Profit Creator

Client Questionnaire

About the Profit Creator Report

Please try to answer the questions in this report which are purely designed to give us a quick snap-shot of the state of your business.
The questions will range from sales, expenses, pricing, through to productivity and employee performance levels.

This data will allow us to prepare a report which will outline areas that might improve in your business. This report will pinpoint areas of strengths and weaknesses and based on your data input we will evaluate the probable outcome.

In order to improve the quality and accuracy of this report we have created help notes related to the corresponding question. The final aim of this report is to provide some guidelines, strategies and incentives on implementing some changes, policies and procedures in your business. It will clearly show where you are losing money and how beneficial in terms of dollar value it would be for you to implement new strategies. If these systems or strategies are not implemented then it will cost your business in either lost opportunity or poor performance.

Please answer the following questions with sincerity and try to be as objective as possible, then email them back to us at admin@businessspecialists.net We will prepare a report for you and email it to you shortly.

It should take 20 to 30min to answer these questions, consider that all information will be treated in confidence.

Operational and Financial Data

Based on the last 12 months of trading please enter your figures below

	example below	your answer below
Actual Annual Sales $	$5,000,000.00	
Gross margin (%)	50%	
Net profit (%)	10%	
Number of employees	10	
Number of managers	2	
Number of sales staff (%)	80%	
Annual Sales Budget $	$5,500,000.00	
Annual Marketing Budget $	$1000,000.00	
Actual Annual Marketing Expenses $	$800,000.00	

Client's Estimate - Productivity

What would be your current level of operational efficiency (based on last 12 months)?

	example below	your answer below
Sales Area (%)	75%	
Other Areas (%)	60%	

What would you consider to be the optimum performance level that your business can achieve?

	example below	your answer below
Sales Area (%)	85%	
Other Areas (%)	90%	

Client's Estimate – Customer Service

How many customer service issues does your business experience per week?

	example below	your answer below
Number of customer service issues per week	2	

Operational and Financial Data

Help:
In the cells above, you need to enter your annual sales revenue, number of employees, managers, gross margin, net profit, annual sales budget and annual marketing budget. This data is going to discover a ratio/percentage of revenue against sales staff and it will help us to establish sales staff budget. Please include only front line employees who are directly responsible for generating income for your business (your sales employees). If your marketing staff is not part of the sale team then do not include them in the sales staff section. In the report which we create a sales target will be set (revised) for your sales staff in order to achieve your budget. Please include in this report your last annual sales budget and annual marketing budget –figures you aimed to achieve. Please entre your annual marketing expenses (advertising, promotional... expenditure) in box above. This report will consist of some KPI's (Key performance indicators) and computed return on your investment in marketing.

How to calculate some of these figures

Number of sales staff:
Sales staff (10) / Total number of employees (50) X 100 = 20%
If you have 50 employees and 10 are in sales then your percentage would be 20%

Gross Margin (expressed as a percentage):
Your total sales ($200) – COG cost of goods ($110) = gross margin ($90) then to get a percentage: Gross margin ($90) / your total sales ($200) X 100 = 45%
(Usually the service industry has a higher margin.)

Net profit (expressed as a percentage):
Total sales ($200) – COG cost of goods ($110) – all expenses, (wages, rent, etc...) ($65) = net profit ($25) then to get percentage: net profit ($25) / total sales ($200) x 100 = net profit (12.5%)

Legend:
= equal, / divide, - minus, + plus, x multiply

Number of managers refers to the number of employees who are managing a group of people (supervisors, team leaders, trainers).

Client Estimate – Productivity

These questions are related to the level of operational efficiency and answers are subject to your estimate (try to be conservative). For example: How long does it take sales staff to close a deal, are they trained properly and are they able to communicate in the most efficient and effective way? Do they have resources - necessary documents, products etc…? Are they motivated and are they giving 100%? Does your staff have clear job description guidelines?

The second question is related to other areas like production, supplying a product, dispatch, collecting money, organising deliveries, bureaucracy, unclear or duplicated workload, overstaffed, understaffed, or whatever the reason might be please try to gauge it.

Help:
Think of this. If you were able to stimulate/motivate/train your employees through a rewording scheme, team building exercises, training, and you can diminish the negativity that exists amongst your employees and you are able to promote a positive work environment. If you can develop some clear job descriptions, have regular training, meetings and discussions with your employees where goals, work and targets are clearly identifiable and articulated to avoid ambiguity. What level of operational efficiency do you think you could achieve in your business?

Client Estimate – Customer Service

This question is related to the number of issues (customers' complains) you get per week because the product was not up to a satisfactory standard, sales staff misinform the client, delivery was not on time, delivered wrong or damaged goods etc… We are trying to determine the number of issues that, if not addressed and resolved in a timely and satisfactory manner; will result in the client not doing business with you again and will spread through bad word of mouth. Such issues are a burden to any business and they have an enormous effect on your profit through different areas of your business.

Increasing Revenue

The revenue increasing model is a good and simple indicator of what you are doing now and what you should be doing if you focus on some simple things.

The model involves an assessment of some of the most important areas of your business.

