



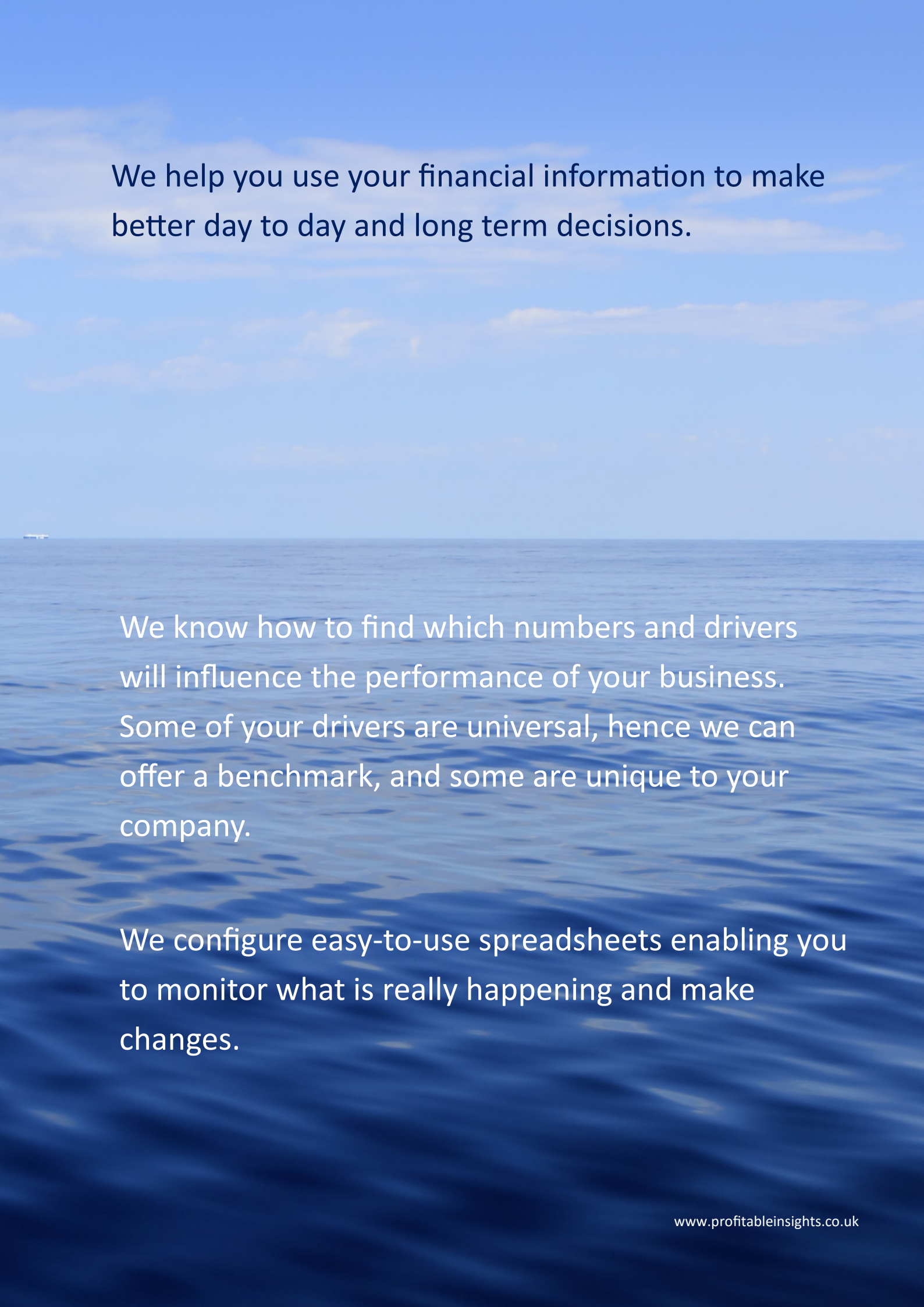
PROFITABLE
INSIGHTS

Case Study:

Increasing Gross Margin to free up
resources for growth



BECOME MORE PROFITABLE



We help you use your financial information to make better day to day and long term decisions.

We know how to find which numbers and drivers will influence the performance of your business. Some of your drivers are universal, hence we can offer a benchmark, and some are unique to your company.

We configure easy-to-use spreadsheets enabling you to monitor what is really happening and make changes.

