

HOW TO INCREASE YOUR GROSS PROFIT MARGIN

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Owners of small businesses are always looking to improve their gross margins. In other words, they want to reduce their cost of goods sold or variable costs while increasing their income from sales. Gross margin is the difference between revenue and cost before accounting for certain other costs. Generally, it is calculated as the selling price of an item, less the cost of goods sold.

Firstly, you can increase the price of their product. You should be careful about this, especially in poor business climate. If you make a mistake and increase your prices too much, sales may fall. In order to successfully increase your prices, you must assess economic conditions, your competition and supply and demand for your product, along with your customer base.

Second, you can reduce the cost of your product or your variable costs. It's as difficult as raising the price of the product. You can make the product more efficiently. This may include reducing labor costs. What may be related release or otherwise affect the employee goodwill. If you reduce your labor costs, so this may affect the quality of your product.

You can also reduce production costs in connection with the materials. You can try to find a supplier for materials that offers them for less cost. You can also try to negotiate bulk discounts with the current supplier. If you buy in bulk materials, the supplier can give you a discount. When you are looking for suppliers that offer materials for a cheaper price, never lose sight of quality. You do not want to compromise the quality of your products.

Entrepreneurs can drop ship products straight from your vendor to customers so you don't have to worry about storage costs, including rent and insurance. These costs eat up your profits, so minimize time and costs by shipping direct.

You can also reinvent your products and industry. Unique products command higher prices and greater profits. This requires that the leader of the company become genuinely passionate about discovering and developing new ideas, innovations, and inventions for customers.

There are many other ways to increase company profits, and all of them depend on market conditions, production capacity and competitiveness.

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