MOORE STEPHENS

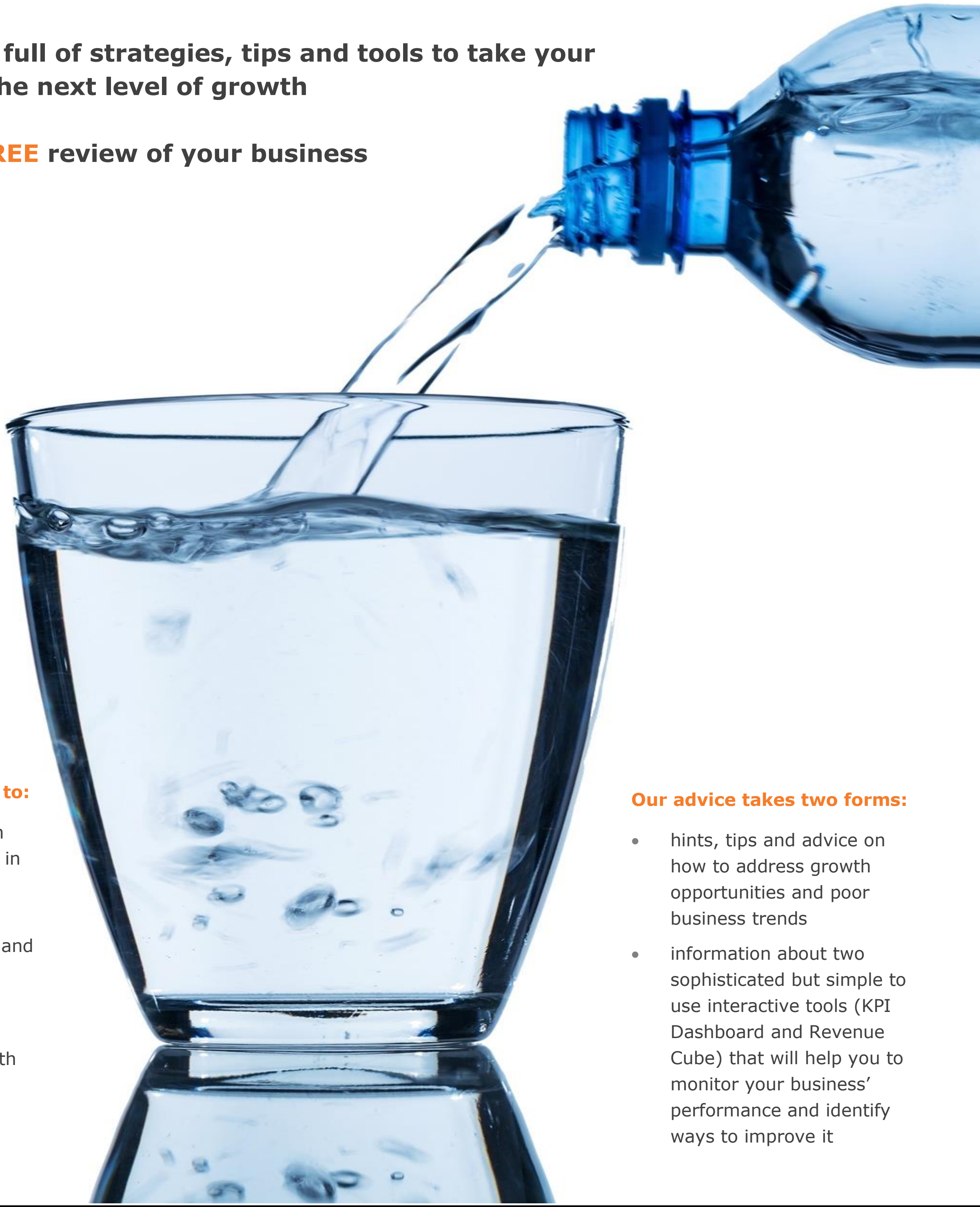
NSW Business Chamber

Beyond the P&L:

increasing profit and value the smart way

A free eBook full of strategies, tips and tools to take your business to the next level of growth

Includes a FREE review of your business



This eBook explains how to:

- focus your resources on increasing profit, which in turn will increase shareholder value
- predict financial trends and understand customer needs
- identify areas for improvement and growth

Our advice takes two forms:

- hints, tips and advice on how to address growth opportunities and poor business trends
- information about two sophisticated but simple to use interactive tools (KPI Dashboard and Revenue Cube) that will help you to monitor your business' performance and identify ways to improve it

Contents

Introduction

As professional advisers, Moore Stephens helps owners and managers of small and medium businesses to improve every aspect of how they operate. In this eBook we share some of the techniques and tools we use to increase profit margins so you can consider them for your business. To get you started, we are also offering an exclusive free assessment.

This eBook is designed for SMEs of all shapes and sizes. Whether you have four employees or 24, whether you are starting a new business or enhancing an established one – reading this eBook is the first step towards getting more strategic about how your business generates profit.

It is easy to accept the status quo of your financial situation, especially if you have been operating for some years. Many owners and managers assume they know what is driving success or failure so they never spend time uncovering the real reasons for their profit and loss (P&L) results. Yet in many cases, their assumptions are wrong and their businesses stand still or fail.

