

## 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.	<b>Increase business volume from existing customers</b>	<b>Retail</b>	Cross selling for existing customers (same foot fall in the stores)
2.		<b>Retail</b>	Offer interest free instalments to retail customers
3.		<b>Education</b>	Sell "Online Courses" along with "Classroom Based Courses"
4.		<b>Electronics</b>	Introduce new products for existing customers
5.		<b>Real Estate</b>	Offer Loan to existing customers for selling more properties
6.		<b>FMCG</b>	Offer discounts to existing customers (groceries/supermarkets) but still cover variable costs & partial fixed overheads of trip to the Outlet
7.		<b>Manufacturing &amp; Distribution</b>	
8.		<b>Manufacturing</b>	Backward integration for existing customers
9.		<b>Construction</b>	Offer assured construction period with penalties for delays
10.		<b>All Industries</b>	Expand Geographies for selling to the existing MNC customers
11.		<b>Automobile</b>	Sell service contracts along with sell of new vehicle
12.	<b>Increase business volume by adding new customers</b>	<b>All Industries</b>	Minimize loss of customers by having effective customer complaint system to ensure "rapid service recovery".
13.		<b>Retail</b>	Add new retail outlets/ geographies
14.		<b>Healthcare</b>	Expand from individual patients to corporate clients
15.	<b>Increase unit selling price/ Tariffs/ Fees</b>	<b>Oil &amp; Gas</b>	Refine & Sell more value-added products to new customers (selling diesel/petrol/lubricants etc. instead of selling only crude)
16.		<b>Electronics</b>	Offer more value-added products by applying Value Engineering for which customers are ready to pay higher unit price
17.		<b>Banking &amp; Finance</b>	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.
		<b>E-Commerce</b>	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.	<b>Material Costs</b>	<b>All Industries</b>	Negotiate better prices with vendors by changing order size, delivery period, payment terms
2.	<b>Manpower Costs</b>	<b>All Industries</b>	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.	<b>Machinery/ Equipment Costs</b>	<b>Manufacturing</b>	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.	<b>Maintenance Costs</b>	<b>Manufacturing</b>	Optimize Machinery/equipment availability & building maintenance costs by doing more preventive maintenance
5.	<b>Space Costs</b>	<b>All Industries</b>	Negotiate better factory/office /warehouse rents with landlords & reduce office space by adopting remote working.
6.	<b>Interest Costs</b>	<b>All Industries</b>	Negotiate better interest rates or payment terms with banks

**Dr Kanak Madrecha is a Management Consultant who consulted for 100+ large organizations across the globe to improve systems / productivity /service/ revenue/ costs/ profitability and win excellence awards.**

**Dr Kanak Madrecha & Assoc([Dr.Kanak.Madrecha@Gmail.Com](mailto:Dr.Kanak.Madrecha@Gmail.Com))(Dubai Mobile/WA: 0097150 658 3159)**