

Michigan CFO Associates

The CFOs for *Small Business*

Newsletter



President's Message:

When is the best time to make a profit?



Todd Rammler

It should be a fairly straight-forward answer, right? But if you're Uber, the answer is seemingly "someday... hopefully". Uber lost \$2.8 Billion in 2016. \$2.8 BILLION. And in Q1 of 2017, investors were pleased the

company reduced its quarterly loss to \$708M from the Q4 2016 loss of \$991M.

From CNNtech:

*"To many readers, the loss is nothing short of staggering. But for Uber's investors, it's **actually something to be applauded.** Jason Calacanis, an early Uber investor, **congratulated the company on Twitter for continuing to grow its sales while cutting its loss from \$991 million in the previous quarter.** "The trend is good," says Bradley Tusk, a political consultant and investor in Uber. "Revenue up. Losses down, even though they keep investing heavily around the world." Call it the current Silicon Valley mindset. Losing billions of dollars each year isn't necessarily a bad thing, if the company is thought to have lots of potential for sales growth and can show some modest progress in curbing its losses over time."*

I wouldn't fall into the "something to be applauded" category if I were an investor.

Then there's Tesla, which lost \$773M in 2016, or roughly \$13K per vehicle. The losses have continued in '17, but investors are banking on the more affordable "Model 3" which is in the midst of launching.

While certainly not the majority, I've met plenty of business owners who seem to be unconcerned with losses or trading water at breakeven. Worse yet is not even knowing if you're profitable or not. Either due to inaccurate financials, or just plain old not-paying-attention.

Uber, Tesla and other Silicon Valley companies raise billions of dollars of capital which buys them time. Small businesses usually do not have that luxury. Whatever capital there is came out of savings, a home equity line of credit or a 401(k) loan.

The time to be profitable is ALWAYS.

The time to pay attention to finances is also ALWAYS.

And the time to applaud a modest reduction of a giant loss is the opposite of ALWAYS.

If you don't have the time or capacity to be diligent about this . . . well, I know a guy. . . .

That's a LOT of Cabbage. . .

In fairness, there may be an occasional time to take a calculated gamble, or strategically take a loss for a finite period. But the parameters and triggers to correct it should be clear and agreed to in advance. And the size of the loss should not jeopardize the entire business and livelihood of everyone involved. Many businesses have hung on to poorly performing offices, plants, product lines and divisions far too long, hoping that next year is "the year".

I've met more than one business owner who after several or more years in business had a record sales year, but still lost money. That's not sustainable; and usually hard to dig out of. Finding a way to be profitable at less-than-record-sales levels is critical.

Sometimes I'm told "My business is different". Maybe. Maybe not. Regardless of how complex or sophisticated the business is, math is math. In the long run, Income must exceed Outgo. And while the economy is good – as it is right now – it's wise to be diligent about being profitable. . . and allocate some of those profits to debt reduction or the ever-elusive "rainy day fund".

Eventually, the business must produce a profit. Silicon Valley can wait for a while. Small-business owners can't, and shouldn't.

That's all for this month. Time to catch an Uber ride to lunch – while I still can! :)

U.S. NATIONAL DEBT AS OF:

September, 2017

\$20,244,900,016,053

September, 2016

\$19,573,444,713,936

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Check out our  Website at

www.MichiganCFO.com

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for additional updates!

What's Happening?

In Case You Missed It...

Last month we hosted a webinar: Fraud & Embezzlement in Small-Business: How It Happens, and What You Can Do About It.

After receiving rave reviews and numerous requests the webinar recording is now on our website. Click the link below and view the webinar from the comfort of your own laptop.

<http://www.michigancfo.com/publications/free-reports-whitepapers/#>



Workshop and Event Photos



Michigan CFO Associates has been busy this fall as Todd offered his expertise at two workshops. For additional resources check out our website!

Left and Center photo— A roundtable event focusing on family business succession issues.

Right— A panel discussion on the business transaction market.

