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Financial Solutions of New England

JMR Widget Company

- Profitability Issues
- Profitability Improvements

Profitability Issues

□ Revenue

- Average price / widget is below the industry average
- When was the last price increase
- Sales / employee is significantly below the industry average
 - Too many staff / price per unit is too low

□ Salary and Benefits

- Too many employees and/or
- Salary and benefits are too high

□ Occupancy

- Too high compared to industry average
- Indicative of overstaffing

Profitability Issues (Cont'd.)

☐ Raw Materials

- Spending significantly less than industry average
- Perhaps worth spending more to produce a better product that can command a higher price

☐ Overhead

- Below industry average
- Additional spend on automation
- When was the production process last reviewed?

Profitability Improvements

❑ **Fixes will take time – cannot be done “overnight”**

❑ **Short – Term**

- Implement a 5 percent price increase for Widget 1 and 2 percent price increase for Widget 2
- Improve the quality of Widget 1 by using better raw materials. Make the product justify its price increase
- Hire independent expert to review production process
 - Consider process automation where it would be beneficial and cost justified
 - Begin to increase output of all product lines

Profitability Improvements (Cont'd.)

□ Longer Term

- Develop 5 year plan that will result in a P+L that meets or exceeds industry standards in as many areas as possible
- After the production process review is complete, examine if / where headcount efficiencies may be taken.
- Through automation and other efficiencies, make it a goal to eliminate overtime to reduce Compensation expenses
- Increase production output annually by 5 percent