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Why Some SMEs Struggle to Turn Revenue Into Retained Profit

We know many Irish SMEs generate consistent revenue yet see little improvement in retained profit. On paper, the business appears to be performing well. Sales are strong, activity is high and the pipeline is active. However, when it comes to what is left at the end of the year, the outcome often falls short of expectations.

This gap between revenue and retained profit is one of the most common frustrations for business owners. It is rarely caused by a single issue. Instead, it reflects a combination of decisions, habits and structural factors within the business.

One of the primary reasons is margin erosion. Revenue alone does not determine profitability. What matters is the margin on that revenue after direct costs are considered. Many SMEs focus heavily on securing work but pay less attention to how profitable that work is. Discounts, competitive pricing and scope creep can all reduce margins without being fully recognised.

Cost structure is another factor. As businesses grow, overheads tend to increase. Additional staff, systems, premises and support costs are introduced to manage higher levels of activity. While these costs may be necessary, they can rise faster than revenue if not carefully controlled. This reduces the amount of profit that can be retained.

Cash flow pressures also play a role. Even profitable businesses can struggle to retain profit if cash is not managed effectively. Delayed invoicing, slow customer payments and high levels of stock can tie up cash. This may lead to reliance on short-term financing, which introduces additional costs and reduces overall profitability.

Taxation is often overlooked in this context. Profit generated by the business is subject to tax, and without proper planning, this can reduce the amount available for retention. Structuring profit extraction in a tax-efficient way is an important consideration for SME owners.

Another common issue is reinvestment without clear strategy. Businesses often reinvest profits into growth, whether through hiring, marketing or expansion. While this can support long-term development, it can also limit retained profit if not aligned with clear objectives. Without careful planning,

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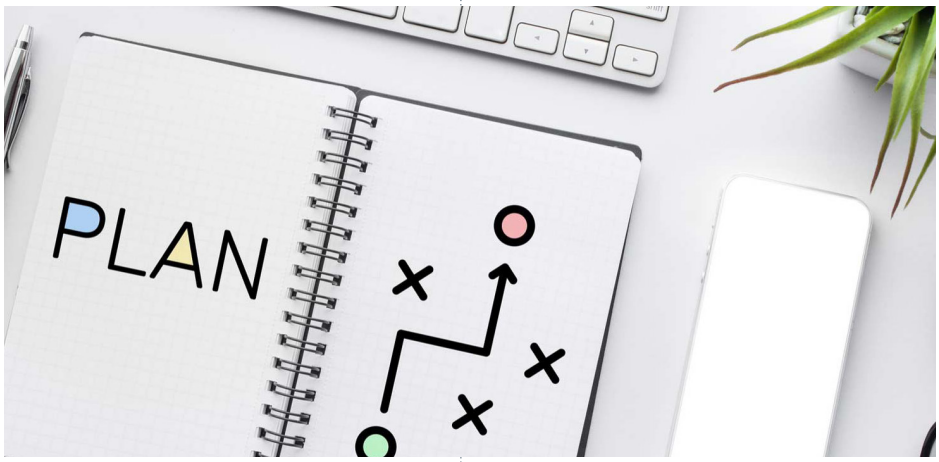


reinvestment can become a default approach rather than a strategic decision.

Inefficiency is a further contributor. Processes that involve unnecessary steps, duplication of work or manual intervention increase the cost of delivery. These inefficiencies are often hidden within day-to-day operations and can reduce profit without being immediately visible.

Customer mix is also important. Not all clients contribute equally to profitability. Some may require more time, offer lower margins or present greater challenges. If a business is heavily reliant on these clients, it may generate strong revenue without achieving strong returns.

A key challenge in addressing these issues is visibility. Many SMEs review financial performance at a high level but lack detailed insight into where profit is being generated and where it is being lost. Without this information, it is difficult to take effective action.

Improving retained profit requires a more focused approach. This starts with understanding margins across different areas of the business. Identifying which products, services or clients deliver the strongest returns allows for better decision making.

