



# **What Your Numbers Tell Me and Why**

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**The Intentional Success<sup>®</sup> Series**

# Reminders

- Post Questions at any time in Question box
- Recording is available to all registrants for 60 days
- Handout is posted in the Chat area



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# Today's Webinar

- Five P&L checkpoints and what they tell me about you
- How to improve these results using basic management techniques
- What you can do tomorrow



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# Discovery Process

Need a clearer understanding of:

1. Business acumen of owner - 5%
2. Strategic intent of business - 5%
3. Shareholder strategy - 5%
4. Resources - 10%
5. Metric Analysis - 75%



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# 1. Financial Personalities

Profile 1 - TAX	Profile 2 - INSIDER	Profile 3 - COMPARATIVE	Profile 4 - ENTREPRENEUR
Income <u>1,000</u>	Income 1,000	Income	Income
Gross Profit 1,000	COGS	Product 250	Line 1 500
Expense	Sub-contract 50	Service 300	Line 2 400
Phone 58	Sub-rent 40	Rental <u>450</u>	Line 3 <u>100</u>
Rent 110	Resale <u>100</u>	Total Income 1,000	Total Income 1,000
Payroll 590	Gross Profit 810	COGS	COGS
Supplies 135	Expense	Labor 150	Line 1 250
Utilities 20	Phone 58	Sub-contract 50	Line 2 200
Interest 9	Rent 110	Sub-rent 40	Line 3 50
Travel 20	Payroll 530	Resale <u>100</u>	Shared <u>30</u>
Marketing <u>15</u>	Supplies 5	Total COGS <u>340</u>	Total COGS <u>530</u>
Total Expense <u>957</u>	Utilities 20	Gross Profit <u>660</u>	Gross Profit <u>470</u>
Net Profit <u><u>43</u></u>	Interest 9	Expense	Expense
	Travel 20	Phone 58	Phone 58
	Marketing <u>15</u>	Rent 110	Rent 110
	Total Expense <u>767</u>	Payroll 380	Payroll 180
	Net Profit <u><u>43</u></u>	Supplies 5	Supplies 5
		Utilities 20	Utilities 20
		Interest 9	Interest 9
		Travel 20	Travel 10
		Marketing <u>15</u>	Marketing <u>35</u>
		Total Expense <u>617</u>	Total Expense <u>427</u>
		Net Profit <u><u>43</u></u>	Net Profit <u><u>43</u></u>



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# What Do the Clues Suggest?

- Priorities of the owner
- Sales-Ops-Finance: Which is in charge?
- How far along is the business evolution?
- What kinds of questions can I ask?



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## 2. 5-Year Revenue Analysis

Looking for Windfalls or other inconsistencies

Is there a core business?

What % of business is uncategorized?

INCOME	2013	2014	2015	2016	2017	CAGR
Product for Resale	1,000	200	150	2,000	100	-37%
Service Labor	200	400	20	1,000	150	-6%
Rental Revenue	3,500	4,000	4,100	3,000	3,600	1%
Rental Labor	2,100	2,500	2,300	1,900	2,400	3%
Delivery	60	160	200	230	150	20%
Misc	600	250	50	350	60	-37%
Total Income	7,460	7,510	6,820	8,480	6,460	-3%

$$\text{CAGR} = (\text{END}/\text{Start})^{(1/\#\text{years})} - 1$$



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# What Do the Clues Suggest?

- Owner is reactive
- Cash management may be an issue
- Pipeline management appears compromised
- Check: Strategy, Marketing & Biz Dev, Sales, Management & Finance



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## 2. 5-Year Revenue Analysis

Irregular Growth: Windfalls permeate all business  
Windfalls getting bigger, but growth is not permanent

INCOME	2013	2014	2015	2016	2017	CAGR
Product for Resale	2,000	4,000	1,800	2,400	4,500	18%
Service Labor	500	1,500	400	1,000	2,100	33%
Rental Revenue	1,500	1,800	3,500	2,600	2,500	11%
Rental Labor	900	1,400	2,000	1,600	1,400	9%
Delivery	60	160	200	230	150	20%
Misc	600	250	50	350	60	-37%
Total Income	5.560	9.110	7.950	8.180	10.710	14%



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# What Do the Clues Suggest?

- Owner working **in** business
- Is there a functioning Management Team?
- Address growing pains
- Focus overall strategy
- More selective revenue



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## 2. 5-Year Revenue Analysis

Healthy Growth: Exceeding growth rates in both segments

INCOME	2013	2014	2015	2016	2017	CAGR
Product for Resale	2,000	2,500	2,900	3,500	4,600	18%
Service Labor	700	850	1,150	1,900	2,100	25%
Rental Revenue	1,500	1,800	3,500	3,100	3,700	20%
Rental Labor	900	1,400	2,000	1,600	1,800	15%
Delivery	60	160	200	230	490	52%
Misc	150	300	170	200	60	-17%
Total Income	5,310	7,010	9,920	10,530	12,750	19%



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# What Do the Clues Suggest?

