



### **“Analyzing Your Revenue Streams To Identify Winners and Losers”**

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If your company is facing bankruptcy, then you are going to have to restructure the business. If you mainly sell products (rather than services), in order to restructure correctly, you will need to identify profitable products and unprofitable products. This will allow you to stabilize your revenue streams.

You can start by printing a report that shows the sales by product line or something similar. You may have to instruct your database administrator to generate a custom report, but it is likely that a report already exists to show the information you are looking for.

You want to understand what your most profitable products are. You will promote the winners and cut the losers.

You can check with your sales managers to see if the report exists, or you may be aware of all the periodic reports that are available. In any case, you will be searching for the most profitable products.

Suppose you are a safety supply distribution company and you sell 20,000 different products. It is likely that each product will have an average cost stored with it. It is also likely that each product will be selling for different amounts across the company.

Even though it is not straightforward to determine the exact amount of profit each product generates, you should be able to take a time period, say a particular month or week, and generate a report that gives some indication—and a ranking—of the profitability of each product you sell.

You want to find the most profitable items in your product database, and remember, this is not an exact science given all the variables. You are



spending the time to identify the top of the list and the bottom of the list. Once you do that you can remove the losers.

This report could identify and sort those products with the highest gross profit or some other differentiating parameter. Once you have identified and prioritized all the products, take your top performers (many use 20% as a cutoff point) and list them separately. These you will promote.

You can then take your bottom performers and remove them from your database (or flag them as unavailable). What you are actually looking for is any business processes that are associated with these low-performing products, processes that you can delete. You might find that you have a department of people who specialize in these low performers. This department will be the first one cut.

In summary, analyze the revenue streams and cut all business processes associated with the losers.