Increasing Gross Margin

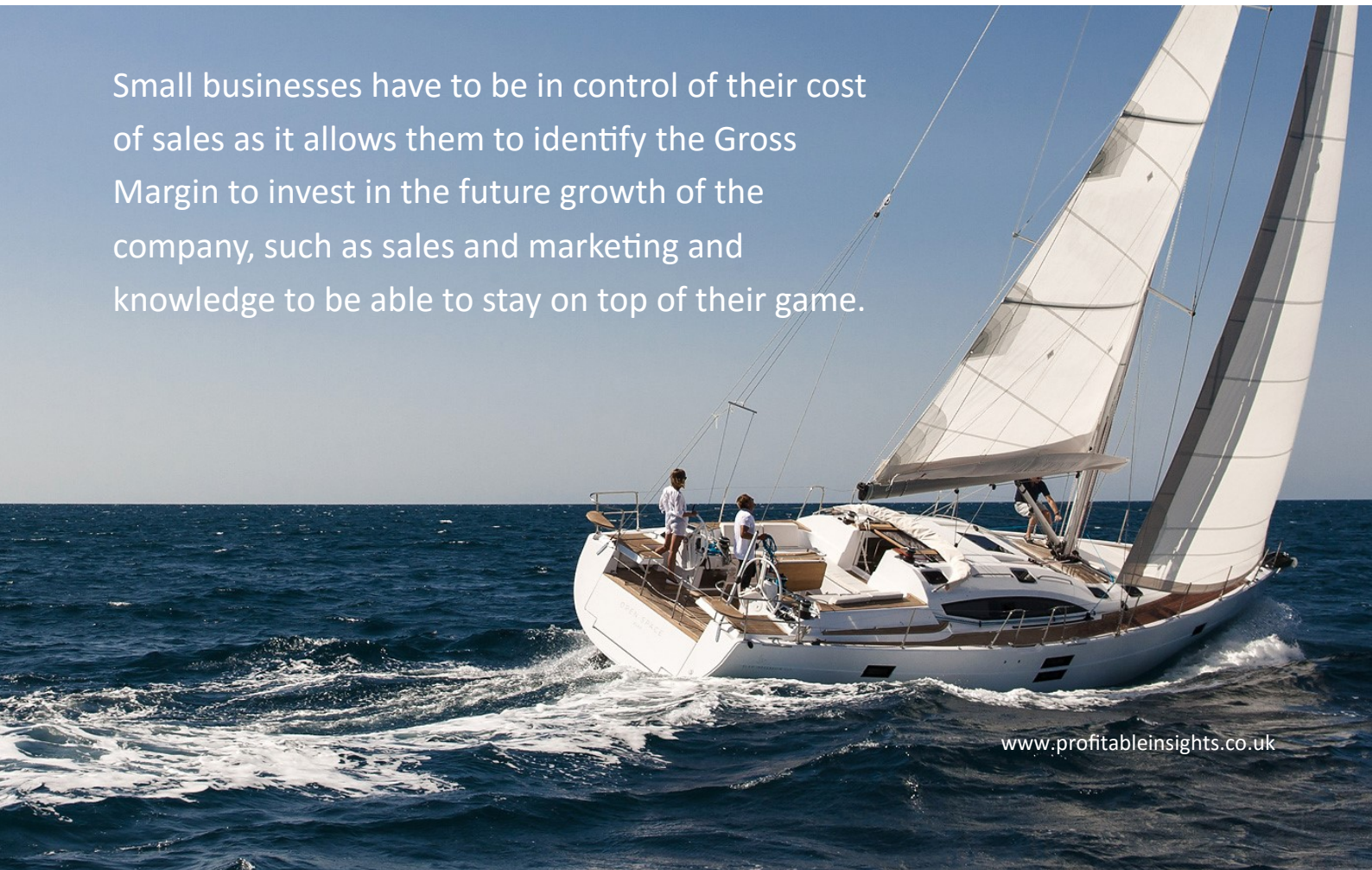
For our client, the Gross Margin of some services was getting lower (under 50%, where the industry benchmark is 70%). We needed to find a solution to increase it without affecting the quality of delivery.

Gross Margin is what is left after the cost of sales. In this case, the cost of sales included labour costs (pay per day for trainers) and royalties (license costs for the training programmes they sell).

There are three main routes of controlling cost of sales: increase price per unit, reduce cost per unit, or outsource delivery.

- ⚓ Increasing the price is tricky. Small businesses cannot rely on their ability to negotiate higher prices for fear they may lose the deal altogether.
- ⚓ Paying less for delivery is equally difficult as it may affect the quality of delivery. It restricts the company's access to high quality trainers and may lead to employees and clients' dissatisfaction.
- ⚓ The outsourcing route comes with side effects: the company is not building in-house expertise and is at the mercy of free-lancers' availability. Often competing small companies find themselves outsourcing to the same free-lancer, which can be awkward when bidding for the same client.