Cost control should be ongoing rather than reactive. Regular review of overheads helps ensure that expenses remain aligned with business performance.

Cash flow management is equally important. Prompt invoicing, clear payment terms and consistent follow-up reduce delays and improve liquidity.

Tax planning should be considered as part of the overall strategy. Structuring profit extraction efficiently can improve the amount retained by the business or its owners.

Finally, efficiency improvements can have a meaningful impact. Streamlining processes and reducing unnecessary work increases output without increasing cost.

The key insight is that revenue does not automatically translate into retained profit. It is the result of how that revenue is managed.

Irish SMEs that focus on margin, cost control and financial visibility are better positioned to convert activity into meaningful financial outcomes. Those that do not may continue to grow without seeing the benefit reflected in their bottom line.

Free Investment Planning Workshop

If you are running an early-stage business with plans to grow or raise finance, this one is worth putting in the diary.

InterTradeIreland is hosting a free Investment Planning Workshop in Dublin on Friday 3 July 2026, from 8am to 5pm. The day is built to help founders put together a clear, investor-ready business plan, or pitch deck, that makes a solid case for funding. It uses the Business Cube methodology, which treats your plan as something that grows with the business rather than a document you write once and forget.

The agenda covers:

- Identifying your proposition: market, competitors and product
- Creating your proposition: marketing, management team and operations
- Delivering and financing the business: risks, financial plan and funding
- Bringing the plan together and communicating it clearly

Group and individual exercises mean you apply the thinking to your own business as you go. A light breakfast and lunch are provided, so the full day is sorted.

Places are free, but workshops like this tend to book out fast. If you are weighing up an investment round, or just want a sharper plan for the year ahead, it is well worth a look.

Full details and registration are at **intertradeireland.com/events/investment-planning-workshop-dublin-2026**

Why Your Best-Selling Product Might Not Be Your Most Profitable

We know many Irish SMEs assume that their best-selling product or service is also their most profitable. It feels logical. If something sells well, it must be driving the business forward. In reality, volume and profit are not the same thing, and confusing the two can quietly undermine financial performance.

The key issue is margin. Profitability is determined not by how much you sell, but by what remains after all costs are accounted for. A product may generate strong revenue, yet deliver a low margin once production, delivery and support costs are included. Over time, high-volume, low-margin sales can dominate activity while contributing less than expected to overall profit.

Pricing is often at the centre of this problem. Best-selling products are frequently priced competitively to attract demand. Discounts, promotions or legacy pricing structures may further reduce margins. While these strategies can increase sales, they do not always improve profitability.

Costs are another factor. Direct costs such as materials, labour and logistics may be higher than assumed. In some cases, these costs increase over time without a corresponding adjustment in price. This leads to gradual margin erosion.

There are also hidden costs that are not always considered. Customer support, returns, administration and time spent managing orders all contribute to the true cost of delivering a product. High-volume items often require more attention in these areas, increasing the effective cost of sale.

Customer behaviour can reinforce the issue. Popular products may attract price-sensitive buyers who are less loyal and more demanding. This can increase service requirements while limiting the ability to raise prices.

In contrast, less prominent products or services may deliver stronger margins. These may require more expertise, involve less competition or provide greater perceived value to customers. While they may not generate the same volume, they can contribute more effectively to profit.

A common challenge is visibility. Many SMEs track sales performance but do not analyse profitability at a detailed level. Without this insight, it is difficult to identify which products are truly driving financial results.

Improving this requires a more granular approach. Businesses should assess profitability by product or service, taking into account all relevant costs. This provides a clearer picture of where value is being created.

Pricing strategy should also be reviewed. Prices should reflect both cost and value. Where margins are too low, adjustments may be necessary. This may involve increasing prices, reducing costs or repositioning the product.

It is also important to consider product mix. Focusing solely on high-volume items can limit profitability. Balancing volume with margin allows for a more sustainable approach.

