

Our Handbook for Business, the Bible

The harvest

Some years ago, I was asked to review the operations of a struggling landscaping business. Their sales were booming but profits were tanking.

The owners wanted to know why and if the problem, once identified, could be fixed...

...which led to my 1st Q: *'Where do you make your best money?'*

Their response was typical, *"not sure; we meet with potential clients, turn their ideas into a 3D design and once accepted, our team does the job."*

After drilling down into their figures two things became evident:

1. They were barely breaking even on the construction side and making all the profit on design & consulting
2. Operating expenses were growing faster than gross profit.

To their credit, the owners made a strategic decision, to get out of construction and focus on design, meaning domestic customers could take the design to any construction company.

Plus, there was a bonus: design work came in from other landscapers, keen to tap into the 3D program, because they were no longer competitors!

And you guessed it...the new business model boomed!

My counsel for business owners

First, stop attempting to be everything-to-everyone in the marketplace because it generates too many profitless sales.

Second, analyze your sales database to find out which customers and products give the best contribution to profit, the classic 80-20 analysis; then...

...Identify a premium niche, offering them premium value that generates premium GP; and attract more into this group through targeted marketing.

Third, via the P/L, monitor your operating expenses, especially wages, to ensure these aren't growing at a faster rate than gross profit.

The Bible, our Handbook counsel: the Haggai 1:6 principle (God's Word Translation)...

"You planted a lot, but you harvested little. You eat, but you're never full. You drink, but you're still thirsty. You wear clothing, but you never have enough to keep you warm. You spend money as fast as you earn it"

Other Scriptures (NKJV):

Deuteronomy 28:38, *"You shall carry much seed out to the field but gather little in, for the locust shall consume it"*

Hosea 8:7, *"They sow the wind...reap the whirlwind. The stalk has no bud; it shall never produce meal..."*

Haggai 1:9, *"You looked for much, but indeed it came to little"*

Proverbs 3:9, *"Honor the LORD with your possessions, and with the first fruits of all your increase"*