

Business Diagnostic

Name of Client: John Good
Company: AA Good & Company



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Executive Summary

AA Good & Company has a total annual turnover of \$5,000,000.00. The business employs \$1,000,000.00 people.

During the review process with our consultant, you estimated that you could improve some basic areas of your business. If you actually focused on these areas over the next 12-month period you could increase your sales by \$1,374,500 to \$6,374,500 representing an approximate 22% increase.

In order to achieve this revenue growth, you will need to focus on three main objectives - increasing the number of clients that you have, increasing your average sale value or increasing the number of transactions that you make each year to your clients. We have summarised your key objectives as follows:

Key Objectives	This Year	Next Year
Sales Objective	<u>\$5,000,000</u>	<u>\$6,374,500</u>
To increase the number of clients	5000	<u>5500</u>
To increase the average value of each sale	<u>\$588.24</u>	<u>\$610.00</u>
To increase the frequency of each sale	<u>1.7</u>	<u>1.9</u>

It is important to point out that you effectively lose money if you delay implementing the correct systems and action plans that will help you meet this forecast. In fact every week that you delay will cost you \$26,433 in lost revenue. We therefore recommend highly that you read the rest of this report, which will outline some suggestions on how you can reach these targets.

Profit Review - By Time

In order to help you identify your growth strategies, it is important to understand the key productivity drivers that will impact on your profit. This will help you to understand the feasibility of your planned forecasts.

The first point to note is that every day, just to open up your doors and turn the lights on costs you \$6,494. This is in effect your total expenses divided by the number of working days in a year. However, in order for you to generate enough revenue just to cover your overheads, you will need to bill \$19,481 on a daily basis. This is because there is a cost of sales component that you have to take into account.

It is also important to note that anytime that your employees waste an hour, it costs you directly \$10. In order for you to come to grips with your costs and revenues, we have broken down three cost categories into different time intervals. The table below analyses hourly, daily, weekly and monthly time intervals for your business.

	Costs to your organisation in direct expenses	Break-even point	Sales needed to meet current revenue levels
Each hour	<u>\$812</u>	<u>\$2,435</u>	<u>\$2,706</u>
Each Day	<u>\$6,494</u>	<u>\$19,481</u>	<u>\$21,645</u>
Each Week	<u>\$32,468</u>	<u>\$86,538</u>	<u>\$96,154</u>
Each Month	<u>\$125,000</u>	<u>\$375,000</u>	<u>\$416,667</u>

The direct costs to your organisation represent your wages, advertising and general overheads. The break-even point refers to the amount of revenue that you need to generate to cover all costs. This is calculated at expenses plus cost of sales.

When you answered the questions in the diagnostic, you indicated that you intended to increase your sales by \$1,374,500 to \$6,374,500. We have broken down this forecast and compared that to your existing levels of sales.

	Sales needed to meet current revenue levels	Sales needed to meet new revenue levels	% Movement
Each Hour	<u>\$1,545</u>	<u>\$3,301</u>	22%
Each Day	<u>\$6,696</u>	<u>\$26,407</u>	22%
Each Week	<u>\$80,357</u>	<u>\$117,308</u>	22%
Each Month	<u>\$416,667</u>	<u>\$508,333</u>	22%

Profit review - By Sales Employees

We have determined that based on your company's current performance levels, each of your sales employees that were generating \$394 per day in revenue must now achieve a figure of \$580 to meet your budget forecast.

Important Performance Indicators	
Sales	
Currently each sales employee needs to contribute	\$4,329 each day
If you are to achieve your new forecast, each sales representative will need to contribute	\$5,519 each day

We have included a table that calculates the targets that each sales employee must meet in order for you to achieve 100% of your budget forecast:

	Existing level	New Level
Daily Target:	\$4,329	\$5,519
Weekly Target:	\$19,231	\$24,517
Monthly Target:	\$83,333	\$106,242
Annual Target:	\$1,000,000	\$1,274,900

Note: This table has been calculated from the top down. I.e. the annual target was divided by 12 and 52 to deduce the respective monthly and weekly targets. The daily target was then calculated by using the number of working days per week assumption.

Your break-even point per employee (based on all expenses plus cost of goods) is \$80,357. If you spread this over your sales employees only, this means that every sales employee needs to generate \$900,000 per annum for you to break even.

If we calculate these numbers on a weekly basis then each sales employee needs to generate **Sales Staff** per week to break even.

As you examine your sales budgets, you must determine whether this level of sales is feasible. The best way to examine this is to break the budget down into a daily basis. This will provide you with a better perspective. If this appears achievable on a daily basis, ask yourself whether these daily results can be repeated every day, week in week out, taking into account the days when your staff are sick or on holidays.

It may be that you need to employ more people or give serious thought to increasing your prices. As your business advisor, I would be happy to talk through these strategies in more detail. We have prepared the following "Expense Productivity Review" table.

Expense Productivity Review	
Total labour hours	
Total working labour hours per employee	<u>1848</u>
The total number of working labour hours per annum	<u>103488</u>
Sales employee working labour hours per annum	<u>9240</u>
Non sales employee working labour hours per annum	<u>94248</u>
Break-even point (expenses plus cost of sales)	
Break-even per employee per annum	<u>\$80,357</u>
Break-even per sales employee	<u>\$900,000</u>

Profit Review - By All Employees

One very interesting statistic that we have calculated is that if each of your employees could in effect save 0.54 hours per week, then it would be the equivalent of hiring a new employee for free!

The following "Time Calculations" help to put into perspective the cost of time in your organisation.

Time Calculations		
Impact of stopping time wastage		
If each employee saved	0.54	hours per week, you would effectively have one new employee
If each of your employees better utilised as little as	2%	of their time, you would have the equivalent of one extra employee
If each of your employees better utilised as little as	3%	of their time, you would have the equivalent of two extra employees
If you were able to increase time effectiveness by	10%	you would effectively have 6.5 extra employees

Expense Productivity Review	
Expense contribution per employee	
Expense contribution per employee per annum	<u>\$26,786</u>
Weekly expense overhead	<u>\$28,846</u>
Total working labour hours per employee	<u>1848</u>
The total number of working labour hours per annum	<u>103488</u>
Break-even point (expenses plus cost of sales)	
Break-even per employee per annum	<u>\$80,357</u>
Every working labour hour produces	<u>\$48</u>
Every working labour hour costs your organisation (expenses only)	<u>\$14</u>

Earlier we established that to achieve your forecast levels you will need to improve your current level of sales efficiency per employee by 47%. This assumes that you will not need to recruit any new employees in order to help you achieve your growth strategies.

If in fact you do need to employ additional people to help you implement and maintain your new sales strategies, then you could employ an additional 30.55 staff members and maintain your current benchmark levels of producing \$30,769 per employee. The cost of these staff members would be \$112,800. This has been

calculated based on your organisations' average wage that has been estimated to be \$3,692.

The following table calculates the new level of output required by your employees in order to achieve your budgeted forecast. We have calculated the new levels based on employing up to 10 extra people in your organisation.

Existing Productivity Level <i>(before forecast growth)</i>	New Productivity Level <i>(after forecast growth with no additional employees)</i>	If you had to add	Total Employees	New output level per employee
\$30,769	\$45,231	1 new employee	66	\$44,545
\$30,769	\$45,231	2 new employees	67	\$43,881
\$30,769	\$45,231	3 new employees	68	\$43,235
\$30,769	\$45,231	4 new employees	69	\$42,609
\$30,769	\$45,231	5 new employees	70	\$42,000
\$30,769	\$45,231	6 new employees	71	\$41,408
\$30,769	\$45,231	7 new employees	72	\$40,833
\$30,769	\$45,231	8 new employees	73	\$40,274
\$30,769	\$45,231	9 new employees	74	\$39,730
\$30,769	\$45,231	10 new employees	75	\$39,200

The table above shows the changes in output per employee required for you to achieve your budgeted growth. Your current sales level is \$2,000,000. If you divide this by your 65 employees, then you need to produce \$30,769 per employee. If you were able to achieve your new target of \$2,940,000 then each of your employees would need to output \$45,231 in revenue. This will positively impact on your profit. If you look at the table you can see that the more employees you recruit, the less the employee output required to meet your budgeted forecast. Of course, every time you hire a new employee, you need to deduct their wages and add on costs from your profit.

Profit Review - General Efficiency

In the diagnostic questions, you were asked a qualitative question about your general staff motivation levels. Based on your answers we have calculated some possible productivity gains.

How did we calculate your productivity gains? We asked you what level of operational efficiency you were achieving now and what level you thought you could achieve if you implemented some of the following suggestions:

- Conduct regular weekly planning with employees
- Increase employee motivation and drive
- Improve customer service
- Curb unproductive and inefficient workflows
- Document policies and procedures to show staff what to do
- Provide employees with clear job descriptions and defined roles
- Have more accountability and goal setting
- Organise more staff training
- Strive for less delayed projects

You did not estimate any improvement in sales activity from any of the above activities. Your forecast therefore was no movement in sales activity levels. From 70% to 70% efficiency levels in your sales area, and 75% to 78% in your non-sales areas. Based on this we have estimated the following.

Overall Productivity & Sales levels	Increase Revenue	Lost Hour Savings	Lost Hours
Sales Productivity	\$-		
Non Sales Productivity		\$16,800	2,503

Profit Impact of Discounting Your Prices

Pricing is in part determined from your costs. However, it also depends on what the market will bear and what image you wish to portray.

Many businesses make the mistake of trying to boost their sales by discounting. Sometimes this strategy may be successful because the price discount actually encourages people to buy. This may result in an increase in your sales volume to an extent that you actually improve your profits. In many cases, however this can lead to a substantial deterioration in your profits. The problem is knowing exactly how much more you need to be able to sell in order to have a positive impact upon your profit.

We have analysed your business based on the figures that you supplied to us and we can conclude the following. If you discounted your prices by 20%, you would have to increase your sales volume by 67% in order to achieve the same profit. This is based on the assumption that you have a 50% gross margin.

The two following tables show the different impact on your gross profit of price discounting.

Discount pricing impact	
If your present margin is: 50%	
You reduce price by:	To produce the same profit, your sales volume must increase by:
4%	9%
5%	11%
8%	19%
10%	25%
15%	43%
20%	67%
25%	100%
30%	150%
35%	233%
40%	400%
45%	900%

The first table "Discount pricing impact" is based on the gross margins that you supplied to us during the diagnostic. It calculates the effect of a price decrease.

The second table "Discount pricing impact overview" provides a resource that shows the impact across a range of different gross margins that you may be operating in your business.

The key to successful discounting is to ensure that your business reduces the cost as well as the price. Otherwise, an increase in sales will be cancelled out by a decrease in profitability.

Discount pricing impact overview									
If your present margin is:									
	20%	25%	30%	35%	40%	45%	50%	55%	60%
You reduce price by:	To produce the same profit, your sales volume must increase by:								
2%	11%	9%	7%	6%	5%	5%	4%	4%	3%
4%	25%	19%	15%	13%	11%	10%	9%	8%	7%
6%	43%	32%	25%	21%	18%	15%	14%	12%	11%
8%	67%	47%	36%	30%	25%	22%	19%	17%	15%
10%	100%	67%	50%	40%	33%	29%	25%	22%	20%
12%	150%	92%	67%	52%	43%	36%	32%	28%	25%
14%	233%	127%	88%	67%	54%	45%	39%	34%	30%
16%	400%	178%	114%	84%	67%	55%	47%	41%	36%
18%	900%	257%	150%	106%	82%	67%	56%	49%	43%
20%	-	400%	200%	133%	100%	80%	67%	57%	50%
25%	-	-	500%	250%	167%	125%	100%	83%	71%
30%	-	-	-	600%	300%	200%	150%	120%	100%

The above table calculates the impact across a range of different gross margins.

"As the "Discount pricing impact" table shows, if a business is operating on a 30% gross profit margin and introduces a 10% discount sale (10% discount on gross revenue), the business would need to generate an additional 50% in sales to maintain that 30% profitability level.

This is optimistic at the best of times: 50% more sales, half as much again! Even more startling, at 25% discount strategy (25% discount on gross revenue at 30% margin), sales would have to increase by an enormous 500% to maintain that profitability. This would be unheard of and illustrates how ridiculous such a discount would be". - Table and contents extracted from The Australian Business Toolkit published by CCH

Profit Impact of Increasing Your Prices

Increasing your prices can lead to a more than proportionate increase in your profits, depending on your gross margins. There are two ways you can view this theory. You can look at how much of a profit boost you would earn if you increased your prices. This would of course assume that you could maintain the same sales volume. i.e. people will still want to buy your product even though your prices are higher.

