

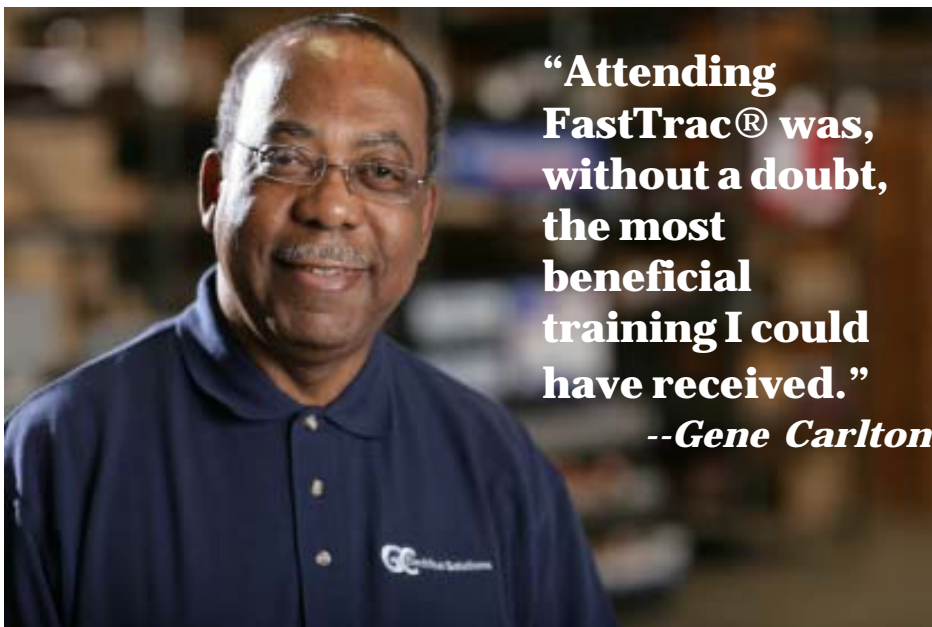
# Understating Financials Improves Bottom Line for Fayetteville Business

**T**he idea to start an electrical supply business came to Gene Carlton about a year before he submitted his retirement notice. “I worked in the wholesale electrical distribution industry for many years,” says Carlton, the company’s purchasing director at the time of his retirement. “I retired early to take advantage of an opportunity to provide a level of wealth and better long-term financial security for my family.”

Carlton opened GC Electrical Solutions in Fayetteville in January, 2003, a week after he retired. “Friends and colleagues gave me advice to help me in my business, and I took advantage of the industry training and programs that were available,” he says. “But I struggled with the financial piece. I didn’t fully understand what was there.” Before the end of the year, he contacted SBDC Consultant Peter Rassel at the Georgia State University SBDC.

“Gene had the numbers. As long as his bills were getting paid, things were okay. But he wasn’t realizing the full potential of his business,” says Rassel, who reviewed the company’s financial statements. “We looked at what he was doing and uncovered several issues.”

GC Electrical Solutions was losing money, although its revenues were in the millions of dollars. Most sales were to the auto OEM (original equipment manufacturer) market, yet the profit margins were less than three percent. Sales to local companies were more profitable than those to OEMs. The company’s line of credit needed to be reviewed, its inventory was larger than necessary and it did not charge for deliveries.



“When I showed Gene what kind of profit margins he had, it made him realize he wasn’t really in business yet,” says Rassel. “The margins were so thin that they were discount store or grocery store margins. He needed to expand into other customer bases and expand his margins.”

Rassel recommended that Carlton pursue several solutions: focusing sales efforts in the Southeast, determining where collections could be accelerated, extending payment terms with manufacturers, prioritizing prospects, charging for minimum deliveries, creating a tracking system for future sales and margins, and raising margins by five percent across the board.

“Entrepreneurs must get a grasp of their numbers. Find out what your financial statements are really telling you and be ready to act on this information,” he says.

Rassel also suggested Carlton take the FastTrac® Growth Ventures course. “Attending FastTrac® was, without a doubt, the most beneficial training I could have received,” he says. The techniques he learned at FastTrac® assured him the ability to price products more accurately and maximize profits.

Carlton’s company now serves several distinct markets, selling to manufacturers such as Honda and Ford and other clients that include Georgia Power, the City of Atlanta and electrical contractors. The techniques he learned through the SBDC have enabled him to more accurately price products and maximize profits.

In 2006, Carlton’s company provided equipment for installing the lighting and cabling of the ground monitoring systems in the fifth runway at Hartsfield-Jackson airport. It recently ranked among the Top 50 fastest-growing companies, the Top 25 Minority-Owned businesses, and the top Black-Owned Businesses by Atlanta newspapers. Its million dollar revenues are now in the double digits.