

Revenue & Cost Optimization for Better Profitability (Dr Kanak Madrecha) (3-6-2020)

Revenue Optimization: Excellent Organizations always give priority on below revenue optimization than cost optimization. In the language of sales & finance, top line is more important. Also cake size has to be bigger for all other stakeholders to share. Increasing revenue & controlling costs will improve profitability in all cases.

Sl. No.	Revenue/ Cost Area	Industry Sector	Recommendations
1.	Increase business volume from existing customers	Retail	Cross selling for existing customers (same foot fall in the stores)
2.		Retail	Offer interest free instalments to retail customers
3.		Education	Sell "Online Courses" along with "Classroom Based Courses"
4.		Electronics	Introduce new products for existing customers
5.		Real Estate	Offer Loan to existing customers for selling more properties
6.		FMCG	Offer discounts to existing customers (groceries/supermarkets) but still cover variable costs & partial fixed overheads of trip to the Outlet
7.		Manufacturing & Distribution	
8.		Manufacturing	Backward integration for existing customers
9.		Construction	Offer assured construction period with penalties for delays
10.		All Industries	Expand Geographies for selling to the existing MNC customers
11.		Automobile	Sell service contracts along with sell of new vehicle
12.	Increase business volume by adding new customers	All Industries	Minimize loss of customers by having effective customer complaint system to ensure "rapid service recovery".
13.		Retail	Add new retail outlets/ geographies
14.		Healthcare	Expand from individual patients to corporate clients
15.	Increase unit selling price/ Tariffs/ Fees	Oil & Gas	Refine & Sell more value-added products to new customers (selling diesel/petrol/lubricants etc. instead of selling only crude)
16.		Electronics	Offer more value-added products by applying Value Engineering for which customers are ready to pay higher unit price
17.		Banking & Finance	Improve Customer Satisfaction by assuring "Better Customer Service Standards i.e. Turnaround Time (TAT)" for which customers are ready to pay higher price and in turn save their time/costs.
		E-Commerce	Offer 24x7 Delivery to customers at their locations at higher prices

Cost Optimization: Every organization has to work on optimization/reduction of following major costs:-

1.	Material Costs	All Industries	Negotiate better prices with vendors by changing order size, delivery period, payment terms
2.	Manpower Costs	All Industries	Conduct manpower productivity studies for depts contributing to 70% of total manpower costs in organization and improve productivity levels by cross training the employees to reduce costs. Break the silos and every employee must be able to do 3 functions.
3.	Machinery/ Equipment Costs	Manufacturing	Conduct Machinery/Equipment productivity, availability & utilization studies for depts contributing to 70% of total machinery costs in organization and improve machinery life & utilization levels to reduce equipment cost per unit of production
4.	Maintenance Costs	Manufacturing	Optimize Machinery/equipment availability & building maintenance costs by doing more preventive maintenance
5.	Space Costs	All Industries	Negotiate better factory/office /warehouse rents with landlords & reduce office space by adopting remote working.
6.	Interest Costs	All Industries	Negotiate better interest rates or payment terms with banks

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