

Five Things to Boost Profits Overnight

As a consultant I usually ask potential clients how their businesses are doing financially.

Most of the time the answer I get is about their sales volume. While recognizing that is important, what I want to know is more specific which requires the follow up question,



“that’s great, but how are your profits?” It is rare that I hear them described as “fantastic”, more common to hear “we’re doing okay” and occasionally I hear “not that great.” So the natural next question is why? What are you doing about improving profits? Those answers do not pop out quickly and more times than not the perception is that increasing profits is a slow and difficult task. Maybe for some but it doesn’t have to be. This article is the first in a series about five ways to boost your profits overnight. There is no magic, however some would say just a blinding glimpse of the obvious. You’ll have to be the judge. Here are the five things I propose.

1. Raise Your Prices
2. Reduce Your Cost of Sales
3. Change Your Product Mix
4. Increase Sales Quotas
5. Eliminate Crappy Customers

This article will focus on my favorite, raising prices.



Nothing to fear but fear itself

When FDR spoke those famous words he had no idea they would apply to garage door dealers! Why are dealers reluctant to raise prices? Basic fear I suppose. Fear of rejection, fear of failure, fear of

competition and the biggest of all, fear of the unknown. “What will happen if I raise my prices?” Well that depends on how your organization markets its products. If you are value driven, selling the increase is not difficult. If you are low price driven, you will more likely face an uphill battle.

Either way, as the owner you hold the gear shift in your hand. You can remain in lower gears, idle in neutral or shift into the next gear up. You choose, but understand that the single easiest, fastest way to increase your profits is to raise your prices. It can happen on the spot and does not cost you a thing. If successful, the benefit to your bottom line is immediate. You’ve worked hard to build your brand, and it has value, do not be afraid to charge accordingly.



Market price

What is the market price for garage door products in your area? Sure you can compare the big box stores easy enough but gathering market information about other area door dealers gets a bit more complicated. Yes, you can spend time shopping your competitors but in the end what really matters? Your price. That’s it. Market price should be where you want it to be relative to the product’s value and the profit you need to make. Of course you need a baseline of knowledge to determine the product’s relative retail value



which you can probably get from the manufacturer. Some products will yield higher margins than others. But rather than focusing on your competition’s selling price, spend time building value in yours. The market you are active in will let you know what prices will be acceptable depending on the value you offer. Do not be afraid to set an all time high price point, just be able to sell it. If you are the best garage door dealer in town, translate that into why your higher price is worth it.

Determine a minimum gross margin for each of the products and services you sell and stick to them. Publishing

a price list for your employees to use, so that they are all on the same page, is essential. For instance, carriage style doors and belt drive GDO's will more likely warrant a better gross margin than pan type garage doors and chain drive GDO's. The margin for each product should reflect its perceived value in the marketplace. Use that as your guide when establishing your price points rather than hearsay about your competitors' price.



Service, parts and maintenance

It is no secret that the service area of our industry (and many others) is where the best profit margin is found. It is also the most expensive to support as it is so labor intensive. The good news is that it is by far the easiest of all product segments in which to raise prices.

Let's start with your service rates. The cost associated with labor is one of the largest on your balance sheet. If you have top notch techs, that get the job done right the first time, you have to reward them accordingly. Your service rates are no different. Most customers will understand that paying you more per hour to perform service correctly and efficiently is more cost effective than purchasing from your competition that may offer a cheaper rate but takes multiple trips to complete the job. By paying you more up front they actually save money. So don't apologize, if you have the best service, charge for it. Your techs and other employees deserve it.

Parts sales are another often overlooked profit center. With the click of a button on a computer program you can raise prices on your parts inventory instantly. Your suppliers have no compunction about raising your cost prices so passing this along is what you must do in order to preserve and improve your profit margins. The key to this again is

consistency. As with your other products, maintaining a published parts price list for your employees is extremely important. With all of the electronic gadgets we have at our disposal now, the list can be maintained in real time. One tap, one swipe and presto! You are looking at the latest parts price list. Like new doors and openers, parts segments gross margins will vary depending on the cost and usage. You should clearly define the margin by category and stick to your guns. Of course offering volume discounts is an option but as a rule parts and service should be sold at the retail price point. Another thing to remember that will help you justify raising your parts prices is the carrying cost of maintaining a parts inventory. Parts sitting on a shelf cost you every day they sit there. You had to pay to get them there, unload them, store them, reload them and get them to the jobsite. If you finance your working capital you probably are paying bank interest. So factor these things into your equation when determining your parts pricing.

Charge for Equipment

Do you charge for the use of your equipment when providing repair service? If yes, good for you. If no, why not? Here's an easy way to make this connection. If your customer was repairing their own 20 X 14 rolling steel door and had to remove the barrel, chances are they would have to rent a forklift to do this. They would also have to pay for the labor for to get the job done. So why not pay you accordingly? Examples of equipment charges are scissor lifts, forklifts, welding service, cutting torch use, and scaffolding just to name a few. Charges can be configured by the hour or by the day and will vary depending on the cost of the equipment. While you may already own this equipment the cost of ownership continues with depreciation and maintenance. Charging a fee for its use will help defray these ongoing costs while at the same time boosting your service sales profits.

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Value Added Considerations

What else is your customer buying when choosing your company? In other words, what other value does your company bring to the customer? Perhaps you offer an attractive extended labor warranty. Maybe you have IDEA Certified techs and your company is nationally accredited. If you offer real live after hours service that is a huge value added benefit that supports both new products and repair work. It is worth something to the customer when they know that when they call of emergency service at night or on weekends that they will talk to a human being that will quickly dispatch someone to solve their problem. Another huge value to customers is a money back guarantee. If you are the best at what you do and offer only top quality products and service this should be an easy thing to add to your arsenal of reasons to buy from your company. I am sure you can think of other value your company brings to the table. Qualify them, quantify them and consider these when reviewing your selling prices. The cost of the product is only half of the value of your quoted price to customers. The other half is the value brought by your company. Sell it.



So, what's it going to be? If you are not satisfied with the profit your business is making you can start the process of improving it today by raising your prices. Sure it is a challenge. What in business isn't? But when done effectively periodic price increases, especially when your cost prices rise, is imperative to a healthy bottom line. Your prices are not dictated from manufacturers, competition or even customers. Only you and the market get to agree on this and decide what your company should charge. Think about it. All of the professionals you deal with regularly raise their prices without asking for your opinion or permission. Your bank, your doctor, lawyer, insurance company, auto repair shop, grocery store and on and on. So why not you? You too are a professional and deserve to get paid accordingly. Yes it's true, you will get some resistance from customers and maybe your sales staff but the benefit outweighs the challenge of raising your prices and making them stick.



In the next issue we'll examine improving your profit by reducing your cost of sales. Until then, remember that you are in business to make money. Profit is the life blood of any business and cash is king. Be bold, be aggressive and don't be afraid to be the price leader in your market.



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