This eBook includes a special FREE offer for readers: provide us with some basic P&L information and we will create sample KPI Dashboard reports to demonstrate the power of these tools.

Before we get to the action items, it is important to understand the fundamentals: what drives profit and why is it important? The answers may surprise you.

1. Understanding profit

You may think you know what drives your business's profitability, but it is quite possible you don't. We frequently encounter SME owners who are passionate about what they do but rarely examine what lies behind the ups and downs of their P&L. To get the best out of your business – for yourself, your staff and your customers – it is essential to know how profit is created and lost.

While owners and managers might have a good understanding of what drives profit, they don't necessarily have the time to stand back from the business and review it. They are simply too busy.

Small businesses are often inherited, bought as an investment or built up around a skill or an idea. Their owners have had little or no formal business training.

They rely on experience, instinct and opportunism to be successful. This approach will take your business so far but at some point, its future profit and value will be limited by the lack of a clear growth strategy.

Tip: The Australian business environment is changing all the time, and what drove profit when your business started may not apply today. To maximise profit, conduct regular reviews to ensure your business remains competitive.

What drives profit?

To understand your business and its potential, it is important to recognise the four factors that drive profitability

1. Price
2. Sales
3. Direct costs
4. Fixed costs

All four relate back to the basic profit equation:

Revenue (price, sales) – costs (direct, fixed) = profit

So changes to any one of these four influences – or a combination – will have a direct impact on your business' profit and also on its value (see The impact of profit on business value).

To increase profit, there are two possible pathways: increase revenue (pricing and sales) and decrease costs (direct and indirect).

Goal	How?	Examples
Increase revenue	Change your pricing strategy	Charge more to increase per item profit
		Charge less to increase sales volume
	Increase sales	Sell more often to existing customers
		Upsell and cross sell to existing customers
		Win new customers
Decrease costs	Decrease direct costs	Labour efficiencies
		Decrease input costs
		Outsource/subcontract/self-deliver
	Decrease indirect costs	Consolidate retail, office or warehouse space
		Review utilities
		Review advisory/professional services spend
		Review financing costs

Section 3 and Section 4 examine both approaches in more detail.

INCREASING REVENUE VS DECREASING COSTS

The **easiest** way to increase profit is to reduce or eliminate costs, as described in Section 4. This is a popular way to improve profitability because its impact is clear: every dollar saved is another dollar on your bottom line.

If you are keen to increase profitability quickly – perhaps you are struggling financially or you want to sell your business soon - reducing costs can be the silver bullet.

However, for a business with long term aspirations, the **best** way to increase profit is to increase revenue – see Section 3. This takes longer than slashing operational costs but for a business without a limited timeframe, it is a better strategy because:

- it supports sustainable growth and profit increase
- it has limitless scope, whereas there is a limit to how many costs you can cut
- it is far less risky

2. The impact of profit on business value

Improving profitability can involve investing time and money. If your cash flow is good, you may wonder – why bother? The answer: because profit and value are inextricably linked.

Business value is generally based on profit multiples: to maximise the potential sale price, you must increase profits. So profits are important for long term planning as well as short term viability.

In Table 1, we can see how an improvement of just 10% across multiple areas leads to a 60% profit uplift for a hypothetical business. These figures could be easily adjusted for a business of any size.

Table 1: Impact of increasing performance by 10%

	Current performance	Improvement factor	Improved performance
Number of potential customers	2000	10%	2200
Conversion rate	10%	10%	11%
Number of customers	*200*		*242*
Number of transactions per customer	12	10%	13.2
Average value of each sale	$10,000.00	10%	$11,000.00
Total turnover	*$24,000,000.00*		*$35,138,400.00*
Net profit percentage	10%	10%	11%
Resulting net profit	**$2,400,000**		**$3,865,224**

Profit improves by	**61.05%**

So how much difference will this increase in profit make to the business' value? The standard formula for determining value is to multiply profit by a number between 3 and 5. As the dollar value of the profit increases, the multiples get higher. So the larger and more robust your business, the greater the multiple you can demand from the buyer.

Table 2 shows how the increased profit of our hypothetical business translates into greater value.

Table 2: Impact on value of increasing profit

Metric	Current value	Improved performance value
3 to 5 times multiple of profit	3.5 x $2.4M = **$8.4M**	4.5 x $3.86M = **$17.4M**

Thanks to an across the board performance improvement of 10%, the business' value has more than doubled. These profit and value increases have been achieved mainly through improved sales performance. The figures could be improved more by factoring in price increases or cost reductions.

Now that you can see the powerful impact that profit improvement could have on the value of your business, you have decided to actively improve it. So what is the best approach: increase revenue or decrease costs? There are advantages and disadvantages to both.

3. How to increase profit: Increase Revenue

Your business' revenue is derived from sales, which can be impacted by both pricing strategy and sales strategy. Both approaches offer many opportunities to improve profit.

Pricing strategy

Getting pricing right is important for business success as it has a direct impact on sales. Price your products or services too high and you risk decreasing volume and losing customer loyalty. Price them too low and you will sell more but will deplete your cash flow and miss out on untapped profits.

