

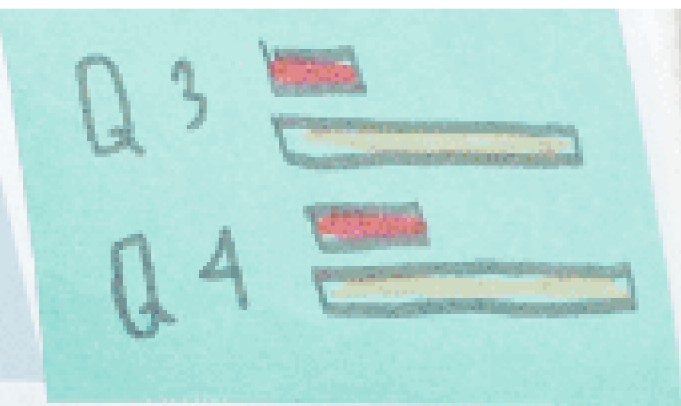
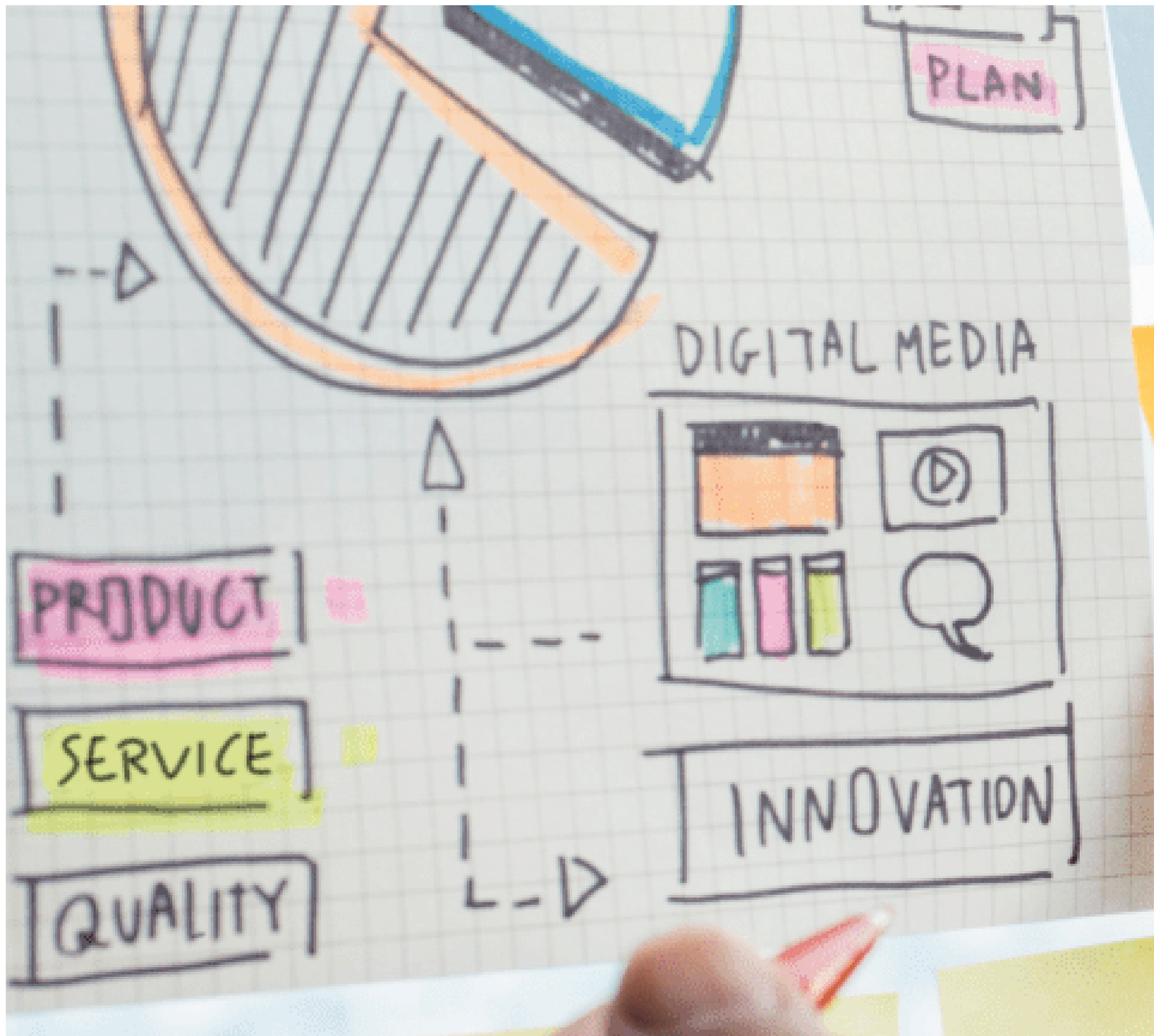


