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Profitability Experts: Manufacturing and Small Business ©

By

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Currently, there is an atmosphere of disinflation, and investing in replacement inventory is being intensely resisted by customers. My ‘Profit Planning’ expertise has developed 3 main components to managing profit retention.

1. **Control Cost / Expenses:** This may seem instinctively apparent to anyone who completed business 101, but management is accustomed to controlling expenses, expecting to produce increases in profits.
2. **Revenue Improvement:** In a business climate that resists price increases, companies must increase unit sales. Easier said than done, nonetheless, this objective must be part of any credible ‘Profit Plan’. Surveys have concluded that the most cost-effective way to increase revenues is to sell more to current customers, either through expansion of the product line, greater market share or other proven sales and marketing efforts.
3. **Contribution Margin Preservation:** Being unable to hide behind inflation pricing, preserving gross margin becomes more demanding. The importance of Contribution Margin is embellished because of product cost constancy and the

ruthlessness of “Cost-Creep”. Companies will have to have excellent “planning” to enhance margins through certain procedures, i.e. reducing markdowns, shrinkage, product assortment strategies and creating improved and justified discount policies, etc. Even a united management effort may prove difficult without an applicably written, implemented and managed ‘Profit Plan’. But when properly done, it will produce a dramatic increase in ‘profit’ retention.

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