
THE 8 PROFIT LEAKS FIELD GUIDE

The Hidden Profit Drains Inside \$500K–\$10M+ Businesses — And How to Find Them

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“Your business is leaking profit. I’ll show you where.”

A Note to the Operator

Every business leaks profit. Not because the owner is doing something wrong — but because the leaks hide in the spaces between departments, decisions, and daily operations. They accumulate in supplier contracts nobody revisited, pricing decisions made three years ago, and processes that added a step every time someone solved a problem under pressure.

Most operators suspect something is off. Revenue grows, but profit doesn't keep pace. The team is working harder, but the margins keep tightening. You can feel it, but you can't pinpoint where the money is going — because these leaks don't announce themselves. They compound quietly until the gap between what you earn and what you keep becomes impossible to ignore.

This guide introduces the 8 places profit typically hides. It's the same diagnostic framework I use with operators across manufacturing, professional services, food and beverage, and more. I didn't learn this from a textbook. I learned it scaling a manufacturing company from \$0 to \$75MM in B2B + B2C revenue over seven years, managing 120 employees, and making every mistake that's worth making.

This guide won't fix anything by itself. But it will show you where to look. And sometimes, knowing where to look is the hardest part.

Read it with your own business in mind. Score yourself honestly. And if the numbers bother you — good. That's the point.

Elliot Swift

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How to Use This Guide

This guide covers 8 specific areas where profit leaks in businesses between \$500K and \$10M+ in revenue. Each leak includes what it is, why it happens, what it typically costs, a Quick Math formula to estimate your own exposure, warning signs to watch for, and a self-assessment score.

At the end, you'll total your scores to gauge your overall exposure. This is industry-agnostic — the leaks show up whether you're running a machine shop, a services firm, or a brewery. The specifics vary. The patterns don't.

I'd suggest reading this with a pen and your most recent P&L nearby. When a warning sign hits close to home, write down the number that comes to mind — even a rough estimate. By the time you finish, you'll have a clearer picture of where your profit is going than most operators ever get without outside help.

Scoring Reference: 5 = Tight, we actively manage this | 4 = Mostly handled | 3 = Known issue, not addressed | 2 = Significant exposure | 1 = Never examined seriously

LEAK #1

The Edge

Positioning & Differentiation

If your market can't articulate why you're different, you're competing on price by default.

Positioning isn't a logo or a tagline. It's whether a prospect can explain to their boss why they chose you over every alternative — without mentioning price.

Most \$1M–\$5M businesses have never formally defined their positioning. They rely on reputation, relationships, or being “the local option.” That works until a competitor shows up with a sharper message, a lower price, or a bigger marketing budget. Then the phone stops ringing and nobody can explain why.

Here's what I see constantly: an operator who has built something genuinely better — better product, better service, better follow-through — but the market doesn't know it. So they compete on price. Even if only a third of your revenue is won through competitive discounting at 10–20%, on a \$3M business that's \$100K–\$200K straight off your bottom line. Not because the work isn't worth more, but because nobody made the case.

What It Typically Costs

Here's what makes this leak dangerous: it compounds. That \$100K–\$200K in discounting this year doesn't fix itself next year — it becomes the new baseline. Over three years, a \$3M business with weak positioning can quietly surrender \$300K–\$600K in profit. That's money that could have funded a new hire, a product line, or a full equipment upgrade.

Quick Math — Run It on Your Business

Your Revenue × ___% of deals won through discounting × ___% average discount = \$___

This is a back-of-napkin estimate. The Profit Pressure Test™ uses proprietary diagnostic software to calculate the precise number.

Your estimate: \$_____

Warning Signs

- △ Prospects always ask “what's your price?” before anything else.
- △ You lose deals to competitors you know you're better than.
- △ Your website could belong to any of your competitors with a logo swap.
- △ You're competing on price because prospects can't articulate what makes you different.

The Hard Question

“If your three biggest clients left tomorrow, could any of them explain to a colleague exactly why they chose you — without mentioning price or proximity?”

