

Study of Techniques to improve profit margin in a small business

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Abstract: The aim of this paper is to review of techniques used to increase profit margin in a small business. The goal is to increase the profitability of the case business through the management of the sales team. Questions to be addressed are how the gross profit can be established and what results can be obtained. Some of the main concepts of this study are gross margin and revenue management, sustainability and implementing business strategy into reality.

This study looks at finding avenues for developing gross margin within the case business and investigate what kind of results can be gained. There are three stages taken into practise in the case company; improving the exposure of high gross margin goods, teaching constructive sales strategies and setting targets promoting the improvement of gross margin. The theoretical basis of this study includes subjects of gross profit, policy, sustainability, goal setting, quantitative and participant observation research methods. It was compiled using various scholarly journals, books and websites.

Keywords: Small Business, Profitability, Growth, Business Strategy

I. INTRODUCTION

A profitable company is a counteract that can be stopped when its investment exceeds its revenue. Businessmen have to be black if they are to stay afloat and appealing to their markets (and investors). How will entrepreneurs say if business people are sailing smoothly against the fake eye of the storm? Businesspeople must recognise and monitor the formula of a profit margin – the difference between their profits (the money they earn) and their costs. Since the profit margin of the businessman 's money is how much money he or she will ultimately walk away with after a deal is complete, it is important to rise. If businesspeople learn to master their margins, they will meet the challenges with confidence.

Understanding how to improve your business' profit margin is critical for your ability to draw investments. Since the profit margin of a business shows their ability to handle their costs, investors use it to compare a future investment. Investors equate their operative profit margin, the dollar-by-dollar conversion of profits into profit, to the full industry output of a corporation or to an index like the S&P 500. to gain a sense of the overall market performance. The average profit margin is about 10 percent, while profit margins vary from industry to industry. A company with a margin greater than the average performs the entire market and an underperforming margin can imply a failing company. The profit margin formula for operation is based on the division by net sales of their net revenue (i.e. total revenue minus expenses) and the multiplication of the result by 100. If business people are over 10% or not, their profit margin and overall business resilience can still be strengthened.

Normally "grey market" goods should not be bought illegally. Even the U.S. Supreme Court has supported the ideology that grey market goods have legal resales in the

U.S. wherever they were produced or initially sold. Likewise, the Supreme Court of the EU has ruled that the grey market items have legal resale status in the EU, but that the goods were originally sold within the EU by the manufacturer. The manufacturers referred to the term "grey market" as an act of parallel imports with the purpose of causing the customer to fear that the purchasing of such items may be illegal in an attempt to ensure that producers only purchase their merchandise from the consumers. The term "grey market" is selected because the word "black market" is somewhat similar to an old word that refers to a market that has counterfeit and illicit goods.

II. STRATEGIES TO IMPROVE PROFIT

Productors that manufacture products such as computers, telecommunications and technical devices typically sell products through distributors. The seller would sell the product solely to the final customers of most contracts. Distributors also resell the goods to other distributors' markets. The producers called these products as the "grey market" in the late 1980s.

Grey market products are legal; these are non-counterfeit goods distributed by dealers that have no connections with the manufacturer of the items without the normal distribution networks. This is the parallel type of import, which often happens in countries where the price of a product is considerably higher. This is generally valid for electronic products like cameras, smartphones, and so on. The merchandise is purchased by manufacturers, usually at a low price, but often by wholesale and imported into the target market legally. It is sold at a high price, which creates profit, but also reduces the usual price of the market. International free trade promotion initiatives which include tariff reduction and national equalisation, enabling such arbitration when producers are trying to hold prices very highly disparate.

Because of the existence of the grey markets, the average number of grey transactions can not be tracked. The items on the Grey market are mostly new, but often grey goods can be used. The 'green economy' is a market which has used products. In certain countries and in unused shares, two main types of grey markets are imported manufactured products that are inaccessible or substantially more costly, which have not been traded on official approved markets. The word dark market is often used to describe the secret trade in commodity futures, not least crude oil in 2008, although also technologically legal. This is a third "grey-market" category since it is legal, but not regulated, and it does not plan to be licenced or specifically allowed by oil producers.

The importation of illicit or illegal items such as narcotics and weapons is, on the other hand, considered black market for the purpose of escaping import duty and smuggling them to a target country. Bootlegging is a concept; the illegality of highly regulated transport of goods, such as alcoholic drinks. In addition, the term "bootlegging" refers to the manufacture or sale of counterfeit and/or contravention products.

There are also situations on Gray markets in which items such as the consoles and titles of video games need to be made, where the demand for them exceeds their supply temporarily, leading to local approved retailers leaving the stocks. Other common products, such as toys, contraceptives and magnets, are also in this situation. In such cases, the price on the grey market may also be substantially higher than the retail price quoted by the suppliers, with corrupt vendors purchasing bulk goods to raise their prices during their resale, it is a phenomenon known as scalp. In addition the grey market for video game consoles has grown thanks to online auction sites such as eBay..

III. PROVEN STRATEGIES FOR INCREASING PROFITS

Sales, profitability, and wealth creation techniques in all sectors are various. As an entrepreneur, they are able to develop a sustainable company where there was no business before.

