

Making More Income Part 1

There are only seven ways for you to make more income in your business

- 1) You maintain the same prices, the same amount of client transactions and cut expenses.
- 2) You maintain the same fixed and variable expenses and increase the number of new client transactions.
- 3) You keep the same fixed expenses, increase your marketing budget (variable expense) to bring in enough new client transactions to cover the new expenses and generate a profit.
- 4) You increase your prices, maintain the same variable and fixed expenses and client transactions.
- 5) You maintain same variable and fixed expenses and increase the frequency of current client transactions.
- 6) Sell more stuff.
- 7) A combination of all of the above.

First off, it may be silly but I am assuming that you do want to increase your income (I know, never assume, it makes an ass out of u and me, but I will anyway). You are in business to make an income, the only reason you invest money is to make an income in the future. Income is king, it is that simple. As you know, income is the difference between gross sales and expenses. That is true in your family business too, you bring home a net income from your labor, pay your household expenses, and are left with a net income which allows you to play or live a better lifestyle (whatever that is to you).

Because this topic is so critical I am going to break each of these down over the course of a several posts.

At first glance, the majority of you will look at this least and gravitate toward what appears to be the easiest route of the seven and that is to...drum roll please...cut expenses. Some of you may think that I have forgotten the eight strategy which is to lower prices because that will bring in more business. Of course these two strategies are the very worst things you can do and should be sweep off the table immediately.

In your business you have fixed costs for a reason. Depending on your business you have to have certain things such as business insurance E&O insurance, a car, malpractice insurance, you may need a physical location, you may need staff, you may need to pay for annual licensing or continuing education, you get the idea. These are fixed costs that in order for you to be in business you will need to pay regardless. You must bring in enough client transactions monthly/annually to pay for these fixed costs before you make a dime.

Then you have your variable costs. This could include labor (you may or may not need extra help, part-time help), you could take on more duties yourself and decrease the hours of employees or just eliminate their position. You may have costs of goods sold such as Botox, supplements, lumber, oils, anything you need to purchase to perform your skill, these prices vary. As these prices go up if you do not raise your prices in turn you will decrease your net income (you can call it profit if you like, I like the word income because that is why I do what I do).

Another variable cost would be your marketing budget and here is where a large majority of service providers and professionals go wrong. Remember that my definition of marketing is bringing awareness of your product/service to the market (consumers/people) and moving them towards completing a transaction with you). When times get tough they will cut their marketing budget to save money to increase or maintain the same income. Marketing costs come in all sizes and shapes, these costs include everything from your business cards to the office or retail space you lease or buy. Yes, where you lease your office should be considered a marketing cost. Although most so-called experts tell you it is a fixed cost.

Yes, it is a fixed cost (although your rents can and do rise, unless you buy it of course on a fixed payment) but it is still a marketing cost (never classified as such in your books but hear me out).

In every case the first thing you must decide is if you even need office or retail space. Many real estate agents for example can easily work out of their home because they will meet clients at homes they are showing them, at the loan officers office or a title company, no need for office space. If you are a plastic surgeon and you want to work the upscale neighborhoods you are going to need a luxury office space very near a high cost of housing part of town. You will rent space to reflect your brand or target your ideal consumer.

There are many business owners who will say; "I spend no money on marketing to get my clients" then turn around and rent a \$4,000 a month retail space in an anchored strip mall counting on walk-in business. You can see the error in their thinking, in order to receive that "walk-in" business they spend much more than other business owners on rent, yes, this is marketing dollars.

So when times get tough, many service providers and professionals will cut their variable expenses by pulling back on ad spending. The thinking process is that; "I have to save money, we're in a recession, the only place I can save money is in variable costs which is my marketing and hope I can survive the storm". When, at the same time, a very small percentage of our competitors see this as the perfect time to increase their marketing budget in order to "steal" your clients away from you.

Let's say this works, the challenge is that you have to maintain the same amount of transactions in order to increase your income (and yes, you can increase your income during a recession) and according to some studies you will lose up to 10-14% of all your clients annually due to natural attrition (covered in another post).

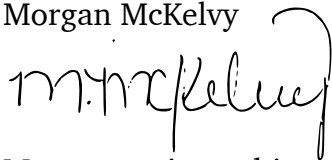
So, the truth is that you should never decrease your marketing budget, you may want to redirect where you spend it but then again, that is the whole purpose of this channel and my coaching program.

Although the majority of service providers and professionals will try to increase their income by decreasing variable spending they must still increase the volume of transactions and you can only do that by marketing. Marketing tends to be the first expense cut by us and in reality, it should be the last place we cut spending. Remember that you will lose up to 14% of your client base, each year, due to natural attrition.

True story, my dad was keenly aware of how important marketing was. When cashflow was tight, I heard him tell my mother several times that "the marketing bills get paid before even their home mortgage because if we don't continue to market sooner or later it will catch up to us and we won't have a home to pay a loan on." I happen to agree with my father.

My suggestion to you is that, although you should look at expenses you can cut or lower marketing is not one to decrease your spending on. At most, redirect it to more effective dollars (also covered on this channel) but do not lower your budget. Increase your income but employing other means.

Morgan McKelvy

A handwritten signature in black ink that reads "m.mckelvy". The signature is written in a cursive, lowercase style with a large, sweeping flourish at the end of the word "kelvy".

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