

Profit margin increase  
artemis sportsware  
essay sample



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When writing a proposal two things need to be addressed, the problem and the proposed solution to that problem. Our task is developing a solution, to a need for a profit margin increase at Artemis Sportswear Company. Artemis Sportswear Co., is an international, multimillion dollar company, has been mentioned countless times in top financial and business magazines such as Forbes, Fortune, and Business Inc., to name a few. The problem at Artemis Co., is their profit margin of 2011, shows a significant decrease from overall profits in the past 6 years. Our task, find a way to cut their operational expenses and increase their profit margin. A company's profit margin allows the company to forecast its future earnings potential (Fairfield, Kitching, & Tang, 2009).

The current profit margin at, Artemis Co., shows the company operating in five locations around the world; total costs to operate \$50 million. The chart below shows Artemis Co's., profits for the last 6 years. When the present CEO Joe Jacobs took over in 2006, the company showed steady earnings for 4 years.

However, in 2011 things took a drastic change, the Artemis Sportswear Co., reported only \$45M (M= million) in profits from its five operations worldwide. The worldwide operation for Artemis has five splits; each operation is in charge of its own purchasing, project development, and manufacturing of Artemis products. The Artemis Sportswear Co., has locations in: Germany, Mexico, United States of America, Singapore, and Japan. Below is a chart illustrating the profits the Artemis Co., gained, lost, and the amounts of profits from the Artemis Sportswear Company's five operations.

In this chart, we see that from 2007-2010 the Artemis Sportswear Co., reported steady profits between \$119M-\$126M. In 2011, one of the Artemis Sportswear Company's competitors introduced a 'new' product that, allowed them to almost completely takeover most of the Artemis Co's client base. By offering, a similar product to what sales at Artemis Sportswear Co., the competitor made a profit. Since the 'new' item is not part of the package sold by the Artemis Sportswear Company, Artemis products now seem over priced; thus costing it millions in lost earnings/profits for 2011.

We propose the Artemis Sportswear Co., does the following: Shut down major operations in two of the five countries they currently operate (CEO and Board choice). Those countries will still have two options for clients to continue their vendor and or consumer relationships with the Artemis Sportswear Company: The consumer relationship would not suffer because Artemis Sportswear Company can provide 10 retail locations in each country, for less than what it takes to keep the full operation going. As well, vendors who the Artemis Sportswear Company uses, would be unaffected because; the Artemis Company does not have to change any of their productions with this proposal; only where they produce.

According to (Agran, 2012) " take a step back and see where overhead can be reduced and what the appropriate staffing level is for the business's size. In a restructuring, decisions must be based on needs and costs rather than emotions and loyalties" (para. May/Jun2012, Vol. 23 Issue 3, p18-19, 2p). As well, addressing the issue of staffing and restructuring is necessary when creating a proposal. The solution we came up with minimizes the amount of

employees and management personnel the Artemis Sportswear Company needs to reassign or lay off, in order to help increase its profit margin.

The Artemis Company reported spending \$50M annually on their operations alone; by following this first part of our proposal the Artemis Company would save between \$15M-\$20M on their operations the first year after implementing the proposed changes. Research shows profits can increase if companies follow the advice of consulting firms, but more importantly, by the company fully analyzing their current market situation, and the economical trends that have a great effect on businesses finance (Timberland company., 2011).

The Artemis Sportswear Company is in the midst of a major debacle, and if they want to continue to be a leader in their field, they will need to act on the advice and research of our firm. The fact that the Artemis Sportswear Company, already sees the company profits decreasing in such vast amounts, speaks volumes to their problem. Albeit internal or external, it is detrimental to the Artemis Sportswear Company's survival, to take action now.

At Artemis Sportswear Company, it is imperative that cost-cutting measures are done in such a way that the livelihoods of employees are not ruined. We understand that during our current economic crisis that we want to eliminate layoffs as much as possible. In order to make this happen, there are some possible solutions that the CEO and board of directors had to come up with, in-order to reduce the cost of running this company. These cost-cutting measures will be put into effect immediately and should therefore, allow

expansion in other important areas of the company as well as keeping more jobs around. The first solution, (negotiable) is that all upper division employees, from the CEO to the regional managers receive a pay cut.

Though this step will not solve all our problems financially within the company, it will show the employees of Artemis that their wellbeing takes precedence over extra money in the bank. The pay cuts must be agreeable, 100% across the board with full knowing of what the cuts will entail. This is also a step taken in order to prevent cutting pay from the bottom up and affecting employees and their families as much as possible. Our first effective cost cutting measure is to control loose expenses and clearly identify business costs.

Keeping track of expenses will allow you to conduct monthly, quarterly and yearly reviews of your financials, to help you determine the most effective cuts (BankAtlantic 2012). A big problem with our loose expenses is inventory control. At the time, one pair of shoes that turn up missing at a particular store may seem trivial however, lost inventory adds up to a huge expense at the end of the year for many companies. In the near future, a more secure system to ensure tighter inventory control through loss prevention and possible shipping and receiving mishaps is underway.

Also loose expenses; the cause of more store expenses from everything like office supplies,(that are a lot of the time wasted or lost) to personnel making long distance phone calls from the stores phone. Employees of Artemis will take into consideration that every little action that costs money to the company and can be avoided, should be avoided and the employees,

management and CEO, will begin training in safe spending. Another huge cost cutting measure would be to re-evaluate the companies advertising costs.

