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Cutting Ties: Learning to Eliminate Poor Performers

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To keep a business healthy and growing, it is necessary to do two things. First, remove products, services, and, if necessary, staff that are not meeting performance standards. Second, add new, high performing products, services, and staff. While this sounds straight forward, it doesn't make it easy. Winning consults will increase your revenue and create loyalty. Get to know your clients.

RETAIL PURGING

To identify retail products that may need pruning, do the following. Review your sales and inventory reports regularly and ask yourself if there are certain items that occupy valuable display space but only gather dust. It is important to review your entire retail product line at least twice annually to determine what is popular and profitable and what is not. Some other things to keep in mind as you review each retail item include the following questions:

- Is my return of investment on this product good enough?
- Am I using this product as a loss leader that gets clients through the door?
- Do my competitors carry similar products? If so, how can I differentiate my offerings?
- Do the products I carry complement the services I offer?
- How much inventory do I need to carry?
- Are my clients happy with this product, and do they make a return visit to replenish it?

Replacing poor performing products with new, high performers is the goal. Offering your own private-label skin care line is one way to do so. Private label offers multiple profitable advantages. First, they are your own brand, not someone else's. This keeps your name and logo in front of your client daily, increasing loyalty and helping with client retention. Initially, it includes work, but it's worth it. The second advantage is that your client must return to your spa or website shopping cart to buy the products. Your own product line dovetails nicely with your services, which makes offering service and product packages simple. Private-label

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packages. They are easier to sell and keep it simple for your clients to take home and achieve their skin care goals thanks to better compliance.
\$ 109
Many practices overlook their service menu when it comes time to assess performance. Your services should contribute most of the revenue to your bottom line,
but like everything else, they can get stale over time. You must regularly review your menu and prune those services that are no longer producing. Staying abreast of the market is critical here and adding new services to meet market trends is necessary if you want your bottom line to grow.
MENU MODIFYING
To evaluate your service menu, first review three months of data. Determine what services are feeding your bottom line. Take promotions and specials into consideration as you review the numbers. Calculate the gross revenue you received from each service you offered. This gives you the gross revenue per service.

Now, determine the direct (labor and consumable) costs and the indirect (overhead) costs to offer that service. Once you have these costs, deduct them from the gross revenue per service to determine the profitability of that service. Do this for each service you offer. Know your cost per service and per hour with each of the different pay levels of your staff. Advanced training is critical for your practice to stay on top of the competition.

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Identify your golden apples, or those services which return the highest profit. Take a few minutes to analyze those golden apples. Are they all in one category? Are they unique offerings in the marketplace, or are they services that your competitors also offer? Are they relatively new additions to the service menu, or are they tried and true placeholders? Is there a way to improve the profitability of this offering?

-62%

\$ 337

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However, before you eliminate a service, ask yourself if the service is a loss leader – does it bring people through the door that then spend money on other, more profitable things? Is this a service my practice has to offer in order to remain competitive in this marketplace? Do not simply eliminate a service without thinking through the potential repercussions.

OTHER CONSIDERATIONS

Not every service can be a golden apple, but you shouldn't have a menu filled with low margin service offerings. The better you understand why these services are golden apples, the better your position is to improve your menu and your bottom line.

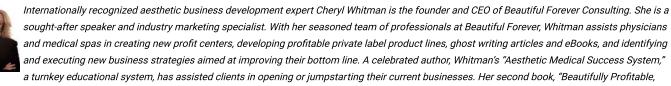
Whether you've added new services or simply improved existing ones, you have to get the word out to your client base. Well-targeted, effective advertising helps grow the demand for your services. Focus your communication on the new things you're offering. targeted, effective advertising helps grow the demand for your services. Focus your communication on the new things you're offering.

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Finally, you need to review staff performance. If you have under-performing staff, give them a warning and more training to see if their performance can be turned around. If not, it's important to take appropriate action quickly and not procrastinate.

Improving the profitability of your practice is an on-going endeavor. You should review your product line and service menu every six months. Staff performance should be informally addressed on a quarterly basis with formal annual performance reviews. Frequent review of current offerings and a keen eye for profitable line extensions coupled with the elimination of poor performers can make the difference between a mediocre bottom line and a growing one. When was the last time you updated your branding and gave your website and practice a facelift?



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