



STRATEGIES FOR INCREASING REVENUE

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Capworth Advisory can provide businesses in the London and Kent areas with assistance and advice on a wide range of business issues. Here is a guide to strategies for increasing revenue...

One of the keys to successful profit improvement and sustained business growth is to develop strategies that increase revenue for your business.

A useful tool in developing such strategies is the product/market matrix:

	Existing products	New Products
Existing markets	1	3
New markets	2	4

The matrix defines four areas where you might consider revenue-increasing strategies.

Although it refers specifically to selling products to customers, it can be applied equally effectively to selling services to clients.

1. Existing products in existing markets: Highest rate of return

As a general rule, strategies focused in the top left quadrant will require less resources and are more likely to generate the highest rate of return on your efforts, at least in the short term. Here you might consider:

- Increasing the selling price to increase your margins
- Reducing the selling price to increase sales volume or market share
- Cross-selling additional products or services to existing customers or clients
- Persuading customers to increase the size of their order
- Upgrading, in other words, encouraging customers or clients to purchase a more sophisticated version of the product or a higher level of service

Profit Point: Take care of your existing customers

It costs more to gain a new customer than to keep an old one. Make sure you look after your best customers.

2. New markets for existing products: Extending your market

Possibilities in the lower left quadrant include, for example, extending your market geographically or repositioning an existing product or service to occupy a different market niche.

Profit Point: Target new customers for high profit goods and services

New customers are expensive to acquire, but high profit items make it worth seeking them out. Decide upon the best geographic areas and sectors to start with, otherwise you risk spreading the message too thin.

3. New products for existing markets: Leveraging increased revenue

The top right quadrant is all about listening to your customers and meeting their needs. Businesses that listen closely to their customers or clients will have no shortage of ideas for leveraging increased revenue from existing markets by introducing new products or services tailored to their needs. Possible strategies here include developing product line extensions and accessories or bundling new products or services with existing ones.

Profit Point: Understand customer demands

Make sure you have mechanisms in place for finding out what your customers think of your service, and what their real needs are. Don't just offer them what you think they want.

4. New products in new markets: Diversification

The bottom right quadrant represents perhaps the most ambitious possibility, and obviously calls for careful research before too many resources are invested in a new venture.

Though there might be dangers for some businesses in departing too early or too far from their core competencies, for others such diversification might provide more stability and a stronger cash flow in a volatile market.

Such growth can be achieved either by additional investment within your existing business structure or through an appropriate merger or acquisition.

Profit Point: Make alliances to move into new markets

Sometimes it can be very effective to arrange joint ventures with businesses that have complimentary assets or skills before venturing outside the sectors that are known to you.

If you are in the Kent area and are looking for support and assistance from experienced accountants and business advisers, contact Capworth Advisory