As well as being easy to understand and apply, price adjustments have an almost immediate impact on profit: increase prices one day and profits are higher the next. What's more, a small increase of 1% or less can have a large impact on profits for a high volume business.

This apparent simplicity and immediacy makes adjusting pricing attractive, especially to businesses that are seeking immediate results.

Tip: Changing pricing models can be difficult. For example, if you manufacture products and then add services to the mix, it can be hard for staff to price the services correctly because they are used to cost/competition pricing, not to value pricing. In this situation, staff training is important.

Types of pricing

Most prices are calculated using one of three standard methods:

- **cost based:** cost of production plus a percentage profit margin
- **competition based:** benchmarked against what competitors charge
- **value based:** what the customer should be prepared to pay based on perceived benefits

The resulting base price may then be influenced by other factors: geography, seasonality, urgency - even the personal pricing philosophy of the person driving the strategy.

Diverse businesses may apply more than one pricing strategy, such as competitor pricing to products and value pricing to services.

Becoming more pricing conscious

Increasing profit means prioritising pricing across your business. As a small operation, you should:

- regularly review the prices of your products or services
- track the difference that pricing changes make to sales
- keep up to date with what your competitors are charging
- make your staff aware of the direct link between price and profit

If your business is larger, you could also consider:

- investing in support tools such as an online quoting system to eliminate subjective pricing
- segmenting products or services so you can offer different levels of value and price
- seeking objective pricing advice and tools from experts outside your business

The implications of repricing

While raising prices is an easy way to increase profit, there are risks. Many businesses are loath to do it in a competitive marketplace as they are afraid of losing customers. They may prefer to decrease prices in the hope of increasing sales volume. However, decreasing prices can have a downside too, such as having an immediate negative impact on cash flow.

Repricing is a major decision. We recommend thinking through the implications and discussing them with relevant staff so they understand your reasoning. A list of pros and cons – as illustrated in Table 4 below - can provide a useful discussion tool.

Table 4: Examples of how to increase revenue through pricing strategy

Idea	Advantages	Risks	Comments
e.g. Medium sized public relations firm *Move top three clients from cost based (retainer) to value based pricing*	• Bigger margins • Closer client relationships • Fairer pricing for services delivered	• Lose client/s • Competitor threat • Perception of not offering value for money	• Train account managers to explain value of service • Use monthly client reports to demonstrate the business value of the services delivered • Offer value-add services • Suggest trial period
e.g. Small retailer *Reduce price of a stock item of which you bought too much*	• Attract new customers who may buy other goods • Entice current customers who do not usually buy this stock item • Encourage those frequent buyers to buy more items than usual	• Erode profit • Create expectation the stock item will always be cheap • Customers will buy in bulk • Customers will buy instead of similar and more expensive products	• Special two-pack price • Special offer signage • Limit purchase to four packs • Put in bin at front of store to encourage impulse buying • Work out profit margin based on different prices • Advertise in window

Sales strategy

While using pricing to increase profit is something of a blunt instrument, changing your sales strategy is more subtle and the results are not so immediate. There are two challenges to tackle:

- growing your existing customers by persuading them to buy more
- winning more customers

Both have long term advantages and both require investment in resources and time.

GROW REVENUE FROM EXISTING CUSTOMERS

Increasing your 'share of wallet' is easier than winning new customers. You already have a relationship with the customer and do not have to convince them to buy your product or service.

Assuming they are happy with their experience, you can employ a number of strategies to retain customers and increase how much they spend. Whatever your industry or size of your business, some or all of the following ideas will produce results.

Upsell: Encourage and/or train your staff to be active sellers, not order takers.

Optimise customer service: Deliver continuously excellent service and support with staff incentives.

Expand what you offer: Tempt loyal customers with new products/services or variations.

Offer added value: Bundle products or services together for a discounted price.

Hold brainstorming sessions: Meet with staff to share ideas for customer retention and growth.

Invest in technology: Install a system that captures customer data to support direct marketing.

Segment customers: Devise special offers and customised solutions for specific types of customer.

Prioritise effort: Examine spending patterns so you can focus on the most profitable customers.

Analyse sales: Use analytical tools to track your market performance and that of your competitors.

INCREASE YOUR CUSTOMER BASE

Winning new customers is hard work, especially in highly competitive markets. By taking a strategic approach, you can make the most of your time and effort.

The following ideas can be adapted to suit the needs and budget of any business.

Monitor the competition: Track what competitors are doing so you can react quickly to their product, pricing and marketing changes.

Invest in sales and marketing: New staff, training programs, advertising campaigns and judicious spending can deliver additional sales that far outweigh the investment.

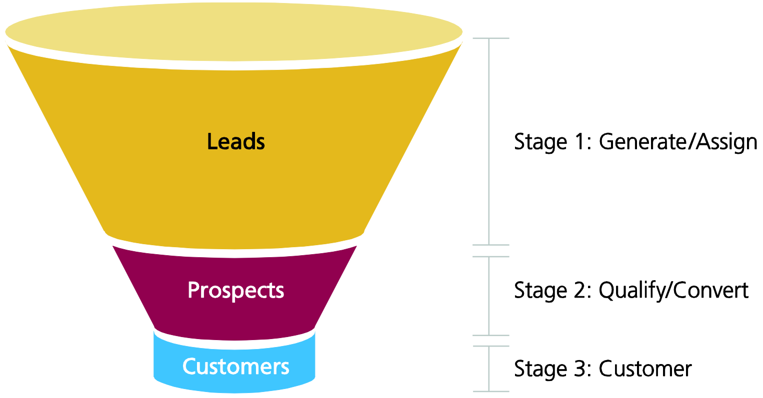
Expand into new geographical areas: If your business is local, opening another site will increase your customer base.

