PROFITABLE INSIGHTS

CLIENT CASE STUDY

INCREASING GROSS MARGIN TO FREE UP RESOURCES FOR GROWTH

SUMMARY & OBJECTIVES

Our client recently had a problem where the gross margin on some services was at 50%, whereas the industry benchmark is 70%. They needed to find a way of increasing it, without affecting the quality of delivery.

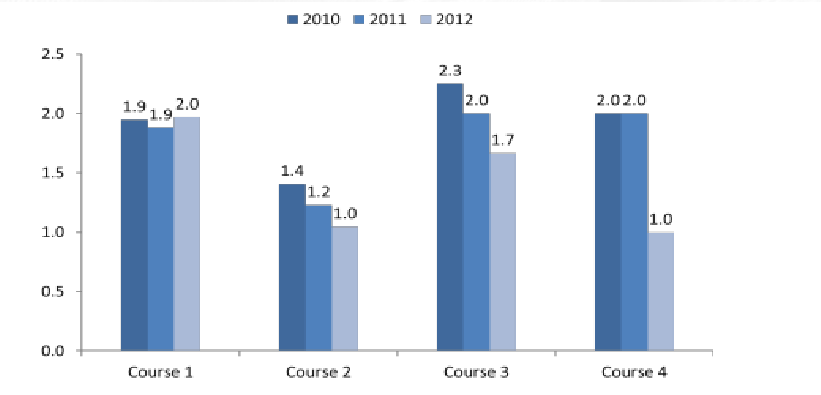
SOLUTION

Reconsider delivery resources

After exploring trends in the 24 months period, we noticed that 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.

Results after the strategy implementation:

- Course 1 required more "trainer" than "sold" days and therefore had a very low gross margin.
- Courses 3 & 4 had started at a similar level but were improving over 24 months period.



We advised our client to sell more courses that require only one trainer live delivery and consider whether some of the courses needed two trainers.
As a result of reconsidering the delivery resources, we stabilised the ratio of trainer day vs sold day at 1.6 and the overall gross margin at 62%.

AT A GLANCE

CHALLENGES

- Lower than the industry benchmark margin
- High internal cost
- Remaining the same high standard of quality of delivery

BENEFITS

- Stabilised trainer day to sold day ratio
- Sales strategy focused on one trainer delivery courses
- Increased gross margin at 62%