

Practical Steps for Profit Improvement

February 25, 2021



Why Profit?

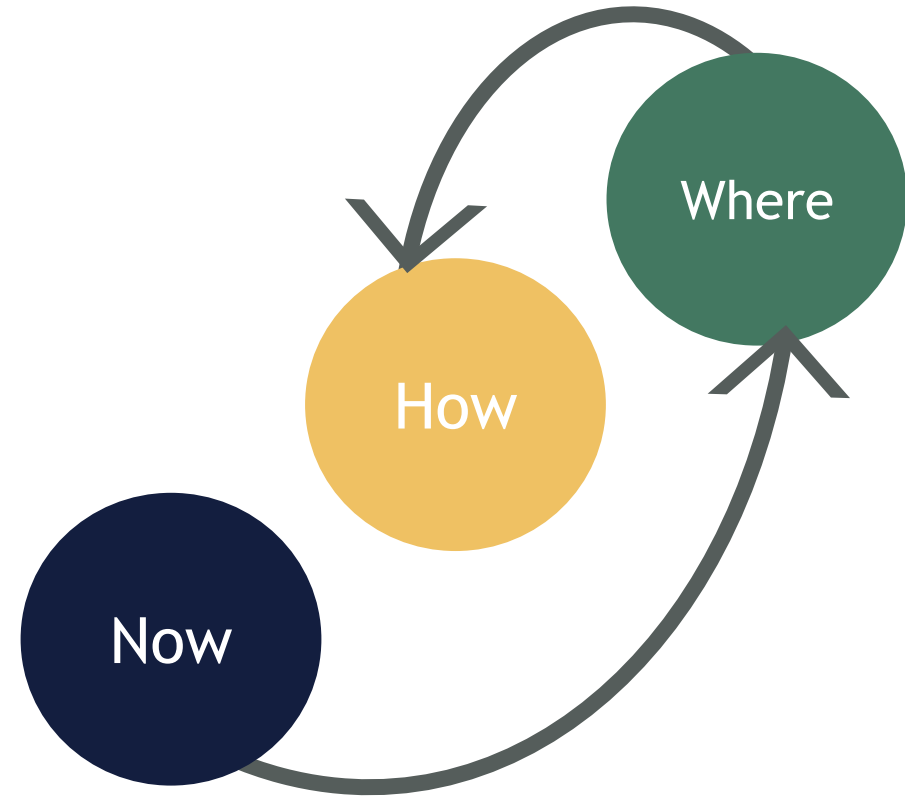


Profit = Revenue - Expenses

Now Where How

Exercise

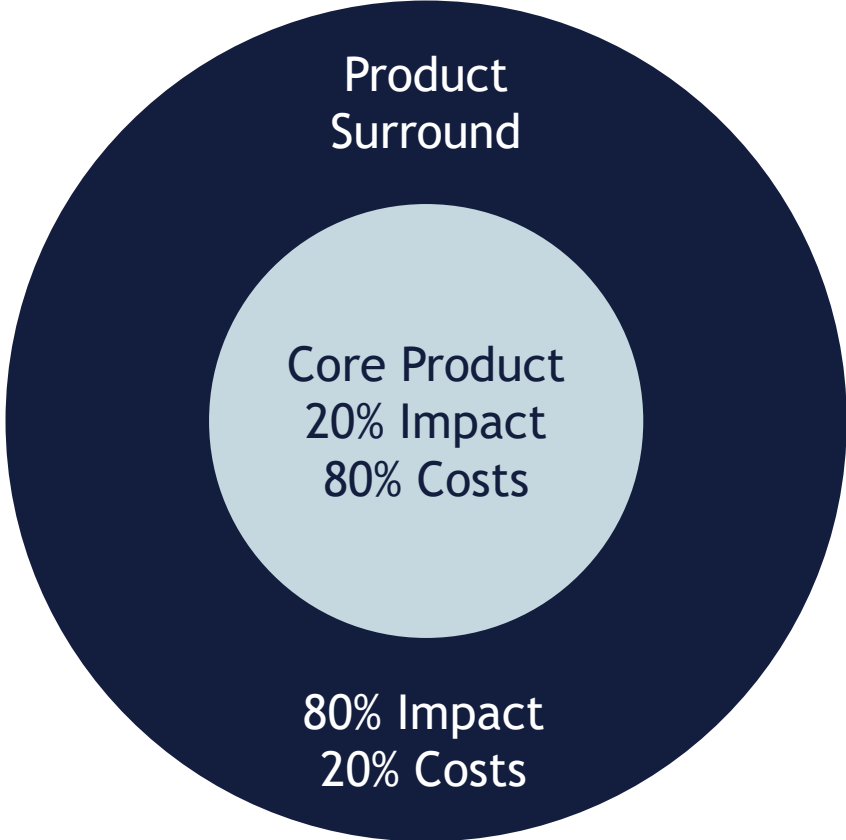
Where are you **Now** in your business and **Where** do you want to be in regard to waste?