The other way you could look at this theory is to ask the question, "Could you do less work and reap the same profits?" In reality, the biggest fear of raising your prices is that you will disenfranchise a portion of your customers. The equation that you need to compute is what level of sales you can afford to lose before your profit starts to deteriorate. We have calculated this equation for you in the "Premium Pricing Impact" tables following.

Lesson 1: Increasing your prices by 25%, would result in an increase of your gross profit by 50% (assuming you have a 50% gross margin.)

Lesson 2: If you increased your prices by 25%, your total sales could reduce by as much as 33% without this sales deterioration impacting negatively on your profit

Premium Pricing Impact calculated specifically for your business	
You stated your present margin was: 50%	
You increase your sales by:	Your sales could decline by the amount below before your gross profit is reduced.
4%	7%
10%	17%
15%	23%
20%	29%
25%	33%
30%	38%
35%	41%
40%	44%

Premium pricing impact									
If your present margin is:									
	20%	25%	30%	35%	40%	45%	50%	55%	60%
You increase sales by:	Your sales could decline by the amount below before your gross profit is reduced								
2%	9%	7%	6%	5%	4%	4%	4%	4%	3%
4%	17%	14%	12%	10%	9%	8%	7%	7%	6%
6%	23%	19%	17%	15%	13%	12%	11%	10%	9%
8%	29%	24%	21%	19%	17%	15%	14%	13%	12%
10%	33%	29%	25%	22%	20%	18%	17%	15%	14%
12%	38%	32%	29%	26%	23%	21%	19%	18%	17%
14%	41%	36%	32%	29%	26%	24%	22%	20%	19%
16%	44%	39%	35%	31%	29%	26%	24%	23%	21%
18%	47%	42%	38%	34%	31%	29%	26%	25%	23%
20%	50%	44%	40%	36%	33%	31%	29%	27%	25%
25%	56%	50%	45%	42%	38%	36%	33%	31%	29%
30%	60%	55%	50%	46%	43%	40%	38%	35%	33%

If you adopt a premium pricing strategy, the table above shows the amount by which your sales would have to decline following a price increase before your gross profit would be reduced below its present level. For example, at the same 40% margin, a 10% increase in price could sustain a 20% reduction in sales volume. Less work for more return!

Table and contents extracted from The Australian Business Toolkit published by CCH

Profit Impact of New Markets & Strategies

In terms of new markets and products strategies, we have prepared the following table for you based on your forecasts:

	Existing average value sale	No of transaction pa	No of customers	Total Revenue
Existing	\$300	5.0	1,333	\$2,000,000
New Levels	\$350	6.0	1,400	\$2,940,000

You should concentrate on developing the strategies listed below to help you meet these forecasts.

Increasing the number of clients

It appears from our preliminary investigation that your company has a customer base of approximately 1,333. Over the next year, we discussed increasing the number of customers to 1,400. This can be achieved in a number of which include:

- Focusing your products and services to new markets;
- Experimenting with different types of advertising;
- Increasing your advertising spend;
- Improving the type of advertising that you are doing;
- Launching new products that target a type of client that you have not previously targeted before;
- Conducting joint promotions with other companies;
- Offering money back guarantees and a host of other sales generation ideas.

All you need to do is make sure that you thoroughly analyse your business and develop a business plan.

Remember also that there are simple organisational and human resources initiatives you can use to increase your sales. I.e. With your sales team of 19.5, if you could increase the number of outbound calls, sales presentations or orders per representative then obviously your number of customers will increase. This can be achieved through the implementation of a good customer relationship management (CRM) system. In addition, if each employee were more highly motivated, then your sales, customer service and productivity levels would improve.

Increase the average value of each sale that you make

The second element to achieving your sales growth is to increase the average value of each sale you make. In your case, you have predicted that your average value sale will increase from \$300 to \$350. The main ways that this can be achieved include:

- Raising the price (unimaginative but highly effective);
- Offering products/service bundles to your customers;
- Offering better quality products or products with more features.

The decisions that you make will be the result of the analytical processes and probing that is required when you prepare your business plan.

Increase the number of transactions per year to your clients

The third key to increasing your sales is to sell more often to your existing customers. The pre-requisite to materialising this objective is to make sure that you have a high level of customer satisfaction. You indicated that you had 20 customer service issues per week. If each of these issues was not thoroughly followed through and resulted in customer dissatisfaction, then this would result in customers not buying from your organisation in the future. Based on your average sale and frequency of purchase, this could be costing you \$2,184,000 per annum.

Current Key Performance Indicators	
Operational	
Each labour hour costs your organisation	\$6.71
Break-even point per employee	\$27,692

Below are a number of ways you may consider to increase the number of transactions by your customers are as follows:

- **Newsletter and Sales Materials:** The more times you approach your customers the more times they will buy from you. If in the past, you have only sent off one letter to your customers each year, what would be the revenue increase you may experience from sending perhaps two or three letters per year.
- **Regular Purchase Discounts:** Many companies are now offering incentives such as frequent flyer rewards and bonus point systems to their customers to encourage repeat purchase. This is important in encouraging your customer to buy from you again.
- **Promoting Accessories:** The more accessories that you promote to your client the more that they will tend to buy off you to support their original purchase. If they are happy with the original product then any product that enhances, improves or fulfils the need of the original product, will most probably be well received by your clients. This will result in them buying from you more often.
- **New Products:** Similarly, new products are a good way of increasing the frequency of purchase. Your existing customers are more likely to buy from you than people that do not know you. Therefore, new products should always be made available to your existing customers before offering them to the general market.

Profit Impact of Customer Service

In any organisation, a certain level of customer service is critical. Whilst most managers agree on its importance, it is often an area of the business that is overlooked. We have found with our clients that if we can allocate a dollar value to customer service improvement then there is a far better focus to achieving targets set in this area.

In your organisation, you indicated that there were approximately 20 issues per week. If these issues are small customer queries as opposed to customer complaints, then you probably have not got a large problem. This is provided that at the conclusion of each issue, your customers are still satisfied with your company. It is when you do not adequately resolve customer service issues that you end up with a major problem.

If each of these issues results in the customer not buying from you again, then the impact on your business over the next year will be 1,040 dissatisfied customers. This in turn will result in \$2,184,000 of lost revenue.

Current Key Performance Indicators	
Customer Service Issues	
Number of customer service issues per annum	1,040 issues per annum
Potential cost of customer dissatisfaction	\$2,184,000 per annum in lost revenue

“What If” Profit Assessment

The philosophy of single-mindedly focusing on specific areas can help you to grow your business.

In the first part of the report, we discussed the impact on your business if you particularly focused on three driving areas to increase your sales.

Another tool of simplicity that we use is the focus on moving your financial indicators by as little as 2% in a positive direction, to increase substantially your turnover.

We asked you to what extent you could increase your sales, decrease your cost of goods and decrease your expenses.

You stated that you could do the following:

- Increase your sales by 2%
- Decrease your cost of sales by -2%
- Decrease your expenses by -2%

If you achieved this, you would effectively have a 38% movement in profitability. Your changes would appear as follows:

Existing		Movement	Result
Sales	\$2,000,000	2%	\$2,040,000
Less COGS	\$1,000,000	-2%	\$980,000
Gross Margin	\$1,000,000		\$1,060,000
	50%		52%
Less Expenses			
Other Expenses	\$560,000		
Salary (based on benchmark)	\$240,000		
Total Expenses	\$800,000	-2%	\$784,000
	40%		38%
Net Profit	\$200,000		\$276,000
	10%		14%
% increase in profit		38%	

In the previous table, we have made the assumption that the percentage movements were made directly against your current cost of sales and expenditure. However, in a lot of cases this might not be correct. You might find that if you increase your sales by 2% then you would naturally increase your cost of sales by 2%. Therefore, to calculate a 2% better performance, we would need to base the performance on the new level of cost of sales proportionate to sales.

In the case where you maintain your ratios, but we apply full percentage point reductions or improvements to your margins and expenses over the last period, then we can apply the same principal. At the moment, your cost of sales is 50%.

If we reduce this by 2 percentage points then the gross margin will increase by the same percentage. If we reduce your expenses by 2 percentage points then we will end up with a net profit of \$285,600. This now equates to a 14% net profit. In terms of profit growth from the last period to the next, if you implemented these cost and revenue improvements you would grow your profits by 43%.

In the case where you maintain your ratios, and we apply a straight percentage reduction based on your answers then we will end up with a more conservative picture. At the moment, your cost of sales is 50%. If we reduce this by 2% then your new gross margin will be \$1,040,400. If we reduce your expenses by 2% then we will end up with a net profit of \$240,720. This now equates to 12% net profit. In terms of profit growth from the last period to the next, if you implemented these cost and revenue improvements you would grow your profits by 20%.

Existing		Movement	Result of total percentage point decreases	Result of straight % decrease off new levels.
Sales	\$2,000,000	2%	\$2,040,000	\$2,040,000
Less COGS	\$1,000,000	-2%	\$979,200	\$999,600
Gross Margin	\$1,000,000		\$1,060,800	\$1,040,400
	50%		52%	51%
Less Expenses				
Other Expenses	\$560,000			
Salary (based on benchmark)	\$240,000			
Total Expenses	\$800,000	-2%	\$775,200	\$799,680
	40%		38%	
Net Profit	\$200,000		\$285,600	\$240,720
	10%		14%	12%
% increase in profit		43%		

"The table above takes into account that if you increased your sales, then this will move your cost of sales to a slightly higher level. We have then applied a level of saving off the cost of sales figure on the new level."

We have provided two calculations. In the "Result of total percentage point decreases", we have reduced the entire margin by percentage points and in the last column we have reduced the margins and expenses by the proportional percentage. For example if your cost of sales was currently, 10% and you reduced it by 2 percentage points then it would reduce to 8%. However if we reduced your cost of sales by 2% (not 2 percentage points) then we would get a different answer. The last two columns of the table above show the differences in the results.

Looking at Your KPI's (Key Performance Indicators)

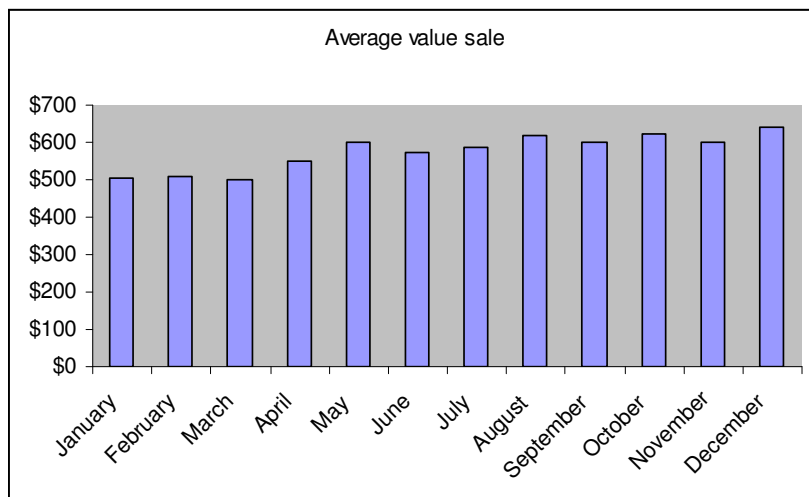
You need to have a one-page monitor of your business that reflects not only the overall financial position, but also other factors that will affect your performance in the long term.

For instance, in the first part of this report we talked about a number of issues in the revenue generation section. While you may have been familiar with these principles before reading the report, are you actively monitoring (or do you intend to actively monitor) on a monthly basis these as KPI's of the business? If we take the average value sale for instance, do you intend to submit a monthly monitoring report on the following KPI's?

	Yes	No
Average value sale across your organisation		
Average value sale for each product or service that you sell.		

If you were diligent in monitoring your average value sale throughout the year, you would end up with a report similar to the one depicted below.

Month	Average value sale
January	\$xx.xx
February	\$xx.xx
March	\$xx.xx
April	\$xx.xx
May	\$xx.xx
June	\$xx.xx
July	\$xx.xx
August	\$xx.xx
September	\$xx.xx
October	\$xx.xx
November	\$xx.xx
December	\$xx.xx



KPI's Based on Your Answers

Some of the KPI's that we can measure from your answers are listed in the table below. These KPI's represent your actual figures that you entered into the assumptions. We have documented what you have achieved as opposed to what you have indicated you could achieve.

