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20 FPDA / ISD JOINT
19 INDUSTRY SUMMIT
Strategies for Increasing Gross Margins

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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

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