Be selective: Before major sales drives, ensure the predicted level of profit gain is worth it in terms of the effort involved in winning the new business.

Support business as usual: Chasing new business can divert resources away from day to day account management so make sure your existing customers do not feel neglected.

Improve sales performance: Successful selling is about getting quality leads then converting them into customers. It requires considerable effort to do this and the conversion rate is low (see Diagram 1). If you link new customer activity to your employee reward system, your business' sales performance will improve. To be truly effective, you should control and measure behaviour e.g. number of quotes submitted, number of prospective client meetings attended etc.

Diagram 1: Sales conversion is time-consuming



Apply continuous improvement: For larger businesses, there is the option of analysing sales by product, channel and geography and then applying what you learn from any successes to underperforming products/channels/regions.

Assessing the risks

Changing your sales strategy throws up a number of challenges. To ensure your staff understand and support any changes, we advise owners and managers to hold group discussions, supported by a fact-based assessment of the costs, benefits and risks. A visual depiction (see Table 5 on the next page) can be useful.

Idea	Advantages	Risks	Comments
e.g. Medium sized food manufacturer *Introduce lower quality product line*	• Attract new consumers who may migrate to higher profit lines • Sell high volumes	• Aggressive competitor response • Cannibalise other product lines • Risk to company's quality reputation	• Do qualitative market research • Pilot in stores with varying demographics • Support with advertising
e.g. Small domestic cleaning company *Add ironing to services*	• Attract new customers • Make more money from existing customers	• Quality levels will vary as most staff are not used to bulk ironing • Aggressive response from competitors • Pitch pricing at wrong level as not used to it	• Advertise with flyers • Email existing customers • Research pricing

Table 5: Examples of how to increase revenue through sales strategy

4. How to increase profit: Decrease costs

There are two types of expenses associated with your business: direct costs and fixed costs. Both can be reduced or streamlined in order to increase profit, as long as they are correctly allocated.

Having honest, accurate and up-to-date records is vital if you want to increase profit by managing costs more efficiently. Otherwise you do not have a truthful picture of how your business is operating. This might seem obvious but we often see incomplete, old or vague records.

Tip: Cost cutting is easier if you have both budgeted and actual expenditure figures so you can investigate the reasons for discrepancies between the two and work out a remedial plan.

One issue is costs that are incorrectly accounted for on the P&L. Wages or freight, for example, are sometimes added (coded) as fixed costs rather than direct costs. Yet these costs are not fixed: they vary wildly according to production and sales levels. Allocating them as fixed costs does not reflect how they change, making it hard to identify key business trends and improvement opportunities.

So before starting on a review of your expenses, ensure everything is accounted for, the figures are recent, and each cost is allocated to the right area. Only then will you have a true reflection of the state of your business.

Direct costs

Direct costs are those that are directly connected to producing your products or providing your services, such as materials and wages.

They present considerable opportunities for savings, but should be approached with caution. These expenses directly impact your business' ability to produce the product or provide the service, so weigh the risks to quality against the benefits before you act.

Two aspects of your business present the best opportunities to reduce direct costs: labour efficiencies and supplier costs.

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Labour efficiencies

This can involve reviewing your workforce and removing duplication and inefficiency through downsizing. It can also mean increasing productivity: getting more out of the same number of staff. Common strategies include:

Using technology to improve efficiency and decrease costs with measures, such as automating repetitive tasks.

Reviewing your labour model, especially if staff are mostly full time. You could save money by outsourcing functions, increasing the number of part-time employees or employing contractors. You could also sub-contract tasks such as delivery to smaller operators. These measures save money and provide the flexibility to increase or reduce your workforce to match demand.

Supplier costs

You can get the best value from your supply chain in several ways.

If your business is small:

- **shake things up:** many SMEs continue supplier relationships year after year. To ensure regular suppliers continue to offer you the best terms, renegotiate regularly
- **shop around:** always get three quotes - there can be substantial savings
- **negotiate skilfully:** learn how to get the best price without destroying the relationship
- **formalise terms:** to avoid disputes and facilitate negotiation, replace 'handshake agreements' with simple written agreements that document trading terms

For larger businesses, there are additional options:

- **increase competitive tension:** use a tender process or contract review for larger contracts
- **change trading terms:** increase payment terms (e.g. from 30 days to 60 days), or move suppliers from C.O.D. to credit, to improve your cash flow
- **use preferred suppliers:** obtain better pricing, improve quality control and reduce administration costs by replacing multiple small suppliers with a few larger suppliers
- **introduce cost saving policies:** formalise preferred cost saving approaches into a policy that all staff understand
- **standardise purchasing:** prevent unnecessary spending by using purchase orders, allocating spending limits and getting large purchases signed off by a senior manager.

