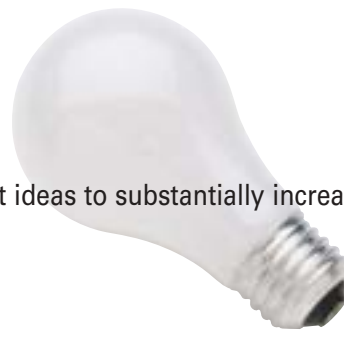


Profit Enhancement *Report*

Great ideas to substantially increase profits.



August/September 2003



In this issue

Pens and Paperclips
And Staplers, Oh My!

Control Office Supply Costs
With a Few Simple Rules

Negotiating Customers'
Changing Expectations

Where Are the Champions?
Discover and Nurture Your Star Employees

Playing Hide-and-Go-Seek
With Profits

Pens and Paperclips And Staplers, Oh My!

Control Office Supply Costs With a Few Simple Rules

Office supplies may seem like inconsequential items, but their costs can quickly add up. The sheer number of items and multiple supply sources make their cost difficult to analyze. To get a handle on what your company is spending on these necessities, you need to scrutinize your purchasing and inventory procedures.

Scour Purchasing Reports

How well a company reins in spending on its office supplies largely depends on its purchasing procedures. For example, if employees are free to order whatever supplies they want whenever they want without

management approval, office supply costs could easily soar out of control. To keep a lid on these expenditures, consider these purchasing rules:

Ask your vendors for management reports. These documents list your purchases for a given period (monthly, quarterly or annually) and rank them on a scale in terms of dollars spent. Combing through these rankings quickly shows you what the company spends on office supplies.

Concentrate your analysis on high-volume items. If you spend \$10,000 per month in supplies, chances are 20% of those items will represent \$8,000, or 80% of the cost. Focus your analysis on the top 20% of items ordered and determine where you can cut costs.

Consolidate purchasing. After determining which items your company orders the most of, look for ways to combine similar items. This may allow you to consolidate some purchasing and take advantage of bulk discounts. For example, if you're spending \$3,000 per month on five sizes of envelopes, you may be able to eliminate two sizes and increase the volume you purchase of the remaining three and, thus, lower your price.

Use supplier's brand names. Many office suppliers offer their own brand of pens, legal pads and folders, among other items, at significant savings. Determine whether you



really need brand name products, and if not, use the supplier's brand.

Once you've determined your business's monthly or yearly office supply needs, approach multiple vendors with those statistics and inquire what across-the-board discounts they may be willing to offer.

Institute Stricter Inventory Control

After reviewing and revising your purchasing procedures, implement tighter office supply inventory control. To guard against employees who hoard supplies, consider these rules:

Inform employees of the office supply policy.

Make a requisition list available to all employees and institute a policy that restricts orders from that list by requiring management approval. Any nonstandard items should require separate sign-off.

Gather unused office supplies from empty offices. In a busy office environment, supplies often end up in the most unlikely areas. Every few months, take time to search empty offices — you may be surprised by what you find.

Keep the supply cabinet locked. When employees need normal supplies like pens, legal pads or staples, they should be able to go to a central location with a requisition, but keep it locked. Most employees will realize this isn't a trust issue, just good business.

Ultimately, it's best to keep the supply room stocked. Use the supplier's management report to accurately forecast monthly needs. If basic supplies are always on hand when employees need them, workers will be less likely to hoard them.



In a busy office environment, supplies often end up in the most unlikely areas.

Reduce the Red Ink

In today's shaky economic times, employers are looking at all facets of their companies to cut costs. One oft-overlooked area is office supplies. But by working with your vendor, forecasting needs and implementing a tight inventory control system, you can realize significant savings on these mundane yet vital items. If you need help establishing an inventory and requisition system to help control your office supply costs, please give our profit advisors a call. We'd be pleased to help. ■

Negotiating Customers' Changing Expectations

Knowing what your customers want before they ask can be a challenge, but it's a must in today's competitive business environment. Experts suggest capturing a new customer costs five to seven times as much as keeping an existing one. Therefore, you need to understand your existing customers' expectations and proactively address those needs.

Judge Perceptions

Customer expectations can shift easily, constantly changing in shape and direction. While you can't always anticipate what's on a customer's mind, you *can* determine customer satisfaction by using two factors: their expectations and your performance in meeting them. Changes in customer satisfaction levels can alter either their demands or your performance. Thus, pay attention to both.

The difficult part comes when your performance perception differs from your customers' perceptions. These discrepancies are not unusual. You might think you're going above and beyond the call, but if a customer views you as unresponsive, you have to prove you're not. The reverse also can be true: If you really are neglectful, but customers perceive that you deliver superior service, then you do. The point is, customer satisfaction is driven by their perceptions, not yours.

Set Internal Measures First

Ensuring customer satisfaction and managing expectations is an ongoing process — as much an internal marketing matter as an external one. Fostering an internal culture of constant incremental improvement can boost the level of client satisfaction.



Set and achieve internal quality service measures before promising external ones to customers. You must establish system processes where customer needs prevail over serving the organization's internal needs.

Influence Customer Expectations

Here are a few ways to manage customer relationships and expectations:

Establish trust. People are most influenced by those they trust, and trust needs to be earned. Earn a company's trust by consistently meeting and exceeding their needs.

Explain operations. The more your customers know, the better they understand your work and the impact of their expectations in shaping products and services they receive.

