

Profit Enhancement Workshop
CAM 2009 Annual Conference
Benchmarking 101: Your first step to profitability
Toronto, Ontario November 16, 2009



Profit Enhancement Workshop
Part 1
Introduction to MGI
Operations
Finance and Control

Workshop for CAM Annual Conference
November 16, 2009

Management Growth Institute, Inc.

MGI

MGI has worked with over 100 companies in the moving industry since 1989 bringing CEOs together in Profit Enhancement Groups (PEG). We have offered workshops to movers yearly at conferences like the CAM conference. PEGs are groups of 10 non-competing CEOs of moving companies who meet two times a year to review a member's business. MGI plans to launch a new PEG with CAM members in 2010. See our website for comments from current and past PEG members.



Kathi Barry Albertini

CEO of MGI and PEG director since 1996. Kathi brings her experience in other industries to the PEGs in moving and storage. She also directs PEGs in the information services management industry. Her areas of specialty are organizational development and technology integration. Kathi has published many PEG findings in moving and storage publications. Visit our web site for samples.



Dave Barry - retired

Chairman of MGI and originator of the PEG in moving and storage and other industries. He directed PEGs in the moving industry before his retirement. Dave has directed well over 100 PEG meetings all over the US and in Latin America. He wrote The Family Business Estate Planning Guide and many business articles with special emphasis on marketing.



Edward H. Pendergast

PEG Director and CPA. Ed brings a substantial accounting and financial background to the moving industry. He led a regional CPA firm in Boston for years, has served as faculty on many MGI seminars in and outside of the United States, and serves on the board of directors of one public and several private corporations outside the moving industry.

Comments from PEG members:

We are now into our 10th year as owners and we have made a number of significant changes in our business based on what I have seen in previous PEGs. And we now have a blue print for the future.

Pat DiJulio, Western Van and Storage after the PEG visited his company

Our business focus changed and the PEG group did a good job of altering direction to where we hope to be in a couple of years.

Carl Merrick, Reads Moving Systems

Everyone did an excellent job and gave guidance. Now they're knee deep in the process of reviewing and planning.

Eric Zybura, Royal Hawaiian

See more on our website - www.managementgrowth.com

Rate Your Operations

Are your employees' shortcomings your fault or their fault? PEG member observation (2002)

CATEGORY	RATING (5 terrific - 1 needs work)
Road Crews	
Clean	
Uniformed	
Reliable	
Productive	
Driving quality	
Equipment care	
Warehouse employees	
Clean	
Uniformed	
Reliable	
Productive	
Equipment care	
Safety	
Security	
Dispatching	
Supervision	
Turnover	
Productivity	
Claims	
Profitable jobs	
Equipment Maintenance	
Equipment Appearance	
Systems and hardware	
Workman's Comp rates	
Clear paperwork	
Compliant with local, state and federal regulations	
Drug testing	
Disaster Plan	
Facility - appearance and functionality	
Right employees in the right jobs	
Profit goals met	
TOTAL (maximum - 160)	

Great Northern Moving & Storage (GNMS)

Overview - 2008

<i>Revenue</i>	<i>\$3 million</i>
<i>Employees</i>	<i>32</i>
<i>Locations</i>	<i>1</i>
<i>Business background</i>	<i>FOB, 2nd generation</i>
<i>Operating labour (less sales) as a % of total operating revenue</i>	<i>60%</i>
<i>Local labor as a % of total local revenue</i>	<i>59%</i>
<i>Total damage claims as a % of total operating revenue</i>	<i>4%</i>
<i>Total repairs & maintenance as a % of total operating revenue</i>	<i>5%</i>
<i>Sales expenses as a % of total operating revenue</i>	<i>25%</i>
<i>Advertising expense as a % of revenue</i>	<i>2%</i>
<i>Profit as a % of revenue before taxes</i>	<i>.5%</i>

President - Frank
Operations manager - Marilyn
LD Dispatch - Vanna
UVL/accounting - Pam
Warehouse manager - Wally
Dispatcher - Dan
Senior sales person - Tony
Sales person - Doris

Great Northern Moving & Storage (GNMS)

Operations View

Marilyn started as operations manager at GNMS at the beginning of January. GNMS's president, Frank, wanted her to "whip the department into shape before the busy season." He introduced her to the employees. Vanna handles the five long distance drivers. Frank told Marilyn that Vanna was a little lazy, except when it came to driver advances. Though she assists them with paperwork, it is always late. Vanna nodded to Marilyn. Pam handles the communications with United and does some accounting. Pam couldn't get up because of back problems but she gave Marilyn a glance. Wally oversees the warehouse, Frank pointed at him as he drove the forklift away. Dan, the dispatcher, would work with her for the rest of the week before he retired. She would meet the crews the next morning. Then, Frank left on a two-week vacation.

