

The Only Three Ways to Increase Money Coming Into Your Business

By Karen E. Hipp

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In my consulting business, I'm often asked for ideas to get more customers (i.e. money) into their business. There are hundreds of ways to do this, but let's go back a step and look at the basics of what that is, before we get crazy with all kinds of ideas.

Long-term growth and profits can only come by increasing money flow into your business and there's really only three ways to do it.

1. Get more new customers.
2. Increase the average dollar amount each customer spends.
3. Get your customer to buy more often.

That's it.

#1 is pretty obvious. It's what I'm requested to do for my clients all the time; get them more customers. However, the reality of the situation is that what they really want is more money and getting new customers is certainly one way to do it.

You can do this in two ways. Raising prices is one. But, and I know this could be a sensitive area, can you reasonably increase your price points? The only proven way to know if this will work is to check your competitors prices or the industry average. Now, if you offer exceptional additions or services than your competitor, you can charge more. But every advertising and image message you send must say WHY you are worth the price and point out the advantages over other products or services. The cheapest is almost always not the best. You'd be surprised at the impact a small increase can have on your gross profits by only 5% or 10%.

Ponder these figures:

Let's say you have one product that you sell for 50.00. You raise the price of the product by only 5% to \$52.50. Your average customer purchases this product 4 times a year, so that's \$10 extra per year, per customer. You get about 500 customers per year 500 customers x \$10 extra dollars per customer per year) = \$5,000. I don't know many people who would turn down an extra \$5,000.

But, again, let me caution you. Do your homework and be justified in raising the price. If you feel

your current price is right on target, consider adding an additional service to raise the price (that is not time consuming). Most people will not balk at a 5% or even 10% increase. Using the above example, let's say you raise the price of the product 10% to \$55.00. Doing the math that's \$10,000 more dollars a year in your pocket.

Price Points are so important to businesses that you can even hire a price consultant to do this research for you who will suggest the right price. Experiment and try this with some of your products.

The second part of the #2 equation is to increase the dollar amount (not the price) of what your average customer spends.

Here's an example. As you might know by now, one of my clients is a chain of hair salons in South Florida. We evaluated their current prices and compared them to their competition and services. Realistically, we felt the prices were high enough. So that led us to look at increasing the average dollar amount each customer spent. The current average was \$26. After rolling around many ideas, we finally came up with an added service called "Hair Spa." For an additional \$10, the customer got a hair spa, which consisted of a deep, deep conditioning that took an additional 20 minutes. Roughly 30% of the customers accepted the offer on the first run. Especially when the hair stylist told them they really needed it! This is also called upselling.

That leads us to #3. Get your customers to buy more often.

Here are the best ways I know:

Always keep in contact with your customers. That could mean by a newsletter or email with a special offer for a limited period of time, or introducing a new product that they just have to have! Or the new product is limited (you only have 100). Or tell them the benefits of owning XYZ product, or using it more often. Give them a reason to come in by offering a contest the month of _____, or for only a couple of weeks. The key is to jolt them to come in before they normally would.

Now that you've evaluated the only three ways to get more cash flow into your store, you can "get crazy" with all those great ideas how to do it!

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