KPI Highlights for the last year (monthly basis)

Financial KPI's

Sales	\$166,667	Profit	\$16,667
Expenses	\$66,667	Advertising	\$16,667
COGS*	\$83,333	Salary	\$20,000

Sales KPI's

Number of new customers for each month	111	Number of orders for each month	556
		Average value sale	300

Organisational KPI's

Customer service issues per month	87	Staff motivation levels	73%
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COGS is an acronym for **C**ost of **G**oods **S**old
** ROI is an acronym for **R**eturn **O**n **I**vestment

KPI Review (annual & monthly basis)

Annual View of Financial KPI's					
Actual Figures			Target Figures		
		% of Sales			% of Sales
Sales	\$2,000,000	100%	Sales	\$2,940,000	100%
Less COGS	\$1,000,000	50%	Less COGS	\$1,411,200	48%
Gross Margin	\$1,000,000	50%	Gross Margin	\$1,528,800	52%
		50%			52%
Less Expenses			Less Expenses		
Other Expenses	\$360,000	18%	Other Expenses	\$419,236	14%
Salary	\$240,000	12%	Salary	\$302,400	10%
Advertising	\$200,000	10%	Advertising	\$210,000	7%
Total Expenses	\$800,000	40%	Total Expenses	\$931,636	32%
Net Profit	\$200,000	10%	Net Profit	\$597,164	20%

Monthly View of Financial KPI's					
Actual Figures			Target Figures		
		% Sales			% Sales
Sales	\$166,667	100%	Sales	\$245,000	100%
Less COGS	\$83,333	50%	Less COGS	\$117,600	48%
Gross Margin	\$83,333	50%	Gross Margin	\$127,400	52%
Less Expenses			Less Expenses		
Other Expenses	\$30,000	18%	Other Expenses	\$34,936	14%
Salary	\$20,000	12%	Salary	\$25,200	10%
Advertising	\$16,667	10%	Advertising	\$17,500	7%
Total Expenses	\$66,667	40%	Total Expenses	\$77,636	32%
Net Profit	\$16,667	10%	Net Profit	\$49,764	20%

KPI Snapshot

	Annual View of KPI's			Monthly View of KPI's		
	<i>Actual</i>	<i>Target</i>	<i>Variance</i>	<i>Actual</i>	<i>Target</i>	<i>Variance</i>
Sales	\$2,000,000	\$2,940,000	47%	\$166,667	\$245,000	47%
Profit	\$200,000	\$597,164	199%	\$16,667	\$49,764	199%
Expenses	\$800,000	\$931,636	16%	\$66,667	\$77,636	16%
Advertising	\$200,000	\$210,000	5%	\$16,667	\$17,500	5%
Salary	\$240,000	\$302,400	26%	\$20,000	\$25,200	26%
COGS	\$1,000,000	\$1,411,200	41%	\$83,333	\$117,600	41%
Average value sale	\$300	\$350	17%	\$300.00	\$350.00	17%
Frequency of purchase	5	6	20%	5.00	6.00	20%
Number of new customers	1333	1400	5%	111	117	5%
Number of new orders	6667	8400	26%	556	700	26%

Marketing KPI Highlights for the Last Year

Marketing KPI review last year (monthly basis)

Advertising cost per client acquisition	\$150.00	Total cost of marketing (i.e. sales wages and advertising) per client acquisition	\$150.00
Advertising cost per order	\$30.00	Total cost of marketing per order	\$30.00
Advertising ROI**	10.0	Total cost of marketing ROI	10.00

Marketing KPI Review (annual & monthly basis)

	Annual View of KPI's			Monthly View of KPI's		
	<i>Actual</i>	<i>Target</i>	<i>Variance</i>	<i>Actual</i>	<i>Target</i>	<i>Variance</i>
Advertising ROI	10.00	14.00	40%	10.00	14.00	40%
Advertising and Sales wage ROI	10.00	9.78	-2%	10.00	9.78	-2%
Cost of acquiring new client (advertising)	\$150.00	\$150.00	0%	\$150.00	\$150.00	0%
Cost of acquiring new client (advertising & salespeople)	\$150.00	\$214.80	43%	\$150.00	\$214.80	43%
Cost of acquiring each order (advertising)	\$30.00	\$25.00	-17%	\$30.00	\$25.00	-17%
Cost of acquiring each order (advertising & sales)	\$30.00	\$35.80	19%	\$30.00	\$35.80	19%
Sales rate per representative	\$102,564	\$150,769	47%	\$8,547	\$12,564	47%
Customer service issues	1040	832	-20%	87	69	-20%
Staff motivation	73%	74%	2%	73%	74%	2%

Creating a Visual Impact with your KPI's for Easy Analysis

These figures have a far greater impact if they are visual. We highly recommend that every month you summarise your business down to a few key areas and produce graphs so that you can instantly see how you are performing. We have graphed some of the figures from the previous page and then superimposed a made up "actual" figure, to demonstrate how your reports should be produced.

Please note that we would be happy to explain to you the background of these KPI's and identify which KPI's would be most suitable for your business. We can also put together these KPI's at the end of each month and send the reports back to you as a service.

How On The Mark can help!

We can obtain your figures on an ongoing basis (e.g. monthly) and produce reports such as those appearing on the following pages.

Please note that these KPI reports are hypothetical only. This is simply to give you a basic understanding of the type of reporting that we could produce for you if required.

We find that many businesses introduced to the idea of KPI monitoring do it well themselves for the first two months but then let it slip as they focus more on the day-to-day operation of their business.

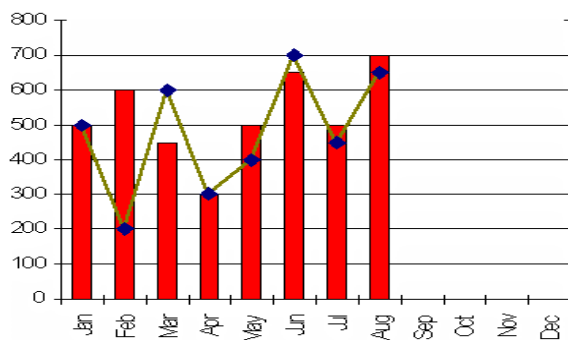
Having a consultant to monitor your KPI's allows you to concentrate on other aspects of your business in the knowledge that this important task will be effectively followed through.

MANAGEMENT REPORT: Month end **May-2009**

Organisational KPI Summary

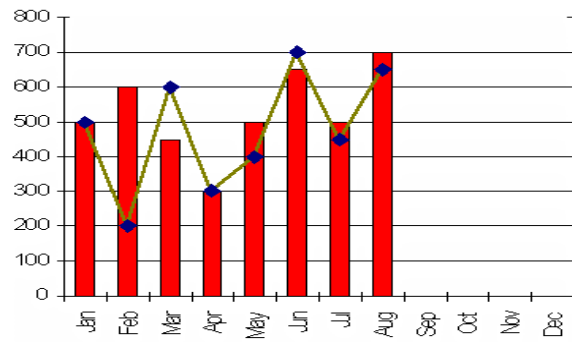
Sales	\$166,667	Profit	\$16,667	Customer service issues per month	87
Expenses	\$66,667	Advertising	\$16,667	Staff motivation levels	73%
COGS	\$83,333	Salary	\$20,000	Total cost of marketing ROI	10.00
Number of new customers for month	111	Number of orders for month	556	Average value sale	300

Sales by product group analysis



As we did not ask you questions about your individual product sales, this text is purely hypothetical. If we were to monitor your product sales on a monthly basis, this text would outline the sales for the month for the relevant product group.

It would talk about how this product group has performed to budget and address any issues if there has been any variation for the projected figures.

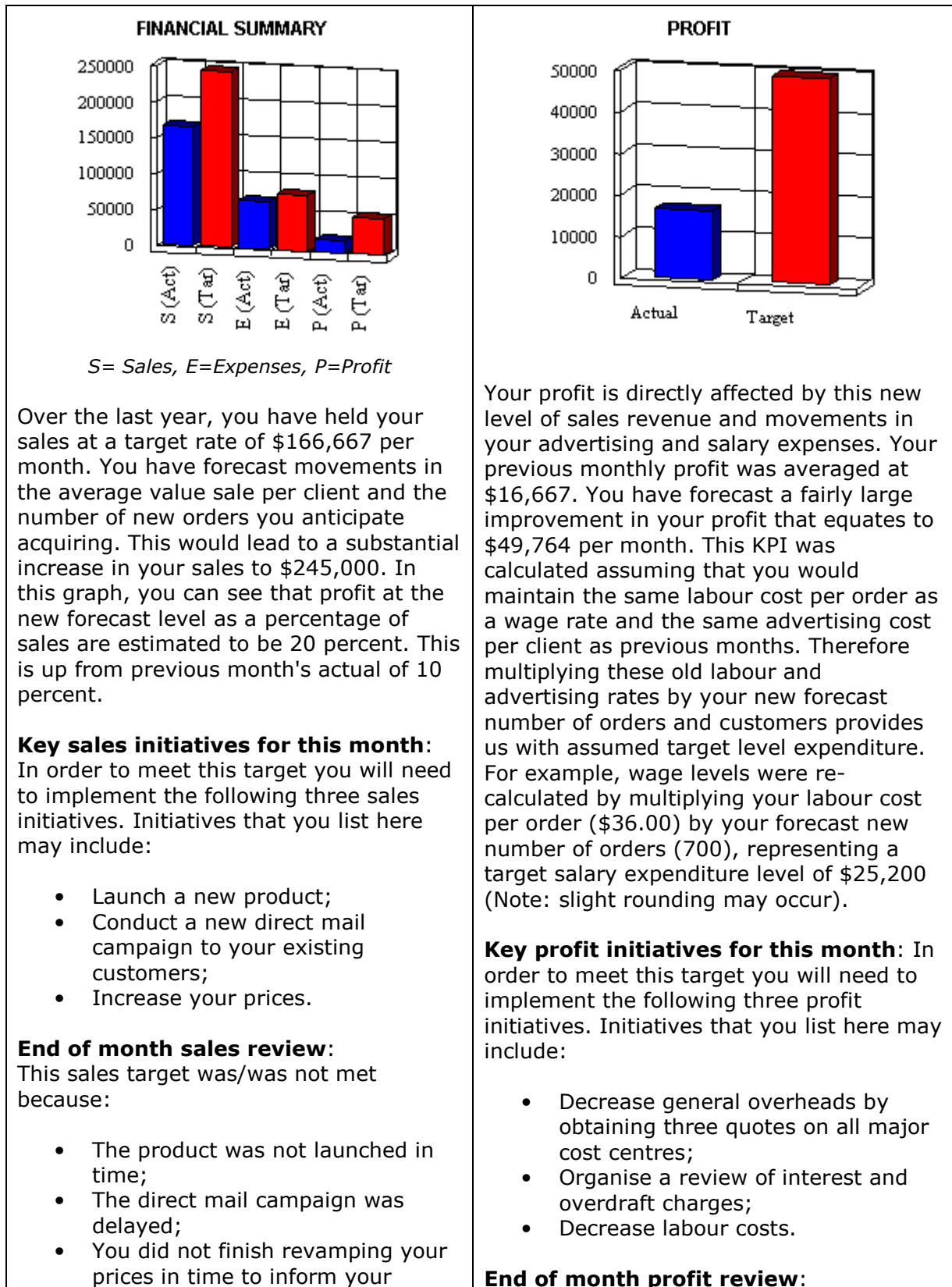


It might discuss new product developments for this product group, explore any particularly successful sales campaigns that had been orchestrated during the month or even talk about the number of hot prospects.


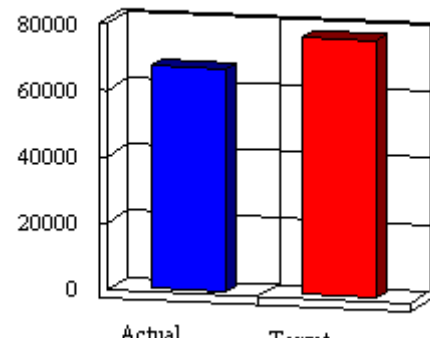
The most important thing is that it would give you an overview, month by month, as to what is happening to this product group in the business.

MANAGEMENT REPORT: Month end **May-2009** (Continued)

This is the first KPI report since the establishment of your new forecasts as defined in the Profit Builder report. As a result, the actual and the target will be based on your existing performance compared to the forecast levels that you entered into the Profit Builder software.

