

# How Much Profit Do Businesses Make?



# HOW MUCH PROFIT DO BUSINESSES MAKE?

"How much profit does a business make on a dollar of sales — after taxes?" A group of pollsters asked that to a random sample of adult Americans. What's your guess?

If you were the average respondent, you would have guessed \$.36! You read that right - thirty six cents per dollar of sales! That's \$360,000 of net profit for each \$1 million of sales! After taxes!

Maybe that's why people think business owners are "greedy" and lambaste us for not paying a "living wage" and providing more paid leave and more fringe benefits.

## SO, WHAT'S THE REAL NUMBER?

If you are a business owner, you could draw on experience to guess closer to the real number, which is \$.07. The average small business in the U.S. makes a net profit of \$.07 per dollar of sales, or \$70,000 per million sales -- and that's before taxes. Taxes reduce useful profit to around \$.04 per dollar or \$40,000 per million. But, hey, that's still profit and business should still share it. That would be very hard to do for most companies because making money doesn't mean a business has money. Profit, more often than not, is tied up in accounts receivable, inventory and other assets necessary to do business.

Okay, maybe 7% is true for small businesses, but what about the big guys? They're making billions of dollars. It's true that some large companies make billions of dollars, but in proportion, they generally do worse (in profit) than small businesses. The American Enterprise Institute says "big retail" earns about \$.023 (that's two-point-three cents) per dollar of sales, "big food" does about \$.016 and the evil WalMart rakes in about \$.021 per dollar of sales.

In WalMart's case, their profits are one third of the average \$.061 that state and local governments take as sales tax on every dollar of Wal Mart sales. WalMart makes billions, yes, but they have to sell \$100 billion to make their \$2.1 billion.

There is little doubt that ignorance drives much animosity toward business and profit. Clearly, business has a serious public relations problem.

If you have any further questions, please don't hesitate to mail me at [Martin@annealbc.com](mailto:Martin@annealbc.com) or visit [www.annealbc.com](http://www.annealbc.com)





## **Martin Holland**

Martin Holland is the son of a successful entrepreneur. He grew up hearing about margins and markets, R&D and sales, risk and return on investment. He learned to love the language and rigors of business and grew to believe that business is both the most human of all endeavors and the highest calling. After selling a company in 2011, Martin became a coach in order to help other owners build profitable businesses that do not require their day-to-day involvement.

A native of Norman, Martin earned a B.A. degree from Hastings College in Hastings, Nebraska and a Masters in Business Administration degree from the University of Oklahoma. Over the past 7 years he has written business plans that have raised over \$52.4 million in bank and investor financing. He has helped 157 (and counting) business owners reduce stress and increase performance through clarity of purpose, better marriages, more money, and more free time away from the business.