

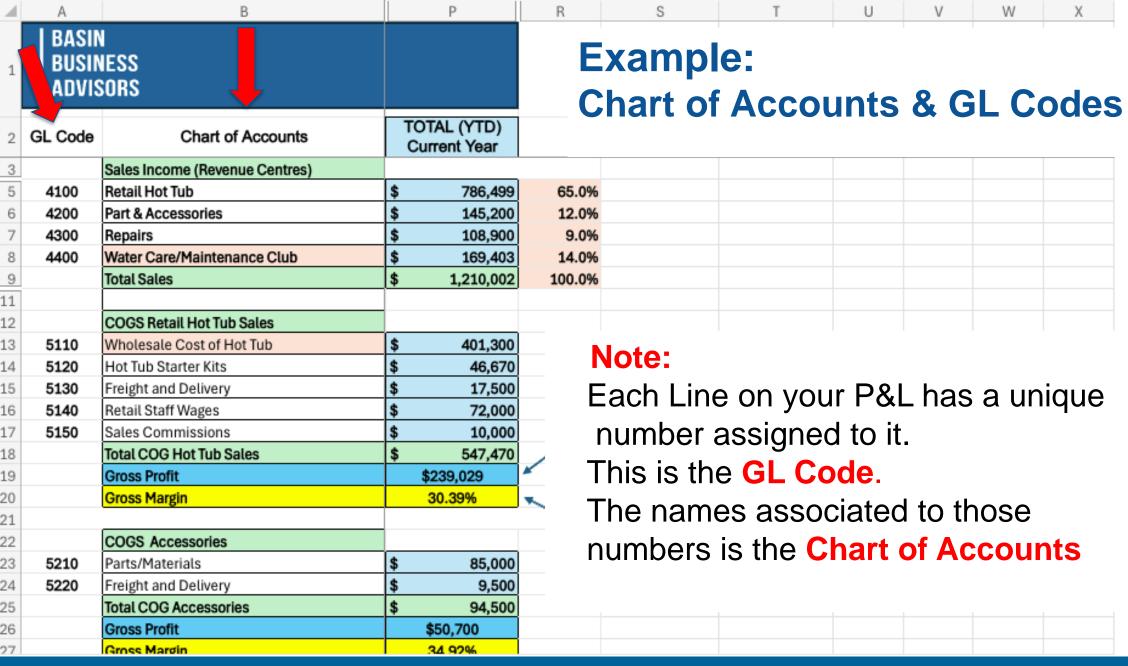
Financial Learning Pathway

Session 3: How to Use Gross Margins by Revenue Centre to Optimize your P&L

Presented by:

Denise MacDonald, Greg Scroggs and Steve Fisher BBA Business Advisors





HOW to Stabilize the TTM

- 1. Invoicing and the Importance of Timing
 - a. Invoice in the same month
 - b. Bill for WIP (Work in Progress)
 - Build contract to support
- 2. Inventory and COGS
 - a. Inventory on the Balance Sheet until sold
 - b. COGS hits the P&L at time of sale
 - c. Leverage POS or Operating System
- 3. Wage Allocations
 - a. Direct wages live in COGS
- 4. Even Out Expenses
 - a. Spread large expenses spread out monthly



Example: Gross
Margins by Revenue
Centres

PROSPECT
SALES
ROWTH
BUSINESS

SOLUTION DEVELOPMENT FINANCE

Levers You Can Pull for GM

1. Pricing

- a. GM Targets
- b. Competition Analysis
- c. Lead, don't follow

2. Expand or Drop Revenue Centres

- a. GM Analysis
- b. Power of "No"

3. Control COGS

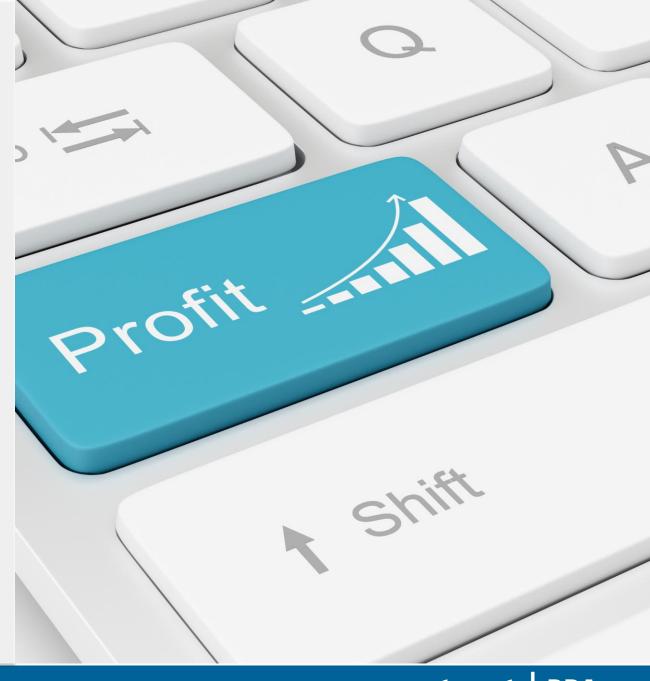
- a. Suppliers & Inventory Control
- b. Find Efficiency via SOPs

4. Sales and Marketing

- a. Focus marketing on high margin
- b. Watch Growth Learning Pathway

5. Make a COGS a Revenue Centre

- a. Charge for your time and expertise
- b. Mark Ups for Margin



Example: Optimized Gross Margins on the TTM!

PROSPECT
SALES
ROWTH
SOLUTION
DEVELOPMENT
FINANCE

From Change to Impact

- Analyze and strategize
- Make one change
- Monitor your results over a few months
- Reassess based on what the numbers are telling you
- Adjust as needed to stay on target
- Repeat the cycle to continuously improve margins



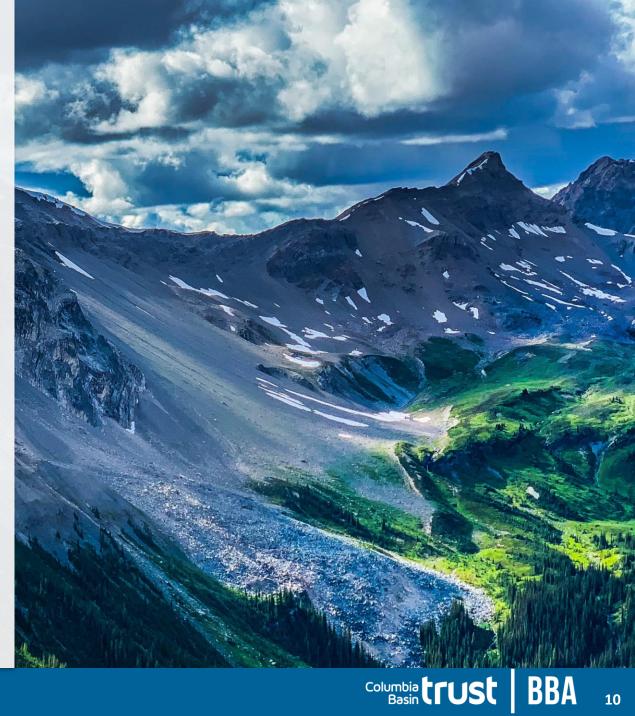
Homework for Session 3

- Calculate Gross Margin by Revenue Centre
- What did you learn? Any surprises?
- What decisions could you be making? Form a hypothesis on levers you can pull to optimize your business



Thank You





Notes



Notes

