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How to boost revenue through operational improvements

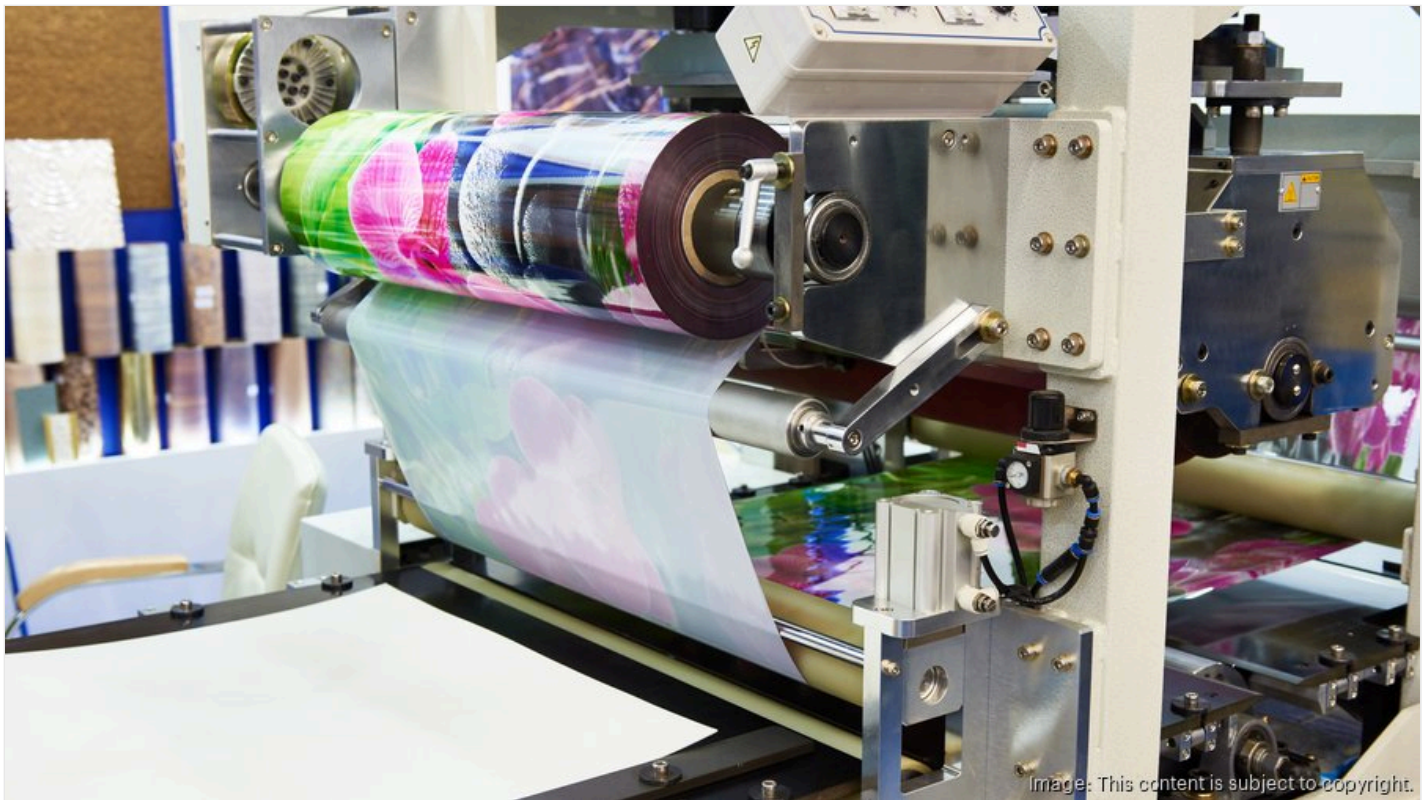


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When revenue is deteriorating, the key to changing the trend quickly may lie in operational improvements.

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When companies seek to reverse revenue deterioration, they often respond through methods such as increasing sales efforts, adding or replacing sales people, changing sales compensation plans, and revising pricing, product, promotion and distribution strategies.

Often, however, the cause of revenue shortfalls can be traced directly to operational problems that, if fixed, can provide a significant revenue boost. The following highly simplified case study (name withheld to protect confidentially) illustrates the point.

Situation: In order to reverse declining sales, a privately-held B2B commercial printer with one location and regional sales acquired a complementary printing company. Nonetheless, revenue continued to slide.

A major contributing factor was that shipments were only 50 percent on time. As a result, sales people were no longer comfortable initiating customer contacts or making delivery commitments to customers. The entire sales team was united and adamant: Fix the late shipment problem; fire the plant manager!

Uncovering the source of the problem: To identify the root of the late-delivery problem, the IT department utilized the company's ERP system to create a report that described time actually spent on activities at every step of the quote-to-ship process, from the moment the customer initiated a request to the date the order shipped.

The underlying cause: The report made it clear that the source of the problem was not, in fact, the plant manager. All delays occurred before projects reached the production floor. For example:

- It could take a week for the estimating department to produce a quote.
- Frequently, customers took a long time to respond to quotes, and after they accepted quotes, they neither provided their files to the company nor approved proofs in a timely fashion.
- To make matters worse, sending customers' files to prepress for either proof preparation or proceeding to the factory floor was like sending them into the

proverbial black hole.

The solution: The company established specific internal turnaround times for each step of the process and included in every customer quotation a project calendar (reviewed in detail with the customer) that specified by what date certain actions needed to be completed by either the company or the customer in order to meet the due date. The result? Within only five months, on-time deliveries improved from 50 percent to 98 percent, and revenue increased by 15 percent.

Lesson: When revenue is deteriorating, the key to changing the trend quickly may lie in operational improvements. Before embarking on dramatic marketing and sales strategies, investigate to ensure an accurate understanding of the underlying cause of the decline and the activities that are most likely to reverse it promptly.