- Increasing your average value sale
- Increasing purchase occurrence by your existing customers in a given year
- Increasing a client/customer base (number of customers)

There are many limitations to this model and it should be used more as a general indicator of business improvement rather than to follow it blindly.

Revenue Creation - Average value sale

What is your average sale value?

	example below	your answer below
Existing average value sale ($)	$2,500.00	
New (future) average value sale ($)	$2,600.00	

Revenue Creation - Number of transaction

How many times your customers buy from you in a given year?

	example below	your answer below
Existing number of times you sell to a typical client in a given year	0.5	
Your planed number of transactions per annum	1	

Revenue Creation - Number of new clients

How many customers purchase from you each year (how big is your client base)?

	example below	your answer below
Existing number of clients per annum	1000	
Your planed number of clients per annum	1100	

Revenue Creation - Average Value Sale
We will demonstrate to you, in a report, the significance of a small change in your average sale value on your overall sales increase. Please indicate your current average value sale and your target average value sale that you would like to achieve if you focus on this as an objective (be realistic).

Help:
For some large organisations where you have got a diverse range of average value sales it is almost impossible to put an average value sale across the board and we suggest sampling one department or division as a model for this report. Try to define the middle ground across all divisions and focus on the division which best reflects the overall business. If you do so, then employees that relate to that division and the profit from that division can be calculated into the report. Most businesses have a small number of sales in low and high extremes at dollar value. In order to get a more accurate average, please exclude the top and bottom 5% to 10% and then do an average over the balance.

You may also calculate the average value sale per product unit or product group. Through this exercise you might find that it varies considerably and you need to apply different marketing and distribution strategies in order to make a different average value sale profitable within the overall business model.

Revenue Creation – Number of transactions
This is about the occurrence rate at which you sell your product or service to your new or existing client. It is going to be a different occurrence rate if you are hairdresser, fast-food business or mechanic. Please try to indicate how much this rate can be increased to attain new, or to retain existing, clients if you make a determined effort. The prerequisite to this is to ensure you have got a high level of customers' satisfaction and for this reason the level of customer service efficiency is worthwhile monitoring.

Help:
To determine a frequency of purchase (how many times customers buy from you) use the following formula to calculate it: (Percentage of clients A% * occurrence rate B) plus (Percentage of clients C% * occurrence rate D) plus (Percentage of clients E% * occurrence rate F) plus (Percentage of clients G% * occurrence rate H) and so on for all data available. Example: (A%*B) + (C%*D) + (E%*F) + (G%*H) = X

Occurrence rate
(25%*3) + (25%*4) + (30%*3) + (20%*1) = 2.85 Occurrence rate
Keep in mind; when you add all your percentages you should get 100%

Revenue Creation – Number of new clients
This data should include only the number of customers who purchase from you in a given year (not the total number of your customers, because some of them buy once in two or three years). The focus of this question is to see what effect a small boost in these numbers in a timely manner (over a year) would have on revenue.

Financial Forecasting Questions

Hypothetical development

The first set of these questions are focused on your revenue creating strategies.
The following hypothetical questions (what if) are intended to give you good idea about what could happen if you focus on a few key areas in your business. It also examines what kind of benefits you would obtain.

For example: Even a minor increase in sales (by 3%), decrease in COG cost of goods (by 2%) and cutting expenses (by 2%) would result in a 48% net profit increase (please see table below). It might be worthwhile to mention that; the lower the net profit of a business, the higher the improvements could be made through the simple manipulation of a couple of variables (sales, expenses ...)

In the flowing example take note of the effectiveness of small movements in these key areas:

	Actual Figures	Forecast	
Sales $	$5,000,000.00	3.00%	$5,150,000.00
COG Cost Of Goods	$2,500,000.00	-2.00%	$2,450,000.00
Gross Profit	$2,500,000.00		
Expenses $	$2,000,000.00	-2.00%	$1,960,000.00
Net Profit $	$500,000.00		$740,000.00
Net Profit %	10.00%		14.37%
		Net Profit Growth	48%

"Assumption" Analysis

Enter your approximate that you could make over the next year

	example	By what % could you improve your performance in each area with applied dedication?
Sales %	2%	
COG Cost Of Goods %	-2%	
Expenses %	-2%	

“Assumption” Analysis

By focusing on specific areas of your business and with coordinated action you could make a huge difference, and very often it can be the difference between going under or setting your business on the right path with the right direction for growth and prosperity. Our simple model, which is based on a profit creating plan only requires a small improvement (e.g. 2%-3%) in the right direction to increase your net profit significantly.

Help:
Back to the basics: revenue (money in) – costs (money out) = profit (left over)
The only way to increase a profit is to increase revenue or to decrease costs.

This simple model has limitations:

- Cost can be cut only so far without affecting the quality of the product or service (very important to define the optimum).
- Revenue can be increased without a limitation but the balance of optimum between revenue and costs must remain in place (no point in revenue increase if costs are increasing horrendously and if it is not recognised through profit increase as well).