Is Your Business Not Making Enough Money? Here's how to fix it!

Running a business is tough, whether you're a start-up, or have been established for decades. 90% of startups fail. Most get through the first year or 2, but more than half of all small businesses crumble before year 5. And that's when the hard work starts!

Why?

Businesses ultimately fail when they don't make enough money. The company either can't afford to continue operations, or the owner quits to reclaim work-life balance and a better (more consistent) salary.



Factors like mediocre products, lack of demand, and tough competition get the blame, which is fair, but more often than not, it's not the whole story.

If a business isn't making money (or enough money), it's not because of cruel fate or bad luck—there's a reason. And if there's a reason, there's a fix.

Below are several different causes for why a business isn't making enough money. In my experience, even successful businesses are making at least one of these profit-blocking mistakes.

9 Reasons You're Not Making (Enough) Money (And What To Do About It)

Here are 9 likely reasons your business isn't making (enough) money:

Recognizing the issue is the first step. Next, it's time to do something about it. Below, we'll look at both.

Whether your business stopped making money or never made it in the first place, you can get to profitability. You just need to make the necessary changes.

1. No Product- Market Fit

This cause is the hardest to swallow, and that's why we're starting with it first. Many businesses fail because they tackle exciting problems rather than solving market needs.

While interesting problems often make for inspiring work, solutions don't always make money. 35% of failed startups cite "no market need" as the reason for their demise.

Take Snapchat's original Spectacles, for example. Snapchat came out with a high-end pair of video-recording sunglasses because, well, it seemed like a cool idea. They probably imagined legions of their platform users strolling the streets, documenting their life from the convenience of their eyewear.



That didn't happen. It turns out there wasn't a market for their sunglasses. Users didn't have a problem taking out their phones to record their Snapchat messages, so they didn't have a want (much less a need) to put a pair of glasses on their face to get the job done. The product tanked, and so did Snapchat's profits.

Evaluate your product's market. Do you have an audience for your product? Why would they want to purchase your goods or services? Is lack of an addressable market the reason you're not making money?

Products solve problems—they don't just satisfy entrepreneurial itches. If you can't find a market for your product, you won't make money. Here are your options:

Find an audience that needs your product and market to them.

Pivot your product to solve your target market's needs.

Cut your losses and abandon the product.

2. Tough Competition



It's not healthy to obsess over your competitors, but there can come a time when they deserve a bit more of your attention. You should always understand who your competitors are and monitor what they are doing.

There's almost always going to be a competitor who is bigger and more established – but here's the thing – if you study them and really understand what has made them successful, then that can give you hugely valuable insights as to how you can grow your own business.

If your business isn't making money because of tough competition, you need to make a change. Here are a few options:

Pivot your product to address a different (less competitive) market

Identify and market a unique selling proposition (USP) your competitors don't have

Upgrade your product to beat your competitors

If a monolithic company (say, Amazon or Apple) is your competitor, think of what angle you can take to win customers. It's not likely going to be on price or speed of delivery, but what else could it be?

- Hyper drilled-down niche
- Local expertise
- Lightning-fast customer service
- White glove setup, installation, or servicing
- Irresistible branding
- Sustainable and ethical products and manufacturing
- Company philanthropy

Do your market research and find a need that needs fulfilling that nobody else has tapped yet. Or find a way to deliver that solution in a different way.

3. Pricing Issues

**Pricing is a non-stop
conundrum. Price
yourself too low, and
you might not be able to
cover your expenses.
Price yourself too high,
and you might not bring
in enough customers.**

Finding the “just right” price point is the goal of every business, but it’s hard to hit. Some businesses know they’ll be operating at a loss for a time, but they know they’ll hit profitability margins once they scale to a certain point. However, it’s not always possible to survive long enough to reach that profitable level.

