Boosting Sales Profit in a Down Economy

By Murray Derraugh

With every phase of the economy, there are positives and negatives. The seasoned sales professional and sales manager look for the silver lining and consider the negatives as challenges to be overturned into opportunities. Today credit is tighter and cost of money is up, and consequently there is not a better time to shore up the profit side of the equation.

What can be done and where are those pockets of opportunity? As much as managers and sales professionals are looking for the magic bullet, there isn't one and there never has been one. What this article highlights is one of a series of tactics that can be employed to focus on the bottom-line, which will translate into higher commissions.

Resetting Goals

Of all of the disciplines in a company, nowhere are goals more important than in sales. Without proper goal setting the sales professional does not have a target to strive for and to focus their efforts. Today many leasing companies are faced with increased cost of funds, tighter credit parameters, and limited or shrinking capital to lend. This is the time to reset goals for the bottom-line or profit number. If the sales volume number is going to stay relatively flat and we want to ensure we are making as much or more money than in previous years, then we must focus on increasing margins.

For the sales manager, this means sitting with the sales team and setting new profit goals and ensuring that the compensation plan rewards that behaviour. And of course it is always a great idea to have two levels of sales goals, the take to the board goals, and the stretch goals.

The Opportunity

This sounds initially like a negative but in fact it is a tremendous opportunity. This is like cleaning out that closet that is poorly organized and filled with worn-out items. Review all of your vendor or dealer accounts and decide which ones you can no longer do business with, or at least will no longer spend time servicing. This will free up precious sales time to focus on profitable business.

The Problem

This is always the most controversial tactic with sales professionals, having them face reality that some of their accounts have to be cut off, or at least less time spent on them. Here is the challenge, in good times business flows in and sales volumes are such that the profit margin becomes secondary. The leasing company has a seemingly endless supply of money and everyone is making a good living. The problem with that thinking is that we are not doing a good job of qualifying our prospects and ensuring we are selling at the right price. When vendors or dealers have numerous options to fund their client's leases, we are more reluctant to push for the right pricing. We tend to settle for shaving margin to get the vendor or dealers business.

The Solution

In a down economy, the vendor and the lessee have less choice. In order for your company to stay in business you need a certain margin and should not be writing deals below that margin. So the exercise is this. Review each vendor relationship and ask yourself the following questions:

- What is the approval percentage of this vendor?
- What is the closing percentage of approved business to funded leases?
- What is the average margin for this vendor?
- What is the time commitment and true cost of servicing this vendor?
- Is this vendor relationship in good alignment with the company's credit appetite and profit targets?

Once you have those answers, determine what your averages are for each of these components and ask yourself one final question before proceeding, "Will this average get me to my new profit margin target?" If the answer is yes, then compare each vendor to your average vendor. Which vendors are above the line and which ones are below? Of the ones that are below, can the approval percentage be increased, can the closing percentage be increased and can the profit margin be increased to at least the average within a 90-day period? Balance that off with the time and cost required to service that vendor.

This all sounds straightforward and simple to implement, however the real challenge is executing the plan. This takes commitment from the sales force and must be enforced by senior management and executed by the sales manager. Shutting off resources to an active account is not easy but necessary. The sales manager must be diligent and ensure that only accounts meeting and exceeding the profit targets remain.

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