

Stu's View

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Profitable Sales: All Sales Are Not Created Equal -

July 2012

It's true; some jobs are more profitable than others. I'd be a wealthy man if I had a dime for every owner that pointed to a highly profitable job and say, "if we could only have more jobs like that, we'd be in great shape and wouldn't need you, Stu."

So how do you do it? How do you maximize profitable sales? After combing the earth's print and packaging facilities, there are a few tips we've picked up. Consider these secrets:

- 1) **Train your clients to more efficiently design their products.** This requires good planning, effort and (possibly) cost, but results in more efficient work flow and lower production cost. The Result? Many have found higher client retention rates since clients trust them to produce the job more efficiently than anyone else.
- 2) **Train your sales people.** Make sure sales people know the nuances of jobs, what causes additional costs and what elements add to value added. Good quality job specs lead to sound estimates, and can serve as the first line of defense in helping the company produce jobs efficiently.
- 3) **Tighten the collection cycle.** Collection cycles should be maintained at less than 45 days as a general rule. Anything longer puts significant stress on an organization, and makes it hard to recover debt.
- 4) **Assess and monitor your production efficiencies.** Figure out how to produce jobs with more efficiency than the average

- competitor. Find your sweet spots, the areas you do best with the greatest efficiency. In markets with slim margins, it is production efficiencies, not pricing, that most significantly impacts profitability. This includes keeping your overhead (employees, equipment, space) as low as possible.
- 5) **Apply a Value Added (“VA”) percentage to your pricing methodology.** A commercial sheetfed printer might not want to take on a job that runs at 50% or lower VA. It might not fit your shop because it requires extensive outside finishing. If you do take it on, a higher profit margin should be charged (which will generate a higher VA). If it’s a long run job on expensive paper that causes the low value added, maybe it OK to take it on at 50% because it fills up available press time. The VA percent will tell you to if you need more analysis.
 - 6) **Include a Value Added and Profitability component in your sales compensation program.** Sales compensation is a vehicle to incent. Paying compensation based on a job’s sales dollars only incents that the sale be made. In today’s price sensitive and competitive market that is not enough. If profitability is your goal, why not incent the sales staff to sell jobs with higher Value Added and Profitability? It will help everyone understand how and where the company makes money then incent them to maximize those dollars.
 - 7) **Be selective in applying volume discounting.** If you decide to take a less profitable job just to keep production running, be cautious about discounting with regular customers. If you really need to do it, explain to them why the discount applies for “this one time”. Precedents are hard to break.
 - 8) **Find your niche and streamline your production process.** Niche companies are more profitable, not necessarily because they can charge more for their product, but typically because they’ve mastered production and can produce so much more efficiently than others that they can even sell at competitive prices and still be profitable.

Remember, production efficiencies and good value added are key components to profitable sales. There’s no room for frivolity when battling stiff competition and tight profit margins.

Stu's View is contributed by Stuart Margolis, CPA and Partner of MargolisBecker LLC to provide information that helps firms operate profitably. More information can be found at www.margolisbecker.com.

About MargolisBecker

MargolisBecker has long been recognized as the financial expert for the printing, packaging and allied graphic communications industries, assisting thousands of companies with strategic and financial management, valuation, mergers/acquisitions, accounting, audit and tax services. The firm is noted for its expertise in enabling companies to optimize profits. Proudly, it is the purveyor of the industry's *Cash is King*, and *Value-Added Principles of Management*, and compiles the annual Printing Industries of America Ratios, the printing industry's premier financial benchmarking tool.