Marilyn watched the crews arrive the next morning in jeans and dirty T-shirts advertising bands, the local brews and sports teams. She kept her notebook with her all week. Crews regularly arrived late, got lost on the way to the job, and lost equipment. Dan barely noticed the paperwork, never asked for equipment inventories and turned quickly from the crews to his computer. Pam waved a folder at Marilyn, "I can't put this in the United system without all the pieces!" she glared at Dan, "How does he think we get paid?" Dan didn't respond to Pam's question.

GNMS pays the crews on an hourly basis. Frank told her that he wanted GNMS to be "more profitable this year". Doing better than .5% didn't seem unachievable but he didn't define how much more was.

As the week ended, she wondered how she could "whip the department into shape."

Discussion Questions

- What information should Marilyn gather?
- What challenges should she anticipate?
- What data will drive the changes she must make and how can she communicate that to the relevant people? Who are the relevant people?

Rate Your Finance and Control

We never knew they were stealing from the company until they went on vacation!

PEG member explaining his financials to other members

CATEGORY	RATING (5 terrific - 1 needs work)
Organizational Support	
Support to Sales and Marketing	
Support to Operations	
Controls	
Budget prepared	
Budget followed	
Effective paperwork	
Bank relationships	
Leases	
Debt status	
Benefits agreements	
Credit card agreements	
Workman's comp policies	
Separation of money duties	
Accounting	
Accounts Receivable	
Accounts Payable	
Bank Reconciliation	
Financial Statements	
Flash Reports	
Van Line Paperwork	
Payroll	
Systems	
Supportive software	
Backup	
Security	
Safety	
Able to grow with systems	
Right employees in the right jobs	
Profit goals met	
TOTAL (maximum - 150)	

Monitoring Overhead

The company's profit can be lost because of inefficiencies throughout the company. Pay special attention to overhead. Overhead employees are those not directly billable to the customer.

Examples:

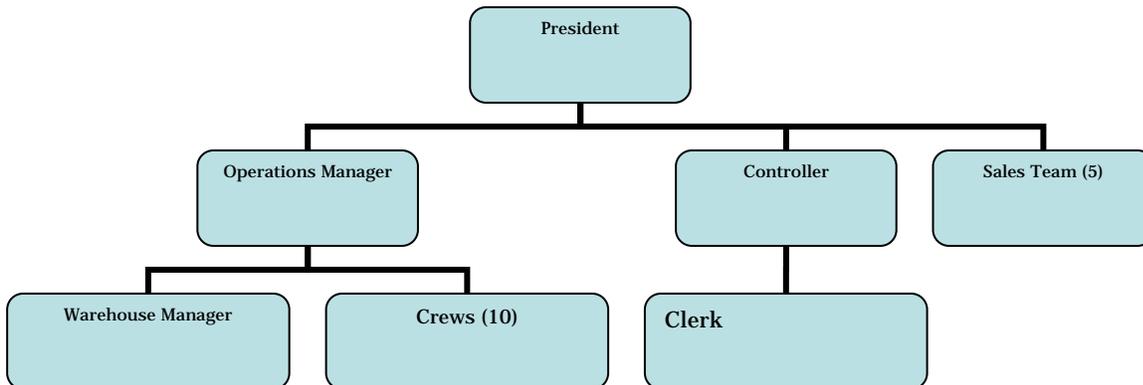
- President
- Controller
- Managers who do not work jobs
- Sales people not on commission

Examples of employees billable to the customer:

- Movers
- Sales people on commission

PEG Rule of Thumb (1999): A company can realize a profit when the number of overhead employees times \$400,000 does not exceed total retained revenue. Additional factors that impact the right balance of overhead are the type of business mix, the labor market, and local labor regulations.

Example: In the chart below, the company has \$1.7 million in retained revenue. The sales people are all on commission. Do they have too many overhead people?