Circle your score: **1 — 2 — 3 — 4 — 5**

1 = never examined · 3 = known issue, not addressed · 5 = actively managed

This is one of the first things I examine in the Profit Pressure Test™ — and it usually surprises people.

LEAK #2

The Bleed

COGS / Direct Costs

Direct costs creep. The margin erosion is invisible on any single invoice but devastating over 12 months.

Consider this example: a \$4M manufacturer hadn't revisited COGS in three years. Material costs had crept 4% — invisible on any single invoice, but that's \$160K in annual margin erosion nobody flagged. They weren't doing anything wrong. They just weren't looking at the right level of detail.

That's how the Bleed works. Raw materials, labor, packaging, shipping — they all drift upward while prices stay flat. Most operators review COGS in aggregate, not at the line-item level. A 2–3% annual creep across a \$2M COGS base is \$40K–\$60K in margin disappearing without a single alarm going off.

The pattern is always the same: the business grows, the team gets busy, and nobody goes back to renegotiate supplier terms, audit yield rates, or challenge the assumptions baked into the cost structure two years ago. Every dollar of cost reduction here drops straight to the bottom line.

What It Typically Costs

\$40K–\$150K+ annually for a \$2M–\$5M business, depending on industry and how long since the last serious COGS review. Every dollar recovered goes straight to profit.

Quick Math — Run It on Your Business

Your Total COGS × ___% estimated annual creep = \$___

Your estimate: \$_____

Warning Signs

- △ Gross margin percentage is shrinking year over year while revenue grows.
- △ You haven't renegotiated supplier terms in 18+ months.
- △ You don't know your fully-loaded unit cost to produce or deliver your core product or service.
- △ Material or input costs have increased but you haven't adjusted pricing.

The Hard Question

“Can you tell me, right now, what it costs you — fully loaded — to produce and deliver one unit of your highest-volume product or service?”

Circle your score: 1 — 2 — 3 — 4 — 5

1 = never examined · 3 = known issue, not addressed · 5 = actively managed

Most operators don't catch this one until it's cost them six figures. The Profit Pressure Test™ quantifies it in 45 minutes.

LEAK #3

The Bloat

SG&A / Overhead

Overhead accumulates silently. Each line item looks small in isolation. Together, they're a silent killer.

Every growth initiative your business has ever launched left behind a cost that never got removed. A software subscription. A role. A process. SG&A bloat doesn't trigger an alarm because no single expense looks unreasonable — it's the accumulation that kills you.

SG&A tends to grow faster than revenue in scaling businesses because every initiative adds cost — new tools, new hires, new processes — but the cost rarely gets audited after the initiative ships. Here's a scenario I see regularly: a firm carrying \$38K in annual software spend across 14 tools. They actively used six. Nobody noticed because each line item was under \$400/month.

If you can't list every recurring monthly expense without checking your bank statement, there's money hiding in your overhead. The math is simple: 5–15% of SG&A is typically recoverable without impacting operations. Every dollar you cut goes straight to the bottom line.

What It Typically Costs

5–15% of SG&A is typically recoverable. On a \$2M business with \$400K in SG&A, that's \$20K–\$60K back to profit — without touching revenue or headcount.

Quick Math — Run It on Your Business

Your Total SG&A × ___% estimated waste = \$___

Your estimate: \$_____

Warning Signs

- △ Your SG&A as a percentage of revenue has grown for two consecutive years.
- △ You're paying for software or services implemented for a project that ended.
- △ You can't list every recurring monthly expense without checking your bank statement.
- △ Nobody has done a line-by-line overhead audit in the past 12 months.

The Hard Question

“If someone audited every recurring expense in your business tomorrow, how confident are you that every dollar is earning its keep?”

Circle your score: 1 — 2 — 3 — 4 — 5

1 = never examined · 3 = known issue, not addressed · 5 = actively managed

I built proprietary diagnostic software specifically to measure this leak. It takes 45 minutes.

LEAK #4

The Premium

Pricing Power

Most operators underprice. Every dollar of underpricing drops straight off the bottom line.

Look, here's the math most operators miss: a 1% price increase on a \$3M business at 10% net margin doesn't just add \$30K in revenue — it adds \$30K in pure profit. That's a 10% increase in profitability from a change most customers won't even notice.