Many businesses make the mistake of charging prices solely based on the competition or what feels fair. This doesn't consider your expenses, desired salary, or what the market is willing to pay for your products.

If pricing issues keep your business from making money, reverse engineer your prices. Determine your costs of goods sold (COGS), operating expenses, and salary. Your product's price needs to be at least high enough to break even, but you want to bring this number as high as possible to increase your profits.



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4. Broken Business Model



Sometimes, your business model is the component holding you back from profitability. Maybe your products fail in retail stores but excel online. Or perhaps your pay-per-click (PPC) marketing strategy doesn't work, and you need to rely on affiliate marketing or influencers.

It's not easy to reconstruct a business model, but the rewards are worth the investment. It's easier than developing a new product or desperately searching for a product-market fit.

Thanks to COVID-19 and its repercussions, business models that worked yesterday might flop tomorrow. For example, look at gyms and yoga studios. In the US, the industry took a \$20.4 billion loss in revenue due to social distancing, remote work, contactless requirements, and state mandates. I couldn't find figures for the UK, but it'll still be a big number! The point is, there was nothing wrong with their products, pricing, or market-fit, but an external factor rendered their previous business model useless.

Some businesses try to boost their user base and gain market share over competitors by selling their products or services at a loss for a time. Amazon popularized this strategy, but few other companies have been able to pull it off. If you sell your products and services at a loss, you might not be able to raise prices (and lower expenses) enough to become profitable in the future.

**If a broken business
model is keeping
your business from
making money,
here's what you can
do:**

Get a new perspective. Talk to colleagues, other business owners, or even a consultant to figure out what's working and what's not.

Look at your competitors to examine the pros and cons of their business models.

5. Poor Product

**This one can be a
sucker punch for
business owners,
but it's a cold, hard
consideration you
need to look at.**



Some products just don't work. They may have been awesome before but have now reached the end of their useful life.

Or, being more brutal, consumers might not want your product because it's unusable, unhelpful, unattractive, or too expensive. It might not solve any problems and be too costly to make. Or it might be too complicated for your target market to understand or want to purchase.

**Fortunately,
there are
plenty of ways
you can pivot
if your product
is to blame:**

Upgrade your product to solve a customer need and deliver more value.

Find a more cost-efficient way to produce your product so that you can lower prices.

Change your product to cater to market wants. Your product might just need a modern paint color to attract buyers.

Sometimes, businesses get caught chasing numbers, users, adoption, and market opportunity instead of perfecting their product. Now, that's not to say you need a perfect product to sell.

However, you should always look for ways to improve your product to satisfy your customers. If you have the right product-market fit, focusing on creating a better product will often land you more customers than solely searching for more customers.

6. Poor Planning

Every successful business has a plan. And many unsuccessful businesses HAD a plan – but they didn't follow it. The saying “failing to plan is planning to fail” has never been truer – but I also add “failing to follow the plan is planning to fail!”.

It doesn't have to be 40 pages long, but it does need to exist. It helps you focus and it keeps you on track. It's the first thing I ask for when I get involved with a business, and it's normally the first thing that we need to create, or at least re-visit.



It is important to differentiate between your Strategy and your Tactics. A strategy is a high-level plan for how you plan to achieve a goal, while the tactics are the step-by-step actions you need to execute to complete a strategy.

Another potential reason your business isn't making money is because of your perception. One person might be satisfied with a business that's making them £50K a year, while another business owner would complain that amount "isn't making money."

You don't necessarily need to change your perception—just understand that reality might be different than what's going on in your mind. There are plenty of millionaires who feel like they're not wealthy, so don't get lost chasing a never-ending, insatiable goal.

**7. Lack of Time /
Focus /
Enthusiasm**

You might not have the capacity to give your business the time, love, and energy it needs to make money. Are you a bit disillusioned and have lost a bit of enthusiasm?

I speak to a huge number of business owners that are tired of having put in all their blood, sweat and years of work and now can't see the woods for the trees. It is also really easy to get stuck doing all the DOING, rather than freeing up time and/or headspace to spend time working ON the business rather than IN it.

