

## A collage of 12 images representing various business and industry sectors: a man in a suit, a large cargo ship, a meeting, a worker in a factory, a construction site, a cement truck, a person in a boat, a microscope, a handshake, a slot machine, a person in a suit, and a person in a hard hat.

## **S**ection One: **Background & Overview**

During the past few years, no two industries have seen a greater increase in competitiveness than the construction & manufacturing industries. As a result, the search for customers willing to pay a fair price for your services has greatly increased. A practice of slashing prices to such an aggressive degree has resulted in the ultimate carnage of business failures due to pricing their products & services below their operating costs. Only the super strong can survive this practice.

This paper will outline just a few of the leading issues contributing to a poor pricing strategy. During this past decade, we have been invited into over 250 construction & manufacturing companies to evaluate their companies operations to determine where the squeeze is in their gross margin percentage. The issues affecting these companies are more common in nature than you would think. The good news is you're not alone. With our experience we can quickly identify the issues affecting the squeeze on your gross margin and develop a plan with you to improve your gross margin by 3%, 6%, 9% or more.

### **Background of DKT Consulting Services**

Since inception, we have been in over 350 businesses, with a 70% concentration in the construction & manufacturing industry. Our focus is always on the enhancement of bottom line value.

At **DKT Consulting Services** we understand your

business and the various operational & financial issues you face daily. With this said, nobody can be an expert in everything. That is why we have a network of professionals that we work with in various industries or specialties. As a result, with all of these resources at hand, we are able to quickly identify the real issues affecting your bottom line and then develop & implement a strategy to correct these issues. If necessary we can bring in an industry or area specialist, but this would only be done with your prior approval.

Although each project is unique in one way or another, over the years we have developed a six-step value enhancement process that leads to a long-term success rate of improving gross margin by 3%, 6%, 9% or more. Our six-step value enhancement process is:

- Initial business analysis;
- The program, outlining the scope of the engagement;
- Review of current employee and operational functions, systems, procedures, etc.;
- Training of employees;
- Implementation of corrective action to enhance value and profits;
- Quarterly follow-up.

The amount of time required on each project varies depending on the specific complexities of the project, amount of assistance from management and follow-through by employees. The single key to success is your commitment to change and your commitment to following the program prescribed.

## **S**ection Two:

### ***Five key questions that will tell you if you are a victim of low pricing!***

#### **Is your quote closure rate too high?**

It was reported recently that over 50% of the businesses sampled had quote closure rates at 30% or more; do you fall in this range? There are circumstances where a high quote closure rate is acceptable, but in the manufacturing or construction industry, a rate of 10% - 15% is the norm. What does it mean if your rate is too high? It may indicate your pricing is too low. "But how can that be, we are in such a competitive market"! The typical businessman's ego says that he needs to close 100% of the sales or he is a failure. Well your not a failure, you're just giving away all of your profits. In today's competitive market place, it is more profitable to work smarter rather than swapping dollar-for-dollar for longer hours. If you're ready to work smarter with higher profits, call me today for a consultation at 561/252-0920 or send an e-mail to [david.tabony@dktes.com](mailto:david.tabony@dktes.com).

#### **Are you covering all of your Overhead in your pricing?**

The first question should really be: do you know what your true overhead costs are and how these costs are incorporated into each quote? We have found that most businessmen have a gut feeling of what their overhead is (approximately), but more than 70% of the businesses have no clue of how to incorporate this overhead into their pricing or if it is even being considered in their quoting process. Contrary to traditional teachings, overhead is not

***"I must admit that my first thought of David spending more than six weeks in the day-to-day operations of my company and the potential benefit that could result from it seemed an exercise in futility. Today, 5 weeks, 4 days later, I am a firm believer in the education that David has given me. David engrossed himself into the daily grind of my company, absorbed the information quickly and in turn produced valuable insight into my finances, my resources, and my well being. I know the real benefit lies in the future; I can already see signs of increased productivity, cash flow, and true signs of corporate mentality among my employees, which was truly lacking prior.***

Mathew Thompson, Phoenix, MD

fixed (continually), it is a floating value that changes with your business. Your overhead today will have a different value for each sales dollar one year from now, especially if your sales volume significantly increases or decreases. If capturing additional sales is of importance to you, we can design a system



for you which would take advantage of a variable overhead structure allowing you to become more competitive in your pricing. If you are interested in learning more about your overhead and how it can be managed to increase sales, give us a call or drop an e-mail to us.

