

Profit increase calculator

By entering your existing business data you can see how a number of incremental steps can lead to a significant increase in net profit.

	Current performance	Improvement factor	Improved performance	
Number of potential customers		%		Look for ways to increase awareness, promote to new customers, look for referrals and advertise. Set up sales campaigns or offers to improve the chance a customer will convert into sale.
Conversion rate	%	%	%	
Number of customers				
Number of transactions per customer		%		Add on complementary products or services, or partner with other businesses to move customers from buying one item, to two. To increase the average sales transaction value, either increase prices, or sell higher margin products and services.
Average value of each sale		%		
Total turnover				
Net profit percentage	%	%	%	Reduce costs and overheads as a proportion of sales.
Resulting net profit				

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How to use this Profit increase calculator

Your profit increase calculator helps you discover how much extra profit your business could make. It makes it easy to look at how minor improvements in your reach, conversion rate or repurchase rate can translate into increased profits.

Step One Enter your number of potential customers

The first factor is your number of potential customers. If you reach more customers, you'll probably generate more sales, and that translates into increased profits.

If you have existing data, base your numbers on this information. If you're in your first year of business, find out as much information as you can about the size of your target market and the distribution of potential customers amongst your competitors.

Try to increase your number of leads or potential customers – for example, by encouraging referrals from your existing customers.

You could use the profit increase calculator to see how expanding your pool of potential customers might affect your bottom line. Depending on your net profit results, you may be able to justify entering a new market or launching a broader marketing campaign.

Step Two Enter your existing conversion rate

The second figure to enter in your profit increase calculator is your existing conversion rate. Your conversion rate is the percentage of customers you actually have out of the total leads (or potential customers) you get.

Aim to increase your number of conversions into customers – for example, by offering your staff incentives for converting more leads (such as offering a commission).

The calculator shows you how much more profit your business could generate if you improved your conversion rate by a given percentage. This may be the impetus you need to enhance your closing skills.

If you've realized that your conversion rate is below the average for your industry, you could experiment with various conversion rate improvements to find out how much more profit your business could potentially generate.

Step Three Enter the number of transactions per customer

The third number to add to your profit increase calculator is the number of transactions you have per customer. The calculator lets you examine how an increase in the number of transactions per customer will increase your profit.

There are plenty of ways you could aim to raise the number of transactions from each of your customers. For example, you might look at introducing a subscription service to lock customers into future purchases.

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Step Four

Enter the average value of each sale

What if you could boost the average value of each sale by five or 10 percent? The fourth figure to input is the average value of each sale you make.

Look for areas of your business that you can improve to increase that average sale value. For example, you may find that it would make financial sense to invest in some sales training for your staff, to teach them the finer points of up-selling or cross-selling.

Step Five

Enter your net profit percentage

The fifth number to enter into your profit increase calculator is your net profit percentage. This figure comes from the ratio of your after-tax profits to your net sales.

Have you ever wondered what would happen if you could increase your net profit percentage by a few percentage points? For example, by looking for new suppliers offering lower overheads.

As you enter these five figures, the profit increase calculator will automatically compute your:

- › Number of paying customers
- › Total turnover
- › Resulting net profit

Step Six

Enter your desired improvement factors

As you enter your chosen improvement factors, look at how the resulting net profit improves compared to your current net profit.

Experiment with different improvement factors to see their potential improvement to your profit. To isolate one improvement factor at a time, enter '0' in the other improvement factor boxes.

It's always best to plan a long-term strategy for growth that can help you manage expansion without extending your business to the point where you run out of cash.

Experiment with different scenarios to see how your profit can potentially increase by improving your reach, enhancing your conversion rate or gaining more repeat business.

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