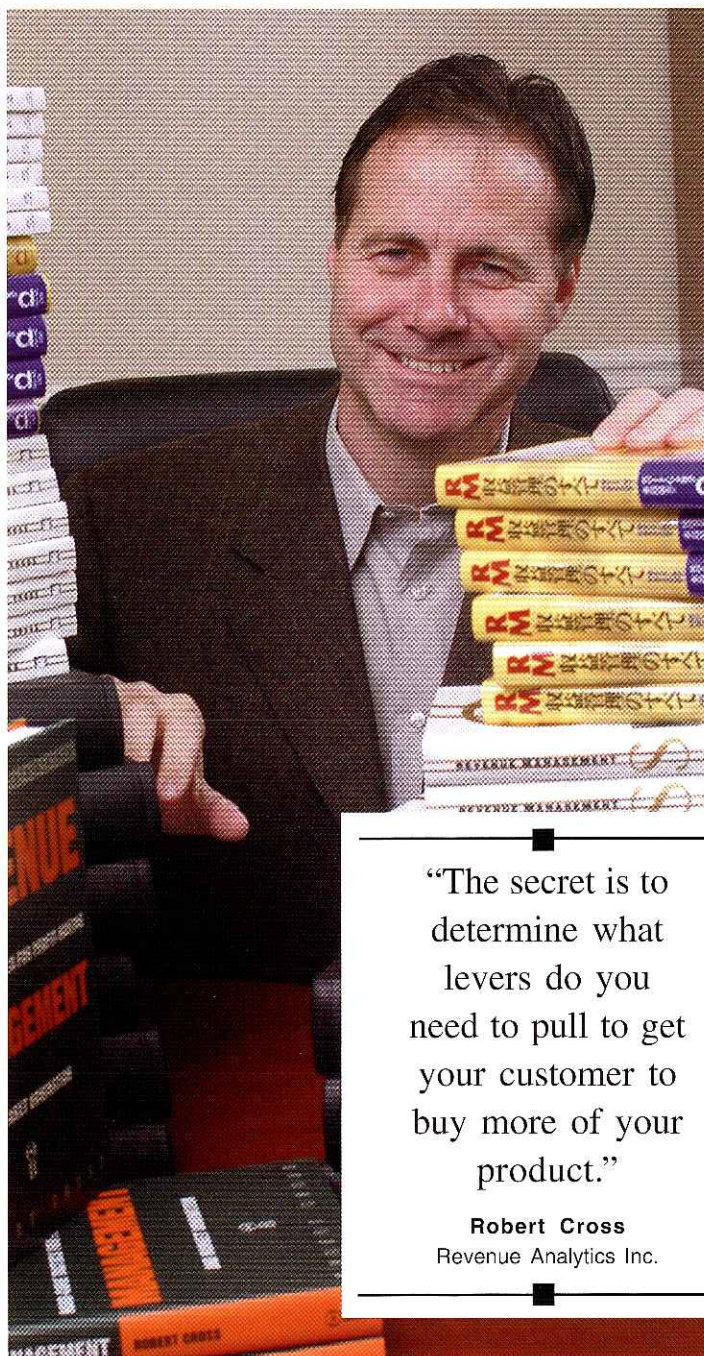


May 20-26, 2005

Pump the up revenue



“The secret is to determine what levers do you need to pull to get your customer to buy more of your product.”

Robert Cross
Revenue Analytics Inc.

With the economy on the uptick, companies can focus on revenue growth — not cutting costs. Robert Cross of Revenue Analytics says a disciplined approach will add 7 percent to a company’s bottom line.

By Lee Hall
CONTRIBUTING WRITER

Robert Cross was tired of waiting. He would sometimes squander up to two hours of his Saturday while his hair stylist worked through a line of eager customers. Cross persuaded the woman to alter her pricing strategy. Charge Saturday customers more, he suggested, and discount the price of haircuts on Tuesdays to attract retirees and college students for whom money was more of an object.

“A lot of the price-sensitive people who had been coming in on the weekends started coming in during the week. Her revenue went up 20 percent,” said Cross, chairman and CEO of Revenue Analytics Inc., an Atlanta company that helps its customers maximize revenue.