Operators anchor to what they've always charged, what competitors charge, or what they think the market will bear — rather than what their actual value justifies. Fear of losing customers keeps prices flat while costs rise every year. The result is margin compression that feels like a market problem but is really a pricing problem.

Take a common example: a specialty food producer who hadn't raised prices in two years while input costs had risen 8%. A 5% price increase, zero customers lost, and \$110K in additional annual profit. The customers didn't blink — because the value was already there. The operator just hadn't claimed it.

What It Typically Costs

5–15% underpricing is common. On a \$3M business, that's \$150K–\$450K in revenue that drops almost entirely to profit. Price increases require zero additional cost to deliver.

Quick Math — Run It on Your Business

Your Revenue × ___% you believe you're underpriced = \$___ (straight to profit)

Your estimate: \$ _____

Warning Signs

- △ You haven't raised prices in over 12 months while your costs have increased.
- △ You discount to close deals more than once a quarter.
- △ You set prices based on competitor comparison rather than your delivered value.
- △ You're afraid of losing customers if you raise prices — but you haven't tested it.

The Hard Question

“When was the last time you raised prices — and did you lose a single customer over it?”

Circle your score: 1 — 2 — 3 — 4 — 5

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If any of these warning signs hit close to home, the Profit Pressure Test™ will put a dollar figure on it.

LEAK #5

The Stack

Offer Architecture & Conversions

Most businesses sell 1–2 things when their customers would buy 4–5.

Run this scenario: a B2B services company with a single offering at \$8,500. They're losing prospects on both ends — smaller businesses who can't afford the entry point, and larger ones who want a higher-touch engagement. A three-tier stack increases revenue per customer 35% in the first quarter without adding a single new lead.

That's what this leak looks like. The offer stack — what you sell, how it's packaged, and how it's presented — determines how much revenue you capture from every customer who walks through the door. Most operators build their offer around what they know how to deliver, not around what the customer needs next.

There's no entry-point offer for prospects who aren't ready to buy the full service. No premium tier for clients who'd pay more for faster, deeper, or more comprehensive work. The result is a flat revenue-per-customer number that never grows — and qualified prospects who walk away because you don't have the right on-ramp.

What It Typically Costs

Businesses with a single-tier offer typically extract 30–50% less revenue per customer than those with three or more tiers. On a \$3M business at 10% net margin, closing that gap could add \$45K–\$75K in annual profit.

Quick Math — Run It on Your Business

Your Revenue × ___% estimated revenue gap × Your Net Margin % = \$___

Your estimate: \$_____

Warning Signs

- △ Customers regularly ask “do you also do X?” and the answer is no.
- △ You have one price point with no upgrade or premium path.
- △ You lose prospects who say “I'm not ready for that yet” with no smaller entry point to offer them.
- △ Your average customer value has been flat for two or more years.

The Hard Question

“If a new customer wanted to spend 3x what your average client spends, do you have something to sell them?”

Circle your score: 1 — 2 — 3 — 4 — 5

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Recognizing the leak is step one. Knowing it's costing you \$87K versus \$220K — that changes what you do about it. The Profit Pressure Test™ maps your offer architecture against what your market is actually willing to buy.

LEAK #6

The Flow

Pipeline & Acquisition

The real leak isn't lead generation. It's the space between "they found us" and "they signed."

Most operators can't describe what happens between a prospect showing interest and signing an agreement. If that process isn't defined, you're probably losing 30–50% of your qualified leads somewhere in the follow-up.

Lead generation gets all the attention, but the real leak is usually in the pipeline. Marketing generates interest, but there's no system to move a lead from awareness to conversation to decision. Follow-up is inconsistent. Timing is reactive. Warm leads go cold because nobody owns the process end-to-end.

If you spend \$300 to generate a qualified lead and 40% of them die in your pipeline, that's \$300 per ghost — \$30,000 in wasted acquisition spend on 100 lost leads. And that's before you count the lifetime value of those customers you never converted. Here's how this plays out: a \$2.5M brewery losing 44% of qualified wholesale leads between the first tasting and the distribution agreement. Not because the leads were bad — because nobody followed up within 48 hours.

