



Accountability for Future Profits

by Betsi Bixby

If a business consultant asked you today, “In the next three to five years, which of your current business segment(s) will provide your company with the greatest profit?” could you answer with reasonable certainty? Assuming you could, if that same consultant then asked, “Does the way you allocate time and resources to each of your business sectors match proportionately to the future profit potential of each sector?” could you honestly say it does?

One of the most humbling experiences as a business owner is determining future profits and then examining your use of current time and resources devoted to those most important segments of your business. Most marketers are too busy with daily crises to tackle sector profit forecasts, much less analyze their time and resources. But doing so could be critical to your company's long-term success.

Let's start with a logical and methodical way to analyze profit potential (and risk) in each of your business sectors, and then look at time and resources. Here's what you and your top management staff will do:

1. Develop a simple list of your present business sectors. Your list might include tank wagon farm business, tanker dealer business, residential propane, real estate development, heating oil business, etc. Most marketers' current accounting divisions are too broad, so get more detailed. For instance, you may have tank wagon business to commercial accounts, and tank wagon deliveries to farm accounts, which are currently together in your tank wagon division. Because those markets are very distinct and separate, however, keep them distinct and separate on your list.

2. Assign a current profit rating to each sector. For simplicity, we'll use an expedient yet effective -5 through 5 ranking system. A “5” rating means that sector is highly profitable, a “0” rating puts it at breakeven and a “-5” rating means that sector is currently losing money (big money!). All the numbers between -5 and +5 are available for you to use at your discretion. Rate by net profit after all costs, not just gross.

3. Assign a current market share percentage to each sector. This will take some educated guesswork to determine how much of the total market you are capturing in each sector. For instance, you might estimate that you have only 10 percent of the ag tank wagon market, but have a 50 percent market share of local dealer contracts. It will be difficult to get hard factual data, so just use your best instincts on this step.



4. Determine market growth trends for each sector. Now we want to look at the actual market areas and whether those markets are growing or shrinking. You will have only three choices and will use simple arrow indicators. If the market is growing, indicate that with an up arrow (↑), if the market is declining, use a down arrow (↓) and if the market is stable with no growth or decline, use a flat line (--).

5. Assign a risk rating to each sector. For this final step you will assign a risk rating to each sector, using RRR for highest risk, RR for moderate risk, R for low risk, and S for safe or no risk. Think in terms of financial risk. Do you have investment risk – lots of capital required up front? Or legal risk? Or risk of not being paid?

So that you can easily rank your sectors, put this information on a large chart. With this information organized and visible, you and your team should “see” the future clearly, both your opportunities and waning sectors.

The next step is to see if your time and resource allocation matches the profit potential you’ve just identified. Do not be surprised if you discover you are spending most of your personal time in non-productive sectors. This is a common problem. A CEO’s time goes where they feel they are “needed” which is usually in troubled operations. Your time should, however, be devoted to the potential winners, not the losers.

Usually, just the awareness that comes from this exercise is enough to spur you to change your time and resource allocations. However, putting a game plan in place for at least your top sector will help ensure focus on that top potential producer. If you are dead serious about true goal attainment, include action steps, accountability, and deadlines for each goal, as well as periodic check-ups. Adhere to your plan, and you will get to that next level of success.



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