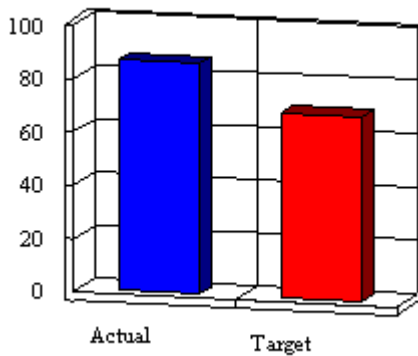


customers.	<p>This sales target was/was not met because:</p> <ul style="list-style-type: none"> • Three quote systems were not introduced. • Labour costs were unable to be reduced, as significant overtime was needed to ship the orders.
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<p style="text-align: center;">ADVERTISING</p>  <p>Advertising is forecast to increase from \$16,667 to \$17,500. Advertising currently represents 25 percent of total expenses. Total advertising for the month is forecast to be lowered if we view the figure as a percentage of total expenses. We have calculated the advertising budget by multiplying the number of customers that we estimate we will acquire this month i.e. 117 by the existing cost of customer acquisition (advertising) which is \$150.00 (Note: rounding in the simulation model may mean that slight variances may appear in the multiplication of these figures).</p> <p>Key advertising initiatives for this month: In order to meet this target we will need to implement the following three advertising initiatives. Initiatives that you list here may include:</p> <ul style="list-style-type: none"> • A direct mail campaign for product group x; • An advertising campaign for product group y; • The launch of a telemarketing campaign for product group z. <p>End of month sales review: This advertising target was/was not met because.</p> <ul style="list-style-type: none"> • Twice the results that were forecast 	<p style="text-align: center;">EXPENSES</p>  <p>Total expenses are expected to increase from \$66,667 to \$77,636. In percentage terms, total expenses will be lowered from 40 percent to 32 percent of sales. We have broken total expenses up into three categories. Advertising, Salaries and Other Expenses. These are respectively forecast to be \$17,500, \$25,200 and \$34,936.</p> <p>Key expense initiatives for this month: In order to meet this target you will need to implement the following three expense initiatives. Initiatives that you list here may include:</p> <ul style="list-style-type: none"> • Reduce overall labour costs by outsourcing some of the work that you do less efficiently; • While advertising expenses will increase, it will be contained to a lower proportion of total expenses; • Refinance the lease on the cars. <p>End of month expense review: This expense target was/was not met because.</p> <ul style="list-style-type: none"> • The contractors expenses were 20% below budget; • Advertising rates were increased; • The lease was successfully re-financed.
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<p>were achieved from the direct mail campaign, so the organisation focused on a full rollout;</p> <ul style="list-style-type: none">• The artwork was finished in time for the magazine;• Quality telephone scripts were developed for the telemarketing campaign.	
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CUST SERVICE ISSUES



This month you forecast you would decrease the number of customer service issues from 87 to 69 (Note: in our assumptions for this KPI, we set the target rate at 20% less than your current levels).

Key customer service initiatives for this month: In order to meet this target we will need to implement the following three customer service initiatives:

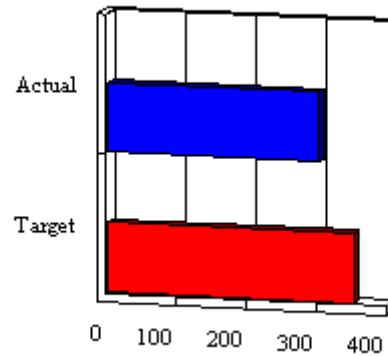
- New customer service initiative 1.
- New customer service initiative 2.
- New customer service initiative 3.

End of month customer service

review: This customer service target was/was not met because.

- We surpassed this level because of reason 1.
- We surpassed this level because of reason 2.
- We failed to meet this level because of failure reason 1.
- We failed to meet this level because of failure reason 2.

AVERAGE SALE VALUE



You forecast you would increase your average value sale from \$300 to \$350

Key "order average value" initiatives for this month: In order to meet this target we will need to implement the following three "order average value" initiatives:

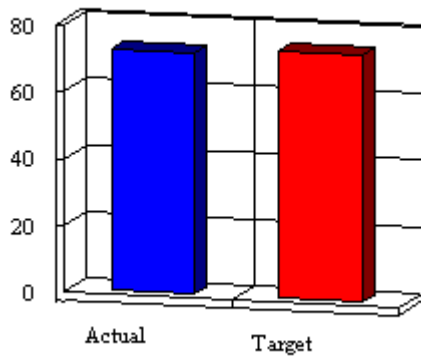
- New "order average value" initiative 1.
- New "order average value" initiative 2.
- New "order average value" initiative 3.

End of month "order average value"

review: This "order average value" target was/was not met because.

- We surpassed this level because of reason 1.
- We surpassed this level because of reason 2.
- We failed to meet this level because of failure reason 1.
- We failed to meet this level because of failure reason 2.

STAFF MOTIVATION LEVELS



This month your staff motivation levels are expected to increase. The expected target level of employee motivation is 74 percent.

Key sales motivation and morale initiatives for this month: In order to meet this target we will need to implement the following three sales motivation and morale initiatives:

- New sales motivation and morale initiative 1.
- New sales motivation and morale initiative 2.
- New sales motivation and morale initiative 3.

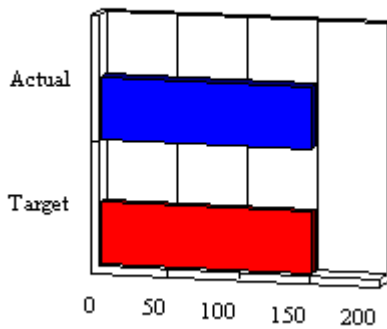
End of month sales motivation and morale review: This sales motivation and morale target was/was not met because.

- We surpassed this level because of reason 1.
- We surpassed this level because of reason 2.
- We failed to meet this level because of failure reason 1.
- We failed to meet this level because of failure reason 2.

Marketing Analysis - KPI

Organisational KPI Summary					
<i>Sales</i>	<i>\$166,667</i>	<i>Profit</i>	<i>\$16,667</i>	<i>Advertising cost per client acquisition</i>	<i>\$150.00</i>
<i>Expenses</i>	<i>\$66,667</i>	<i>Advertising</i>	<i>\$16,667</i>	<i>Advertising cost per order</i>	<i>\$30.00</i>
<i>COGS</i>	<i>\$83,333</i>	<i>Salary</i>	<i>\$20,000</i>	<i>Advertising ROI</i>	<i>10.0</i>
<i>Number of new customers for month</i>	<i>111</i>	<i>Number of orders for month</i>	<i>556</i>	<i>Customer service issues per month</i>	<i>87</i>
<i>Average value sale</i>	<i>300</i>	<i>Cost of marketing per client acquisition</i>	<i>\$150.00</i>	<i>Total cost of marketing per order</i>	<i>\$30.00</i>
<i>Total cost of marketing ROI</i>	<i>10.00</i>			<i>Staff motivation levels</i>	<i>73%</i>

COST PER CUSTOMER ACQUISITION



The current cost of acquiring a new customer is \$150.00. When analysing this we must also take into account that the cost of acquiring each order has decreased from \$30.00 to \$25.00. Note that the cost of acquiring a customer, including advertising and sales wage cost had been previously averaged at \$150.00.

In our calculations we have assumed that there is a major cost when you acquire a new customer yet very little (no) cost when that customer orders from you again. This therefore means that the higher the forecast frequency of purchase the lower the relative cost per order.

Key customer acquisition cost initiatives for this month:

In order to meet this target we will need to implement the following three customer acquisition cost initiatives:

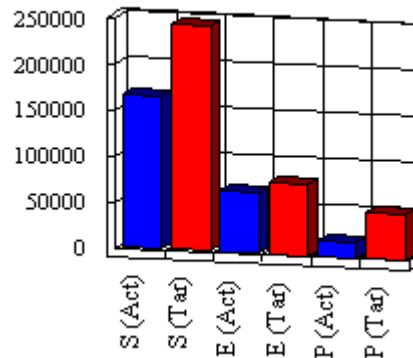
- New customer acquisition cost initiative 1.
- New customer acquisition cost initiative 2.
- New customer acquisition cost initiative 3.

End of month customer acquisition cost review:

This customer acquisition cost target was/was not met because.

- We surpassed this level because of reason 1.
- We surpassed this level because of reason 2.
- We failed to meet this level because of failure reason 1.
- We failed to meet this level because of failure reason 2.

FINANCIAL SUMMARY



S= Sales, E=Expenses, P=Profit

Over the last year, you have held your sales at a target rate of \$166,667 per month. You have forecast movements in the average value sale per client and the number of new orders you anticipate acquiring. This would lead to a substantial increase in your sales to \$245,000. In this graph, you can see that profit at the new forecast level as a percentage of sales are estimated to be 20 percent. This is up from previous month's actual of 10 percent.

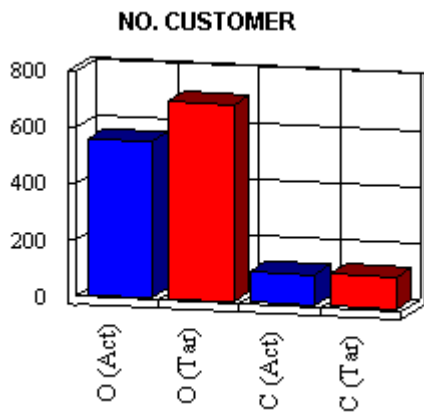
Key sales initiatives for this month: In order to meet this target you will need to implement the following three sales initiatives. Initiatives that you list here may include:

- Launch a new product;
- Conduct a new direct mail campaign to your existing customers;
- Increase your prices.

End of month sales review:

This sales target was/was not met because:

- The product was not launched in time;
- The direct mail campaign was delayed;
- You did not finish revamping your prices in time to inform your customers.



C=Customers, O=Orders

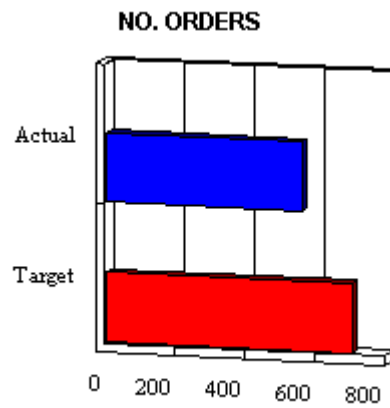
This month you forecast you could increase the number of clients acquired from 111 to 117.

Key customer acquisition initiatives for this month: In order to meet this target we will need to implement the following three customer acquisition initiatives:

- New customer acquisition initiative 1.
- New customer acquisition initiative 2.
- New customer acquisition initiative 3.

End of month customer acquisition review: This customer acquisition target was/was not met because.

- We surpassed this level because of reason 1.
- We surpassed this level because of reason 2.
- We failed to meet this level because of failure reason 1.
- We failed to meet this level because of failure reason 2.



The number of orders has been calculated by multiplying the number of clients by the number of times each customer buys per month. In terms of your forecast, the number of orders is expected to increase from 556 to 700.

Key order acquisition initiatives for this month: In order to meet this target we will need to implement the following three order acquisition initiatives:

- New order acquisition initiative 1.
- New order acquisition initiative 2.
- New order acquisition initiative 3.

End of month order acquisition review: This order acquisition target was/was not met because.

- We surpassed this level because of reason 1.
- We surpassed this level because of reason 2.
- We failed to meet this level because of failure reason 1.
- We failed to meet this level because of failure reason 2.

Establishing a KPI or Internal Performance Management System

KPI analysis can be incorporated as a culture throughout your organisation. Our consultancy firm can help you to set up goals for all your employees and establish on-going monitoring procedures. This is often described as a performance management system. A good performance management system should also incorporate a summarised snapshot view. This view is often known as the BUSINESS SCORECARD.

If you were to install a company wide system, then you would need to implement some of the following processes:

Prepare a good business plan and compile a set of milestones.

Develop sub-milestones and project plans. Make sure you have clearly defined responsibilities and deadlines.

Establish agreed performance goals for all employees. These should include goals of the following nature:

- **Activity goals:** Goals related to quantity of work achieved such as "make 35 debtor calls each day".
- **Outcome goals:** Goals related to the outcome of activity such as "generate \$60,000 in sales each month".
- **One off major tasks and action goals:** Goals or tasks related to the follow up of an action plan such as "purchase a computer by the 25th December".
- **Regular system goals:** Goals related to activities that need to happen on a regular basis such as "write a month-end sales report".

Ensure that the goals become systemised by doing the following:

- Have new employees sign an employment form that states the goals.
- Ensure existing employees sign-off on agreed targets after consultation.
- Send all employees an update of your policies and procedures manual. Ensure that they understand that it is a requirement of employment that they fill in a weekly action form that specifies how they progressed towards their goals and what their priorities over the next week are.

Divide your organisation up into teams and appoint team leaders.

Implement a system to ensure the goals and activities are automatically updated each week.

Have your team leaders conduct a weekly team meeting with each team member.

During this meeting, discuss the priorities for the week, what was performed in the previous week and what will be performed in the week to follow. Use this as a communication exercise to praise and motivate as well as encourage under achievers.