Some suppliers, especially those that have a long term relationship with your business, may be unhappy about these changes. They may even take it personally. Remember, you are a valuable customer and if they want to keep your business, they need to keep you happy.

As with other changes suggested in this eBook, we recommend involving your staff by asking for their ideas and talking through the implications. Table 6 below provides some examples.

Table 6: Examples of how to decrease direct costs

Idea	Advantages	Risks	Comments
e.g. Medium sized food manufacturer *Move team from full time to contract*	• Reduce staff costs e.g. leave loading • Match staffing to demand	• Union objections • Loss of experienced staff	• Communicate benefits e.g. higher rates, flexible working hours, productivity bonuses
Buy raw materials in bulk when prices are low	• Substantial savings • Meet increased demand quickly	• Time limit (spoilage) • Storage costs	• Improve forecasting • Sales push • Temporary warehousing
Replace full time drivers and in-house fleet with sub-contracted owner drivers	• Remove fleet costs • Reduce staff costs • Able to react quickly to increased demand	• Service levels drop e.g. on time delivery, condition of vehicles, adherence to agreed delivery times	• Install logistics management software • Have performance penalties and incentives • Collect customer feedback

Tip: It is easy to fall back into the 'bad old ways'. To keep your profit goals on track, review direct costs regularly to make sure the cost efficiencies you introduce are maintained.

Fixed costs

Fixed costs are not directly connected to your business' operations – they are indirectly generated. While they may be fixed (i.e. you have to pay them whether you produce anything or not), these costs can be decreased and the more you reduce them, the greater your profit will be.

They include rent, electricity, water, insurance, professional services, leasing costs and interest payments – all provided by suppliers who operate in a competitive market and are open to negotiation.

Because they do not directly impact your business' ability to operate, fixed costs can be a fruitful source of cost reduction. However, they still provide necessary support so cutting them requires careful consideration. A manufacturing business without someone to answer phone queries would be unable to function as production staff would be too busy talking to customers.

As with direct costs, it is important to consider the potential downside as well as the upside of reducing fixed costs with staff who will be affected. Table 7 provides some ideas.

Table 7: Examples of how to decrease fixed costs

Idea	Advantages	Risks	Comments
e.g. Kitchen manufacturer and installer *Move from inner city to outer suburbs*	• Bigger premises for less rent • Space to display wider range of kitchens • Room to expand • Attract new customers	• Lose existing local customers to competitors • Lose staff as further to travel • Increased freight charges (suppliers and customers) • Sends negative signal to market about financial stability	• Find suppliers that are closer • Customer referral incentive program • Dedicate a mobile sales resource to inner city • Offer key staff mileage allowance
e.g. Small IT developer *Move to smaller, cheaper legal firm*	• Substantial cost savings • Deal with senior lawyers instead of juniors • More responsive	• Loss of knowledge about our business • Exposure if major legal issue, especially during transition	• Trial period • Regular performance reviews • Reassess savings after a year

COST VS INVESTMENT

It is important to differentiate between an expense that is a cost and one that is an investment.

In tough times, businesses often freeze spending in 'soft' areas (e.g. marketing), stop recruiting and postpone expansion. However, SMEs that succeed are those that continue their growth plans regardless of the economic environment; such spending is seen as an investment in the future.

While every business can be trimmed, slashing costs and delaying growth plans is a short term view. In fact, not investing can cost your business in the form of lost contracts, staff and customers. It can also decrease its value when buyers realise it requires significant investment to be sustainable.

So before you wield the knife, think carefully about the long term implications. We suggest dividing costs into two types:

- costs that can be reduced without harming your business e.g. electricity, insurance, type of company vehicle; these should be priority items
- costs that can be depreciated on your balance sheet and/or that will make your business more competitive (e.g. adding production lines, hiring sales staff, training courses); you should reconsider cutting them

5. Tools that turn theory into practice

In our experience, most SME owners and managers measure profit and loss (P&L) against a budget, not against the inputs that drive their P&L results. So they lack the detail required to make meaningful decisions about sales, pricing and efficiency. Information gathering and analytical tools are vital if you want to increase your business' profits and value.

Drilling down to discover the why, where and how of your business' performance can be daunting. All the data you need is there, but capturing, collating and analysing it is time consuming and can sideline you or your staff from their core responsibilities.

To help SMEs overcome this challenge and become more profitable, Moore Stephens has developed two essential support tools: the KPI Dashboard and the Revenue Cube.

KPI Dashboards

KPI Dashboards present an easy to understand picture of the key information that drives your business. They can be generated regularly but must be based on timely and accurate data.

The Moore Stephens KPI Dashboard is designed to give you clarity. It provides a tailored 'at glance' view of the performance of your business, letting you know when things are going well - and when they're not.

