

RACING TO THE BOTTOM

It's incredibly tempting to engage in a race to the bottom. We can extort workers to show up and work harder for less in order to underbid a competitor. We can take advantage of less sophisticated customers and trick them into buying items for short-term satisfaction and long-term pain. There's always the opportunity to cut a corner, sacrifice integrity and quality and suck it up as we struggle through this lean period.

This might bring more cash-flow for now, but not for long and not without dire consequences down the track. Someone will always find a way to be cheaper or more brutal than you.

The race to the top makes more sense to me. The race to the top is focused on marketing, design, respect, dignity, guts, innovation, sustainability and client-centric generosity, making for a much more positive process. Best of all, the race to the top is the long-term path with the desirable profit outcome.

Your margins give you lifestyle and options so a few percent in gross margin could mean plenty on your bottom line. For example – if you're turning over \$2 million and you move from a 15% to a 20% gross margin, that's around a 50% (or more) increase in your net profit. So how do you go from 15% to 20% you ask?

Here are five ways:

- 1) Design a marketing system that allows you to put 1% on your pricing.
- 2) Identify your biggest inefficiencies on jobs to save 1%
- 3) Shop around and shave 1% on your materials and subbies
- 4) Target higher margin jobs for another 1% increase ie. jobs with higher labour or carpentry content.
- 5) Shave 1% of your running costs

This all takes a little time and analysis but it's well worth the additional bottom line result.

If someone selling a flat-screen TV can give you options and deliver value to the extent that you're prepared to pay more (ie. extended warranty or free delivery), you should be able to do a hell of a lot better on a new home or renovation.

Don't settle for lower margins because that's what everyone else is doing. The big problem with the race to the bottom is that you might win.

For professional assistance with your website and marketing activities, contact Acclaimed Results [here](#).