



### **“Analyzing Your Revenue Streams – Removing Nonproductive Products and Services”**

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Actually removing a particular product you have identified as unprofitable is often not a realistic option for various reasons. Sometimes you will want to do that, but another approach is to increase the price of the product such that it moves up into the profitable range.

First get a printout of your invoice register, sorted by profits margin (or some other indicator of profitability. Trust me this will not be as easy as it sounds) After you have a list of winners and losers, you will then identify all the business processes or sectors that are required to deliver these winners to the customer.

These processes and sectors—and those employees involved in them—are core to the business and you will retain them. Put these on your core list.

For all those products that fall into the loser category (this may be those that fall under a certain threshold line on your sorted “profitability report”), you can identify all the business processes or sectors that are involved in delivering these losers to the customer.

These processes and sectors—and those employees involved in them—are not core to the business and you will possibly cut them from your business. Put these on your non-core list.

Using a safety supply business for an example, suppose that you have determined that your most profitable items are safety glasses and your least profitable items are fire extinguishers. One of the reasons fire extinguishers are less profitable is because they require a service department technician to inspect and certify every extinguisher before it is delivered.

You have always just assumed the service department is a necessary



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function of the business because they give classes on customer sites and you have always believed this generates a lot of sales and a good rapport with the customers.

It is time to think seriously about cutting the entire service department and removing fire extinguishers. Although we have not yet discussed the profitable and non-profitable business sectors, you have possibly just discovered one while you were evaluating products.

As with everything, these two areas are interrelated and most of what you will be doing will be complicated in this way. But you have just identified that the service department is getting closer to the chopping block.