

Small-business Savvy: What's Your Small-business Money Maker?

By Glenn Muske, Rural and Agribusiness Enterprise Development Specialist
NDSU Extension Service

Question 1: What product or service in your business adds the most to your bottom line?

I hope you answered that question without even needing to take a look at your financials.

This may not be the product or service that necessarily provides the greatest return per item. You may sell only one a year. That's great, but what is it doing for the bottom line of the business? And you shouldn't be looking at where you get the greatest revenue because that fails to take into account the costs to make it available to the consumer.

What one item, or maybe it's a category of items, is keeping the lights on and paying your salary?

Question 2: What are you doing to grow that item for your business? Or, in some cases, what are you doing to replace that item as it reaches the end of its life cycle or the competition gets tougher?

If this is your significant profit center, then you should be taking steps to do even more. How might you sell more? What marketing efforts might help? Do you know who the current buyers are and how they are using it and why they like it?

Related to selling more, do you have ways you can cut costs? What about product line extensions? If your consumers like this item, do you have other markets you haven't tapped yet, or can you change the item slightly to attract another audience?

You also need to consider, before making a lot of changes for that item, where this product or service is in terms of its life cycle. No one item can maintain its place in the market forever. Think of paper. What is used to make paper has changed, the shapes and other aspects have changed, and more and more of the items we capture are stored electronically today.

And even if you find a new market, new competitors always are coming along who want to tap into that market. For example, Whole Foods has had much of the natural or organic market for itself. Well, the competition has noticed the trend and chains are moving in, including brands such as Costco.

Perhaps your best-performing item has seen its best years. So then you need to ask:

Question 3: What item do I have that might take its place? This might be the second-most profitable item or it may be something that is just taking off.

A related question might be: What item could I add to my inventory or set of services that (a) is trending higher (b) fits my business model and current or future customer base and (c) can help me be competitive?

The bottom line (in more ways than one): Knowing which items you offer that keep the doors open is crucial. Just as important, or even more important, though, is what you are doing to enhance the value of those items or looking for what will replace them.

So, what's your small-business money maker?

For more help, visit our website, <https://www.ag.ndsu.edu/smallbusiness>, and sign up for the monthly newsletter.

More information is available at your local Extension office, as well as at <http://powerofbusiness.net> and <http://www.eXtension.org/entrepreneurship>.

The Small Business Administration and its related organizations, such as the Small Business Development Centers and Service Corps of Retired Executives, along with many other state agencies, also can be valuable resources.

###

NDSU Agriculture Communication

Source: Glenn Muske, 701-328-9718, glenn.muske@ndsu.edu
Editor: Ellen Crawford, 701-231-5391, ellen.crawford@ndsu.edu