So, to grow a business one must know how to keep a healthy balance. Basically, it means to increase revenue while a keeping costs low without affecting the quality of the product or service.
Please put in these sections what you feel it would be conservative improvement in these key performance indicators. The report which will be given to you at the end of this process will also include figures in profit’s final movement based on your assumptions (figures you put in this section).

Help:
In order to increase your sales, one or several strategies should be implemented such as: Increasing the number of clients, expanding your range of products and services, reaching the clients you didn’t target before, increasing/decreasing your prices, exercising different promotional strategies (mixed, joint, money back guaranty...), increasing your marketing expenditure etc... but prior to any action, you need to thoroughly analyse your business and develop a business plan. The tools/instruments mentioned above should not be used until you know some of the answers like what/why, who, when, how; what is the purpose of doing it, who is going to do it, when to do it, and how to do it.

Example:
One cannot increases sales by simply raising prices unless other tools and coordinated proceedings are applied/geared to support that strategy. These tools are powerful only when used by a skilful/knowledgeable person and if there is a lack of knowledge and understanding it will create a disaster.

Bad Debts/ Expenses/ Inventory

We are already able to factor/compute data you provided in your previous answers but to get more consistent data we need a bit of extra input This will help us to extract a couple of ratios which will give us a clearer picture of the state of your business.

Please indicate below your level of bad debts.

Bad Debts in dollar value $		

Salary expenses (including superannuation) & advertising expenses

Total annual salaries expenses in dollar value $		
Total annual advertising expenses in dollar value $		

What is your average inventory level?

Use the following formula to calculate it: Opening Inventory $X plus closing inventory $Y divided by 2 = Inventory level

Average Inventory in dollar value $		

Bad debts

Help;
It is important to know how much bad debts (write offs) your business carries so we can test it (subject to further examination). Generally, higher bad debts could indicate that some areas of your business need attention. For example: to minimise losses, non-collectable debts, spoiled and damaged goods or etc... your credit policies might need revision/ handling procedures/ floor supervision etc…. Other remedies are available as well.

Salary expenses
A higher salary level may mean you have got to many employees and it will reduce your output per employee ratio. Lower ratio = lower profitability
It may also mean that you are paying above the market price but that could be further investigated and it should be looked at in the light of your business concept, rewarding scheme, company's expectations etc....

What is your average inventory/stock level?

Help:
To calculate average inventory level:
Opening inventory level at the beginning of the year plus **C**losing inventory level at the end of the year divided by (**2**) two. Formula: O+C/2
For example: (50 units +100 units)/2=75 units

This calculating method has some limitations and is not the most accurate but at least it will provide a guideline for industry comparison. Your inventory level represents one important performance indicator (in non service based industry). A lower your inventory level and higher number of inventory turns indicates that your cash flow is better managed. Not managing your inventory level properly means more money is tied up in stock (not readily available), less money in the areas where the business may need it (for investment, marketing etc...) and in general it is considered as wasteful behaviour. There are many costs associated with inventory and it is a very powerful but very delicate tool in any business.

Please enter data for business into the boxes below.

Working hours per week		38
Business operating days per week		5

Help:
Working hours per week is related to number of hours your business is operating during a week
Business operating days per week is actual number of working days per week

Client details: Please enter applicable details below

Company name		
Your name		
Job title		
Phone mob or land line		
Fax		
Email		
Web site		

BSpec Analysis

When we do modelling for this report we make sure that we take all factors into consideration: sales, number of employees, profit, inventory..... Smaller businesses have a different cost pressure and proportional spending in specific areas than their larger business counterparts. Businesses of the same or different size could have significantly disproportional figures (example: marketing expenditure, or etc...) but those figures should not be taken out of context and they should only be used as a base for further discussion.

The reason we can help with your business is because we have got the man power, knowledge base and experience gathered in one place with only one purpose: to make it happen. Some of the areas you might get improvement for example are: to revise your marketing strategy, advertising rates; by training your staff; purchasing - getting three quotes for purchases over $X, Distribution – bundling your deliveries, restricting number of curriers; optimising inventory; renegotiating some/new contracts, co-op promotions, bank fee charges, optimising working procedures etc... Our focus is not to increase your input into the model but to minimise it through optimising process. In some areas you can do something about it and to achieve 2%,5%,10% .... but in some areas 0% but in general there is always room for some improvement. When you receive this report you will see that simple manipulation with percentages and pushing it in the right directions could result in a tremendous improvement in your profit.

This Profit Creator Modelling will give you very quick indication of the state of your business and how well you are performing. As a consequence of not having a proper business plan and contingency plan, very often businesses find themself stranded and not capable of engaging itself in a battle with new competitor or unable to respond to sudden movements in the market. Ever wondered how some long lasting business has been swept by newly created business? Work on your strengths and even more on your weaknesses, shape your business and try not to be taken by surprise. Keep in mind that the industry bar is always rising and what is good enough today might be inadequate and insufficient tomorrow. If your performance is not up to the level of your competitors then every aspect of your business will need to raise the bar. The BSpec can do benchmark analysis to give you an idea of how your business performance stands against other companies from your industry. Please be aware that this would only be a guide and would have a many limitations.

We urge you not to rely upon these figures from this report in any way other than to use it as a tool to probe for more investigations.