

Measuring and increasing profits essay

[Business](#), [Marketing](#)



a) Gross Profit Margin = (Sales - Cost of Goods Sold) / Sales * 100 - as it is expressed as a percentage

Net Profit Margin = (Sales - COGS - Operating Expenses) / Sales

i. Gross Profit margin for 2008

$$(23 - 16)/23 * 100$$

$$7/23*100$$

$$= 30.4\%$$

ii. Gross Profit margin for 2009

$$(27-22)/27 * 100$$

$$5/27 *100$$

$$= 18.51\%$$

iii. Net Profit margin for 2008

$$(23-16-4)/23$$

$$3/23$$

$$= 0.13$$

iv. Net Profit margin for 2009

$$(27-22-3.7)/27$$

$$1.3/27$$

$$= 0.048$$

b) Change in sales revenue

The sales increased from £23 million in 2008 to £27 million in 2009. However the cost of goods sold also increased. The gross profit obtained in 2009 was £5 million and that of 2008 was £6 million. In as much as the sales increased in the year 2009 as compared to that of 2008, the profit margin in 2009 was lower than that of 2008. This information shows that, the management may have decided to lower the cost of goods that they were selling in order to attract more customers. Indeed the strategy worked as they sold more but in real sense the overall profit went down.

Another action that the management may have taken was to offer free samples on the goods that they were selling. The main aim for this was to attract customers but led to a lower profit margin.

Another action that the management may have taken was to discount the items they were selling. This also had a similar effect as the ones mentioned above.

c) Change in gap between GPM and NPM

From the figures in the table, the cost of operation also reduced. This implies that there must have been some layoffs which must have taken place in the hotel. This strategy has the following long term disadvantages:

- i. Risk of short-staffing: This may force the company to spend a lot of resources training new staff once the business begins to pick up.
- ii. It leads to loss of valuable memory of the institution
- iii. Decreases productivity among the surviving workers

iv. Reduces loyalty among the workers.

2. Increasing the productivity of Julia's firm

The productivity of a firm is directly influenced by the employees. If the employees are cooperative, then they are likely to boost the operation of the firm. The following measures can be taken to ensure that there is a good relationship that is kept between the employees and the employer in order to have a conducive environment for work and hence boost the firm's productivity.

i. Incentive programs - These will motivate the employees and make them strive to work even harder in order to improve the overall performance of the firm.

ii. Improving employee confidence - This will make the employees work without expecting strict supervision and hence improve their productivity.

iii. Decreasing the use of orders - This will decrease the social distance at work. It makes employees to be free and have a conducive environment for their operation.

iv. Formation of Union - This will take care of the employees grievances and at the same time help in looking at their welfare

v. Ensuring there is enough tools of work - This will ensure that there is availability of enough tools for their operation in the firm.