Have regular competitions, incentive programs and bonus schemes. Publish staff performance and praise high achievers.

Conduct formal half-yearly and yearly reviews that measure both activities and goal performance as well as the more intangible and non-quantifiable performance elements.

Introducing a Performance Management goal system								
	Week 1	Week 2	Week 3	Week 4	Week 5	Week 6	Week 7	Week 8
Introduction to system...								
Company meeting...								
Start preparing the management system								
Establish team leaders								
Establish general benchmarks								
Review benchmarks								
Conduct benchmark audit								
Establish weekly team meetings								
Weekly company meetings								
Submission monthly reviews								
Update the business plan								

How On The Mark can help!

We can help you establish an internal benchmarking and performance management system. We have developed a number of systems and sample templates such as those appearing on the following pages.

INTEROFFICE MEMORANDUM

TO: All Employees
FROM: Peter Thompson
SUBJECT: SUGGESTED TARGETS
DATE: 17 May 2002
CC:

As you know this company continually strives to improve. In keeping with current management thinking, we want to create a more open management structure with clear lines of communication.

To support this initiative, regular team meetings will be held. All employees will meet with their team leader on a weekly basis for 20 minutes and discuss the past week's performance and the coming week's proposed action plan. We will address new ideas, recognise excellent performance and address any barriers to performance as they occur. In particular, we will be looking to progress the company by encouraging, supporting and rewarding outstanding individual and team performance.

To facilitate this we need to establish goals, targets and benchmarks. I have attached a sheet for you to write down suggestions for your targets and goals. The entire company from accounts to marketing will be involved in this goal setting exercise.

Could you send this back to me by _____. I appreciate your involvement.

Regards,

Peter Thompson

<i>Overall Target</i>	
<i>Daily Targets</i>	
<i>Weekly Targets</i>	
<i>Monthly Targets</i>	
<i>Self Development Targets</i>	
<i>Compliance Targets</i>	
<i>Department Targets</i>	

Signed by employee _____

INTEROFFICE MEMORANDUM

TO: TEAM LEADERS
FROM: Peter Thompson
SUBJECT: EXAMPLES OF GOALS
DATE: 17 May 2002
CC:

Team Leaders,

I have attached a number of examples of different types of goals. I would like you to do the following:

List what you and your team are currently achieving.

- *Determine an acceptable target for your area that will improve the company's efficiency.*
- *Determine the systems that need to be put into place. i.e. Making sure orders are dispatched by 4 o'clock, or making sure statements are sent on the 3rd of each month.*
- *After we determine this for you team, then we need to establish individual performance goals and targets.*

I would like to receive your feedback in our planning meeting on the [insert date].

Regards,

Peter Thompson

Activity Goals - Administration	Important jobs that need to get done. i.e. ongoing systems to improve efficiency.	Outcome goals
<ul style="list-style-type: none"> • Phone calls answered • Phone calls directed • Average customer waiting time • Calls lost • Calls made • Number of enquiries fielded • Number of enquires typed into the system. • Data entries made • Letters typed • Memos taken • Emails sent • Outgoing mail sorted and compiled • Outbound mail sent • Couriers signed in • Punctuality • Hours worked • Customer service • Number of appointments made • Mail merges completed • Politeness of phone manner • Complaints received • Complaints handled • Manager requests fulfilled 	<ul style="list-style-type: none"> • Enquires finished by what time. • Mail at post office by what time. • Cleaning of customer reception area every Monday morning. • Documentation of issues in the CRM • Cleaning of tea and coffee area • General cleaning of office areas • Stationary audit and order. 	<ul style="list-style-type: none"> • Typing speed • Level of computer skills • Average time to answer phone • Customer service index • Enquiry efficiency index • Cleanliness standard • Phone answering standard

Activity Goals - Dispatch	Important jobs that need to get done. i.e. ongoing systems to improve efficiency.	Outcome goals
<ul style="list-style-type: none"> • Calls made to suppliers • Calls made to couriers • Invoices sorted • Invoices recorded (number) • Invoices recorded (speed) • Queries fielded • Complaint handling • Time management ability • Organisational skills • Packages delivered to wrong address • Packages not sent • Packages lost or broken • Damaged stock • % of deliveries correctly sent • Packages sent (measured as % of packages to be sent) • Orders followed up 	<ul style="list-style-type: none"> • Storeroom cleaned on Friday • Stock take at the end of each month • Review freight costs • Replenish / order stock • Conduct weekly banking • Conduct daily / weekly mailing • Meet with manager 	<ul style="list-style-type: none"> • Number of parcels sent • Number of wrongly sent goods • Number of damaged goods

Activity Goals - Customer service and accounts	Important jobs that need to get done.i.e. ongoing systems to improve efficiency.	Outcome goals
<ul style="list-style-type: none"> • Number of total customer service issues/ complaints (monthly basis) • Number of overdue payments • Number of credit calls (outstanding accounts) • Average time to answer the phone • Average duration of each call • Number of ring backs • Number of orders processed • Number of returns processed • Number of customer service issues received • Number of customer service issues resolved • Number of customer service contacts • Number of errors (e.g. wrong invoice number sent to dispatch resulting in goods sent to incorrect customer) • Process wages for staff (timing depends upon company procedure) • Produce weekly budgets • Monthly profit and loss statement • Monthly balance sheets • Annual company reports • Daily invoices processed • Monitor expenses monthly 	<ul style="list-style-type: none"> • Complaints split into categories and the number of complaints obtained from CRM • Generate Customer Service Ratio report - percentage figures of each category obtained. • Debtors systems: Record and update Age Analysis report from accounting software (weekly basis) e.g. If greater than 30 days overdue – send statement. If greater than 60 days overdue – send a reminder statement etc • Suggestions to avoid repetitive customer service issues. • Suggest ways to lower rate of customer returns in weekly meetings • Issues in a database (e.g. CRM) to record number of calls made/ received and of these which were resolved or unresolved) • Create daily, weekly and monthly checking procedures along the production line • Reanalyse return letters and discover the trends as to why customers return goods and report in weekly meetings. 	<ul style="list-style-type: none"> • Customer Service Ratio • Average Solving Time • Customer service satisfaction • Number of returns processed

Activity Goals – Production	Important jobs that need to get done. i.e. ongoing systems to improve efficiency.	Outcome goals
<ul style="list-style-type: none"> • Amount of down time • Preventative maintenance • Reject rate of final product • Production staffing level • Overtime • Production flexibility • Work in progress • Contact the union • Updated production process records • Updated suppliers records • Supervision • Production costs • Production innovation • R & D programs • Staff motivation 	<ul style="list-style-type: none"> • Ensure maintenance is done by a certain time. • Supplier price review by a certain date. 	<ul style="list-style-type: none"> • Overtime hours • Total output • Total downtime

Activity Goals – Marketing	Important jobs that need to get done. i.e. ongoing systems to improve efficiency.	Outcome goals
<ul style="list-style-type: none"> • No. of calls • No. people spoken to • No. of appointments • No. of sales • Value of sale • Average Value • No. of up sells • No. of cross sells • Outbound calls • Outbound sales • Inbound sales • Existing customer calls • Existing customer sales • New customer calls • No. of new customers • New customer sales • Average value new customer • Conversion rate 	<ul style="list-style-type: none"> • No. of times client database updated and reviewed (per annum) • No. of new centres of influence documented (on a monthly basis) • Market research • Review of sales and marketing data • Sales and marketing training 	<ul style="list-style-type: none"> • Sales • Number of new customers • Advertising ROI • Salesperson ROI • Customer loyalty • Lost customers • Cost per lead • Cost per customer

Examples of Drill Down KPI

Do you agree with the following statements?

	Yes	No
Poor customer relationship systems lead to poor customer service.		
A poorly serviced customer is unlikely to buy from you again.		

Logic: If you agree that lost customers never buy from you again, then the higher the level of lost customers, the lower your sales. Remember that a customer may buy from you over a number of years, so not only do you lose the revenue this year but you will also lose it over future years. It is more expensive to sell to a new customer as opposed to an existing customer. This means that the higher the level of lost customers, the greater the need to acquire new clients will be and therefore the lower your profitability.

Some KPI's that you could monitor each month to prevent this! This is just one example...drill down in your business.

Overview		Do you monitor?	
		Yes	No
	Number of lost customers		
	Number of customer service issues		
	Number of hours/days to respond and solve customer service issues		
Customer Service			
	Number of returns/refunds/credits		
	What number of these returns/refunds/credits are the result of a poor product/service?		
	Total number of customer service issues.		
	Number of recurring issues by customer service category.		
Sales Processing			
	Number of mistakes at order taking or order entry level.		
	Number of complaints against poor upfront sales information.		

Do you agree with the following statement?

	Yes	No
The more outbound activity that your sales people generate, the more likely it is that they will also generate sales.		

Logic: Businesses theorists stopped measuring sales income as the only indicator of success a long time ago, as this is only part of the picture. The measurement of success that should be used is a combination of sales and other less tangible elements such as customer service, human resource and investment based indicators. Tomorrow’s sales will be determined by today’s hard work. There needs to be a balance between the drive for long-term income and the satisfaction of today’s sales needs.

**Some KPI’s that you could monitor each month to prevent this!
(example based on businesses that need to generate sales through outbound activity)**

Overview		Do you monitor?	
		Yes	No
	Overall sales		
	Sales/revenue by employee		
Drill down			
	Outbound sales per salesperson		
	Inbound sales per salesperson		
	Number of outbound calls per salesperson		
	Number of inbound calls per salesperson		
	Conversion ratio (ratio of number of contacts with customer to sales)		
	Number of qualified leads		
	Number of meetings		
	Number of opportunities generated		
	Number of marketing campaigns initiated.		

Do you agree with the following statement?

	Yes	No
Sometimes low sales are caused by the failure to focus on a particular smaller component of the business such as geographical region, or advertising campaign by product.		

Logic: Many organisations grow and do not adequately develop systems that monitor all the factors involved in contributing to sales revenue.

Some KPI's that you could monitor each month to prevent this!

Overview		Do you monitor?	
		Yes	No
	Overall sales		
	Sales by product/service group		
	Sales by product/service item		
Drill down	For each product/service group measure...		
	Total sales		
	Number of new customers		
	Number of customers		
	Number of units		
	Average value sale		
Advertising	Advertising for product/service group		
	ROI / advertising vs sales		
	Number of campaigns per month		
	Advertising expenditure for direct marketing of the product		
	ROI of the above		
	Advertising expenditure for general media advertising of the product		
	ROI of the above		
Sales People	Number of new leads		

	generated		
	Conversion ratio		
	Number of outbound calls per product/service		
	Number of meetings		
	Number of qualified leads		

Benchmarking (Optional Extra)

The diagnostic process that you have completed with our consultants will help you to understand several different KPI's (Key Performance Indicators) that may be measured within your business. This is only the tip of the iceberg and represents a small portion of what could be measured. The most important thing to remember is that if certain KPI measurements cannot help you to understand or improve your business, then do not measure them. Therefore, the essence of measurement is not to provide additional bureaucratic paperwork, but to streamline your business by making it more efficient.

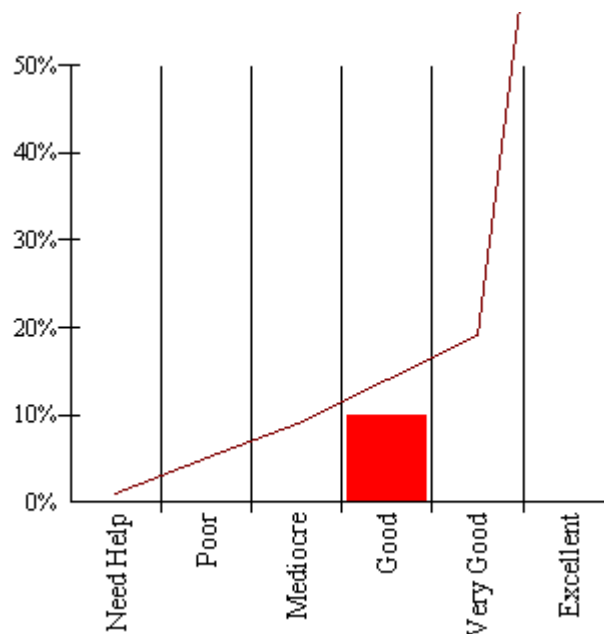
A KPI in itself is meaningless unless it is put into context on a relative scale. The comparative measurement of placing this scale into a relative framework is called benchmarking. There is a well-known example that may help to explain the importance. Some years ago, Xerox discovered that their cost of manufacturing was at the same level as what some of their industry competitors were charging as resale prices. This alerted the company to the fact that their cost structure was too high subsequently making them uncompetitive in the marketplace. This led Xerox to adopt an organisational and industry benchmarking process which in turn led to improved levels of efficiency. While internal benchmarking has definite merit, in this instance merely benchmarking as an intra company exercise would have been inadequate in defining or highlighting any inefficiency.

