



8a Magazine

10 Ways to Improve Profits in Your Company.

By John M. Collard

Restarting companies after Corona-virus shelter-in-place, stay-at-home and social distancing orders is a formidable task, but can be done. This will require changes in thinking about how the company operates and what it will look like. When you add revenue without increasing indirect costs and overhead you drive profit. Here are some ideas to restart new profitability. Use these as a starting point since this most likely isn't your first rodeo. We have all been bucked off before, The following ten ideas may spark your business intellect, during which you will surely think of more.

Add New Products and Services to Offer Existing Customers

Look for new task and change orders to expand work for customers under contract. Needs change and customers will add business when they like what you do for them. Consider bundling or unbundling products and services, and reprice them to make them more acceptable to customer need.

Enter into joint ventures or strategic alliances with teaming partners, suppliers or customers to market each other's products. Seek partners whose business complements your own, then their products and services should match up well. These alliances can also expose your business to new markets.

Enter New Markets with Your Existing Product and Service Offerings

Figure out what you do best and try marketing to them, while developing new business in new areas. If you have expertise that you perform on Army contracts, for instance, then try marketing to the Navy, Civilian Agencies, and/or Commercial Customers. Your products and skills are transferable, because new customers often have similar needs. Many restaurateurs have adapted to curb-side and delivery service, they can also expand to catering events or operating corporate facilities as well. Be creative.

Take New Products To Existing Customers Take What You Do Best To New Markets

Revitalize aging products and services. What other uses can you find for them? Repurpose their uses in order to attract new markets, then you have a new stream of income from a product or service that was once dormant.

When you are strong in operations and production, then produce private label for

others. When strong in sales and marketing then contract with subcontractors to do some of the work. There are always opportunities.

Understand and Adjust Pricing Based on Cost-Driver Activity

Think in terms of Activity-Based Costing and Net Profit Margin. When Overhead is allocated (or not) on the wrong cost base, then profits become skewed in the wrong way, which can adversely affect pricing. Develop managerial accounting systems that give visibility to costs required to produce revenue by activity.

Don't fall into the trap of allowing one product activity line to subsidize another. Balance the price-to-cost ratios based on the activity that uses the support structure. For example; if one product requires the majority of plant and facilities to produce, then allocate costs by square footage usage to that product, instead of by revenue, for instance.

Think of every product or service that your company sells as if it were a separate business. Does each one contribute to profitability? Perhaps not. When this occurs, you may need to dispose of some products and services and keep those which generate money. This will help you eliminate costs in favor of profitability.

Give Customers What They Want

When you give customers exactly what they want, and only what they want, pricing is usually not an issue for them. When you deliver value, that outweighs price, because that value helps the customer meet their needs and produce better results. When you give customers what they want, they can become referral sources.

When you give customers more than they ask for, they willingly accept the extra benefits for no extra cost. Give them only what they are willing to pay for.

Sometimes You Need to Fire a Customer

When you find yourself in the situation where one customer is absorbing all of managements' time and attention, and they are not a profitable account, renegotiate or fire them. Pursue profitable accounts. Unless there is a sound reason why you are subsidizing that customer, then why work at a loss? In some cases a customer account absorbs a large portion of overhead, but even then work at breakeven.

Meticulously Manage Assets and Resources

Assets that are not actively being used to generate profit should be sold for cash. Why hold on to assets that are idle or have become expenses? Use the proceeds of sale to reinvest into your business to increase its profitability.

While resources of the human kind can't be sold, they can be furloughed. Carefully manage resources that are not billable to contracts. Increase percent billable.

Reduce inventory to the smallest amount possible to generate cash. Develop favorable relationships with vendors that allow you to receive product or services on consignment and pay them once that product is sold. Actively collect accounts receivable, and implement new credit terms to bring payments and retainers in more quickly. Bill frequently, collect often.

Make Sure Your Team Knows What Is Expected

Instill a sense of urgency throughout your business. Never allow a business atmosphere of complacency. This only leads to poor operations, lack of new business, and it will be overtaken by competitors. Promote excellence throughout your business, from the front desk to key executives.

Implement a clear set of expectations, so that your team has proper guidelines to follow. Communicate profit and sales goals, quotas, daily expected activity, and train them how to effectively communicate with prospects and existing customers.

Identify the key positions within your company that have contact with customers. Management, marketing and business development, customer support, all have a very important role. Retain customers by providing great customer service, or lose them when you don't perform. Stress understanding specific customer needs during the BID process to develop winning strategies, and increase win ratios.

Base Incentives on Profits Instead of Revenue

Link compensation to productivity for everyone in the company. Employees should only get paid for results when they produce, and not paid when they don't. Your employees will work harder, increase their work-ethic, and focus on the results that you strive for. For example; pay incentives for sales people based on gross margin instead of revenue, to drive the profit motivation.

Merge with or Acquire a Partner Company

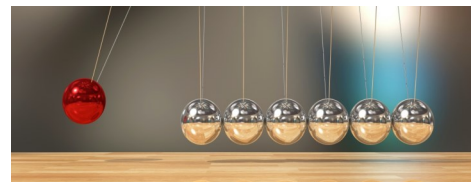
Combining company operations can add complimentary skills and products. Utilize the best attributes of both organizations, and eliminate duplication. When you add revenue and related direct costs for operations you typically can run the combined entity without duplicate overhead. The overhead equivalent of one company is eliminated and the cost turns into increased profit. Part of a larger, more profitable pie is always better than struggling to cover costs.

Create an Advisory Board to Seek Expert Input from Outside Your Organization

People are very creative, particularly if properly motivated. Outside expert influence can bring a fresh perspective, and new ideas that you may not have thought of before. It is often difficult to separate your current vision for your business from what is actually going on. Don't be afraid to explore strengths and how they can be applied elsewhere to drive profits and cashflow. Don't be afraid to explore weaknesses and how they can be overcome and improved. Studies show increased profitability when advisors get involved.

You may want to interview key clients to get their input on new product and service offerings.

Drive your team to think in terms of profits, cashflow, expansion, and creativity. They will reward you with profitable activity. Be proactive.



About the Author

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