



Forecasting: Getting Off the Feast or Famine Treadmill

By Aaron Crowley

A few years after I started my stone company, I saw a bumper sticker that read, “Where are we going? And why are we in this hand-basket?” At the time, that line described with great accuracy, the stage I was at, running my business. Not that we were going to hell in a hand-basket, but I simply had no idea *where* we were going. *Reactive* was the word that would have best described my planning and my business in general.

Reacting to circumstances and customers is a very unprofitable way to run a business and it stems from the failure to forecast effectively. A common occurrence for the stone cutter who is merely reacting to demand is the unpredictability of the schedule, often called *feast or famine*. The feast is defined by more overtime and more mistakes. The famine is defined by letting staff go or letting them do busy work. All of it is unprofitable.

There are two simple, yet incredibly effective steps any stone company can take to step off the feast or famine treadmill and onto the solid ground of purpose and profitability.

The first is identifying the true capacity, or ideal level of output, the business is capable of comfortably *and* consistently producing.

To do this, take a recent six month period of time where the business’s equipment and employees have remained the same. Total the gross sales of the period and then divide it by 126, which is the actual number of work days in any six month period.

This will provide a very accurate daily output, and by extension, a weekly output that then must be turned into a useful unit of measurement. It could be sales, it could be square feet, or even number of kitchens per day or per week.

The second step is the actual forecasting. This is the step of taking the daily and weekly capacity in terms of sales, square feet, or number of kitchens and applying it to the schedule. For example, the company who can comfortably produce 300 square feet a week might try to sell and schedule 60 square feet of measure ups and installs per day.

By forecasting, the owner knows when to say no to a desperate customer and when to focus on filling the schedule in a week that may have unused or unscheduled capacity.

Of course every job is different and customer schedules aren't always flexible, so this model is not a perfect mathematical equation. But it is accurate enough to provide the stone shop owner or manager the clear picture of what the business *is* doing, *can* do, and *needs* to do in order to comfortably keep customers happy while keeping profits high.

It's like cruising down the freeway in the fast lane, you can either drive looking thru the windshields of the cars two or three cars ahead, or you can stare at the bumper of the car immediately in front of you. In the event of bright red brake lights, option number one, like forecasting, gives you the ability to see what is happening in time to change lanes. Option number two might leave you face to face with a bumper sticker asking you where in the hell you were going.