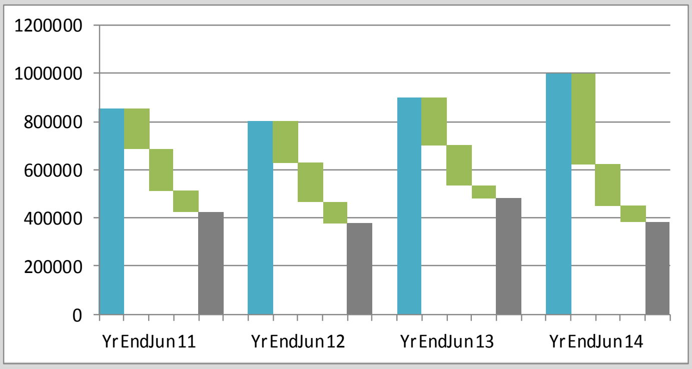
With real time access to this information, you can quickly and confidently make decisions about the future of your business.

The ideal dashboard design instantly summarises both financial performance and non-financial metrics that will impact your business in the future. The following is an example of a hypothetical KPI Dashboard suite generated by Moore Stephens.

Diagram 1: Dashboard – Financial metrics

SIMPLIFIED PROFIT & LOSS

		Y/E Jun 11	Y/E Jun 12	Y/E Jun 13	Y/E Jun 14
	INCOME	850,000	800,000	900,000	1,000,000
Less	cost of sales	165,000	170,000	180,000	200,000
Less	wages	172,800	164,300	165,600	176,200
	GROSS PROFIT	512,200	465,700	554,400	623,800
Less	overheads	88,768	87,452	53,815	65,354
	NET PROFIT	423,432	378,248	500,585	558,446

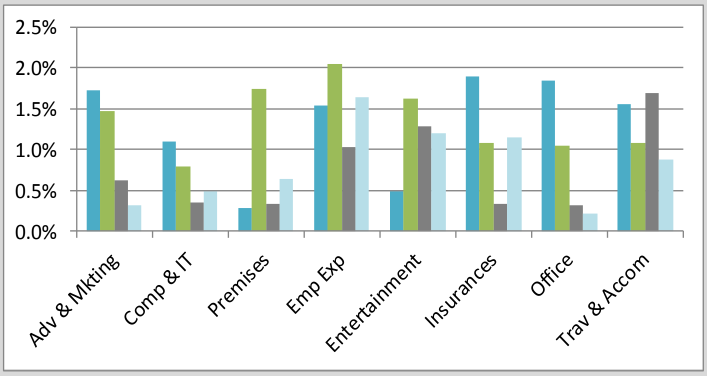


The dashboard in Diagram 1 breaks revenue down into it key profit and loss components, namely expenses and profits.

Diagram 2: Dashboard – Financial metrics

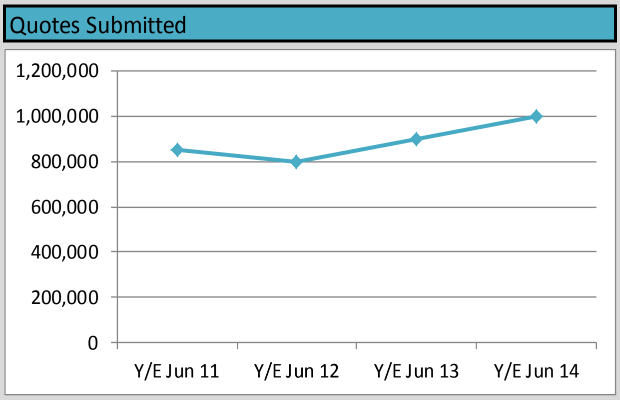
OPERATING EXPENSES — as a % of revenue

	Y/E Jun 11	Y/E Jun 12	Y/E Jun 13	Y/E Jun 14
Adv & Mkting	1.7%	1.5%	0.6%	0.3%
Comp & IT	1.1%	0.8%	0.4%	0.5%
Premises	0.3%	1.8%	0.3%	0.6%
Emp Exp	1.5%	2.1%	1.0%	1.6%
Entertainment	0.5%	1.6%	1.3%	1.2%
Insurances	1.9%	1.1%	0.3%	1.1%
Office	1.9%	1.1%	0.3%	0.2%
Trav & Accom	1.6%	1.1%	1.7%	0.9%



The dashboard in Diagram 2 clearly shows a breakdown of the key operating expenses making anomalies easy to pinpoint.

