

Improving profitability through better information

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Five practical questions to ask

By Gary Patterson

I need to visit our top 10 customers. If you know who they are, please let me know." If this sounds familiar, then you need to know some more information about your business's finance and operations.

Here are five questions to ask, the answers to which should help guide business decisions and improve profitability.

Who are your top 10 customers?

If you define "top ten" as "most profitable," finding your top ten is not as easy as it sounds.

But you also already know more than you think. That multi-disciplinary business team assembled to wring out crucial customer information for a critical decision used Excel spreadsheets and brute force to produce information, all of which is still available. Review these marathon sessions notes to weed out peripheral factors and focus on information that accurately determines profitability. Put yourself on the mailing list to obtain that data regularly.

How dependable is your customer profitability information?

When managers cannot easily obtain customer profitability information, they create fudge factors or Excel spreadsheets providing them "numbers" justifying demands for new or other department's resources.

The more complex your company or its product line, the harder to fully resolve this issue. Find which departments use Excel or inexpensive systems to "handle unique operating needs." Discovering why that package was needed pinpoints areas needing correction.

How accurate is your product profitability information?

A company with shortcomings in customer profitability information hasn't fully addressed better product information needs.

The good news is everything fixed in prior categories improves product profitability information. Since most critical weaknesses are usually limited in number, applying those changes to customer profitability information highlights areas to fix.

How accurate is order profitability?

After solving the issues above or being pleasantly surprised to find they are not problems at your company, you still need to inquire about order profitability accuracy, including customer service costs, installation, shrinkage, maintenance and repair costs.

Exasperated CFOs ask, "Why don't we just tape a \$100 bill onto every order going out the door?" Seek out the company rebel everyone wishes would stop complaining about corporate inefficiencies. This person may have interesting insights on solving customer service costs, installation, shrinkage, maintenance and repair costs.

How will our profits be affected by changes in customer profits?

If you haven't seen yourself yet, you are well above average, but could still benefit from a strategic viewpoint. Taking the time to refine this highly strategic but often not considered urgent area in today's short-term world is essential. So get that CEO buy-in, and finalize touches on your information portfolio through implementing regular analysis to plan for customer profitability changes that impact you.

If you solved all these issues long ago, congratulations. If any of these are making your stomach churn, however, it's not too late. You still have time to address them, so go for it! And take your success to a whole new level.

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