

Financial training For non financial staff



The financial training specialists

Not enough capacity (profit)

I was working with a client last week who has an interesting problem.

They manufacture goods, and their factory is at capacity. They can't outsource production, and operate in a capital intensive industry.

One option is to ask the group that owns them for £100m+ to build a new factory, but the answer would probably be a curt no.

Instead they have used the problem as an opportunity, and are specialising further in their industry.

Of course, specialising in some products means not producing others, which means handing that market to their competitors.

So they looked through the whole range of products they produced, and worked out which were the most profitable. These became the core of the range they now specialise in. If the less profitable work goes to their competitors, then so be it!

What's the implication for us?

Most of us have some products, and some customers, that are massively more profitable than others. It almost certainly isn't the biggest sellers that contribute most to profit. Information is the key here.

Which of your products and customers give you the most profit? What are you doing to nurture and grow these parts of your business?

Are there any products and customers on which you don't make any profit? What are you doing about them?

How can you develop a culture of looking for and measuring sales profitability, rather than sales revenue?