Sustainable Competitive Advantage

- Examples of key success factors:
 - Expertise of the team/employees
 - Brand
 - Strategic assets (patents, trademarks, copyrights, domain names, etc.)
 - Best response time
 - Quality of product/service
 - Lowest price
 - Most innovative

Product Surround Model



Pricing Strategy

Step 1: Cost Plus

- Price = Labor + Materials + Overhead + Profit

Step 2: Competitor Pricing

Competitors	Pricing	Notes
A	\$1,300	
B	\$1,100	
C	\$800	

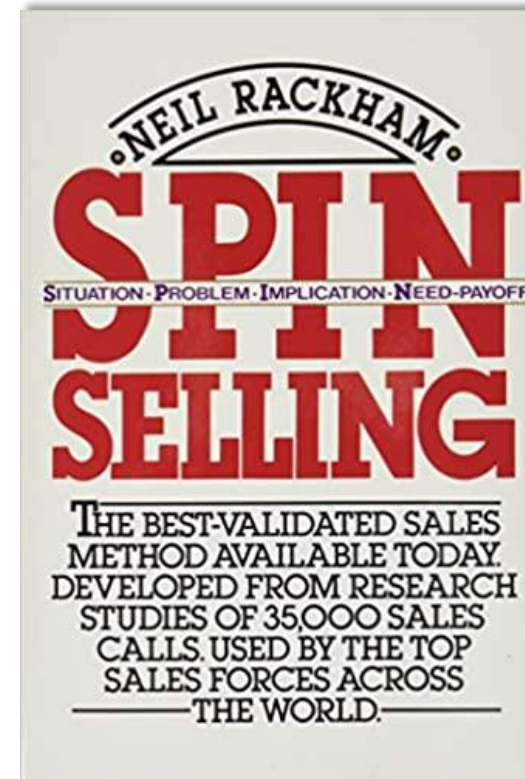
Pricing Strategy

Step 3: The Market

Benefits	Weight	Us	Competitor A	Competitor B	Competitor C
Reliability	40	20	30	20	15
Size/weight	30	15	15	15	10
Speed	20	10	10	10	10
Storage Capacity	10	5	5	5	5
Total	100	50	60	50	40

Sales Process

- Situation
 - Problem
 - Implication
 - Need-Payoff
-
- From *SPIN Selling* by Neil Rackham



Sales Process

- Understand customers & identify their needs
- Identify features & benefits of your product or service
- Ask SPIN questions
- Proof of capability
- Document process

One Page Plan

Now	Revenue Growth Plan XYZ Company		Where	
<ul style="list-style-type: none"> • \$10M revenue • Poor sales process • Average repeat business • Average response time • No formal prospect pipeline list 			<ul style="list-style-type: none"> • \$12M revenue • High-Performing Sales Process • Strong repeat business • Lead the local market in response time • Formal prospect pipeline list updated monthly 	
Strategies / KPI's	Actions	Who	When	
Transform Sales Process	<ul style="list-style-type: none"> • Read SPIN selling book • Read Challenger Sale book • Develop standardized in-house sales training program 	<ul style="list-style-type: none"> • TR • SA • LK 	<ul style="list-style-type: none"> • 3.31.2021 • 4.15.2021 • 5.31.2021 	
Improve Response Time for Customer Service	<ul style="list-style-type: none"> • Survey customers about response time • Hire consultant • Invest in better customer service software 	<ul style="list-style-type: none"> • FD • SW • GF 	<ul style="list-style-type: none"> • 3.15.2021 • 4.1.2021 • 6.30.2021 	
Pipeline List of Prospects	<ul style="list-style-type: none"> • Purchase list of prospects • Meet to prepare initial pipeline list 	<ul style="list-style-type: none"> • CG • Sales Team 	<ul style="list-style-type: none"> • 3.1.2021 • 3.15.2021 	

Profit = Revenue - Expenses

Seven Wastes

1. **Overproduction**
 - Producing more than is needed or before it is required
2. **Waiting**
 - Where waiting occurs between steps in a process
3. **Transporting**
 - Transport between stages in a process
4. **Inappropriate Processing**
 - Wrong tool/process or person is being used for the job
5. **Inventory**
 - Unnecessary Inventory. Work in progress
6. **Motions**
 - Unnecessary motions. Poor ergonomics in a workplace
7. **Defects**
 - Re-work or delays with a product / service or processes



