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How to Specifically Improve Cash Flow & Profit

Manage by Margin - the Overlooked Metric

Margins are the leading indicators for Cash, Profitability, Sustainability and Equity

There are more internal threats to margin performance than external factors.

All changes effect bottom line – once you pay for your overhead, all price increases and expense reductions go directly to bottom line. Unmanaged and/or static margins will always erode from the pressure and on varying levels – competitive pricing, downstream cost increases, increased regulation (moving above the radar), employee increases, etc. If margins are managed, they are not static.

Transform your financial department from a 'necessary evil' to a profit center.

- Top Grade your financial department
- Identify an Outside auditor
- Know what matters – key value drivers
- Flag Material Value Drivers
- Make growth profitable – Identify Break Even Points

Blended margins distort: One product can carry the others until it doesn't.

- Create Profit Center P&L and Over Head variance report to determine margins and contributions of each profit center
- Identify, Manage and Maintain Margins

Pricing – get pricing right

When we trade margin for revenue it's a no brainer! 1 mil @ 10% or 3 mil @ 5%? I'd go for the later every time ... until it isn't.

- Create a plan for what happens when that buyer or volume goes away or you will be stuck with low margin, lower sales, and the same infrastructure and culture that can erode margins further.
- Eliminate Ineffective, Reactive &/or Ad Hoc Pricing.
- Create processes to ensure compliance with sales, pricing – who is easier for your salesperson to negotiate with? Is it you or the customer?
- Consider commissions based on gross margins not revenue.
- Make Margin to Volume Ratio a KPI – Determine pricing Elasticity – gas and brake.

Make expense management a profit center

- Complete with budgets, goals, accountability, metrics and processes Shift the attitude.
- Determine who is in charge and how you will define success and how you are going to measure it.

Create a shopping calendar

Every time you set up a vendor or an expense item, identify and diary – use outlook, QuickBooks, your wall calendar, QuickBooks, your wall calendar, whatever – the date to check prices.

Bottom Line Up

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