

ATN Business Sense
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Master and slave relationship; that's how a leading transport operator once described many business relationships! Have you ever realised that some business relationships are like that?

When it dawns that you are a "slave" what do you do? After trying to change the operations process or increase the rates, one transport operator sacked his customer. As he could not make the customer profitable that was the right thing to do even though the customer was a well-known, large listed Australian company. Other smart operators also sack unprofitable customers; nicely. A major Australian bank says customers who are major suppliers to "masters" almost warrant being placed on their "Watch" lists. That's because the "slave" often makes little or no profit or loses money supplying the "master".

What else can you do when realising you are the "slave" in a "master slave relationship"? Quite a lot actually! Start by up-dating your Strategic Business Plan. Don't have a written business plan (it need be no more than a dozen pages), write one with your key people or get in a facilitator. The investment in a good facilitator is self-funding. Don't like business plans; just remember if you don't plan your own business the market place will do it for you!

Your business plan should include how to make your "master" customer consistently profitable. It should also include how to wean yourself away from the "master" without risking the destruction of your business. A customer profitability analysis is the starting point and if you find you have a "master" customer who is break-even or loss-incurring, corrective action is essential. In some circumstances you might persevere for a time with a "master" who generates small profits.

Corrective action may include changing the processes so less of your resources are consumed in providing the service. That often requires the "master" to change and their response is a guide as to whether or not the problem is fixable with them. An arrogant response means you are probably wasting your time and you should proceed rapidly to manage the customer out. For example, a customer who unilaterally advises they will pay in 60 days when your terms are 30 is a "master" and the attempt to delay payment should be rejected immediately. Insist on your 30 day terms being met and if the "master" delays payment approach, in the case of Victoria, the Office of the Victorian Small Business Commissioner "VSBC". The VSBC does not tolerate unfair business conduct and its role is to "investigate complaints by small businesses regarding unfair market practices and mediate between parties." Email: sbc@sbc.vic.gov.au.

If you are unable to change the processes at your customer or receivers to ensure profitability you probably just have to increase rates. That should be done after detailing as the reasons why the customer should keep buying from you. You may need external facilitation to get a full list. The customer should then be advised, in

writing, at a meeting, that their rates are being increased, the reasons for the increase and the benefits they enjoy from your service. If the customer agrees, fine, if they don't, give two or three weeks to find another operator then cease work. If the customer wants more than, say three weeks to find another operator, continue carrying but *only* at your increased rates. If the customer leaves, keep the door open by saying you will carry in future but only at the increased rates. That leaves the door open if a replacement operator is unable to perform.

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