Efficiency improvements can also support better outcomes. Streamlining production or delivery processes reduces cost and improves margin without affecting price.

The key insight is that popularity does not guarantee profitability. A product that drives activity may not drive profit.

Irish SMEs that understand the difference between volume and margin are better positioned to make informed decisions. By focusing on profitability rather than sales alone, they can ensure that growth translates into stronger financial performance.

The Real Cost of Discounting

We know in competitive markets, discounting can feel like the quickest way to win new customers or secure a sale. Price reductions often generate short term activity, boost turnover and help clear stock. However, many business owners underestimate the true cost of discounting and the long term impact it can have on profitability.

The most obvious effect is reduced margin. A small percentage discount can have a disproportionate impact on profit. For example, a ten per cent price reduction does not simply reduce profit by ten per cent. It can cut gross margin significantly, meaning you must generate considerably more sales to achieve the same level of profit. Without careful calculation, discounting can erode earnings faster than expected.

Frequent discounting can also damage brand positioning. Customers may begin to associate your business with lower prices rather than value or quality. Over time, this can make it difficult to return to full pricing. Once buyers become accustomed to discounts, they may delay purchases in anticipation of future offers.

Cash flow implications should also be considered. Lower margins reduce the cash generated from each sale, which can restrict your ability to reinvest in stock, marketing or staff. In periods of rising costs, sustained discounting can place additional pressure on working capital.

Instead of defaulting to price cuts, businesses should explore alternative strategies. Improving operational efficiency can help reduce costs without lowering prices. Enhancing customer experience, adding value through bundled services or strengthening loyalty programmes can increase perceived value without sacrificing margin.

It is also important to analyse which products or services truly require discounting. Data from management accounts can identify high margin items that should remain at full price and slower moving stock that may justify targeted reductions. A disciplined, selective approach protects overall profitability.

Before implementing any discount strategy, review your breakeven point and understand the volume increase required to offset lower margins. Clear financial analysis prevents reactive decisions that may harm long term performance.

Discounting is not inherently negative. Used strategically, it can support marketing campaigns or manage inventory levels. The key is ensuring that every price reduction is aligned with a broader financial objective.

Protecting margins in competitive markets requires confidence in your value proposition and a clear understanding of your numbers. Sustainable growth depends not only on sales volume but on the quality and profitability of those sales.

Applications Open for Showcase 2027

Applications are now open for Showcase 2027, Ireland's Creative Expo, running from 17 to 19 January 2027.
Showcase is the leading trade show for retailers looking for design-led Irish products, drawing buyers and media from Ireland and around the world. For makers, it is a chance to win new stockists and orders for the year ahead. Applications are welcome from businesses in fashion and knitwear, jewellery, and home and gift crafts. Food and drink producers are not eligible, and as a trade show, the event is open to trade visitors only. Applications open on Tuesday 28 April 2026 and close at 11pm on Monday 25 May 2026, so there is a clear window to pull a submission together.
If you make design-led products and want to put them in front of serious buyers for 2027, it is well worth considering.

You can apply at **leomonaghan.submit.com/show/143.**

Numbers That Matter: How to Use Financial KPIs to Real Business Growth

We know in a world full of data, business owners are surrounded by numbers. Yet not all figures carry equal weight. To grow sustainably, you need to focus on the financial key performance indicators (KPIs) that truly matter. These are the metrics that reveal how efficiently your business operates, how healthy your cash flow is, and how effectively your strategy is working. By tracking the right KPIs and acting on them, you can transform numbers into meaningful growth.

Why KPIs Matter

Financial KPIs turn raw data into insight. They help you measure progress against goals, identify risks before they escalate, and make informed decisions. Without clear KPIs, businesses often rely on instinct, which can lead to missed opportunities or costly missteps. A well-chosen set of metrics creates a clear, factual picture of performance — a foundation for better strategy and stronger results.

Choosing the Right Financial KPIs

The best KPIs depend on your business model and objectives, but some apply universally.