Profit Enhancement Workshop
Part 2
*Sales and Marketing
Organization
More about the PEG*

Workshop for CAM Annual Conference
November 16, 2009

Rate Your Sales and Marketing

Nothing happens 'til the sale is made.

PEG member to all during critiques

CATEGORY	RATING (5 terrific - 1 needs work)
Marketing	
Marketing Plan	
Use of Marketing Plan	
Marketing materials	
Use of marketing materials	
Measurement of marketing efforts	
Advertising	
Measured and adjusted yearly	
Sales Team	
Effective sales management	
Aggressive sales goals	
Sales goals met	
Sales people know their goals	
Closing ratios	
Number of appointments	
Self-generated leads	
Effective sell against competitors	
Inside sales and sales support	
Sales Strategy	
Product variety	
Territory coverage	
Pricing	
Networking/Partners	
Products:	
1. Household	
2. Other	
3.	
4.	
5.	
6.	
7.	
Competition	
Right employees in the right jobs	
Profit goals met	
TOTAL (maximum -145) (without blank products rated)	

Great Northern Moving & Storage (GNMS) Sales and Marketing View

Before Frank left for his vacation, he reviewed GNMS's 2008 year. Though GNMS had finished the year in the black, he expected the new year would be more of a challenge than the last. The prospect of the slow winter months and continued discouraging news on the economy reminded him that he had to raise the bar if he was going to pull GNMS through another year and end in the black. He emptied his brief case and started to review the budget and the business plan. Cut costs? Increase revenue? Both?

When he turned back to his desk, Tony, his star sales person, stood in the door. "Hey boss, I thought you were on vacation. I've got this really hot opportunity and I'm gonna need your help." Frank sighed. Tony needing help usually cost him money. He pushed his papers aside and jotted some notes as Tony talked. Tony's request for a new car, a BMW, astounded him. "Tony have you read the paper lately?" Tony didn't answer. "We might not be hurting as bad as the US but " Tony's request got more passionate and Frank finally told him he would think about it and get back to him before he left for vacation.

Frank went back to the plan. His sales experience told him he had to keep the GNMS name out there during this slow time, but the revenue was looking worse than the previous year, even with Tony's big deal. That money he had in the budget for advertising could be a down payment on a BMW? He hated the feeling he always had when Tony left the office. Was Tony bringing in enough to warrant such an expense? He watched Doris pass his office and reached for his sales reports. They had brought in the same revenue for 2008! He decided he had to deny the request but he didn't know how to tell Tony.

He pulled out the scrap of paper he had in his pocket and wondered if a company-wide contest would help keep GNMS in the game and the trucks on the street and replace revenue he might lose if Tony didn't like his answer.

"Help GNMS get more business. Tell your friends and family. Bring your leads to the sales team. For every booked move," he scratched out the next few words and muttered, 'it has to be good for the employee and good for the company.'"

Discussion Questions

- What information is missing for Frank to make a plan for the winter months?
- How should Frank handle Tony's request?
- How can he get the employees more involved?

Rate Your Organization

*Leadership is the act of making a difference where the vision is strategic, the voice persuasive,
 the results tangible.*

Michael Useem The Leadership Moment, 1998

CATEGORY	RATING (5 terrific - 1 needs work)
Up-to-date business plan	
Hiring	
Consistent hiring practices	
Job descriptions for all employees	
New employee orientation on company, job, benefits, policies	
Training and Developing	
Functional Training for all jobs	
Employees reviewed - with concrete measures and development goals	
Process for promoting employees	
Management and supervisory training in place	
Succession plan for key employees	
Communicating	
Consistent communication up & down, among departments, etc.	
Company handbook exists	
All employees have a handbook	
Employees can tell you the company's mission, vision, goals	
Well organized personnel records	
Up-to-date procedure documentation	
Government regulations followed	
Compensation based on performance of employee and company	
Management incentives – based on company performance	
All employees know their contribution to profit	
TOTAL (maximum - 110)	

Next Steps for My Company

Diamonds are only lumps of coal that stuck to their jobs.

S.C. Forbes, Founder of Forbes Magazine

1. _____
2. _____
3. _____
4. _____
5. _____
6. _____
7. _____
8. _____
9. _____
10. _____
11. _____
12. _____
13. _____
14. _____
15. _____
16. _____
17. _____
18. _____
19. _____
20. _____