

ICON BUSINESS SOLUTIONS INDUSTRY CASE STUDY TECHNOLOGY (COMPUTER SPARES INDUSTRY)

Summary: Improving profitability and reducing owner reliance

Client/Industry: Technology

The Goals:

The Owners wanted to reduce the businesses reliance on them and to increase the profitability and cash position of the business

Business in Profile:

The business was well established as a trader in computer components that were either bought new, second hand or as part of larger units that were then stripped for their parts. The importance of these components being tested and quality control was paramount. Turnover was in excess of £ 1m. The business was reactive in nature with clients only buying when they experienced a component failure.

Challenges:

The business had recently experienced a fall in profitability, cash flow and the only strategy was to invest more owners' time to get the business back on track.

Strategies

Four critical factors were identified:

1. Create a team performance system that would generate consistently high results across a number of key factors: Financial, Customer, Operational, and Team.
2. Creating hard and fast rules around stock control and margin.
3. Creating a sales system that would identify and then nurture A and B class clients and divert C class clients to on-line sales systems.
4. The fourth element was to bring the above into a working system that functioned perfectly adequately without the need for the owners to be involved on a day to day basis. This involved creating a more democratic culture, creating lines of authority, creating a larger sales (key account) team and an outsourced lead generation team. Outcomes were always measured and results were discussed at newly established staff meetings.

Outcome:

- A more stable staff team with clear lines of responsibility and accountability
- Greater rewards for the team
- Increased Profitability of 50%
- Stock reduced by 25% leading to more liquidity
- Owners who are now looking at diversifying and have the time and the money to approach this properly