### **Does your scheduling process work for you; do your jobs to come within budget?**

It is not uncommon for companies to plan for the perfect outcome but the execution of that plan is continually interrupted with outside influences. Any effective scheduling process requires consistency with a tracking method to ensure you are still within the established budget. Accomplishing this becomes more difficult when running multiple jobs with limited manpower. The benefits of a thoroughly designed scheduling system can generate thousands of extra dollars monthly, increasing your gross margin percentage by as much as 2% - 5% or more.

One of the key factors in scheduling is communication of your plan with your employees. Management of most companies share limited information about

what is expected or what is coming down the pipeline. This causes confusion for employees and the reaction of employees to take that 40 hour job and stretch it out to 60-80 hours. If you believe your employees are taking longer to complete jobs than the amount of time it should take, please call or e-mail us today.

***“Mr Tabony helped me reconstruct and direct a plan to make my small floundering business become a viable concern. After acting on some of his professional suggestions we are now finally seeing some positive results in our business. Thank you David.***

***We have both been very impressed with his help during this time and continue to work with him on a regular basis. I would have no hesitation in recommending Mr. Tabony to anyone needing assistance where personal finance or business matters were concerned.”***

**John Charles Asplin, Naples, Fl.**



## Is your accounting system designed for management accounting or for your accountant?

Who is running your Company anyway, you or your accountant? Your accounting information system should be designed to aid you, management, to make timely & appropriate business decisions. Over 90% of the accounting information systems are designed by accountants to help them with their annual income tax compliance reporting, with little concern of the owner or management. This situation is further exacerbated by keeping this information private from management until the accountant is ready to release the annual financial statement. “Well, how did we do this year?”; “Not as good as we expected!”

A properly designed information system allows management to understand their cost structure, which in turn allows management to effectively price their product. It's time to take control of your company's fiscal direction. If talking control of your company's fiscal management is of interest to you, call or e-mail us for a free consultation.

## Are employee incentive programs right for you?

Although employee incentive programs are growing in popularity, the majority of the incentive plans in place today end up hurting the company's bottom line profits instead of helping the company. This is primarily caused by poorly designed incentive programs. A well thought-out and designed incentive program is much like a profit sharing program where benefits are paid out only when certain benchmarks are met and the companies overall performance is exceeding planned expectations.

*(At first) “ I was skeptical, I thought how can an outside person, who knows nothing about my business tell me anything I don't already know.*

*All I can say is wow, David looked into every detail of how we operate and found many flaws in the way we were doing things. Once the flaws were identified he showed us how to correct them. He helped us figure where we were and where we wanted to go and how to get there.”*

*Kevin Kossi, New York, NY*



*"I appreciate David's willingness to go the extra mile. His ability to think outside the textbook and (apply) common principles has been one of the instrumental tools for the beginning of our recovery process. He defiantly knows the book, but he has the gift of being able to apply it to every day issues in a common sense practical manner. I can only give David my highest recommendation and utmost respect."*

**Dan Botts, Port Charlotte, FL**

One of the largest mistakes made in designing incentive programs is the timing of when the benefits are paid to employees. The majority of the programs we have reviewed pay the incentive annually. The problem with this is an average employee will loose interest in the incentive plan and develop an attitude that it is unlikely he/she will ever receive the extra money promised. If you are interested in developing an effective employee incentive program, please call me today for a consultation at 561/252-0920 or send an e-mail to [david.tabony@dktes.com](mailto:david.tabony@dktes.com).

## **S**ection Three: **Results and Bio**

### **Results and Metrics**

If you're like the majority of my clients you're a skeptic about management consultants until proven otherwise. There is one question you must ask; do I like the current results of my bottom line and cash flow and if not, am I willing to change. Success comes with commitment to the process.

Not every client experiences the same results long-term, because many clients revert back to the old proven unworthy (and comfortable) management styles of the past. The companies that stick to the plan see steady long-term growth and improved profits and cash flow. With this said, if you are ready for greater profits and cash flow we should talk about your issues.

The jobs or services that don't require large lead times may see gross margin increases in as little as 2-4 weeks. Improvements in your operations & cost structures can also emerge in as little as 2-4 weeks. Although this process is not immediate in all cases primarily due to the required lead-time between the quoting process and the time the job is actually completed.

