

Financial Analysis Helps \$5 Million Electrical and Industrial Supply Company Achieve All-time Sales High

■ Situation

Business had been steadily growing since 1997 at this full-line electrical supply house. In 2009, the owner was considering an expansion: adding sales personnel and opening an office in Jacksonville, Florida. However, before taking that major step, he enlisted RAI Stone Analytics® to analyze the business and provide financial modeling.

■ Vital Questions

Specifically, the owner wanted to run What If scenarios to gain insight for these strategic decisions:

1. Was there sufficient business to justify opening an office in Jacksonville, Florida?
2. Should he add to his sales force and office staff in Minnesota?

■ Key Insights and Actions

- RAI Stone Analytics® projections helped the electrical supply house owner evaluate the plans to open the second office. Based on the financial analysis, the supply house decided to strengthen its customer base before launching the Jacksonville branch. Ideally, the company wants to bring on 3–5 more customers to ensure that the new office can be self-sufficient.
- The electrical supply company did bring on a new sales person in Minnesota, but will postpone hiring more office staff for now.
- In addition to answering the initial questions, RAI Stone Analytics® helped the owner identify the actual cost of sales—from warehouse to delivery. The analysis made clear that because of rising fuel costs, delivery charges should be increased. Because product prices didn't increase, clients accepted the surcharge without complaint.
- After examining delivery charges, the electrical supply company was able to recommend a more cost-effective approach to its largest customer. By combining one- and two-item orders into larger orders, the customer could save on delivery charges, which encouraged larger orders overall. The supply house increased its sales volume, while their customer decreased delivery charges—a win/win.
- The customers were so pleased with the savings that they recommended the supply house's services to other departments, and the additional sales boosted the bottom line even more.