Provide multiple solutions. Demonstrate partnership by showing customers less expensive solutions for achieving the same or better results. In addition, suggest other ways to use your product or service to give it a more utilitarian purpose.

Don't push for a sale. Allow customers to experience a product's or service's advantages before attempting to sell it to them.

Make things right. When a customer lodges a complaint, it's generally best to do

whatever possible to satisfy him or her.

Watch out for and respond to satisfaction shifts. If your customers' satisfaction level changes, quickly determine what affected their expectations.

STRIKE A BALANCE BETWEEN PRODUCT AND PROCESS

Your customers expect high-quality products and processes. What's the difference? The product can be a solution, system, your response or resolution, or the deliverable. Whatever form it takes, customers want the product to work, to address their needs and to be of high quality. This is the technical component of service. Without it, you're likely to have unhappy customers or, worse yet, no customers.

Having an excellent product or service alone may not keep customers coming back unless you also pay attention to the process. It refers to how customers feel they've been treated. This is the human component of service and is exceedingly important in achieving high levels of customer satisfaction. In almost all cases, the process is more important than the product.

Fostering an internal culture of constant incremental improvement can boost the level of client satisfaction.

Keep 'em Happy

As the business world becomes more global in reach, retaining and satisfying customers is crucial. When you meet your customers' expectations, their overall satisfaction level stays high and they're more inclined to continue choosing your products and services. A satisfied customer can be your best promoter: and studies show he or she will recommend your company to at least four other people, while an unhappy customer will likely tell even more people about your deficiencies. Give us a call to learn more on keeping customer satisfaction levels on the rise. ■

Where Are the Champions?

Discover and Nurture Your Star Employees

Finding and keeping champion employees can be a make-or-break proposition for a successful business. In fact, only 10% to 15% of all employees will outperform their peers with the competencies and values of a champion. These employees use their skills and knowledge to achieve superior performance through problem solving, communication and leadership.



9 Champion Attributes

For lasting business success and healthy profits, you need to realize superior performance from all of your employees — the key is finding and nurturing the star performers among them. But what are the attributes of a champion? Here are nine of them:

1. Initiative. Looking for and seizing opportunities for the good of the company, champions:

- Seek out responsibility above and beyond their job descriptions,
- Undertake extra efforts for the benefit of co-workers,

- Stick tenaciously to an idea or project and follow it through, and
- Willingly assume some personal risk in taking on new responsibilities.

2. Networking. Champions develop relationships with experts who can help complete critical projects.

3. Credibility. Keeping an open mind on all aspects of their work, champions often seek colleagues' opinions.

4. Teamwork. Champions contribute to, rather than compete with, their colleagues to earn respect and trust.

5. Organizational savvy. To promote cooperation, address conflict and complete projects, champions effectively manage competing interests in an organization.

6. Communication. Champions can communicate a message to a targeted audience, persuade listeners to accept the message and effectively deflect unconstructive criticism.

7. Service. The most direct, essential and value-added route from the employee to the customer is the critical path. Champions seek this path as they determine how their efforts can affect costs, revenues and the company's overall profitability.

8. Leadership. Champions are generally natural leaders because they earn credibility and loyalty through the examples they set.

9. Productivity. Average performers often get confused between the effort they're making and results they're achieving. Champions, on the other hand, ask themselves the following to gauge their productivity:

- Do I consistently identify issues before they become problems?
- Do I always complete work on time and with high quality?

- Do I add value to my colleagues and the critical path leading to my organization's goals and profitability?
- Do I satisfy both my external and internal customers?
- Do I succeed at building bridges and applying company resources to customers' problems?
- Do I keep people informed about work progress and how it might impact others?

Supernovas Ahead?

Employees within your organization have innovative and unique ideas outside the realm of their normal responsibilities — it's up to you to identify those employees and groom them to be tomorrow's supernovas. Yet boosting the productivity of your entire team, and not depending on one or two champions, is the key to consistent success and a profitable business. Please call us for additional management ideas. ■

Playing Hide-and-Go-Seek With Profits

You've put a freeze on hiring and wages, reduced inventory to a bare-bones minimum, and locked the office supplies cabinet (see "Pens and Paperclips and Staplers, Oh My!" on page 2), but costs remain too high. It's time to look deeper into your business for potential hidden profits.

Travel

- Reduce or eliminate first class or business-class travel and split the savings with employees who offer to downgrade to coach,
- Require travelers to fill the gas tank before returning rental cars — fuel prices on rental lots are often significantly higher than at a local gas station, and
- Use travel Web sites such as Orbitz or Priceline, instead of travel agents, to cut average airline ticket prices by at least 20%.

Operations

- Review cell phone and pager use and determine whether you're reimbursing expenses without any discernible payback,
- Sublet unused office space by marketing to startups and self-employed professionals,
- Refinish old office furniture rather than buying new, and
- Turn off lights, computers and air conditioners when the office will be closed for a day or more.

Marketing

- Buy ad space after a publication's deadline because newspapers and radio stations often sell remaining ad space at substantial discounts, and
- Cut down on tough-to-measure marketing costs such as general branding, trade shows and banner ads.

Found Ya!

These are just some of the areas that might reveal hidden profits. You can look easily, without reducing your company's ability to increase sales or service clients — or by decreasing staff size. For help finding additional cost-laden areas, please give one of our profit advisors a call today.