It is generally true that 20% of corporations earn 80% of their income in any industry. Some companies offering a product close to their rivals on the same market gain 10 to 20 times more than others. They should be targeted at doing the same thing.

Profits are created if entrepreneurs manufacture a product or service they need and choose to pay for at a cost which is greater than the total cost of producing the product or service. "Find a need to satisfy it." We all benefit our life by supporting others in one manner. The secret to business success was always the same. Their business aim is to know what people really want and need, and then give it better and quicker than anyone.

Alert!

Hundreds of firms have been analysed in order to uncover market leadership secrets. These businesses share the three core secrets:

- Excellence in service. The company is able to offer its goods and services at considerably lower prices than its rivals.
- Intimacy of the customer. Based on an outstanding knowledge of its customer market, the company has formed a good relationship with its clients.
- Superiority of technology. The organisation provides a superior product or service to its rivals.

Businessmen may pursue multiple techniques to generate added value for their customers and additional profits:

- Boost the product or service in any way to make it better at the same or lower price than its rivals.
- manufacture or distribute the product or service more efficiently than its rivals to its customers.
- Produce your product or service cheaper than your rivals and retain or improve efficiency.
- Offer better follow-up and support programs for their goods and services than their rivals.
- Offer more than its rival's assurances and guarantees of satisfaction.
- Make your product simpler than your rivals to buy and more readily available.
- Make rates and conditions more desirable and comfortable than rivals.
- Provide with their packages supplementary goods and services at the same price.

Your customer trust is the most important aspect of your company. Their credibility on the market determines how many business people can sell-and business people can charge the prices. The friendliness of its employees and the ease to interact with business people are also an important part of its reputation. Their credibility with their clients – the degree to which they perceive businessmen to be honest and reliable – would keep them returning.

Make sure that they are only concerned with how their product and service can influence revenue and benefit when selling their goods or services to companies. Enterprises assume that their product or service is saving time or money, or earning time or money. Companies consider their commodity to be a solution to a dilemma. What is that? What is it? How fast does the product raise efficiencies pay for itself?

The business person must concentrate on enhancing their goods or services in their lives for the sale to individual customers. What does your product do for your clients? What makes your customers avoid with their product? What makes their customers retain their product? What makes your product boost the outcomes of your life for your customers?

IV. FACTS AFFECTING THESE STRATEGIES

Some tried and tested basic formulas can be used to increase the profits of every small business:

Conducts

The living blood is leading for every small business. It is necessary to keep track of people who contact their company by fax, by phone or on the internet. As a small business owner, a businessman should also try to find out how these people learn about his business, as businessmen can spend their advertisement and marketing money in the

right direction to gain more customers once businessmen have this knowledge.

Dealer must ask any person who contacts their company to buy or simply to find out how they heard about businesspeople. Check that your employees often ask all customers this question in order to document and enter their responses into a database. This database helps business people to funnel their resources into promoting and advertising their goods and services. Now businessmen don't just guess, as business people know, where their customers come from.

Level of conversion

Even if businesspeople get the right lead, it doesn't help businesspeople to step into new heights until businesspeople turn them into sales. This is the main field on which entrepreneurs can concentrate properly. Many small business owners are not making a profit because they have leads but do not have strategies for converting them.

In sales. In sales. The conversion rate, which is essentially the number of sales divided by the number of viewpoints, is not difficult to measure. When ten people come to purchase their goods in one day and only 4 buy anything, their conversion rate is 40%.

Make sure business people test and calculate their conversion rates, because business people in business will only grow if they know what their numbers are. Business people need to describe the sales process, recognise the decision points and train their employees to increase their conversion rate

Work together. Work together. Research also on "Who and what" their differentiators are, so that business people can know how to position themselves if they are compared to their rivals.

Customer transactions

According to an old adage, each business owner is better than fresh to sell to current customers. That's very real. Some consumers will purchase more than others from businessmen. Businessman must assess how much a customer buys from businesspeople on an average and then decide how to buy more from businesspeople. Businessperson may need to provide a specific service and explore ways to meet their repeated clients.

Per customer's average money

What a consumer spends on their goods on average is important to be conscious. This helps businessmen to find ways to inspire them to purchase more. To ensure the most reliable information available for businesspeople, businesspeople have to ensure that businesspeople maintain records and contact details of each sale. By doing so, businesspeople may build targeted marketing programs accurately.

V. CONCLUSION

As an entrepreneur, the main problem for businessmen is, "What can I do to raise today's demand for my goods or services?" The value of a corporation depends on the ability of the company to enhance its customers' lives.

It has always been the same thing to produce profit: value added. How can businessmen today bring value to their

customers? How will business people make their companies more valuable today? A good strategy to add value to your current clients or new clients might be sufficient to get entrepreneurs into the top 20 per cent of companies.

Every entrepreneur's objective is to pursue opportunities to generate profit. Benefit comes in any way by bringing value before its rivals. Many avenues for businesses-and their customers-to add value to goods or services are limited only by their creativity.

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