Small businesses have to be in control of their cost of sales as it allows them to identify the Gross Margin to invest in the future growth of the company, such as sales and marketing and knowledge to be able to stay on top of their game.




The solution: reconsider delivery resources

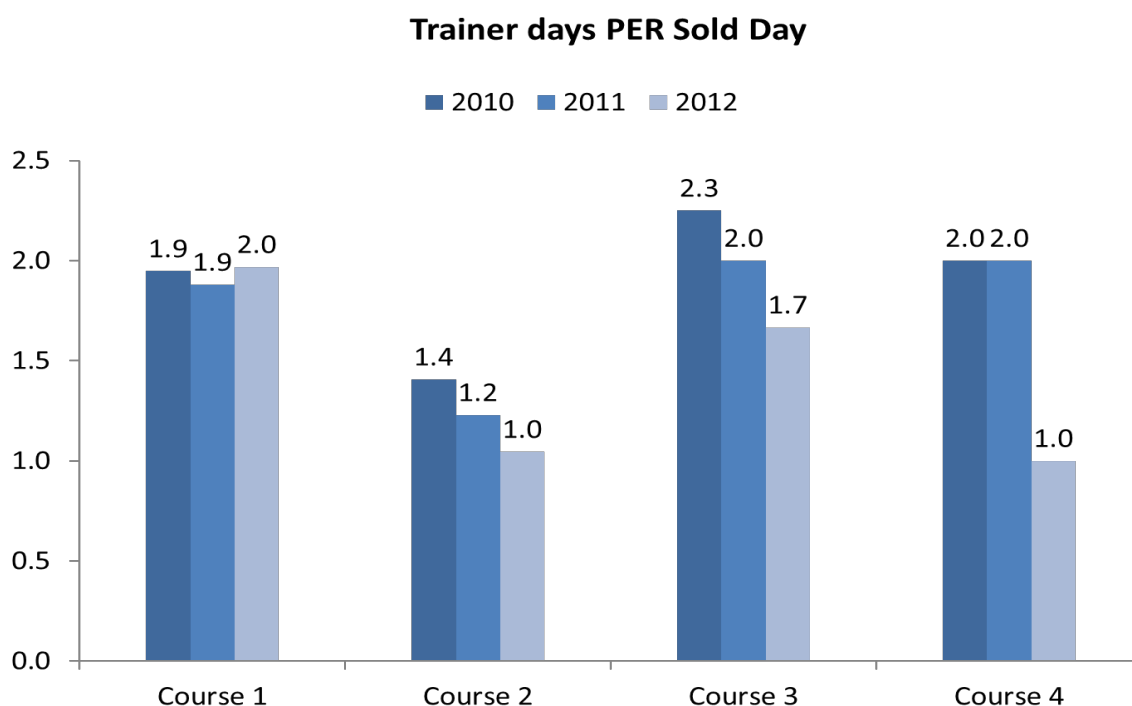
We needed to explore trends that could point towards a solution for increased margin without too many side effects.

Some courses required the presence of more than one trainer in the room. Our client would pay twice the cost per day for delivery for those courses, while charging the same daily fee to clients. We uncovered the ratio of 'trainer' days to 'sold' days and the trend of this ratio over a couple of years.

Here are the results:

 Course 1 required more 'trainer' than 'sold' days and therefore had very low Gross Margin

 Courses 3 and 4 had started at a similar level but were improving.



We advised our client to sell more courses that required only one trainer in the room and reconsider whether some of these courses needed two trainers.

As a result of reconsidering the delivery resources, we stabilised a ratio of trainer day versus sold day at 1.6 and the overall Gross Margin at 62%.

We are a team of financial analysts with a background in small and medium size companies and extensive entrepreneurial experience. We know the value of understanding what you are looking at when it comes to financial information.

I am Adina Luca and I lead the team.

My clients are owners and managers of small businesses in the field of professional services. I use my personal experience to help entrepreneurs grow their business.

I know the joys and pains of setting up and growing a small business. I set up and ran my own medium-sized training and consulting business, where I employed fifteen people, and sold it after nine years. I then then co-founded an analytics company that is now successfully run by my partner.

I also apply, where appropriate, strategies and methods that I learned as a consultant and a former employee of bigger companies.



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At Profitable Insights we spend our days making the most of our clients' information. Gathering financial, marketing and any other business data in order to derive insights that inform their day-to-day strategic decisions. The aim is to set up tools to monitor the effects of client's decisions by setting up fully customised financial reports and hence building a 'virtuous cycle' of profitability.

This is how we manage to drive profitability for clients from on average -5% to +12%.

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