Whenever I walk past a hospitality business – a pub or a restaurant and I see that they are closed on a Monday or Tuesday, I feel like the writing is on the wall – or at the very least that they could and should be making more money. The owner is of course entitled to some time off, but people still want to eat on a Monday, surely?



A few years ago, I worked with an online supplier of car parts who were concerned about the reducing number of orders they were receiving. After spending some time with them, it was clear that there was more traffic to their website in the evenings and weekends – but they were only open the standard 9am to 5pm during weekdays.

Their customers were primarily hobbyists who were looking to make purchases during THEIR free time – and, because of the niche nature of the product, they often had questions or wanted to communicate with someone prior to purchase.

**A few tweaks to this
business and it
turned around
massively. Sometimes
it's hard to see the
woods for the trees.**

**Is it you holding
your business back
from making money?
Do you need to offer
more, stay open
longer, or spread
your business?
Consider making
some changes:**

Bring on a partner to share the
load

Hire a part-time employee or
freelancer to take care of specific
tasks

The owner should be working on
the business, not in it.

**You can get your
business to run on
autopilot, but it
still needs time,
investment, and
guidance.**

Another option is to speed up your operations. More time might not be an option, but you can always improve your efficiency. When you improve your efficiency, you essentially make more money in less time.

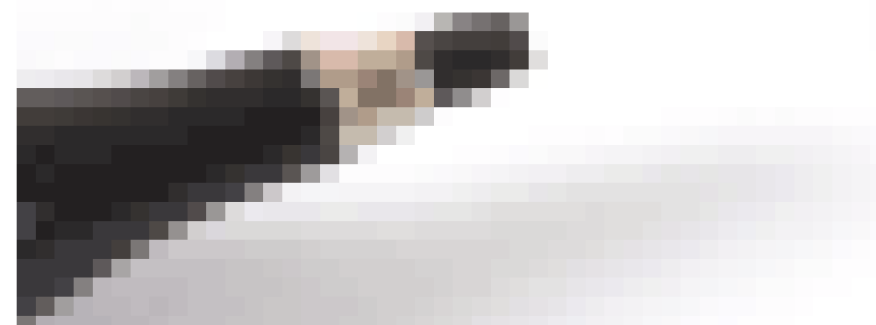
8. Wrong Timing

Sometimes, there's nothing wrong with your product, prices, business model, or market—it's all about the timing.

As many businesses that endured the pandemic know, timing is everything.

“If you're not embarrassed by the first version of your product, you've launched too late”

Reid Hoffman, founder of LinkedIn.



MARKET

Water Action

WATER

MARKET

Launch too late, and you might miss out on the market opportunity.

However, if you launch too early, you risk making a poor first impression. Once again, there's an optimal time to launch your product.

Vreal, a virtual reality (VR) platform, launched a product that was ahead of its time. They set out to build a virtual reality space where video game streamers and viewers could hang out, but the available hardware and bandwidth capabilities didn't evolve quickly enough to support their solution.

Similarly, customers want and need change over time. There was nothing wrong with the video cassette or the DVD – but times change and successful businesses know when and how to pivot.

9. Little-to-No Demand

You might find the product-market fit and nail your pricing, but if there's not enough demand, you won't make money. Your target market might be too small, or your product might not be a recurring purchase.

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Riches are in the niches, but only for the right products. For example, if your business caters to a small niche, it'll need products that can be repeat purchases or high-end, expensive goods. If you only sell a single product right now, you might need to expand into additional lines to upsell and cross-sell your audience.

If you sell refrigerators, your customers will likely only need one for a very long time. If you have a small target market, it'll need to be priced high enough that you can rely on low-volume purchases.

Another factor could be your turnover cycle. If you operate a service-based business, you may need to speed up operations to make room for more clients (and more money).

Turn Your Business Around

Business owners make mistakes. It's all part of the game.

Don't beat yourself up or hang your head. Identify the mistake, implement the fix, and turn your business around.

You've heard it before but listen this time.

Thomas Edison failed 1,000 times before inventing the working light bulb.

You likely don't need to turn your business upside down to start making more profit. You probably just need to take a step back and make a few minor tweaks and informed decisions. Have a plan and stick to it.

If you would like me or my team to offer a helping hand or a second pair of eyes, please contact me via any of the usual channels.

Erving

Randlett

All the best,