What It Typically Costs

Wasted acquisition cost on unconverted leads typically runs \$15K–\$50K+ annually for a \$2M–\$5M business. Add the lost lifetime value of those customers, and the real exposure is often 3–5x higher.

Quick Math — Run It on Your Business

Your Cost per Lead × ___ qualified leads lost per year = \$___ wasted spend

Your estimate: \$ _____

Warning Signs

- △ You're spending on marketing but can't trace spend to closed deals.
- △ You don't know how long it takes from first contact to signed agreement.
- △ Leads who showed real interest simply go quiet, and nobody follows up systematically.
- △ You don't have a defined process for what happens between inquiry and proposal.

The Hard Question

“What happens to a qualified lead between the moment they express interest and the moment they become a client — and who owns that process?”

Circle your score: 1 — 2 — 3 — 4 — 5

1 = never examined · 3 = known issue, not addressed · 5 = actively managed

Most operators are surprised when they see how much revenue is leaking between first contact and close. The Profit Pressure Test™ traces the path.

LEAK #7

The Multiplier

Wallet Share / Upsell

Your existing customers are your most profitable growth channel — and most businesses have no system to capture it.

It costs 5–7x more to acquire a new customer than to sell to an existing one. Everyone knows this. Almost nobody acts on it.

Most operators are so focused on new customer acquisition that they neglect the customers already in the building. There's no upsell path, no cross-sell offer, no proactive outreach to existing accounts. Revenue per customer stays flat year after year while the business spends aggressively to acquire new ones.

Your existing customers already trust you. They already buy from you. They're the most profitable growth channel you have — and you're probably ignoring them.

Here's a scenario I see regularly: a retail operator with 2,200 active customer accounts who hasn't proactively contacted any of them in over a year. Three complementary offerings their existing customers were buying elsewhere. A focused outreach campaign increases average customer value 18% within 90 days — captured at gross margin, which means most of that increase drops to profit.

What It Typically Costs

Most businesses extract less than 40% of what their existing customer base would willingly spend. Even a 10% increase in average customer value on a \$3M business — captured at gross margin — can add \$75K–\$150K+ in annual profit.

Quick Math — Run It on Your Business

Your Revenue × ___% customer value increase × Your Gross Margin % = \$___

Your estimate: \$ _____

Warning Signs

- △ You don't know your average customer lifetime value — or how to increase it.
- △ Your existing customers learn about your other services by accident.
- △ You haven't proactively reached out to your top 20 accounts in the past 90 days.
- △ Revenue per customer has been flat or declining while you focus on new acquisition.

The Hard Question

“What percentage of your existing customers are buying everything you could sell them — and how would you know?”

Circle your score: **1 — 2 — 3 — 4 — 5**

1 = never examined · 3 = known issue, not addressed · 5 = actively managed

The Profit Pressure Test™ identifies exactly how much wallet share you're leaving on the table — and the math is usually eye-opening.

LEAK #8

The Bridge

Partnerships & Referral Channels

Every customer you acquire through referral closes faster, costs less, and stays longer. Most operators have no system for it.

Referral partnerships don't happen by accident. They require identifying complementary businesses, creating mutual value, and building a simple system for exchanging introductions. Without that system, you're paying full acquisition cost for every single customer, forever.

Here's what most operators miss: there are businesses that serve the exact same customer you serve — they just solve a different problem. An accountant and a fractional CFO. A machine shop and an industrial supply distributor. A web developer and a branding agency. These are natural referral partners, but without a structured approach, the introductions happen randomly, if at all.

Consider this example: a construction services company with zero formal referral partnerships. All new business comes through two channels: repeat customers and cold outbound. Seven complementary businesses identified, simple referral agreements formalized with three of them, and 14 qualified introductions generated in the first 60 days. Cost per acquisition on those referrals: roughly 30% of standard CAC.

