



Building the Value of Your Business

One of Five - *Focus on Bottom Line Growth First*

BUILDING VALUE:
*It is what we have been
doing for over 40 years*

Whether you want to build value for a future acquisition, build value to pass on to the next generation, or build value for your personal benefit, the JBL Specialists will use their years of experience and knowledge of best practices to help you reach your goal.

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Choosing The Best Way to Grow – Top Line vs. Bottom Line Growth

What do you mean when you say you are not growing? Are your sales not growing? Is your customer base not growing? Or is your bottom line not growing?

Growing your sales volume, growing your customer base, or both, will require significant efforts and investments. You will need to hire more salespeople, possibly invest in more inventory, and spend more money on advertising. You may also be considering a new website. Finding good salespeople is a big challenge in today's world. Both advertising and new websites will demand a lot of your time, but that may be exactly where you are today. If so, then you need to start developing a plan to find and train the new salesperson or develop that new website with enhanced search capabilities.

Our recommendation here at JBL Solutions is to always make sure you have done everything you can to grow your bottom line before you start spending money hiring more salespeople and developing a new website to grow your top line.

Where Do You Start?

Most people think that the first thing to do to achieve bottom line growth is to raise prices, but that does not necessarily have to be the first step or only step. Here are four fast and easy options for you to consider:

Option 1 – Add Fees

Adding fees goes straight to your bottom line. The following types of fees can be set up in minutes and bottom line growth will start with the next invoice you generate:

- Fuel Surcharge
- Hazardous Materials Surcharge
- Product Availability Surcharge
- Traditional Delivery Charges
- Cylinder Specific Delivery Charges
- Service Charges on Past Due Invoices

You may have a philosophical opposition to adding fees, but fees are simple to implement, generate very few questions, and immediately impact the bottom line.

In a time of constantly increasing fuel prices, a good example of a fee is a Fuel Surcharge. Lets' see what the impact might be on your bottom line by adding a Fuel Adjustment Surcharge. Let's say you add a \$10 fuel adjustment surcharge. Next, assume you have three delivery trucks, each delivering twenty orders a day. When you do the math, you can add \$156,000 to your bottom line for less than thirty minutes of work on your part. You will get push back from some customers and you may decide to not charge everyone. But even if you decided to not charge one-third of the customers, you could potentially add \$100,000 to your bottom line. All for a few minutes work.

You probably have products you sell that fall into the category of hazardous materials. If so, you can add a Hazardous Materials Compliance Fee to cover the costs of making your forms compliant and keeping your people trained. If you use the number of orders in the previous example, even a \$1 per invoice Hazardous

Materials Compliance Fee would generate over \$15,000 per year in additional profit.

Delivery charges and especially after-hours delivery charges (at a premium) are very popular with many distributors.

Option 2 - Use Intelligent Pricing and Keep Future Purchase Costs Up to Date

There has never been a better time to raise prices on your products. Raising prices is as simple as running a function. Here are some options:

- **Use Performance Based Pricing for your Items** - Slow moving items that you must keep in stock must be priced higher than your fast moving items.
- **Use Performance Based Pricing for your Customers** - Let your CylTech software rank your customers by sales or profit. Start with your customers that are ranked low in sales and margin. Analyze what those customers are buying and increase your prices. Often, you will find that low performing customers are buying low margin items or items that are slow moving.
- **Keep Your Future Purchase Costs Up to Date** – Your CylTech system can automate your purchase cost changes from your vendor. As cost changes are announced, selling prices can be changed quickly with little manual intervention.

Raising prices can add tens of thousands of dollars to your bottom line with virtually no effort on your part.

Keep in mind that even relatively small price increases go straight to the bottom line. A 4% increase on \$2,000,000 in sales adds \$80,000 to your bottom line.

When it comes to pricing, there is an old saying that goes *“If you are not losing customers because of your prices, then your prices are too low.”* So do not be afraid to raise your prices on low performing items and customers.

Option 3 - Stop Quoting Specific Prices & Pad Your Costs

It is common for a salesperson to quote a customer \$12.99 for a pair of gloves but you should stop quoting prices that way. Discount down from a set price (i.e., 10% off of Suggested Retail price), or add a consistent profit margin to your costs. When retail prices increase or your costs go up, your margins will stay the same. With no additional effort on your part.

Option 4 - Let Your CylTech Software Monitor Your Profit Margins

Keeping a close eye on your profit margins is very easy with your CylTech software. Once set up, you are alerted anytime an item is sold below the desired profit margin. One big problem many distributors have is the friendly salesperson giving too many discounts. If this is your problem, CylTech will let you choose which salespeople can change the price of an item.

Investigative tools will let you review sales for any period by a wide variety of options like salesperson, customer, or type of product. These tools will quickly put the spotlight on

those salespeople, customers or products that are not performing up to your expectations.

Remember, when it comes to profit margins, always be proactive, not reactive.

Closing Thoughts

Adding fees, increasing prices, moving away from quoting specific prices and keeping an eye on profit margins are fast and easy ways to improve your bottom line.

Not every option will be something you want to implement, but every suggestion given has been successfully used by many distributors just like you.

For more information on how JBL Solutions (DataWeld) can help you increase the value of your business call 800-334-1987 or email to sales@jbl-solutions.com.