The two main types of external benchmarking that we would like to explore are 'benchmarking against an excellence standard' and 'benchmarking against an industry standard'.

Benchmarking against an excellence standard

This type of benchmarking involves setting excellence standards and measuring your performance against these standards. These excellence standards can be formulated around any aspect of your business. The most commonly used KPI to measure against a standard is your profitability. For instance, a scale of excellence might look something like this.

Benchmark Scale					
Less than 1%	Less than or equal to 5% and greater than 1%	Less than or equal to 9% and greater than 5%	Less than or equal to 14% and greater than 9%	Less than or equal to 19% and greater than 14%	Greater than 19%
Need Help	Poor	Mediocre	Good	Very Good	excellent



“The above graph illustrates your current performance against an excellence standard. This is based on Net profit as the unit of measurement”

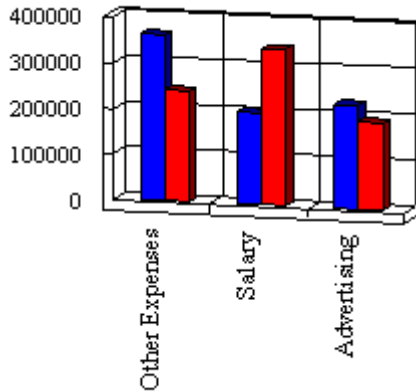
The benefit of this type of benchmarking is that it single-mindedly focuses your attention on the best possible goal. It sets up a very clear ambitious objective. The negative is that it may be completely unrealistic as a practical goal. It may not take into account current environmental conditions, the current stage of your company in terms of evolution and your long term strategic and investment cycle.

The following analysis is based on XYZ Company achieving a net profit return (before tax) of 15%.

Your company's current performance			Benchmark based on 15% profit		
Sales	\$2,000,000	100%	\$2,000,000	100%	
Less COGS	\$1,000,000	50%	\$944,444	47%	
Gross Margin	\$1,000,000	50%	\$1,055,556	53%	
	50%				
Less Expenses					
Other Expenses	\$360,000	18%	\$340,000	17%	
Salary	\$240,000	12%	\$226,667	11%	
Advertising	\$200,000	10%	\$188,889	9%	
Total Expenses	\$800,000	40%	\$755,556	38%	
Net Profit	\$200,000	10%	\$300,000	15%	

Benchmarking Analysis

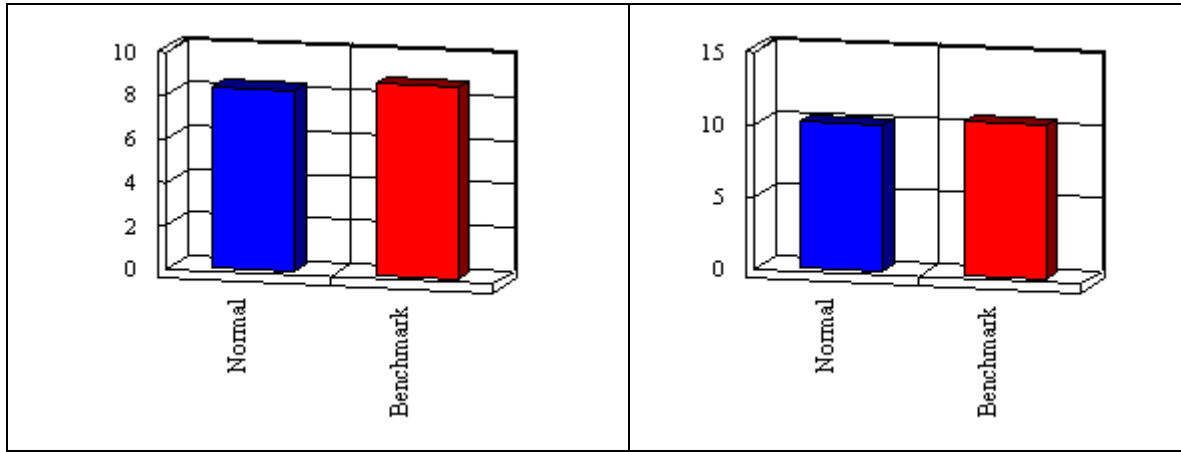
The graph below illustrates your existing expense levels against that of the benchmark.



In this analysis, we will leave your sales at \$2,000,000 and increase your net profit (before tax) to 15%. We have then, as an assumption apportioned your expenses and cost of sales at the same percentage as your existing levels.

This would therefore mean that your level of sales per employee (employee output) would remain constant at \$30,769. Your profit per employee would need to increase from \$3,077 to \$4,615. In order to achieve this level of profitability you will need to look at the effectiveness of your advertising and your employee productivity in particular.

Salary Overview	Advertising Overview
<p>Your salary R.O.I. (Return on Investment) would need to increase to 8.8. This effectively means that each dollar you spend on salaries and wages must now return \$8.8 instead of \$8.3.</p> <p>There are two ways that you can increase the R.O.I. of salaries. You can reduce your employees' wages (which will not be a popular choice), or you can increase the productivity per staff member.</p> <p>In this scenario, based on your profit benchmark of 15%, you would need to reduce your wages by 6%. Effectively you will need to adjust your productivity output so that you achieve the same level of revenue that you are achieving at the moment with 61.4 employees instead of 65.</p> <p style="text-align: center;">Salary ROI</p>	<p>Your advertising R.O.I. (Return on Investment) would need to increase to 10.6. This effectively means that each dollar you spend on advertising must now return \$10.6 in sales income instead of \$10.0.</p> <p>There are a number of ways that you can achieve this. You can look at more efficient medians to market your products and services. You can examine ways to reduce inefficient advertising spending (and replace it with campaigns that are more efficient) or cut it out altogether.</p> <p>You may need to look at launching new products or services that may have a more cost efficient end user reach.</p> <p style="text-align: center;">Advertising ROI</p>



Benchmarking against industry

Benchmarking against industry is a good way to review your results against those companies that are operating in a similar environment.

We have benchmarked your company against the top 500 companies in the world. We have placed the top 500 world companies in their respective industries and then calculated the median sales per employee for each industry as well as the relative profitability.

If you are a typical small to medium sized company (SME), the results of the benchmarking that appears below may not be specific enough to provide you with any realistic information on your salaries and operating costs. It will however open your eyes to a performance measurement based on "sales per employee" as a realistic benchmark goal. In general, you will find that the sales per employee for these larger companies are extremely high compared to the average SME. You will also note that although the profit per employee is also likely to be higher than the average SME, the actual percentage profit return on sales is fairly low compared to our scale of excellence in the previous example.

The industry that you selected to Benchmark against was Computers, Office Equipment

In this particular industry, if we take the median performance of those companies from the "TOP 500" for the 2000 results that are present, we can calculate that the average sales per employee is \$541,344. This compares to the average sales per employee in your company that is currently \$30,769. This means that if you are to stay within the boundaries of a "Top 500" companies you will need to increase your sales effectiveness per employee by 1659%. Using this ratio and multiplying it by your present number of employees, provides us with a benchmark sales level. We have also calculated a sample profit and loss statement by computing the profit for the "Top 500" companies and then extrapolating your figures in the same proportion that they currently exist.

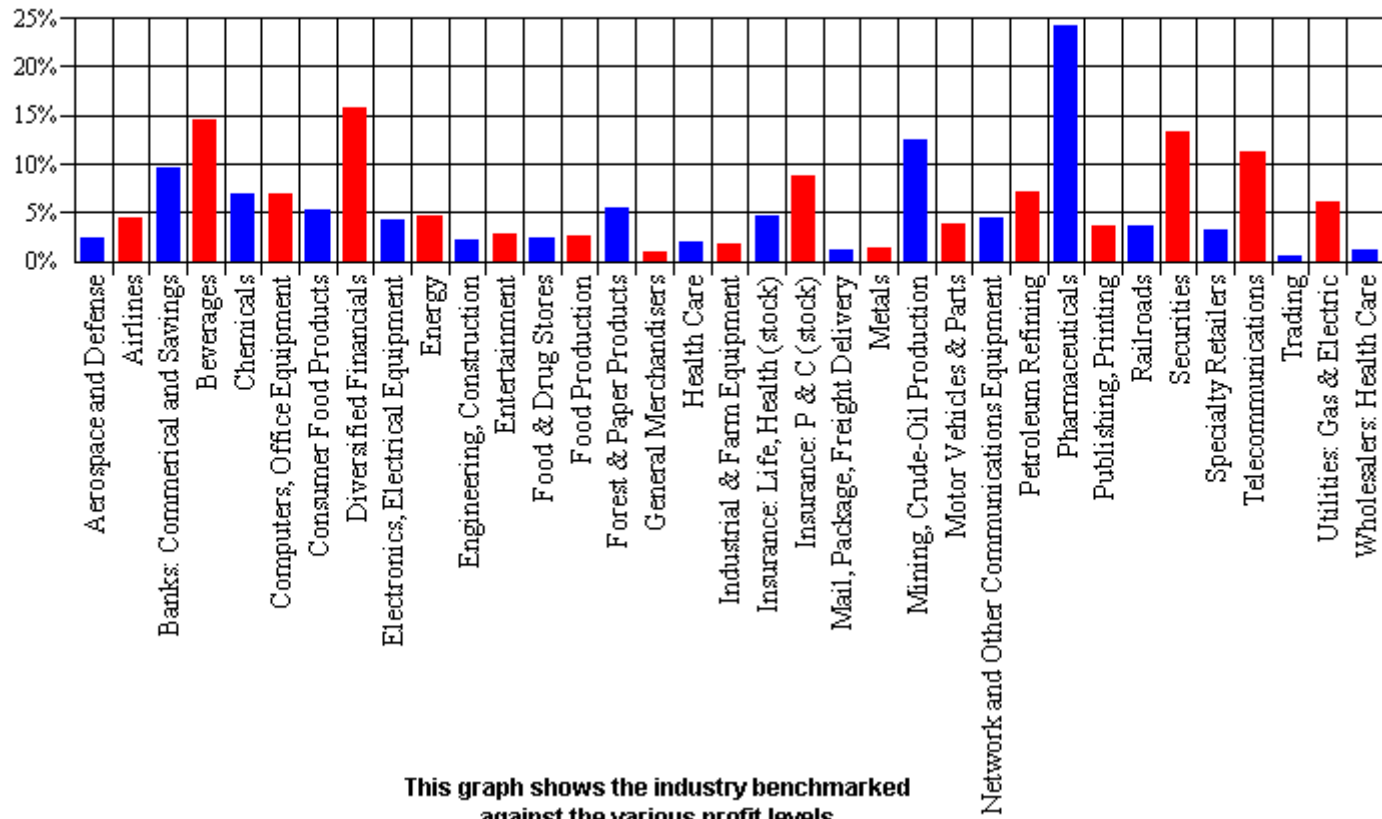
(Source: Fortune Magazine www.fortune.com, includes assumed tax rate of 30%)

Summary Findings		
	Your Company	Top 500 Benchmark
Sales per employee	\$30,769	\$541,344
Profit as % of Sales	10%	7%
Profit per employee	\$3,077	\$37,121
Salary ROI	8.30	7.73
Advertising ROI	10.00	9.27