Welcome New Clients!



K&K Die, www.kandkdie.com

Global Automotive Tool and Die Manufacturer & Production Stampings

KVI, Inc, www.kv-inc.com

Precision Machining for Medical, Pharmaceutical & Aerospace

Trigon Metal Products, Inc., www.trigonmp.com

Metal Manufacturing for Defense Automotive, and Transportation

Managed Way, www.managedway.com

Private Cloud Data Center

Anniversaries

1 Year Patti Engineering, www.pattiengineering.com
Factory, Automation and Robotics Manufacturer

Proto Manufacturing, www.protoxrd.com
X-ray Diffraction Measurement

Wilshire Benefits, www.wilshirebenefits.com
Full Service employee benefits brokerage

2 Years A.A. Jansson, Inc., www.aajansson.com
Supplier & distribution of precision measuring tools and equipment

Global Telecom Solutions, www.gtsdirect.com
Telecommunications Consultants

6 Years Relevar Home Care, www.relevar.com
Personalized In-Home Care Services



Customer Analysis – Staying in touch with change



Every business has customers, clients or patients; they are the life blood of a business and the reason a business exists. Often we see successful businesses that have been around a while have a tendency to become complacent and take customers for granted. They have a steady dollar flow of business they've built up over the years so they lose interest or stop paying attention to shifting buying patterns, volumes and profitably.

We live in a world that is constantly changing so keeping your finger on the pulse of your customers ensures you understand their changing needs, wants and demands. The key to staying current and unlocking your full customer potential is through periodic customer analysis. Here are three areas to look at:

Who are Your Best (or Worst) Customers?

In the minds of most business owners this is simple, their best customers are the ones who buy the most! On the surface this statement is true however there is more to measuring the quality, not just quantity, of a customer. How they buy (bulk or one at a time with lots of returns), when they buy (spur of the moment rushing or planning ahead), how profitable (willing to pay a fair price or cherry pick) and how they pay (on time or have to chase) all should be considered in determining customer quality.

Consider creating a spreadsheet and applying a ranking (1 to 10) to each of these areas. Once you have the rankings, communicate with your customers if you see problems, and let them know you value their business and want to take steps to strengthen your relationship.

What are they buying?

This is a straight forward process of gathering and analyzing data on what each customer is buying. Is there a seasonal pattern or do they only purchase certain lines or categories. Knowing their industry helps understand your customer and gives more insight into how your product or service fits in their supply chain. Add this information it to the spreadsheet created above so you have a complete customer profile.

Will they buy more?

It's common knowledge that it's easier to sell more to an existing customer than find a new customer. Upselling related products or services is an obvious approach but more can be done. The key to more is determining where and how you fit into your customers buying framework. By framework I mean how your company is positioned in the mind of the purchaser. Are you a major or minor player? Are you a single source or one of many options available? Is your product used in production or assemble or for operational consumption?

Consider mapping out the "buyer's decision making framework". What are the steps that lead your customer to purchasing with you? If you're a major supplier to their production how can you better position yourself to servicing their needs? Maybe assign an in-house customer rep or schedule quarterly planning meetings. With a little thought you can make your customer/vendor relationship stronger by analyzing where you fit in their buying framework.

Finding, retaining and servicing customers is a never ending process, and is key to both business growth and survival. Don't become complacent in evaluating the quality of your customers and address their every changing needs. Through thoughtful analysis and execution, you can strengthen and improve the relationship with your current customers. Always stay in touch and be prepared for customer change!



Todd touring the newly renovated Ford Field with EO Detroit, considered by many as the likely replacement to an injured Matt Stafford!

Photos from Around Town!

Brian participated in the 30th Annual Wish-A-Mile Bicycle Tour and rode 300 miles to benefit children through the Make-A-Wish Foundation.



The Michigan CFO Team kicked off Fall with a night out at Punch Bowl Social downtown!

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Tahquamenon Falls, Michigan

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Newsletter ④

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