

MAKE YOUR COMPANY MORE VALUABLE

by

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Did you make any New Year's resolutions this year? One resolution you should make is to grow the value of your business this year. Here are six steps you can take to make your company more valuable.

1. Manage Your Customer List Better.

Your most valuable possession is not that shiny new truck sitting in the yard. It is your customer list. Are you taking good care of it?

First of all, your customer list should be computerized by now. With the low cost and simplicity of today's computers, there is no excuse for paper files and hand written entries. Get your customers on a computer this week.

If you do have a computerized list, start by making sure it is up to date and "clean." Take out any old or inactive customers and set them aside in a recovery file. Assign an office worker or temporary worker to call 10% of the list and confirm names, delivery addresses, billing addresses and telephone numbers. If you can, capture the customer's e-mail address, too.

If more than 5% of this segment of your list contains inaccurate or outdated information, you have a problem. Now you'll have to continue the process with the remaining 90% of the list to ensure that it is valid and usable.

Your customer list should contain more than just basic information. You should build a complete history on each customer, including starting date, purchase history, delivery trends, pricing history, problems and preferences. The more you know about each customer, the better you will be able to respond to them.

Now take your "dead" files and assign them to your best sales person as a "recovery" project. Have him call on former customers to win them back to your "new and improved" company. Try to address the specific concern that drove them away in the first place. You'll be surprised how many "lost" customers will come back to the fold.

2. Improve Your Delivery Efficiency.

If you are looking for ways to improve your company's efficiency, there is no better place to start than at the delivery. This is one of the most controllable parts of your operation, and reductions in delivery costs usually go straight to the bottom line.

To make your delivery system more efficient, break down and analyze each step in the process separately. From loading the trucks to dispatching to scheduling automatics, there are many ways to trim time and costs. If you are not already using a routing software program, put one in place. If you are constantly running all over town to answer will calls, work harder to convert them to automatics. If your insurance costs are too high, work with your agent on a risk management program. If a truck is constantly in need of service, balance the cost of lost time against the expense of a new truck.

Do it better and you'll make more money.

3. Build Up Service Profits.

Too many dealers are still giving away service in order to get a customer's oil business. This practice drags down the overall value of a company. If you are going to be a full service dealer, your service department should be a profit center.

Start by pricing your service contracts properly. Examine the real costs of all service calls over the past five years, then factor in the average number of calls made by each service contract customer. That will give you a good indication of the minimum rate you should be charging for a service contract. Don't be afraid to charge a premium for premium service. Customers see it as an insurance policy that will protect them against cold nights and freeze ups.

Non-contract service calls should also be priced right, and should command a higher rate than contract work. Night and weekend rates must be higher still, or else you'll be rousting your service technicians out of bed to go out and lose money for you.

4. Control Your Inventory.

Guard against "inventory creep," the phenomenon of "disappearing" inventory that occurs at year end, when physical inventory falls far short of a your on-the-books inventory. The discovery of inventory creep requires a significant write down in the company's annual financial statement, which results in a reduction in profits for that year. It is not unusual for a mid-sized oilheat company to see a loss of \$100,000 or more due to inventory creep.

One solution is to eliminate your inventory of parts and equipment (aside from emergency parts), buying it from distributors as you use it. No overhead, no creep. If you decide to keep a parts inventory, install a computerized tracking system and stringent inventory controls. The money saved by stopping inventory creep will help your bottom line.

5. Improve Customer Payments.

If you are carrying customers for more than 30-45 days, they are costing you money. It is easy to let a few old customers slide during the season, while others are taking up the slack by paying on time. But it is a disservice to your company and those good paying customers to let it get out of hand.

Take steps to reduce your accounts receivables. Put slow payers on a C.O.D. basis. Telemarket to those who have fallen behind. It is fine to work out a payment schedule, but make sure the customer sticks to it. You should also be offering to accept payment by credit card - the small percentage you'll give up in card fees will usually be more than offset by quicker payment.

6. Polish Your Image.

How your company is perceived by your customers and in your community is an important measure of its worth. Whether you are thinking about selling or not, you should be making an effort to be a good corporate citizen, and to present a professional image. Make sure your drivers and technicians are clean and neatly dressed. Wash your trucks regularly. Keep your yard and offices neat and welcoming. Promote your company's image through sponsorships and advertising. Whether they are customers or not, you want people to talk about you in good terms.

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