

Sales vs. Production

Garvey & Garvey focuses on the details so you can focus on your core business.

Challenge

Garvey & Garvey was retained to assist a company that was experiencing problems with cash flow and the IRS. While they were experiencing high volume sales, their margins were low.

As we prepared tax returns and repaired the IRS issues we were better able to understand the profitability and cash flow of the business. It was clear that the business was profitable and was generating positive cash flow but not at a satisfactory rate.

An agreement was reached that on a monthly basis, we would review accounting records and financial reports. We would then discuss trends and identify potential areas for profitability and improved cash flow.

Garvey & Garvey divided ownership into production and sales teams. Ownership involved in the production side of the business insisted that there was no ability to cut costs or streamline processes, while ownership involved in the sales side of the business insisted that no increase in sales price or decrease in quality would be accepted by the business's customer base.

Result

Through our monthly services, the client gained a complete understanding of their profitability, cash flow, debt position, tax position, and trends. This allowed them to consider the business and potential future course of action based on solid information. Garvey & Garvey went beyond delivery of financial information and our team acted as consultants in order to draw out ideas and facilitate their consideration.

The Garvey & Garvey process facilitated a change in the focus from sales price and quality aspects to packaging. Ownership ultimately found a few areas with regard to packaging which resulted in immediate improved profitability and cash flow of 50% in their low margin, high volume business.

Within several months we had sorted a tangled tax situation, ensured that the client had a thorough understanding of their financial and tax positions, and facilitated the process of arriving at a solution that worked for this particular business to improve profitability and cash flow.

see the
forest
through
the trees