Improving Profits

Consider the ways profit might be improved by a business, listed in the first column.

1. Give more specific suggestions how a business might achieve these ways to increase profit. The first one has one suggestion given, but you need to come up with more. These are CONTENT POINTS (AO1)
2. ANALYSE (AO3) ways the business might achieve each of your suggestions. Please create clear, cause and effect explanations of how each way might be done.
3. EVALUATE (AO4) by considering the limitations of each of these methods. There’s always a downside, or a catch.
4. WEIGH UP the strengths of each proposal and DECIDE which is/are the best methods for improving profit. What does it all depend upon? This AO4 as well.  
   One way has been given as an example.

|  |  |  |  |
| --- | --- | --- | --- |
| 1. How to improve profit | 1. Analysis / explanation of how this might work / be achieved | 1. What are the limitations of each method of improving profit? | 1. How good is your idea? Which is the best idea and why? What does it all depend upon? |
| **Increase sales:**   * *Example*: this could be done by improving the quality of the product/service * . * . * . | *Example*: If the product is of better quality, customers will be more likely to buy the product. This could result in more items sold or and more revenue, especially if the business was able to increase their prices as a result. | *Example*: However, improved quality might lead to higher unit costs, e.g. more labour time per unit or higher raw material costs if superior quality raw materials we needed. Not every product will sell enough if prices are raised; the product would need to be relatively price inelastic for more revenue to be made if prices were raised and unit cost increases might outweigh any increases in revenue. | *Example*: Overall, research would have to be carried out to see if the good was relatively price inelastic. Perhaps improvements in quality could be a long term strategy to reduce the elasticity of the product. It would all depend on whether the unit costs would increase to the point they eroded any extra sales revenue made. |
| **Raising prices:**   * . * . * . |  |  |  |
| **Lowering Unit Costs:**   * . * . * . |  |  |  |