

Product Sales Strategies

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We just bought another company – which is great, because it means we'll be expanding. My question is this: how do I decide how much to go after sales of the new products, vs. continuing to drive sales with our existing products, which still have a lot of potential.

Great to see that you're focused on growing your company! Getting the right mix of sales can be tricky, because it all depends on what you define as "right mix". Figuring out where you want to be 1 year, and 5 years from now, related to the above terms, will help you set your goals.

Your first reaction may be, I don't know where I want to be in 1 year, that's why I'm asking for input. Fair enough. Take yourself through a list of questions:

- Why did I buy this new company?
- What will happen if I don't get enough / any sales of one product, and not another?
- How much more can I grow before I need to add to my programming staff?
- How many leads are rolling in right now – is that enough to grow sales, or do I need more leads, in which case I probably need to spend more on marketing.

That list of questions may help you get clearer about what you want, or need to do, to help your company grow.

Now it's time to fire up excel on your computer, and start running some numbers. If you don't know how to use excel very well, look for a course in your local community. BOCES, in New York, is a wonderful source of education, or you can try continuing education programs in most towns. You'll be amazed at what you can learn about excel from a 2-3 day course.

In terms of running some numbers, start with the basics. Across the top, have columns for each product line. Down the left hand margin, start with rows for Revenue, with sub categories for license fees, service fees, travel reimbursement. At the end of the list, have a summary row for Total Revenue.

Next make rows for Cost of Goods Sold. Include COGS sub-categories such as service labor, installation labor, any software costs or per-system royalties you might have to pay, travel, sales commissions, and parts. Deduct Cost of Goods sold from Income, and you have Gross Profit.

Gross Profit is a major factor in any decisions you make. It's the money you have left to use to run the core of your company, put money in the bank, and pay bonuses to yourself and others who deserve a reward for going above and beyond. Before putting money in the bank and paying bonuses, of course, you have to cover your overhead costs.

Back to the spreadsheet. Make rows for Overhead Costs, which include rent, telephone, lights, cleaning services, water cooler, your salary as owner, etc. Sum up all Overhead Costs. Next, make rows for Marketing costs. Include sub-categories for advertising, Public Relations, Internet, Website, Sales Salaries, etc. Total up Marketing.

Here's where it gets tricky. As you go across the columns, you're going to have to decide how to allocate Overhead and Marketing by product column. You can split Overhead and Marketing costs equally, divide them in relation to projected revenue, or divide them based on the number of units you expect to sell for each product. Three different approaches will get you three different outcomes. You may want to try all three, just to see the difference.

Subtract Overhead and Marketing expenses from Gross Profit, and you get Net Profit. This is what you have left over to put into savings, pay bonuses, etc. If this isn't a healthy amount of money, you're going to have to go back up, and make changes.

If one product line is healthy and another one isn't, you have a few choices. You can increase volume of sales of that product or increase the price of the product. You can decrease the amount of overhead and marketing costs allocated to that product (in which



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case other products will have to pick up the load and become less profitable).

Whatever you do, focus on the bottom line outcome, and having enough Net Profit to put money into savings. Savings demonstrates that your company is indeed profitable, as well as protecting your company in the future. It is a cornerstone to a well managed company.

Looking for a good book? Try *The Strategy and Tactics of Pricing: A Guide to Growing More Profitably*, by Thomas T. Nagle.

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