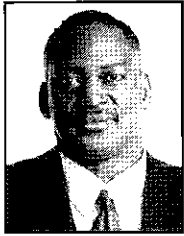
‘Guru of revenue’

Cross has built a career around showing Fortune 1000-level corporations how to extract more money from willing consumers. Labeled the “guru of revenue” by The Wall Street Journal, he founded Talus Solutions Inc., a company credited with creating billions in “found money” for clients including Delta Air Lines Inc., Marriott International Inc. and United Parcel Service Inc. Cross and his partners sold Talus to Manugistics Group Inc. in 2000 for \$366 million, a transaction he proudly proclaims created 20 instant millionaires. He formed Revenue Analytics last year.

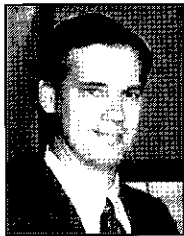
Starting at the top

An improving economy has firms looking more for ways to increase top-line growth rather than just cutting expenses to shore up the bottom line. That, Cross said, is the way it should be. Missed opportunity, he said, is the greatest revenue thief.

"Companies just assume they are getting all the revenue they should out of the marketplace, but in most cases, they aren't," he said.



Jones
Legacy Automotive
Group



Ahlrich
InTech Financial
Services Inc.

Cross believes that organizations should put as much effort into optimizing revenue as they devote to cutting expenses. Too often, he said, they base revenue forecasts and calculations on what customers actually paid. A more prudent approach would be to determine what customers would be willing to pay. He believes that a disciplined approach can add an average of 1 percent to 2 percent to a company's revenue and about 7 percent to its bottom line. But, he said, it takes some work.

"These companies will use sophisticated metrics on cost analysis, but on the revenue side, they rely on the judgment of people and their experiences in the marketplace. They typically don't use sophisticated modeling on the revenue side," he said.

Cross cites work his company did for Ford Motor Co., whose dealers once complained about a glut of certain models in their showrooms. The company was considering an increase in rebates to encourage customers to buy. But a statistical analysis found that such a universal approach would not work.

"The secret is to determine what levers

Tips for increasing revenue

- Recognize that the organization is probably leaving revenue on the table.
- Focus first on gaining maximum revenue from existing customers.
- Employ the same kind of sophisticated metrics to maximize revenue

as are used to analyze and reduce expenses.

- Track transactions and understand what the customer is responding to and why.
- Build forecasts on what customers are willing to pay for your product or service.

do you need to pull to get your customer to buy more of your product. It is very statistically driven," Cross said.

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Legacy Automotive Group

A study determined that although rebates would work better in certain markets and with specific customer types, other customers likely would respond more to subsidized leases or special financing packages. A combination of tactics helped increase Ford's revenue by more than \$800 million, Cross said.

Shifting gears, shifting market

The argument makes sense to Emanuel Jones, principal in Legacy Automotive Group, a McDonough company that owns two dealerships in metro Atlanta.

"Increasing revenue is well ahead of cutting expenses in my book. I would much rather grow the revenue side of the equation," Jones said.

Faced with a downturn in sales of certain types of vehicles, such as large pickups and sport utility vehicles, Legacy has shifted its focus toward increasing its share of corporate fleet business and has formed a relationship with Enterprise Rent-a-Car in an effort to improve sales.

"They buy from us and then we buy a lot of those cars back and sell them on our used car lot," Jones said.

The move has helped to stabilize the company's revenue in spite of inertia brought about by historically high fuel costs.

Cutting costs can look like an easy road to improving profitability, but often hurts companies in the long run, said John Ahlrich, president of InTech Financial Services Inc., a Lilburn firm that provides executive-level financial services to small businesses.

"The main function of the [chief financial officer] in life is to maximize profits and cash flow, but in the process of maximizing profits, we can sometimes fall into a trap and cut the muscle," Ahlrich said.

Cross hardly counsels clients to ignore the cost side of the equation, which is an important part of the overall process. Rather, he advises them to employ the same kind of disciplined approach to revenue enhancement as they do to cost reduction. When done properly, he said, the result benefits company and consumer alike.

"Take my barber, for example. After she implemented those changes, my mean time-to-haircut dropped from about an hour and a half down to about 20 minutes," he said. "It worked out well for both of us."

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