- **Gross Profit Margin** shows how much profit remains after direct costs, highlighting pricing strength and cost control.
- **Net Profit Margin** reveals overall profitability and long-term sustainability.
- **Cash Flow** measures the movement of money in and out of the business, ensuring you have liquidity to meet commitments.
- **Debtor and Creditor Days** track how efficiently you collect payments and manage supplier terms.
- **Return on Investment (ROI)** assesses how well your investments contribute to profit.

Monitoring these figures regularly allows you to make adjustments quickly, rather than waiting for end-of-year results to uncover problems.

Turning Data into Action

KPIs only drive growth when they are used actively. Schedule regular reviews with your accountant to interpret the numbers and understand what they mean for your strategy. For example, a falling gross margin might signal rising costs or pricing pressure. Increasing debtor days could highlight the need for stronger credit control.

Setting targets for each KPI keeps your team focused and accountable. When everyone understands how their work influences financial outcomes, performance naturally improves.

Building a Culture of Measurement

Tracking KPIs should not feel like an administrative task. It is a discipline that promotes awareness, control, and progress.

By focusing on the numbers that matter, you move beyond guesswork and gain a clearer path to profitable growth. Financial KPIs are more than measurements — they are the roadmap to better decisions, stronger performance, and long-term success.

Scaling Up? Enterprise Ireland Can Help

If your business is at the point where growth means real investment, Enterprise Ireland is worth a look. They support Irish companies that are scaling, whether that means hiring more people, adding equipment or facilities, or decarbonising the operation.

Support is not just financial. It runs from advice and capability building through to capital, and falls into three main areas: strategy and leadership development, employment support, and capital investment. The focus is on companies growing sales in international markets and creating jobs at home. One example is the Strategic Consultancy Grant, which covers part of the cost of strategic planning and consultancy for new scaling and expansion projects.

If you are planning your next stage of growth, it is worth seeing what fits at **enterprise-ireland.com.**

The Cost of Always Saying Yes: How Overcommitting Damages Profit and Focus

We know for many Irish SMEs, growth is closely linked to opportunity.

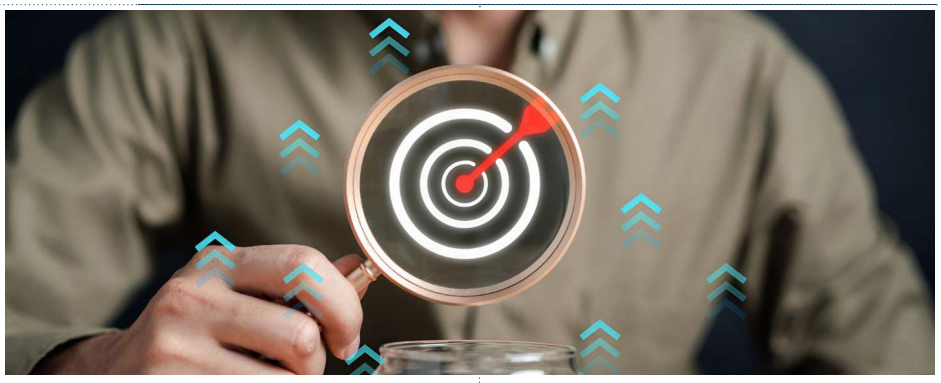
New enquiries, additional work and expanding client relationships are often seen as positive signs. As a result, there can be a strong tendency to say yes to every opportunity that arises. While this approach may increase activity, it can quietly damage both profit and focus.

Overcommitting does not usually feel like a problem at the time. Turning down work can seem counterproductive, particularly in competitive markets. However, accepting every project or client without clear evaluation can lead to a range of issues that affect long-term performance.

One of the most immediate impacts is on profitability. Not all work is equally valuable. Some projects may carry lower margins, require more time or involve greater complexity. When businesses accept work without assessing its financial contribution, they risk filling their capacity with low-value activity.

