

NO LIMITS

NO LIMITS

NO LIMITS

20 FPDA / ISD JOINT
19 INDUSTRY SUMMIT



Strategies for Increasing Gross Margins

Joseph C. Eilers

Palmetto Associates



Strategies

- Target Markets/Accounts/Prospects
- Focus Products
- Clarity on "good" orders
- Commission programs
- Company Policies
- Cost reduction

Target M/A/P (Markets, Accounts, Prospects)

- Some customers value your products and service levels more than others.
- What kinds of organizations tend to give you the best margins?
- How many similar organizations are on the TA/P?

Focus Products

- Look at the average profitability of your lines/products. What is the average profitability for the company?
- What products/lines are below average?
- What products/lines are above average?
- Is the sales team focused on selling (at least) some of these lines?

Clarity on "Good" Orders

- If we were to survey your team and ask them the definition of a good order, is gross margin percentage part of the answer?
- Sometimes, its as simple as telling them. ..

Commission programs

- Does your commission program differentiate between good and not so good margins?
- Salesperson A does \$1 million @ 25% GM (\$250,000) x 10% = \$25,000
- Salesperson B does \$1 million @ 22% GM (\$220,000) x 10% = \$22,000
or
- Salesperson B does \$1 million @ 22% GM (\$220,000) x 5% = \$11,000
- One of those programs rewards good margin. ..

Company Policies

- Free Shipping
- Minimum Orders
- Bundle vs stick prices
- Not everyone should be treated the same. (Does not apply to good customers. ..)

Its an Option...

- Price increases, in excess of price increases to your company. ..
- Don't pass along 100% of better pricing. ..

Cost Reduction

- How can you work with your customers to reduce your cost to serve and their costs?
- Sometimes it's a quantity upsell
- Sometimes it's a quality upsell
- Some times, it's a companion order. ..
- What are you trying to do?

What is your plan to improve margins

- They will always erode unless you do something about them. ..

For more information

- joeellers@aol.com
- 864 506-0513