What It Typically Costs

Referred customers close 3–4x faster and have significantly higher lifetime value. A business with zero referral infrastructure overpays for every customer by the delta between referral CAC and standard CAC — typically 40–60% more per acquisition. For a \$3M business spending \$80K annually on customer acquisition, that delta represents \$32K–\$48K per year in avoidable cost.

Quick Math — Run It on Your Business

Your Annual Acquisition Spend × ___% overpayment vs. referral CAC = \$ ___

Your estimate: \$ _____

Warning Signs

- △ All your new business comes from one or two channels.
- △ You can't name five complementary businesses that serve your same customer.
- △ You've never formalized a referral or partnership agreement.
- △ Word-of-mouth is your "referral strategy" — and it's not a strategy.

The Hard Question

"If you turned off all paid marketing tomorrow, how many new customers would find you this quarter through referrals and partnerships alone?"

Circle your score: 1 — 2 — 3 — 4 — 5

1 = never examined · 3 = known issue, not addressed · 5 = actively managed

Building referral infrastructure is one of the highest-ROI moves a \$500K–\$10M+ business can make. The Profit Pressure Test™ shows you where to start.

Your Profit Leak Scorecard

Leak	Your Score (1–5)
1. The Edge — Positioning & Differentiation	___
2. The Bleed — COGS / Direct Costs	___
3. The Bloat — SG&A / Overhead	___
4. The Premium — Pricing Power	___
5. The Stack — Offer Architecture & Conversions	___
6. The Flow — Pipeline & Acquisition	___
7. The Multiplier — Wallet Share / Upsell	___
8. The Bridge — Partnerships & Referral Channels	___
TOTAL	___ / 40

32–40: Tight Ship. You're actively managing most of these areas. Your biggest opportunity is probably in the one or two leaks where you scored lowest — and even small improvements at your scale can mean significant dollars.

20–31: Leaking Quietly. This is where most operators land. The business is running, revenue is coming in, but profit isn't keeping pace with effort. There are likely two to four leaks costing you \$50K–\$250K+ per year that you haven't quantified yet.

Below 20: Significant Exposure. Multiple profit leaks are compounding. The good news: the upside from fixing even two or three of these is substantial. The risk of waiting is that these leaks don't shrink on their own — they grow.

A self-assessment is a starting point, not a diagnosis. You know your business better than anyone — but you're also closest to it, which makes certain leaks almost impossible to see from the inside. That's why I built the Profit Pressure Test™ — a 45-minute live diagnostic that uses proprietary software to quantify exactly where profit is leaking and what it's costing you. Every owner leaves with clarity, whether they engage me or not.

About Elliot Swift

I spent 10 years building and operating businesses before starting Swift Profit Systems. Three years in real estate — \$14M in transactions and \$400K in capital raised — then seven years co-founding and scaling a highly regulated CPG manufacturing company from zero to \$75MM in B2B + B2C revenue.

During those seven years, I managed 120 employees, built multimillion-dollar supply chains, navigated complex regulatory environments, and made payroll more times than I can count. I learned what works, what breaks, and — most importantly — where the profit hides when a business is growing fast and nobody has time to look under the hood.

I'm not a consultant who watched from the sidelines. I'm an operator who built, ran, and scaled the kind of business I now help other owners improve. The diagnostic framework in this guide isn't theoretical — it's the product of seeing the same patterns repeat across dozens of businesses and hundreds of operational decisions.

Today, I help \$500K–\$10M+ operators find and fix the profit leaks I've lived through firsthand.

I've been on both sides of the profit leak problem — as the operator who couldn't see it, and as the advisor who finds it. Now I help other operators see what I wish someone had shown me sooner.

What's Next

Ready to quantify your leaks?

Book the Profit Pressure Test™ — a complimentary 45-minute live diagnostic. I'll examine your business through the lens of the 8 Leaks using proprietary diagnostic software and show you exactly where profit is hiding and what it's costing you. You leave with clarity whether you engage me or not.

→ Book your Profit Pressure Test™: swiftprofitsystems.com

Not ready yet? Stay connected.

Join The Leak — a weekly newsletter where I break down the profit patterns hiding inside \$500K–\$10M+ businesses. Real operator insights. No theory. No fluff.

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