- Owner working **on** the business
  - Reinforce efforts; supplement deficiencies
- Focus on operational efficiencies
  - Check assumptions, Best Practices
- Elevate strategy, retool marketing, update sales
  - Market insights



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# Revenue Questions

- How much revenue is intentional?
- Does the firm's self-image match its revenue trends?
- What part of revenue is strategic?



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### 3. Service to Product Mix

INCOME	2013	2014	2015	2016	2017
Product for Resale	2,000	2,500	2,900	3,500	4,600
Service Labor	700	850	1,150	1,900	2,100
Labor to Product	35%	34%	40%	54%	46%
Rental Revenue	1,500	1,800	3,500	3,100	3,700
Rental Labor	900	1,400	2,000	1,600	1,800
Labor to Rental	60%	78%	57%	52%	49%



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# What Do the Clues Suggest?

- Misunderstanding about market rates
  - Where does value come from?
- Sales needs better qualifying
- Marketing isn't establishing credibility
- Labor is subsidizing product
  - Sales and Operations issues



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# Mix Questions

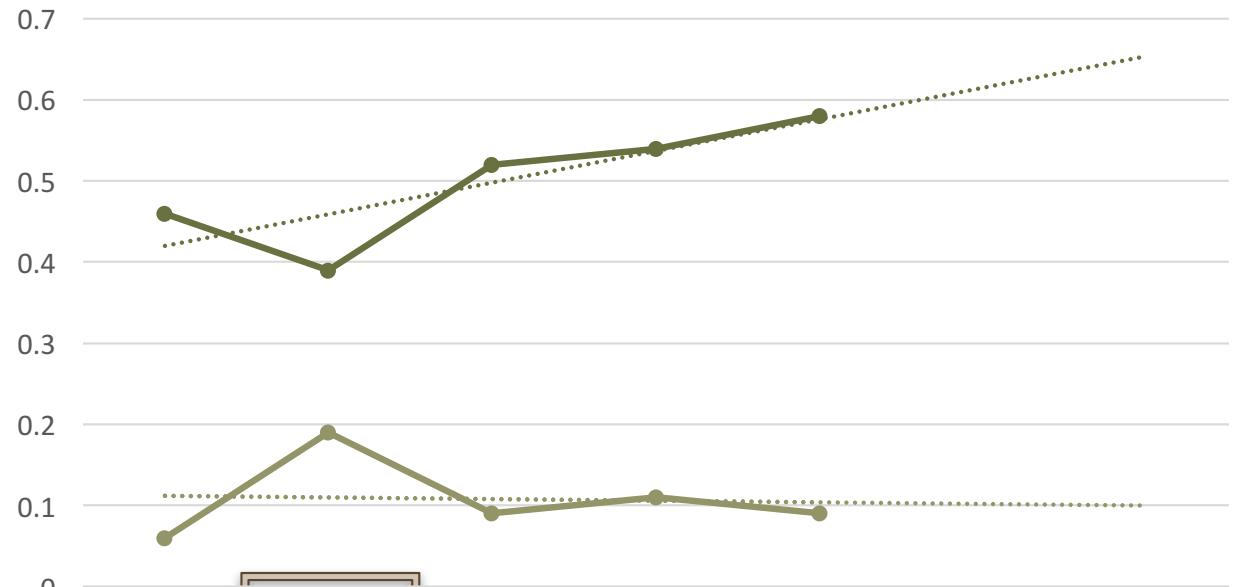
- What is the budgeting process?
- How are base prices determined?
- What are usable negotiating points?



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# 4. Labor Cost Trends

LABOR to PROFIT



	1	2	3	4	5	6	7
— Labor Cost to Revenue	46%	39%	52%	54%	58%		
— Net Profit	6%	19%	9%	11%	9%		



