

## 7 Steps to Improve your Business Model

In its simplest terms, a [business model](#) is the plan for how your business will make money. It outlines how you plan to cover your expenses and how your business will become profitable when it is all said and done.

Chances are that if you own a business, you already have a business model in place—even if you haven't put it down on paper yet. But if you haven't yet [formalized your business model](#), take some time to do so. Your model will help you flesh out your ideas and ensure that you have a winning formula to start with, as well as provide you with an opportunity to fine-tune the nuts and bolts of your operations from time to time.

Once that's down on paper, use these simple steps to improve your business model.

### 1. Determine If You Have High-Value Customers

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If you can easily find your customers and capture their interests with minimal [marketing expenses](#), and they are willing to pay [prices](#) that allow you to be competitive, you have high-value customers. High-value customers allow you to hit your breakeven point and become profitable sooner rather than later.

If you don't have high-value customers, then you should figure out how to attract them. Outline how you will reach them, and detail the [marketing efforts](#) you will need to commit to in order to [engage them and gain their business](#).

### 2. Evaluate What It Will Cost to Retain Customers

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If the cost to keep customers happy (i.e. the costs associated with ongoing [customer support](#), expensive installation services or long warranties) prevents you from being profitable, then you will need to adjust your model.

Ill-planned “after-the-sale” services that don't generate additional revenue can destroy your bottom line. Promising 24/7 tech support might be a great selling point, but it also means that you have to employ an around-the-clock service team. That level of support is only valuable to your business if you can comfortably sustain paying the hefty upfront costs.

### 3. Outline Your Competitive Advantage

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What value do you offer customers? What unique features or benefits set you apart from [your competitors](#)? How can you provide better, faster or cheaper services?

One way to answer these questions is by developing your business' [unique selling proposition](#). Creating a USP for your company and each of your products or services allows you to clearly differentiate your offerings from your competitors' while establishing what makes you special and valuable to your customers.

### 4. Increase Your Profit Margins

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You can increase your [profit margins](#) by cutting your manufacturing costs, limiting the manpower needed to run your business or coming up with a leaner and more efficient way to get your products to customers.

However, cutting corners and using cheap components can often work against you. [Improving your products](#) and services, and offering features or add-ons that provide big-

time value for the customer will allow you to charge more money and increase your margins.

## 5. Evaluate How Customers Pay

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Do you receive money in one lump sum, or do you allow customers to finance the product or pay monthly? The method by which customers pay will have an effect on how money comes in to the business and, consequently, how much money you will have to spend on expenses. Additionally, if you are working with distributors, you may not receive revenue upfront. The payment options you agree to will affect your monthly income and how you [budget](#).

## 6. Calculate How Long It Will Take to Get a Return on Investment

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If you're starting a new business, establish a timeline for how long it will take to recoup the investment and upfront costs of the business. Before you can be profitable, you will need to pay off your investors and all your debts, so it is critical that you limit your debts to ensure it doesn't take too long to pay them off. Your business could fail well before your debts are paid.

## 7. Ensure That Market Growth Is Possible

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You must find new ways to generate revenue, whether that growth is contingent on expanding your customer base or increasing product offerings to current customers. Generating revenue sustains your business, and it may be necessary to find new

revenue sources to stay in the game. Furthermore, you must be able to sustain that growth without needing to make continual and substantial investments in the business.

A threat to revenue is a threat to your business. So if the bulk of your revenue comes from a small number of clients, get more clients to offset your dependency. If your competitors are strong enough to take over your market share, find ways to capture new markets before they can.

By following the tips above, you can develop a solid business model that ensures your success in the long term. In doing so, you'll set yourself up to hopefully see revenue gains in the short term.

For a more in-depth look at developing a thorough business model, check out [our article on the Business Model Canvas](#).