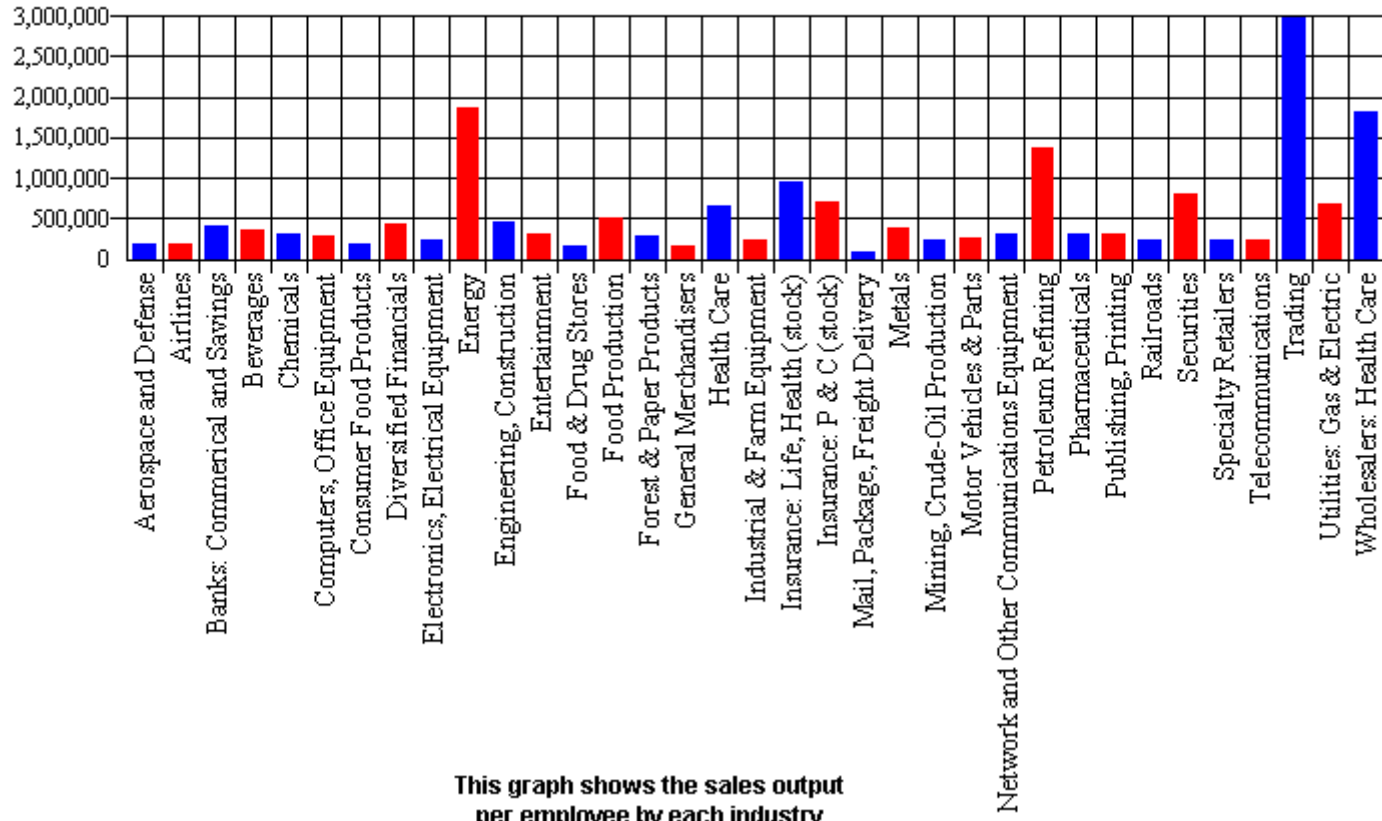
(Source: Fortune Magazine www.fortune.com, includes assumed tax rate of 30%)

Your company's current performance			Benchmark based on Top 500 Sales per employee		
Sales	\$2,000,000	100%		\$35,187,336	100%
Less COGS	\$1,000,000	50%		\$17,593,668	50%
Gross Margin	\$1,000,000	50%		\$17,593,668	50%
	50%				
Less Expenses					
Other Expenses	\$360,000	18%		\$6,831,370	19%
Salary	\$240,000	12%		\$4,554,247	13%
Advertising	\$200,000	10%		\$3,795,206	11%
Total Expenses	\$800,000	40%		\$15,180,822	43%
Net Profit	\$200,000	10%		\$2,412,846	7%

Industry Overview



Industry Overview



This graph shows the sales output per employee by each industry

How to get help on Industry Benchmarking

We have located several sources of Benchmarking information that may be more specific for your company.

- There have been some initiatives within the EEC community that see benchmarking as a key tool to improve the competitiveness of the EEC. The European Commission and the Council of Industry Ministers, supported by the work of the Competitiveness Advisory Groups, the European Round Table of Industrialists and others, formed a working group known as the European Benchmarking Forum. The result of some of this information is available through www.benchmarkindex.com .
- Global Benchmarking Network - www.globalbenchmarking.org.
- British Quality Foundation home page - www.quality-foundation.co.uk.
- Fortune magazine is an excellent site to get information about the top 500 fortune companies and the top 500 global companies - www.fortune.com.

Australian Benchmarking

Another way to improve your business is to look at what other people outside your business are achieving. Industry benchmarking can help you to understand what the industry norms are and then to perhaps examine more closely why your business may not be achieving these levels.

The figures used in this analysis are an interpretation of data obtained from the Australian Bureau of Statistics based on a survey of over 1600 businesses. In some areas, we have had to interpret the data because of statistical errors therefore please take the figures as a guideline only. We are able to supply far more detailed and accurate benchmarking statistics on application.

RESULTS		Benchmark		Variance
	000's			
Total Revenue (Inc Export)	2000			
Export Revenue	\$-	10%	\$207	-100%
Salary Expenses	\$240	42%	\$348	-31%
Bad Debt	\$20	1.54%	\$13	59%
Other Expenses	\$540	56%	\$459	18%
	\$800		\$820	
Average Inventory	\$20	11%	\$125	-84%
Cost of sales	\$0.00	55%	\$1,016	-100%

The above table shows your revenue, expense and cost of sales compared to the benchmark. The benchmark is shown by the percentage figures, which we have then extrapolated so that you can see the variances.

In the following table, we have calculated a simple Profit & Loss statement for your company and then plotted in the benchmark company so that you can directly compare each item.

Typical Profit & Loss	Your Company		Benchmark
Sales	\$2,000		\$2,000
COGS (No inventory calc)	\$-		\$1,095
Gross Margin	\$2,000		\$905
	100%		45%
Less Expenses			
Salary Expenses	\$240		\$348
Bad Debt	\$20		\$13
Other Expenses	\$540		\$459
Total	\$800		\$820

	Expenses		
		40%	41%
	Nett Profit	\$1,200	\$85
		60%	4%

Making Sure it Will Happen.

A system that will help you achieve your goals

The reason why most businesses do not achieve their goals is not because of the quality of their plans or the quality of people. The major reason lies in the effectiveness of the implementation of the plan, monitoring its progress and the performance of both the employees and the plan itself.

Based on our research, the most common reasons that prevent businesses from achieving these results are as follows:

- A half hearted action plan is developed based on very little analysis of the business.
- Employers/Employees become too involved in the day-to-day operation of the business rather than analysing from an external perspective.
- Campaigns are developed but are not effectively followed through.
- The business does not have a customer relationship management system to monitor all interaction with customers/suppliers.
- The correct systems are not in place to monitor and effectively manage their employees.

We believe that you will have a higher probability in achieving your goals if you implement some of the systems that are outlined in this report.

We hope that this report will start you in the right direction. The first step you need to take is to prepare a detailed business plan, which takes these global elements such as increasing your number of clients and average value sale and produces a specific action plan.

Over the next few pages, we have outlined a step-by-step guide to preparing a business plan. To get you started we have then taken some of your answers and placed them into an action plan.

**How
ON THE MAK MARKETING
can help!**

We can help you to develop a business/ marketing plan. We can provide you with planning checklists, tools and tips to help save you time.

Preparing a Strategic Plan

Overseas research suggests that businesses that have a working business plan achieve a 63% higher revenue growth than businesses that do not plan.

We have outlined the critical steps to preparing a business plan and then partly filled in some of your business details into a template to help you get started in the planning process.

The MAUS research unit recently conducted a study into small to medium sized businesses. Part of the results established that the plan itself does not make the difference, rather the communication and implementation of that plan throughout the business is the key. Statistics reveal that less than 30% of companies plan and of these, less than 10% systematically communicate and update their plans on a regular basis.

How would you like to be one of the three out of every hundred businesses that have a powerful review and planning system installed and implemented within their company? This is not rocket science, but rather simple common sense. Those that adopt this system will have a competitive advantage that can be equated to sales, profitability, morale and even personal remuneration. Look at these areas in your business.

The following 8 steps represent the major issues that should be addressed during the Business Planning process. As you proceed through these steps, remember that it is not so much the finished plan itself, but the process of planning that is important.

Analyse your Business

The first step in preparing a Business Plan is to analyse your business and take stock of where your business is at the moment. Identify all the measurable features of your business such as revenue, number of customers, amount of repeat business, current sales/conversion rates and lost customers. Do a complete accounting and financial audit, analysing areas such as debtors, creditors, cash requirements, debt levels and accounting systems.

Review each major component of your business, from human resources through to production and distribution. Compare all these variables with previous years. This analysis should help you to determine many of your business strengths and weaknesses.

Look at less measurable areas such as the quality of management, acceptability of products to the market, depth of established networks and reputation of the company. In later steps, you will add to these strengths and weaknesses and summarise your findings in "Step 5 - the SWOT analysis." On completion of "Step 1" you should write down a clear, concise statement indicating the rationale behind your business and outline any major issues.

Analyse your sales

In this section, you will need to look at your total sales and then break these sales figures up by product group or major products. Compared to last year, are your sales increasing or decreasing?

From this big picture, divide your sales by type of customer or market segment. This will, among other things, help you to understand who your product mix appeals to at the moment. Many businesses find that the more they break down

their sales, the better their understanding of the market and the easier it becomes to determine how to increase sales.

Remember also the '80/20 Rule'. In most businesses, 80% of your revenue will come from 20% of your clients. It is important to identify the top 20% of your customers for two reasons; firstly, to direct sales programs to look after these customers and secondly, to identify the type of customer to prospect in the future.

Analyse your Market

Having looked at your business, it is now time to have a look at the market. Do you know the total market sales and trends? Is the market a good growth market? Will external factors such as legislation, economic and/or political issues affect your business's long-term competitiveness.

In the previous step, you looked at the type of customers you have. In this step, we are more concerned with all the types of people that will potentially buy your products or services. Break down the market into market segments and conduct a detailed and thorough analysis of the needs of each segment. Who is your customer and what are his/her needs? Understand the influencers in the marketplace and how they may possibly affect your sales. If possible, cultivate new contacts from these groups.

Finally, look at how the market perceives your business and its offerings.

Analyse the competition

All businesses have some form of competition whether it is from direct or indirect sources. Businesses might find that they face competition from similar products (e.g. Apple vs. IBM Pc's), from substitute products (i.e. margarine vs. butter) or simply competition for the amount of dollars that the consumer has to spend.

A well-managed business will analyse and isolate major business opportunities and threats. The business must evaluate the needs of the market, the competitors' offering to the market, the major promotional selling points of competitors and the relative success of these appeals. This should be compared against the firm itself. Has it positioned itself with a strong long-term competitive advantage?

Summarising the results in the SWOT Analysis

"Steps 1-4" involve an analysis of your business and all factors that affect your business. "Step 5" consists of summarising this information in a SWOT analysis. SWOT is an acronym for strengths (business), weaknesses (business), opportunities (market) and threats (market).

Write the Plan

When writing a Business Plan you should be listing the means by which you can capitalise on your strengths and minimise your weaknesses. It will state how you intend to take advantage of opportunities and avoid potential threats to the business. The document should include a marketing plan, a finance plan, a human resource/training plan as well as plans to cover any other major areas of your business.

Each section of the plan should contain objectives and strategies. Objectives state where you are going and should be measurable and quantifiable. Strategies, on

the other hand, state how you will achieve your objectives. All these plans should be supported by budgets and cash flow forecasts where applicable.

