



“ Because of the Activity Based Costing exercise conducted by MGI White Hancock, our workload went down but our profits went up ”

MARK STAR, STARWELL AUSTRALIA

## starwell australia

### Business Advice Leads to Less Work and More Profit

**A four-year relationship with MGI White Hancock has helped the owners of a pillow and furniture padding manufacturing company assess their business more closely and take the brave step to release clients and decrease workloads to increase profits.**

Mark and Helen Star have two businesses - Starwell Australia which is located in Brisbane specialising in furniture materials, and the other on the Sunshine Coast specialising in outdoor awnings. They both have similar accounting needs.

“MGI White Hancock looks after our compliance work and makes sure we don't pay any more tax than we have to. But they are also business advisors,” Mark Star said.

Part of the business advice offered by MGI White Hancock has been in-depth business assessment using specially adapted software. One tool of major benefit to the Stars was MGI White Hancock's Activity Based Costing service.

“When we first started working with Mark and Helen we conducted a very comprehensive Activity Based Costing (ABC) exercise on around 2200 Starwell product lines and their ten major customers. This identified that a number of their customers and product lines were either not profitable, or not as profitable as desired,” said MGI White Hancock Partner, Grant Field.

The exercise proved to be a major turning point for the business.

“We analysed the customers in relation to our business goals and we actually let go of 57. We simultaneously let go of a lot of heartache and grief and have never been more profitable,” Mark said.

The exercise also allowed Starwell to better define the clients they wanted to serve and the products they wanted to focus on.

MGI White Hancock also work with Starwell on a yearly Economic Value Added (EVA) exercise to obtain good analysis of how the business is performing compared to the previous year and to plan for the future.

Mark Star believes the EVA helps them assess the current year's results rather than just calculate them.

MGI White Hancock has developed its own computer-based matrix for conducting EVA reports which also calculates staff bonuses based on calculated profits.

“In its simplest form, the EVA looks at the return on investment the business is generating, comparing this to the benchmark and making recommendations on how it can be improved,” Grant Field said.

The systems were also used to help Mark and Helen evaluate the value of a new business purchase saving them a significant amount of money.