# 4a. Labor and Volatility

A	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total	
Revenue	1000	1500	2100	1800	1500	900	300	600	1600	1800	1200	400	14700	
Fixed Labor	400	400	400	400	400	400	400	400	400	400	400	400	4800	33%
Overtime	200	250	280	270	250	150	50	150	300	350	200	50	2500	17%
Outside Labor	100	150	210	180	150	90	30	60	160	180	120	40	1470	10%
Labor Spend	700	800	890	850	800	640	480	610	860	930	720	490	8770	60%
B	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total	
Revenue	1000	1500	2100	1800	1500	900	300	600	1600	1800	1200	400	14700	
Fixed Labor	400	400	400	400	400	400	400	400	400	400	400	400	4800	33%
Overtime	100	125	140	135	125	75	25	75	150	175	100	25	1250	9%
Outside Labor	150	212.5	280	247.5	212.5	127.5	42.5	97.5	235	267.5	170	52.5	2095	14%
Labor Spend	650	737.5	820	782.5	737.5	602.5	467.5	572.5	785	842.5	670	477.5	8145	55%
C	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total	
Revenue	1000	1500	2100	1800	1500	900	300	600	1600	1800	1200	400	14700	
Fixed Labor	300	300	300	300	300	300	300	300	300	300	300	300	3600	24%
Overtime	100	125	140	135	125	75	25	75	150	175	100	25	1250	9%
Outside Labor	200	300	420	360	300	180	60	120	320	360	240	80	2940	20%
Labor Spend	600	725	860	795	725	555	385	495	770	835	640	405	7790	53%

# What Do the Clues Suggest?

- If labor costs are rising then processes may not be evolving
- Volatility is an indication that there is a missing customer segment
- Management, Operations, Marketing, Sales – is there also a Strategy issue?



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## 5. Secondary Revenue Analysis

SPECIALTY INCOME	2013	2014	2015	2016	2017
Service Contract	100	300	350	500	600
Related Costs	90	270	250	300	280
SC Gross Profit	10%	10%	29%	40%	53%
Travel Revenue	500	750	1,200	1,500	1,600
Travel Cost	900	1,400	2,000	1,600	1,100
Travel Gross Profit	-80%	-87%	-67%	-7%	31%
Scenic Fabrication	10	25	30	250	600
Scenic Cost	150	200	300	350	350
Scenic Gross Profit	-1400%	-700%	-900%	-40%	42%



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# What Do the Clues Suggest?

- Subsidizing discounts with underpriced or free services
- Management is unclear on how this company makes money?
- Sales skills need help - they are selling on price



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# Common Diagnoses

- SI demand is feast or famine
  - Consistent SI revenue suggests operational capacity is limiting sales
- Live Event is busy/slow by month
  - Haven't made the transition from transactional rental to services
- Profit shrinks when revenue grows
  - Suggests scalability issues; Services underpriced but expensive to provide



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# First Step in a Process

1. Analysis/Discovery
2. Reconcile Business Goals/Vision
3. Remap processes and expectations
4. Execution and Adjustments
5. Maintenance and Monitoring




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Standby for Q&A and Next Steps



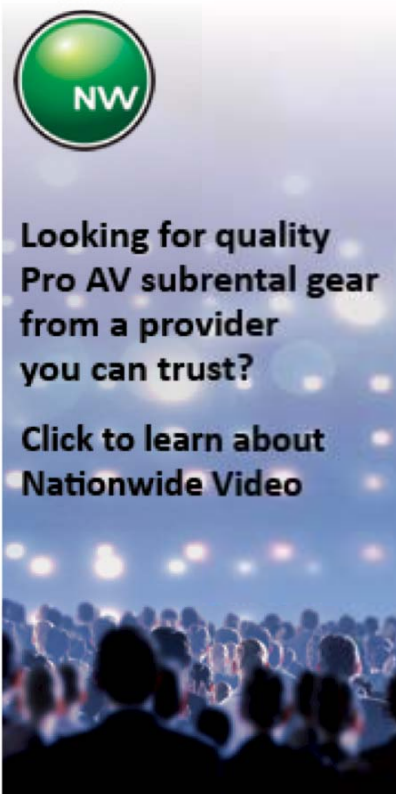
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# Summary: The Five Areas for Growth

## 1. Strategy

- Why, How, Who, What
- Your difference
- Your recipe for success



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# Summary: The Five Areas for Growth

## 2. Operations

- Turn revenue into profit
- Put the logic into logistics
- Continual improvement



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# Summary: The Five Areas for Growth

## 3. Marketing & Business Development

- Soften the beach
- Establish the brand
- Filter for ideal customers



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# Summary: The Five Areas for Growth

## 4. Sales

- Master pipeline management
- Preserve then create value
- Manage your career



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# Summary: The Five Areas for Growth

## 5. Management & Finance

- Lead the process
- Count the right things
- Create shareholder value



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- Five Business-Building Workshops!
- Twelve New Webinars!
- Expanded Sponsor Opportunities
- AV Matters Facebook Group:  
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- Stay tuned – we are not done yet!

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## FAQ's

- Why isn't gross profit one of your review points?
- Isn't Net Profit important in your review?
- Are there normal or ideal metrics?
- Is business valuation a good indicator of health?



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Other Questions?



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Thank-you!

