

BusinessPlus+ Newsletter

Issue – February 2020

Business Transformation – Customer Focused

One hot business topic right now is **transformation** – and it's usually linked in some way to **business disruption**. On any given day, another organisation is appointing a new transformation leader, plotting a new strategy for organic growth, and talking about increasing profitability. On the surface, it makes sense. Successful businesses should consistently focus on revenue growth and margin improvement...right? But where is the best place to start?

While transformation is a business imperative, there is also a lot of frustration around the actual success of the process leading to sustainable business improvements. Transformation seems to be understood at the top, but not well communicated throughout the organisation. Transformation initiatives can become a mass of disjointed projects that churn a business and consume resources. In the end, only a few, focused projects will make a real impact. What is everyone else working on to cause so much churn? **It's simple — too much effort is spent on analysis and finding the perfect answer while not enough time is spent on exploring creative and innovative approaches to drive more profit.**

Transformation is intended to make radical organisational change, yet rarely addresses change management at the greatest inflection point of profit — how the collective business teams execute on customer relationships. Any transformation initiative that fails to address how businesses interact with their customers will not succeed.

One mainstay project for all transformation initiatives should be **pricing improvement** - and why not? Many organisations rely on improved pricing to deliver hundreds of millions of dollars a year in additional revenue and profit. What's the first quick win in every pricing initiative- simple, a "price up." We try to put fancy words around it – cost of living increase, tariff impacts, we haven't had a price change in a while, etc. – but in the end, these words miss the point. Price ups are all about you and making more money versus creating value for your customers and aligning your organisation to deliver that value. ***The essential component you need is a singular focus on defining, defending and communicating value throughout the organisation and to your customers. If you think "price up" projects are transformational, they are not. Instead, they are a terrible way to treat your customers and often do more damage than good.***

You need to start your business transformation with an understanding of where you're making money and where you're not. **A product/customer portfolio analysis is a great first step to assess your true profitability within different customer and product segments. Then, plan to do the following:**

- ***Ask "freeloader" customers to move from under-priced custom products to more standard products or tell them to expect a higher price. Always offer an alternative;***
- ***Standardise your product portfolio and your customer-facing activities wherever possible;***
- ***Change the way that you communicate value to customers and stop the harmful practices that erode profits – knee-jerk discounting and needless customisation of solutions.***

Disclaimer:

Business Plus is distributed monthly by CBSW Tax & Business Advisors to provide information of general interest to our clients. The content of this newsletter does not constitute specific advice. Readers are encouraged to consult their CBSW advisor for advice on any specific business matters.

Providing you
professional
direction



Our liability may be limited by a scheme approved under Professional Standards Legislation.