This creates a situation where the business is busy but not necessarily profitable. Resources are tied up delivering work that does not generate strong returns, limiting the ability to take on more valuable opportunities.

Focus is another area affected by overcommitting. As the range of work expands, attention becomes fragmented. Staff may be required to switch between different types of tasks, systems or client requirements. This reduces efficiency and increases the likelihood of errors.



Without clear focus, it becomes difficult to build expertise or refine processes. The business may struggle to develop a strong position in any particular area, which can limit growth potential.

There is also an operational impact. Managing a wide variety of work increases complexity. Additional coordination, communication and administration are required to keep everything on track. This adds to overheads and reduces overall efficiency.

Customer experience can be affected as well. When resources are stretched, it becomes harder to maintain consistent service levels. Delays, missed details or reduced responsiveness can occur, which may impact client satisfaction.

Another risk is staff pressure. Overcommitting often leads to increased workload and tighter deadlines. This can affect morale, productivity and retention. In the long term, this creates further cost and disruption.

The underlying issue is that saying yes becomes the default response. Decisions are made reactively rather than strategically. Without clear criteria, it is difficult to assess which opportunities align with the business's goals.

Addressing this requires a more structured approach to decision making. The first step is understanding the value of different types of work. This includes assessing margin, time requirements and strategic fit.

Clear criteria can then be applied when evaluating new opportunities. This may involve considering whether the work aligns with core services, supports growth objectives or contributes to profitability.

Pricing also plays a role. If certain types of work are accepted, pricing should reflect the true cost and value. This helps ensure that even less desirable work contributes appropriately.

It is also important to recognise that saying no can be beneficial. Declining work that does not align with the business allows resources to be focused on higher-value opportunities. This supports both profitability and long-term growth.

Developing a clear direction for the business helps guide these decisions. When priorities are defined, it becomes easier to assess whether an opportunity is worth pursuing.

Top 6 Financial Reports Every Irish SME Owner Should Review Monthly

We know running a successful SME in Ireland requires more than strong sales and good intentions. Clear, consistent financial oversight is essential. Reviewing the right reports each month allows business owners to spot issues early, protect margins and make informed decisions. Here are six key financial reports every Irish SME owner should examine regularly.

Profit and Loss Statement

Your profit and loss statement shows revenue, costs and net profit over a specific period. Reviewing this monthly highlights trends in sales, cost of goods, overheads and gross margin. It allows you to assess whether pricing remains sustainable and whether expenses are creeping upwards.

Cash Flow Statement

Profit does not always equal cash. A cash flow statement tracks the movement of money in and out of the business. Monitoring this report helps ensure you can meet payroll, supplier payments and tax liabilities. It also highlights whether growth is putting pressure on working capital.

Balance Sheet

The balance sheet provides a snapshot of your financial position. It outlines assets, liabilities and equity. Reviewing it monthly helps you understand debt levels, stock values and creditor balances. Strong balance sheet management supports long term stability and funding opportunities.

Aged Debtors Report

Late payments can quickly disrupt cash flow. An aged debtors report shows which customers owe money and how long invoices have been outstanding. Reviewing this regularly allows you to take timely action and strengthen credit control procedures.

Aged Creditors Report

While managing debtors is important, monitoring what you owe suppliers is equally critical. An aged creditors report ensures you meet payment terms, maintain supplier relationships and avoid unnecessary interest or penalties.

Budget versus Actual Report

Comparing actual performance against your budget keeps the business aligned with its financial plan. Significant variances highlight areas that require attention, whether overspending, underperforming sales or unexpected cost increases.

Monthly review of these reports should not be a box ticking exercise. The real value lies in asking questions. Why have margins changed? Why has cash tightened? Why are expenses increasing? Identifying trends early allows corrective action before problems escalate.

Financial reports are decision making tools, not administrative formalities. Irish SMEs that engage with their numbers consistently are better equipped to navigate economic shifts and seize opportunities.