Keeping track of where your customers are coming from and eliminating ineffective advertising costs is one way to save money (BankAtlantic 2012). For example, an area that is predominantly senior citizens, we would not want to advertise youth sports shoes. A whole overhaul of the advertising system in this company is necessary in order to eliminate hundreds of thousands of dollars wasted due to poor advertising locations or time slots on television. Smart advertising will increase revenue and allow us to expand once again and give salary raises.

A simple and less cost effective aspect of decreasing loss in revenue would be to transition to paper-less office tasks and implement digital processes. Paper-less operations would be of value to Artemis Sportswear Co. because “The most visible impact of a move to a paperless office was the reduction in the cost of printing, mailing, shipping, and storing paper” (“The “Paperless” Office,” 2012, p. 11).

The paper usage reduction not only saves money; but also increases space and less clutter of filing cabinets. Less paper usage will also increase Artemis Sportswear Co. effectiveness to retrieve documents that would normally be lost in cluttered storage cabinets. Artemis Sportswear Co. will be leading its competitors by going green, which will elevate them to the 21st century. Artemis Sportswear Co. decision to transition to paper-less operations will increase revenue as well as drastically increase productivity of its

employees. Employees will not waste time by searching for files and paperwork lost in filing cabinets. Employees will have more time to put their effort into their work and this task.

Artemis Sportswear Co. has the desire to be the top competitor of distributing sportswear products, yet because of decreasing revenue, our consultant team has evaluated their problem areas. Our consultant's evaluations have brought us to the conclusion that profit margins need realignment. These attributing factors have drawn our attention as to why there have been drastic decreases in revenue \* - Multiple operating stores split worldwide, each in charge of its own purchasing, project development, and manufacturing \* - Competitors introduction of newer products \* - Artemis Sportswear Co. products are seemingly overpriced

In addition, our consulting team has provided possible solutions for Artemis Sportswear Co. to re-establish its hierarchy over its competitors. \* - Shut down major operations of two of five operation hubs, while simultaneously providing 10 retail locations. \* - All upper division employees from CEO to regional managers take pay cuts \* - Control loose expenses: inventory control, office supplies, and long distance phone calls.

\* - Keep advertising effective and directed to Artemis Sportswear Co. users \*  
- Implement digital processes by transitioning to paper-less operations. \*

Artemis Sportswear Co. is knowledgeable on the essential solutions needed to increase its revenue. The benefits of our consultant team effectively evaluating Artemis Sportswear Co., has drawn the attention of upper management staff to their problematic areas. Our consultants had noticed

many contributing factors as to why revenue was decreasing and provided adequate solutions on how to restore their value.

We have narrowed down our solutions to the most cost efficient and employee oriented plans of action to fit the request of Artemis Sportswear Co. Our solutions provide areas of improvement; which will benefit Artemis Sportswear Co. not only immediately but our solutions will also suit Artemis Sportswear Co. with continuous revenue increase for the future. Our consultants have provided solutions that also address areas that will immediately move Artemis Sportswear Co. forward and surpass its competitors. We realize that with time companies need to make efforts to challenge their competitors with new ideas. Our consultant team has provided those competitive solutions.

Artemis Sportswear Co. will need to apply their greatest efforts as a conjoined team, to benefit from our consultant teams solutions.

When a company cuts operational expenses to increase profit margins, it can create some troubling issues: Increase in profits without increasing sales, a better approach to advertisement, and even outsourcing are all choices that Artemis Sportswear should consider while planning which actions take to correct the issue at hand. We need to examine our profits and losses (P&L). A P&L adds your income and subtracts your expenses, leaving the net income of your business behind (Barton, 2008). By constantly analyzing this report, you can determine if and where you are spending too much money and immediately cut your expenses accordingly (Barton, 2008).



Is it feasible to switch banks? We have the potential to save a large amount of money simply by choosing banks, with lower or no transaction expenses. The utilization of quick books would also be ideal to save time and reduce bookkeeping costs by downloading all business transactions precisely from the bank. Contact with company creditors and debt collectors: We can attempt to have the creditors' lower annual percentage rates, cutting the cost of monthly bills (Barton, 2008).

Establish a rewards program: Deals offered to those using company credit cards. We could use the company credit cards to pay business bills, while collecting interest on money in the bank, and collect rewards along with building company credibility. We could also make major cuts and even liquidate company assets such as company cell phones, vehicles employees our allowed to take home, gas expenses and even re-issue all company credit cards limited to key employees to prevent unwanted extra expenses. A re-issue along with specific rules would also be beneficial to Artemis Sportswear.

We could also reduce utility usage by using half the energy we currently use on all company property. By doing this, and educating employees on ways to conserve energy and resources. According to Doug Hall, " Bloomberg Business Magazine," to increase profit margin it takes five steps. Step one, is firing customers, where getting rid of 20% of customers who provide the lowest profitability opens resources for more profitable work (Hall, 2008). Step two, is to go for mailbox money, in which companies license intellectual property, such as manufacturing technology, to outside companies (Hall, 2008).

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The company then makes a profit from royalties, and just waits for checks to arrive in the mail. Step three, would be to, " set your company apart," by focusing on what makes the company unique; this has been known to double profit margins (Hall, 2008). Step four, export. Look for opportunities beyond our borders (Hall, 2008).

The decline in the value of the U. S. dollar has opened up tremendous opportunities for more profitable sales growth abroad (Hall, 2008). Take advantage of the freedoms the North American Free Trade Agreement provides (Hall, 2008). Use your network of suppliers to find international opportunities (Hall, 2008). Finally, step five, reinventing the products and industry, by re-establishing enthusiasm (Hall, 2008). It is imperative that Artemis Sportswear Co., take into account is the options expressed here, as well as the previous (3) reports.

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