Diagram 3: Dashboard – Non-financial metrics

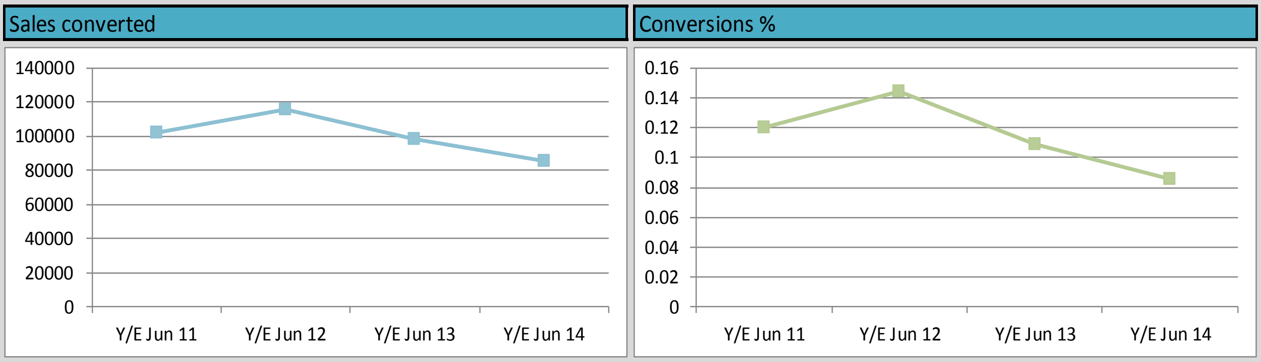


SUMMARY

	Y/E Jun 11	Y/E Jun 12	Y/E Jun 13	Y/E Jun 14
Quotes Submitted	850,000	800,000	900,000	1,000,000
Sales converted	102,450	115,420	98,225	85,450
Conversions %	12.1%	14.4%	10.9%	8.5%
Gross Profit on Work won	38,005	44,105	33,445	28,447
GP %	37.1%	38.2%	34.0%	33.3%

Diagram 3 shows the volume of quotes submitted for a sales team, while Diagram 4 illustrates that although the team is generating more quotes, the conversion rate is declining.

Diagram 4: Dashboard – Non-financial metrics



Although very simple, dashboard information is powerful and easy to understand. As well as assisting owners and managers to track trends and make decisions, it provides a good way to show meaningful information to key staff without having to display the underlying sensitive data.

How our KPI Dashboard can help your business

Moore Stephens can work with you to build a tailored dashboard that ensures you are looking at the right data, focusing your attention where it is needed the most. Moore Stephens has designed the KPI dashboard to:

- provide an 'at a glance' overview of the KPIs that matter tailored to your business
- focus on important issues so you are not distracted by non-priorities
- show historical trends and track your efforts to change them
- identify exceptions that need to be reviewed in more detail
- allow you to ask questions with real-time results based on your data

A typical Moore Stephens KPI dashboard focuses on several areas, including:

- profit & loss
- balance sheet
- cash flow
- inventory, debtors and work in progress
- key ratio analysis
- non-financial performance

FREE OFFER

Simply provide us with some basic information, via the link below, and Moore Stephens will develop a simple KPI dashboard for your business. We are confident this simple model will demonstrate just how powerful a tool like this can be.

We can then work with you to expand on this model, providing more detailed analysis based on the requirements of your business. The dashboard can be tailored to draw data from your existing accounting systems, providing real time access to vital data so you can make decisions as and when you need to.

Access the dashboard here.

Section 6 provides more information about this special offer.

Tips for delivering a KPI Dashboard

1. Consider frequency

Is the dashboard reviewed daily, weekly or monthly? If it is any less frequent, consider using a different reporting format. The dashboard is mainly for items that need regular review and can be impacted at relatively short notice. For example, there is no point monitoring rent impacts every month if you have a ten-year lease.

2. Focus on the trends

Try not to get too bogged down in the detail or the raw numbers. Dashboards are about identifying trends and acting upon them.

3. Automate where possible

Don't create a job around the generation of dashboard information. The dashboard should work for you drawing data directly from existing systems.

4. Get input from key stakeholders

Your staff may come up with better ideas on how to gather or capture data. Consulting them will get them onside and help them to understand what is being measured and why.

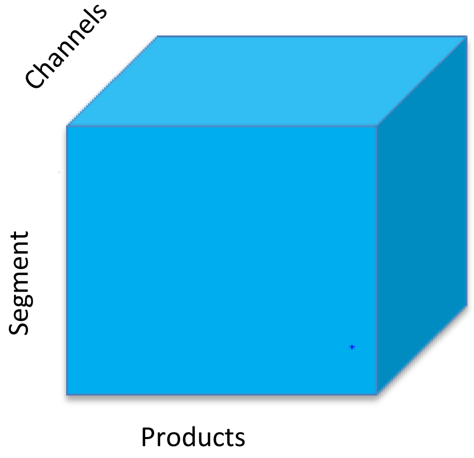
5. Take action

Act on trends and information generated by the dashboard. If you don't, all you have done is generate more information for no reason.

6. The Sales and Revenue Cube

Earlier we discussed the importance of pricing and sales strategies as a key focus when it came to increasing your sales. In looking to optimise you pricing strategies you are seeking to set the right price for 1) each and every product, 2) across each customer segment and 3) throughout every channel, and to adjust your pricing in response to changing market condition.

The 3 dimensions described above are best illustrated as the faces of a cube, with each element within the cube showing a combination of 1) product, 2) segment and 3) channel.



As an example, you may be selling 10 mm wood screws to small manufacturers in western Sydney via your website.

In considering the 3 elements together you are able to optimise your pricing for each combination. Furthermore by adding your live data to the faces of the cube you are easily able to:

- understand where your current pricing strategies sit
- focus discounts on the most price conscious customer segments of products
- extract greater margins from less sensitive clients or products
- measure the impact of any adjustments made

Whilst this functionality is beyond the scope of most off-the-shelf accounting products, Moore Stephens is able to work with you to develop the capabilities within your existing systems, or create a spreadsheet based system drawing data from existing financial systems.