Digital Marketing Strategies

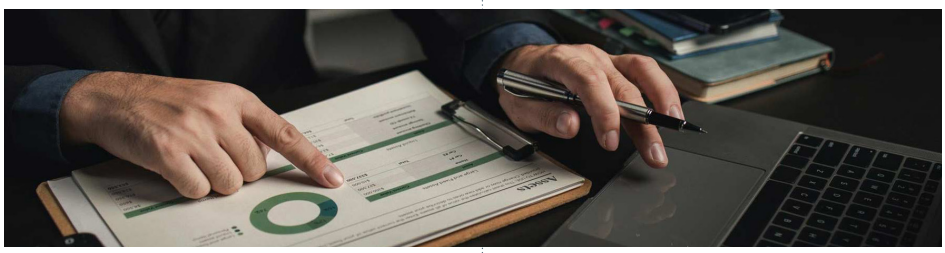
This seminar will highlight the growing need for Enterprise Ireland clients to develop and enhance their online presence in a focused and meaningful way which will promote existing and new business opportunities in overseas markets. There will be four presentations on different aspects of Digital Marketing Strategy followed by a Q&A session.

Date: Wednesday 24th June 2026

Contact: Eoin O'Siochru
Location: Radisson Blu Hotel, Ennis Road, Limerick

Link: **www.enterprise-ireland.com/en/events/digital-marketing-strategies-for-international-markets**

How to Prepare Your Business for a Revenue Compliance Check



We know revenue compliance check can feel daunting, particularly for SME owners who are already managing multiple responsibilities. However, preparation and organisation can significantly reduce stress and disruption. With Revenue increasingly using data analytics and real time reporting tools, businesses must ensure their records and processes are consistently accurate.

The first step is maintaining complete and up to date records. Sales invoices, purchase invoices, payroll records, bank statements and expense documentation should be organised and easily accessible. Digital record keeping systems can simplify retrieval and reduce the risk of missing information. Regular reconciliation between your accounting software and bank accounts is essential.

VAT compliance is a common focus during checks. Ensure that VAT returns match underlying records and that rates have been applied correctly. Verify that all input VAT claims are supported by valid supplier invoices. Cross border transactions require particular attention, as incorrect treatment can trigger further scrutiny.

Payroll reporting is another key area. PAYE submissions must be accurate and submitted on time. Employers should confirm that gross pay, deductions and employer contributions align with payroll records and bank payments. Inconsistencies in payroll data can quickly raise questions.

Corporation tax filings should also be reviewed in advance. Confirm that profit figures correspond with management accounts and that all reliefs claimed are properly documented. If estimates or provisional figures were used, ensure they were subsequently adjusted where necessary.

It is advisable to conduct an internal review before any official contact. A proactive compliance health check can identify weaknesses and allow corrective action before issues escalate. Addressing discrepancies voluntarily is often viewed more favourably than reacting under pressure.

Communication is equally important. If Revenue initiates contact, respond promptly and professionally. Provide requested documentation within the specified timeframe and keep clear records of all correspondence. Engaging your accountant early ensures that responses are accurate and appropriately structured.

Finally, consider ongoing compliance training for staff responsible for invoicing, payroll and bookkeeping. Many errors arise from misunderstanding rather than intent. Clear procedures and regular updates reduce risk.

A Revenue compliance check does not need to be disruptive. Businesses that maintain strong financial controls and review their records regularly are far better positioned to navigate the process confidently.

Innovation Arena 2026

Enterprise Ireland, in partnership with the National Ploughing Association (NPA).

It has opened entries for the 2026 Innovation Arena Awards, taking place at the National Ploughing Championships (NPC) in Screggan, Tullamore, Co. Offaly from 15–17 September.

The Innovation Arena is a major annual showcase for Ireland's agritech sector, attracting over 240,000 visitors and providing a platform for Irish innovators to reach domestic and international audiences.

Contact: Eimear Kenny
Link: **enterprise-ireland.com/en/innovation-arena**