STRATEGY CHECKLIST

<p>NEW PRODUCTS/SERVICES STRATEGIES</p> <p>Every business should be constantly looking at introducing new products and services to create new revenue streams for the business. Many companies have gone bankrupt because they fail to understand that the lifeblood of a company is its ability to constantly meet the dynamic needs of the market.</p> <p>Look at your business. With proper planning and execution, are you capable of launching any new products or services over the coming year?</p>	<p>NEW MARKETS STRATEGIES</p> <p>Most businesses should be constantly looking at targeting new markets. For instance, Pizza Hut successfully targeted the home delivery market for pizzas, Microsoft are constantly either creating new products or using their existing products to target new markets. Microsoft Word was originally targeted to the business market but is now successfully marketed to the SOHO and home markets.</p> <p>Look at your business. With proper planning and execution, can you target any new markets over the coming year?</p>
<p>SALES STRATEGIES</p> <p><i>Increasing your Total Number of Customers</i></p> <p>This might be achieved through increased advertising, PR campaigns, direct mail, telemarketing, trade shows, internet promotions, referral programs, money back guarantees, joint promotions, improved customer service, loyalty programs, sales training, lost customer retrieval programs etc.</p> <p><i>Increasing the Average Sale Value</i></p> <p>If an average customer spends \$200 with you at the moment, then obviously, if you can convince your average customer to spend \$250 each time that they purchase, your sales will increase substantially. This might be achieved through increasing your prices, up-selling to higher value products/services, cross-selling other products/services, sales training, adding new products/services to your range, point of sale promotions, bundling complimentary products/services together etc.</p> <p><i>Increasing Purchase Frequency</i></p> <p>If your average customer only ever purchases from you once a year, then if you can convince this same customer to purchase three or four times a year, then your sales will increase. This might be achieved through promoting other products/services (either yours or another company's), regular newsletters, special offers for regular purchasers, promoting accessories and additional services, regular personal contact, regular mail contact etc.</p>	<p>IT & COMMUNICATION STRATEGIES</p> <p>A well thought out IT plan is one of the most underrated areas to examine when evaluating the profitability of your business. Inferior equipment and poorly integrated IT strategies lead to many lost hours of both productivity and revenue. Look closely at your business and try to gauge the tangible benefits that an IT plan might make to your bottom line.</p> <p><i>Consider the impact of the following IT related issues on your business:</i></p> <ul style="list-style-type: none"> - Lost hours due to printer problems - Lost hours due to network problems - Lost hours due to loss of unsaved work and failure to back-up important documents - Lost hours due to equipment purchase delays - Lost hours due to lack of adequate computer training - Lost hours due to inefficient processing power - Lost hours due to computer downtime (crashes/system failure) associated with inexpensive or inferior equipment - Lost hours due to inefficient systems and double entry - Lost hours due to poor document management and access i.e. employees not being able to locate documents that they prepared - Lost hours due to complicated systems or retrieval of data - Lost revenue because your phone lines are engaged or your equipment is inefficient - Lost revenue because sales data is not immediately accessible to your sales team - Lost revenue because your sales team does not have a contact management system to remind them to call back potential clients.

GENERAL RESOURCES STRATEGIES

Can you improve your bottom line through better planning in any of the following areas?

- Reduction in your debtors
- Examination of bank fees and charges and investment options
- Reduction of duplication of tasks and resultant improvements to efficiency through better job descriptions
- Take into account the number of supervisor hours that are wasted because job descriptions are not clear and concise.

How much time is wasted asking people how to do elementary jobs or in searching for documents?

Could this be improved through a better systems and procedures manual or through implementation of a document management strategy?

How much time is wasted when new employees start as a result of inefficient induction procedures?

How much time is wasted with outdated or inefficient systems?

How much time is wasted due to poor communication channels?

PERSONAL STRATEGIES

Most well planned managers feel less stressed. There are a number of reasons for this. To cite one example, imagine a business owner who is experiencing consistently poor sales over a period of 4 weeks. Imagine also that past sales figures, if analysed, would reveal a trend of low sales during this period for each of the previous five years. Without a Business Plan and its accompanying financial forecasts, the typical business owner would experience rising stress levels during this period. By contrast, an accurate sales forecast could not only lower stress levels by enabling him/her to be mentally prepared, but also prompt him/her to implement a cash flow strategy to deal with the likely shortfalls.

Planning will help both you and your employees, so when assessing the value of a plan you must also look at its psychological value.

Lifestyle Planning

A Business Plan will help you to achieve your lifestyle. If you are happy in your life, you will perform better in your business. Look at all areas of your life from exercise through to your family. What are you happy with, what are you not happy with? Introduce a plan that will improve your lifestyle.

Step 7 Implement the Plan

This section breaks the plan down into a number of tasks, timings and responsibilities. It should state who is responsible for "Getting the task Done" and specify a date for this action to occur.

Your plan will be worthless unless it is communicated throughout the organisation. Convert your strategic plan into a clear action plan. Try this system:

Weekly Individual Meetings

Have a weekly meeting, for about 20 minutes with each of your staff members. Review their action sheets and praise them for what they did last week. If you have too many staff members and do not have time to see them all, set up subsidiary teams with team leaders.

Weekly Company Meetings

Have a company meeting every week. Tell staff how sales were and where the company is headed. Be open and frank with your staff and seek their input and suggestions.

Action Sheets & Incentive Programs

Action sheets can be created to give to your staff. Incentive programs work well if designed correctly.

Step 8 Monitor the Plan

On a regular basis, all activities should be monitored to make sure the business is achieving what was planned. All business managers no doubt are aware of falling into the trap of constantly "Fire fighting". Always keep the big picture in your mind and stay focused on the job of achieving your goals. If any objective is not met, ask the question, "Why not?"

If objectives are not being met then you may have to reconsider your initial plan. Often events occur throughout the planning period that will affect your initial assumptions. A good evaluation of all your objectives and the level achieved will lead to better future planning. As a final point, try and visualise your plan by reducing it to a one or two page document with simple boxes or diagrams.

Action Plan

How ON THE MARK MARKETING can help!

An action plan is useless unless two key criteria are met.

- The action plan must be based on the results of a strategic plan. Anything else is just a guess and may lead you in the wrong direction.
- The action plan must be rigidly followed up. We can set up a regular monthly meeting with you to go through your action plan, ask your staff what they have achieved and prepare a monthly follow up report. We have found from experience that if your staff have to report to an external consultant at the end of each month to review their achievements during the month, they are more inclined to stay focused on the set targets.

XYZ Company Objectives

Key Objectives	This Year	Next Year
Sales Objective	\$2,000,000	\$2,940,000
To increase the number of clients	1,333	1,400
To increase the average value of each sale	\$300	\$350
To increase the frequency of each sale	5.0	6.0
Sales Employee Targets		
Weekly target:	\$1,972	\$2,899
Monthly target:	\$8,547	\$12,564
Annual target:	\$102,564	\$150,769
Customer Service Targets		
Decrease the number of issues	1,040	
Productivity Level Targets		
Sales employee efficiency	70%	70%
Non-sales employee efficiency	75%	78%

XYZ Company : New Markets and Strategies Action Plan

Objective	From	To
To increase the number of clients	1,333	1,400

Sample Actions	Your Specific Actions	Who	When
<i>We will launch the following new products to the following new marketplaces:</i>			
<i>We will monitor, make more effective and increase the workload efficiency and output of our sales representatives in the following manner:</i>			
<i>We will increase our advertising expenditure as follows:</i>			
<i>We will form a strategic alliance with the following people:</i>			
<i>We will improve our advertising and conduct the following new promotions:</i>			
<i>We will target our existing products to the following new marketplaces:</i>			

Objective	From	To
To increase the average value sale	\$300	\$350

Sample Actions	Your Specific Actions	Who	When
<i>We will increase the price of our goods and services:</i>			
<i>We will bundle the following products:</i>			
<i>We will conduct better training with our internal people or our distributors or retailers:</i>			

Objective	From	To
To increase the number of times our customers buy from us	5.0	6.0

Sample Actions	Your Specific Actions	Who	When
<i>We will send out a regular newsletter:</i>			
<i>We will launch the following new products to our customer database:</i>			
<i>We will offer the following incentive programs:</i>			

Hint: Don't guess. Do a complete sales and marketing audit of your business.

XYZ Company : Expense Productivity Action Plan

Objective	From	To
Sales employee efficiency	70%	70%
Non sales employee efficiency	75%	78%

Sample Actions	Your Specific Actions	Who	When
<i>Conduct regular weekly planning with employees:</i>			
<i>Increase employee motivation and drive through incentive programs:</i>			
<i>Improve customer service and therefore employee morale and pride:</i>			
<i>Curb unproductive and inefficient workflows:</i>			
<i>Document policies and procedures to show people what to do:</i>			
<i>Provide clear job descriptions and defined roles:</i>			
<i>Have more accountability and goal setting:</i>			
<i>Conduct more staff training:</i>			
<i>Strive for less delayed projects:</i>			

XYZ Company : IT Productivity Action Plan

Sample Actions	Your Specific Action	Who	When
<i>Lost hours due to printer problems:</i>			
<i>Lost hours due to network problems:</i>			
<i>Lost hours due to loss of unsaved work and failure to back-up important documents:</i>			
<i>Lost hours due to equipment purchase delays:</i>			
<i>Lost hours due to lack of adequate computer training:</i>			
<i>Lost hours due to inefficient processing power:</i>			
<i>Lost hours due to computer downtime (crashes/system failure) associated with inexpensive or inferior equipment:</i>			
<i>Lost hours due to inefficient systems and double entry:</i>			
<i>Lost hours due to poor document management and access i.e. employees not being able to locate documents that they prepared:</i>			
<i>Lost hours due to complicated systems or retrieval of data:</i>			
<i>Lost revenue because sales data is not immediately accessible to your sales team:</i>			
<i>Lost revenue because your sales team does not have a contact management software program to remind them to call back potential clients:</i>			
<i>Lost revenue because your database is not efficiently managed</i> <ul style="list-style-type: none"> • <i>Customer sales information not available</i> • <i>Sales people can't sort by purchase and create mail lists for new product promotions</i> • <i>Customer information is</i> 			

<i>not updated</i> <ul style="list-style-type: none">• <i>Enquirer and customer lists are not de-duped</i>			
<i>Lost revenue because your internet strategy is poorly managed.</i>			

XYZ Company: General Improvements

Can you improve your bottom line through better planning in any of the following areas?

Sample Actions	Your Specific Action	Who	When
<i>Reduction in debtors:</i>			
<i>Examination of bank fees and charges and investment options.</i>			
<i>Reduction of duplication of tasks and resultant improvements to efficiency through better job descriptions. Take into account the number of supervisor hours that are wasted because job descriptions are not clear and concise.</i>			
<i>How much time is wasted asking people how to do elementary jobs or in searching for documents? Could this be improved through a better systems and procedures manual or through implementation of a document management strategy?</i>			
<i>How much time is wasted when new employees start as a result of inefficient induction procedures?</i>			
<i>How much time is wasted with outdated or inefficient systems?</i>			
<i>How much time is wasted due to poor communication channels?</i>			

XYZ Company: Systems and Control

Sample Actions	Your Specific Action	Who	When
<i>We will delegate control of key groups to team leaders</i>			
<i>We will receive KPI's back from each team leader by the 5th of each month</i>			
<i>We will prepare a total operational KPI monthly report by no later than the 10th of each month.</i>			
<i>We will set up performance targets for every employee and actively monitor progress against budget.</i>			

Other Strategies:

XYZ Company: Reduced Stress and Increased Motivation

Most well planned managers feel less stressed. There are a number of reasons for this. To cite one example, imagine a business owner who is experiencing consistently poor sales over a period of 4 weeks. Imagine also that past sales figures, if analysed, would reveal a trend of low sales during this period for each of the previous five years. Without a Business Plan and its accompanying financial forecasts, the typical business owner would experience rising stress levels during this period. By contrast, an accurate sales forecast could not only lower stress levels by enabling him/her to be mentally prepared, but also prompt him/her implement a cash flow strategy to deal with the likely shortfalls.

Planning will help both you and your employees, so when assessing the value of a plan you must also look at its psychological value.

Stress Levels	
On the graph below indicate how your personal levels of stress might be reduced if you had a Business Plan that did the following:	
<ul style="list-style-type: none"> • <i>Helped you prepare a development plan so that you knew when and how new products or services were to be developed.</i> • <i>Had you performing less 'fire-fighting' and more pro-active initiatives.</i> • <i>Had the company operating more profitably and more efficiently.</i> • <i>Had you feeling that even when sales were down, you and your team had done the best job possible.</i> 	<ul style="list-style-type: none"> • <i>Had you talking to your employees more often so that you were not suddenly surprised by a key employee becoming disgruntled and resigning.</i> • <i>Helped you to develop a more motivated team.</i> • <i>Allowed you not to miss major opportunities, trade shows or markets that you had missed in the past.</i> • <i>Made you feel more in control.</i>

High Stress		STRESS LEVELS						Low Stress	
10	9	8	7	6	5	4	3	2	1

General Motivation Levels

On the graph below indicate how much more motivated your team would be if they did the following:

<ul style="list-style-type: none"> • <i>Had clear targets and goals to work toward.</i> • <i>Had constant feedback on performance.</i> • <i>Had constant contact with team leaders as re-enforcement that they were doing a good job.</i> • <i>Participated in an employee reward program.</i> • <i>Attended weekly company meetings, which informed all employees on the direction of the company.</i> 	<ul style="list-style-type: none"> • <i>Had clear job descriptions and well defined work practices.</i> • <i>Spent less time 'fire-fighting'.</i> • <i>Had the correct equipment and therefore lost little time due to IT problems.</i> • <i>Implemented strategies to increase sales.</i> • <i>Felt more in control of their roles.</i> • <i>Felt the company was successful.</i> • <i>Felt secure in their employment.</i>
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<i>High Motivation</i>		MOTIVATION LEVELS						<i>Low Motivation</i>	
10	9	8	7	6	5	4	3	2	1