THE SALES AND REVENUE CUBE – MULTIPLE BENEFITS

- Provides multi-faceted perspective of sales successes and failures
- Based on detailed, up to date data, not assumptions
- Supports clear decision making
- Allows accurate internal benchmarking and continuous improvement
- Enables trends analysis and accurate forecasting
- Generates productive internal discussions
- Leads to realistic goal setting and KPI design

Unlike a basic P&L, the Cube provides insight into important information and trends that managers need to know before making key decisions. It reveals, for example:

- your best customer segments
- your highest margin product or service lines
- the best performing sales region or service line
- trends that should be replicated or halted to improve your sales and hopefully your profit margins
- information that helps you confirm your competitive advantage

This information is essential if you want to increase your business' profits and value. Using the Cube, you can build up a clear picture of areas that require immediate action and those that require monitoring.

It is imperative that you spend time determining the right data and ensuring that it is being captured correctly. With a wealth of practical experience, Moore Stephens can help you through the process, ensuring you achieve the visibility required.

How our Sales and Revenue Cube can help your business

It must be remembered however that old adage of garbage in / garbage out most certainly applies in this instance. It is imperative that you spend time determining the right data and ensuring that it is being captured correctly. With a wealth of practical experience, Moore Stephens can help you through the process, ensuring you achieve the visibility required.

Once you have the data right we will work with you to develop revenue cube capabilities within your existing ERP system or create a spreadsheet based system drawing data from existing financial systems.

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NSW Business Chamber

7. Free business review

Provide some basic information and Moore Stephens will tailor a free KPI Dashboard just for your business…

Our Business Advisory Services experts, **Craig Hughes**, **Mark Hynes** and **Raelene Berryman** are some of the best in their field. They have helped hundreds of businesses like yours to go to the next level of growth and development.

It will take just a few minutes of your time and all the information will be treated in confidence.

This is a completely **FREE** service.

Start your business on the journey to increased profits and value today. Provide us with some simple information using the link below and we will develop a simple KPI dashboard for your business.

Access the KPI Dashboard here.

Remember, it will cost you nothing and there is no obligation.

8. About Moore Stephens

When it comes to providing personalised and commercially astute accounting, tax, business advisory and audit services for small and medium businesses, Moore Stephens offers the complete package.

We are mid-market specialists but we are also part of a globally successful network of 299 firms in 101 countries. So we have all the expertise, knowledge and presence of the largest firms, combined with a genuinely personal, local approach that makes us friendly and accessible.

In Australia, you will find our accountants and business advisers in all mainland capital cities and key regional locations, and our clients operate in every possible sector. So wherever you work and whatever industry you work in, we can provide the best advice and highest quality service.

Business Advisory Services is a specialist division of Moore Stephens that focuses on enhancing business value, assisting owners and managers with strategic direction and achieving operational best practice. The division works with businesses to identify growth pathways; maximise profit and efficiency; and determine the best resource mix to support strategic objectives.

About the authors

Mark Hynes, Senior Business Advisor – Business Advisory Services
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Mark has 15 years' management consulting experience across a range of industries and has successfully dealt with a multitude of issues facing the SME market.

He has significant operational knowledge and understanding of the practicalities of implementing and communicating changes in the business environment, and can help businesses with strategic planning, organisational design and profit improvement programs.

Craig Hughes, Director - Business Advisory Services
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Craig's key areas of expertise include agriculture, family businesses, ready for sale advice, business sale and management of generational and succession issues.

He has extensive knowledge of large family trading businesses, private investment companies and property related private companies, advising both managers and individual directors.

Raelene Berryman, Director - Business Advisory Services
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Raelene has over 20 years' experience in providing taxation, accounting and advisory services to private companies, subsidiaries of multinationals, partnerships and trusts.

She is passionate about the SME sector, working with businesses ranging from start-ups to those with annual turnovers of $150 million or more. Her expertise is in identifying tax issues and advising on business growth.

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Contact Moore Stephens

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Connect with us

9. About NSW Business Chamber

Tracing our heritage back to 1825, NSW Business Chamber's mission is to create a better Australia by helping businesses maximise their potential. The Chamber is a voice for business in the public arena: whether standing up to government and decision makers when business interests are neglected, or working together to create positive change.

On a one-to-one basis, the Chamber helps businesses from small enterprises to large corporations maximise their outcomes offering tailored business solutions. Our commercial services division, Australian Business Solutions Group (ABSG), delivers a range of business services to both member and non-member clients throughout Australia with the operating surplus going back to supporting Chamber initiatives.

Connection to the chamber movement, facilitated networking, provision of the latest updates in government relations and business development opportunities are just some of the reasons why more than 14,000 businesses have taken advantage of our membership.
Let the NSW Business Chamber team be an extension of your business so you can concentrate on what you do best - growing your business.

About Ask Us How

Ask Us How is a portal for NSW Business Chamber members which houses hundreds of practical 'how to' articles and resources and tools designed to help our members better manage, operate and grow their businesses.

Written by NSW Business Chamber members who are experts in their fields, and NSW Business Chamber industry experts, the Ask Us How portal includes 'How to' articles, Case Studies, Thought Leadership Papers and eBooks that cover the breadth of business areas.
To get a flavour of the wide range of tools and information you have access to in ***Ask Us How*** and to find out more about how NSW Business Chamber can help your business please visit: **http://www.nswbusinesschamber.com.au/Ask-Us-How**