Double your Profits in 6 months or less

30 ways to cut costs, increase sales, and dramatically improve your bottom line

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NAMM January 19, 2017
It’s all about Profit

- **profit**  Pronunciation [prof–it] : the monetary surplus left to a producer or employer after deducting wages, rent, cost of raw materials, etc.
- The reason we’re in business
# Sample Profit and Loss Statement

(A hypothetical example with hypothetical assumptions)

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
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<tbody>
<tr>
<td>Sales</td>
<td>1,500</td>
</tr>
<tr>
<td>Less : COGS</td>
<td>-750</td>
</tr>
<tr>
<td>Gross Profit</td>
<td>750</td>
</tr>
<tr>
<td>Less : Sales Expenses</td>
<td>200</td>
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<tr>
<td>Less : G&amp;A Expenses</td>
<td>450</td>
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<tr>
<td>Less : Other Expenses</td>
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<tr>
<td>Total Expenses</td>
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<td><strong>Net Profit</strong></td>
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Fifer’s 3 Steps to Doubling Profits

1. Creating a culture for profitability
2. Cutting costs
3. Increasing revenues
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Most employees are not motivated by profit. Why ???

- We don’t show them the profits!
- They don’t understand it and frankly we don’t teach them
- In their minds, what they do cannot possibly impact profit so their benchmark for success is happy customers – something they can see tangibly every day.
- They don’t know why it’s important
How to create culture for Profit

- Never be happy with the status quo
- Make your organization a meritocracy – very tough thing to do
- Measure performance by profit and only profit
Recognize differences between “Strategic” and “Non Strategic” costs and time

- **Costs**
  - **Strategic**: costs that drive revenue and the bottom line: good salespeople, advertising that works, etc
  - **Non Strategic**: All other costs, those that are needed to run the processes
  - **Rule**:
    - Outspend your competition in strategic costs, in good times and especially in bad
    - Ruthlessly cut all non strategic costs to the bone
Recognize differences between “Strategic” and “Non Strategic” costs and time

- **Time**
  - **Strategic**: time that is spent producing profit
  - **Non Strategic**: that which is busy and succumbs to the requirements of processes but does not add to the bottom line
  - **Rule**: make it painfully clear that the former is recognized and appreciated and the latter is frowned upon
Prioritize Your Time and Staff Time

- **First tasks of day** – those that produce profits (increase revenues, cut costs)
- **Second tasks** – those that are necessary to maintain existing business or existing profit
- **Third** – those that add no value to the bottom line
- This order, by the way is the exact opposite of normal human tendency
Create sense of Urgency

- Complete the most important things with the most urgency
- Impose tight, almost unrealistic deadlines on these projects
Don’t Over Delegate, don’t Under Delegate

- As the leader make the most important decisions, those that most directly enhance the profit, yourself
- Delegate all the process decisions to others
- Successful managers do 1% of the work but add 50% of the value through proper delegation
Final Step

- Implement, implement, implement, reinforce, review, implement, implement and turn that culture into action
Step 2 – Cut Costs

- Every cost is up for grabs – **look at costs as necessary evils**
  - Try to eliminate every cost possible
  - Ask “how much would revenue drop if we eliminated this cost?”

- Cut costs first, ask questions later – you can almost always add back later

- No cost if too small to cut – give the impression that you’re concerned with even the $10 and the larger ones will seem more important
Start with your product suppliers
- It’s probably the biggest expense you have
- If its 50% of your total expenditures and you can save 5% that could add around 2.5% OF SALES to your bottom line

Service Suppliers – Go to bid, frequently
- Look at your top 50+ service providers and summarize your expenditures
- Let them know that any announcement of a price increase will trigger an automatic serious competitive bid
Select Cost-cutting efforts

- Cut the USE of goods and services
  - Coffee Service
  - Office supplies
  - Monitor who has authority to call the computer guy
  - Trash pickup – decrease the pickup frequency?
  - Filters in HVAC – cut utility costs
  - Travel – killer!
    - Never Fly First Class
    - Consider alternatives for meetings (GotoMeeting);
    - Make sure the person booking knows the travel tricks
Make them ask the boss – for an item that is not budgeted for (ie furniture, new staff, non recurring) make them ask you – they won’t want to do that.
Checks

- Sign every check yourself
  - Don’t REALLY sign every check yourself; meet with the A/P person at your company 2x per month for 30 minutes and review the bills – you’ll be shocked at the number of hidden charges on these bills (freight charges, etc)
Personal Phone calls/email

- Clearly post your personal phone call / email policy
- Spot check phone records and find someone who’s violating the personal use policy and issue a stern memo
  - The 2% you catch will take care of the 98% that you don’t
  - Think of not only the cost of the call (which is the insignificant part) but the time if everyone did the same
Meetings

- Meeting rules

  - Make decisions with as few people in the room as possible. Never invite people just to be polite

  - Keep meetings very short

  - Never call a meeting to discuss, only call a meeting to decide
Office Space

- Have people share offices / computers
  - Try to match complimenting schedules so computers / offices are not sitting vacant
- Want to really get their attention?
  - If you’re the owner, get rid of your office!
Manage People

- Highest non-product expense on your P&L
- Keep human resources scarce – only hire when the manager SCREAMS

Setting salaries
- For people who have a direct impact on the bottom line, give them the potential to make far more than they could with a competitor
- For other employees, pay them more than other companies but not off the map
- Within both categories, create wide disparities based on performance and contribution to the bottom line
If you never fire an employee, you can’t have an excellent business

- *Never firing* promotes “coasting” of the good people
- Routine *minimal* firing makes bad people leave and your good people better, thereby raising the bar of your company
Balance Sheet items save too!

- **Capital Expenditures**
  - This doesn’t hit the Income Statement until the depreciation kicks in but it will indeed kick in!
  - Whether it hits the Income Statement right away or not, it’s still **real money**

- **Deplete Inventory**
  - Get inventory levels down to the point where 1) the cost to reorder starts to cost more than the cost to hold OR 2) you start losing sales
  - Getting inventory down reduces borrowing costs AND increases Return on investment
Last Step in cost cutting

- Do it all over again!
Step 3 – Increase Sales

- There are no such things as companies, only people
  - It’s not the companies we buy from, it’s the people within those companies who influence us to buy
  - Our customers buy from us because of not just what we stock and sell but how we serve their needs and play on their emotions and somewhat irrational decision making.
Fifer’s 5 Ingredients for closing a sale

1. You MUST show your competence
2. You must show you empathize with the customer
3. You must convince them that you’ll stand in front of a truck for them
4. Make yourself scarce
5. Use guilt to transform your personal interest in him into his personal obligation to you
Strategies for increasing sales

- Marketing
  - Outspend your competition in good times and in bad

- Invest in your sales force
  - Make sure they are doing what they do best – SELLING
Questions?
Now go Double Your Profits!
Thank You!