a perfect time to invest in these profit builders. Historically strong throughout 2019, small business optimism remains at its highest level since the National Federation for Independent Businesses started tracking it 46 years ago.

“December marked the end of another banner year for the small business economy, as owners took full advantage of strong consumer spending, and federal tax and regulatory relief,” the NFIB’s William Dunkelberg said in a press release.²

The Brainyard data echoes that sentiment. The executives and managers from small (\$10 million or less), midsize (\$11 million to \$50 million) and midcap (\$51 million to \$500 million) companies surveyed are not only upbeat on the U.S. economy overall, they’re very positive on their own outlooks. Just 2% of respondents expect a recession in 2020, while a truly optimistic 12% see GDP moving forward at 3% or more. The majority say growth will be in the 1% to 3% range.



Values may not add up to 100% due to rounding.



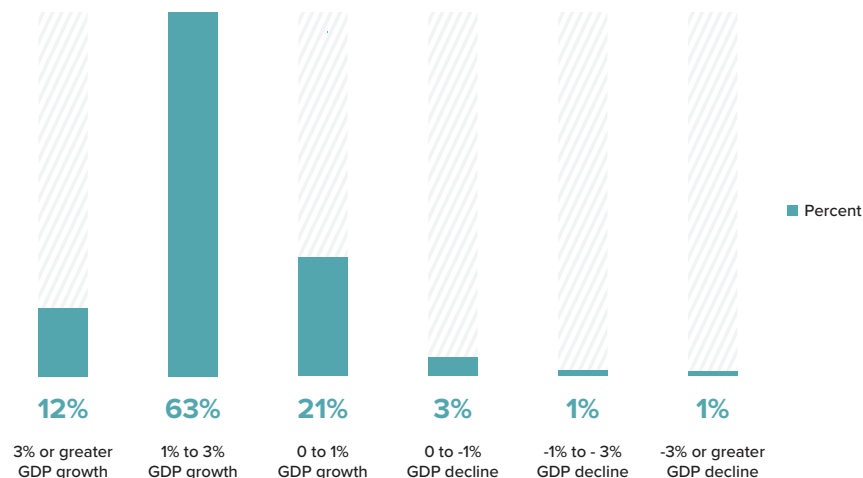
If your company isn't already taking advantage of this robust economy and the opportunities it provides, now is the time to make the move. It's also an ideal time to examine all areas of your business and take steps to optimize processes, drive operational excellence, reduce waste, expand into new markets and find new revenue streams.

Whether you're a new entrepreneur or veteran business owner, there's always room

for operational improvement. By fine-tuning your processes now, you can help your business run more smoothly while also boosting its profitability over the next 12 months. By achieving a 360-degree view of your business, working to drive down costs, fine-tuning your tax and compliance activities, and selling more to current customers, you can maintain a loyal customer base and explore new revenue-boosting opportunities.

Economic Outlook

What is your expectation for U.S. economic growth in 2020?



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Ultimately, if you can't grow revenue or realize efficiencies, you'll feel it in your bottom line.

However, these profit builders are out of reach for companies that run their operations on QuickBooks, Excel spreadsheets, and/or manual systems. That's because standalone financial systems are designed to automate a limited set

of core accounting functions. These systems can't handle full audit trails, automated processes and detailed business planning. Nor can they manage demands for stronger financial controls, sophisticated SKU management, or support more complex financial processes (e.g., recurring billing and invoicing). Ultimately, if you can't grow revenue or realize efficiencies, you'll feel it in your bottom line. If your business can't leverage the opportunities outlined in this guide, it's time to switch to a modern, cloud-based business management suite.



¹Nearly All U.S. Exporters are Small Businesses, Small Business Trends, March 28, 2017, <https://smallbiztrends.com/2017/03/us-exporters-small-business.html>

²Small Business Optimism Dips in December; Remains Historically Strong in 2019, NFIB, January 14, 2020, <https://www.nfib.com/content/press-release/economy/small-business-optimism-dips-in-december-remains-historically-strong-in-2019/>