Results have been as profound as a manufacturer growing from \$500,000 in sales to \$2,000,000 in sales with a 20% bottom line profit, to a pool contractor growing from \$4,500,000 to over \$10,000,000, to a general contractor growing from \$5,500,000 in sales to over \$10,000,000 with in

excess of \$1,000,000 in accumulated profits in the bank. These are just a few of the companies that not only completed the process but continued to manage their company using this process.

The growth, profits and cash flow enhancements are not as important as the improvement to your quality of life. Change is not easy, maintaining the discipline is even harder, but if you have the desire to improve the value of the largest single investment you have we need to talk, so call me at 561/252-0920 or e-mail me at [david.tabony@dktes.com](mailto:david.tabony@dktes.com).



### About the Author

David Kreihs Tabony is the founder and principle consultant for **DKT Consulting Services, Inc.** His career began as an external auditor with Grant Thornton and then spent 6 years with Landmark Land Company (a real estate development firm and high-end country club operator) as a senior internal auditor and controller. The next twelve years were spent as Controller and CFO of two firms that went through a private offering and a manufacturing company.

When he joined the manufacturing company, the company had a negative net worth in excess of \$150,000 and 18 months later, had a positive net worth of over \$100,000, a \$250,000 swing. Not bad for a company with initial sales of \$1,000,000 and ending sales of \$1,500,000.

David graduated from Loyola University with a BA in accounting. He was president of Beta Alpha Psi, where he brought the vision of Profit to a not-for-profit professional fraternity. David's business education started far prior to Loyola.

***“After reading your final Project Summary and the Executive Recap, I just wanted to tell you how great this document is. But more than that, I wanted you to know that I think your consulting and problem solving with the client is exceptional. The problems you identified and, more particularly, the solutions you recommended were outstanding and the benefits clearly stated (how) the client could really gage the potential impacts.”***

***Dale Nankivell, Toronto, ON***





48 Hours at Sebring, the largest PCA Club Race in North America. When David became chairman, this three-day race was generating \$100,000 in sales with a profit of \$20,000. Now over a 4-day period the race generates over \$250,000 in sales with profits in excess of \$60,000.

Nothing drives David more than success and profits!!

His childhood centered around business as he witnessed his grandfather at the helm of Buck Kreihs Ship Repair of New Orleans. It was the transactions that young David witnessed in his grandfather's office and board room that impacted him to become a businessman. In addition to his grandfather, David was also impressed by his father, Harry L. Tabony who started his own business, Lift & Equipment Services, and ran it for over 20 years. At Lift & Equipment David witnessed many negotiations and planning sessions required in running four different companies in two locations. At the young age of 81, Harry is still wheeling and dealing today as a founder of a private money management firm. Seeing his grandfather and father live the American dream lit a fire in David that still burns bright today.

In his private life, David enjoys auto racing where he has conquered the various road courses of Le Circuit Mont Tremblant, Daytona International Speedway, Sebring International Raceway, Moroso Motorsports Park, and Homestead-Miami Speedway. Since 2000, David has been the co-chairman of the

***“While appearing in a “suit”, David was not afraid to work the warehouse floor. The entire staff witnessed his assistance in trouble shooting, loading and inspecting shipments. David was also very important in a successful re-organization of our packaging pricing structure. He has implemented a more contemporary service pricing for our private training and consulting programs. All of these changes will add value and profit in our organization. We look forward to his quarterly visits and any other assistance or support as needed.”***

***John M. Gerrish, Baltimore,***



## **S**ection Four: *Your Next Step*

In most cases, your business is not only your largest asset; it is your primary source of income for your retirement. Entrepreneurs, owners, and presidents are proud people! Yes, you started your business years ago and you're doing ok, but breaking-even should not be your goal. Has your business provided you the time to do all of the extra things with your family, or provide handsomely for your retirement? You & your family deserve better. Seeking help from an outsider is one of the most difficult decisions you will have to make, so I will ask you these few simple questions.

- Is your Company running as smoothly as you would like?
- Is your gross margin getting squeezed?
- Are your bottom line profits as high as you would expect them to be?
- Do you have time to spend with your family?

These are simple questions, but making the decision to change is often very difficult. Allow us to guide you through this process and together we can turn your business around.

As my Father used to tell me, "the definition of insanity is doing the same thing today, the same way you did it yesterday and expecting a different result!" It was true then and is still true today.