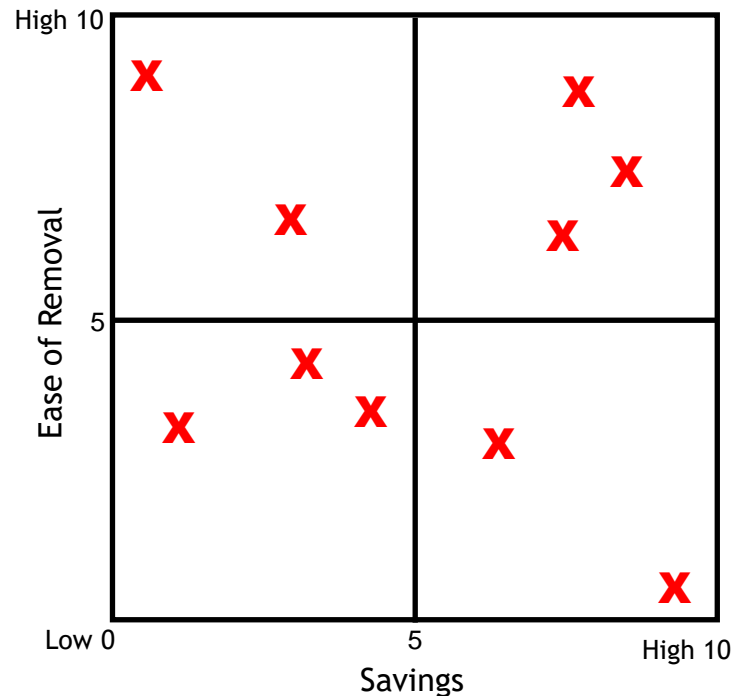
Waste Audit Process

Area	Cost	Ease of Removal		
		Lo -5	Av 0	Hi +5
Overproduction				
Duplication	34,000	--X-- --- --- --- --- ---	--- --- --- --- --- ---	--- --- --- --- --- ---
Producing without guarantee of sales	18,000	--- --- --- --- --- ---	---X--- --- --- --- ---	--- --- --- --- --- ---
Errors	15,000	--- --- --- --- --- ---	--- --- ---X--- --- --- ---	--- --- --- --- --- ---
Waiting				
Waiting time - work in progress	28,000	--X-- --- --- --- --- ---	--- --- --- --- --- ---	--- --- --- --- --- ---
Freight	14,000	--- --- --- --- --- ---	--- --- ---X--- --- --- ---	--- --- --- --- --- ---
Storage	9,000	--- --- --- --- --- ---	--- --- --- ---X--- --- ---	--- --- --- --- --- ---
Transport				
Stock Layout	10,000	--- --- --- --- --- ---	--- --- --- ---X--- --- ---	--- --- --- --- --- ---
Sub Contracting	45,000	X--- --- --- --- --- ---	--- --- --- --- --- ---	--- --- --- --- --- ---
Travel	5,000	--- --- --- --- --- ---	--- --- --- --- --- ---	--- --- --- --- ---X---



Prioritize the Waste

It is essential that the waste issue prioritization be repeated at regular times, as frequent as every six months



One Page Plan

Now	Waste Reduction plan XYZ Company 12 month plan			Where
<ul style="list-style-type: none"> • Considerable waste • -4% profit • Poor processes • No continuous improvement 				<ul style="list-style-type: none"> • Reduced waste • 15% profit • Great processes, well defined • Continuous Improvement culture
Strategies / KPI's	Actions	Who	When	
Travel time for sales people to boost sales calls numbers	<ul style="list-style-type: none"> • Review and adapt sales process • Implement initial gotomeeting chat • Group calls for sales people to specific days 	<ul style="list-style-type: none"> • TR • SA • LK 	<ul style="list-style-type: none"> • 14th Nov • 28th Nov • 24th Jan 	
Reduce production error rate by 50%	<ul style="list-style-type: none"> • Purchase new equipment • Implement daily run chart to adapt processes quickly when errors occur • Train team in lean principles 	<ul style="list-style-type: none"> • FD • SW • GF 	<ul style="list-style-type: none"> • 1st Dec • 5th Feb • 12th Jan 	
Do a 5% cost review across all expense lines.	<ul style="list-style-type: none"> • Get up to date accounts from CFO • Workshop with senior team ideas using mindmapping • New dashboard monitoring weekly by team leaders against KPI's 	<ul style="list-style-type: none"> • CG • LK • CM 	<ul style="list-style-type: none"> • 1st Nov • 1st Dec • 10th Feb 	

Key Take-aways

- Profit is vital for any organization to grow
- An organization must understand customers' needs to grow sales
- All organizations have waste; so waste reduction is always an opportunity for profit improvement
- As with all strategic planning, implementation is the key to success

Questions



Thank you for attending

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