

Assessing Customer Profitability

Duration: 1 Day

Introduction

The workshop explores the various ways in which a business can increase customer profitability. It highlights the importance of accurate forecasting, the benefits of effective cross-functional co-ordination and the need to distinguish between product profitability and customer profitability. Particular attention is paid to striking a balance between meeting customer expectations and achieving a profit. The implications of extending credit terms to customers are also examined in detail.

Course Objectives

To examine ways in which a business can increase its profitability by being selective with regard to which customers it is prepared to do business with and which suppliers it uses. The workshop embraces internal and external supply chain management issues, the importance of effective co-ordination of activities and the construction of sales budgets.

Who should attend?

The workshop has been specifically designed to meet the needs of those employed in sales offices or commercial departments, including account managers.

Key Benefits

On completion of the course, participants will be better able to:

- Understand and apply sound principles of finance to their roles within the organisation
- Recognise the need for accurate forecasts and how these may be achieved
- Prepare a sales budget and profit forecast
- Maximise profitability through effective cross-functional communication
- Undertake sales analysis based on product and/or customer profitability
- Calculate the full cost of providing goods or services to a customer, including the costs of providing credit terms and the effect of late payment
- Assess whether it is worthwhile to offer a discount for on-time or early settlement of accounts

Methodology

This workshop is highly participative and falls very much into the 'learning by doing' category. Many of the practical tasks will be undertaken in small groups with everyone coming together to review and discuss their findings. Each task will be preceded by a brief introduction of the main issues.

Course Outline

Introduction

Meeting Customer Expectations

- What is important to the customer?
- The cost of meeting customer expectations

Principles of Finance

- Profit and profitability
- Costing and contribution
- Breakeven analysis

Sales Forecasting

- Sales forecasting - An integral part of budgetary planning
- Forecasting exercise
- Identifying 'at-risk' customers
- Cross-functional communication

Product and Customer Profitability

- Assessing product profitability
- Assessing customer profitability
- The financial implications of selling on credit
- Sales analysis exercise
- Offering discounts