



Achieving Cashflow Freedom

Presented by Edel Roughton

Your moderator today



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Q & A

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Today's presenter

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Cashflow is the lifeblood of a business...

Xero Small Business Insights:

More than 90% of businesses in New Zealand, Australia and the United Kingdom experience at least one month of negative cashflow each year.



Agenda

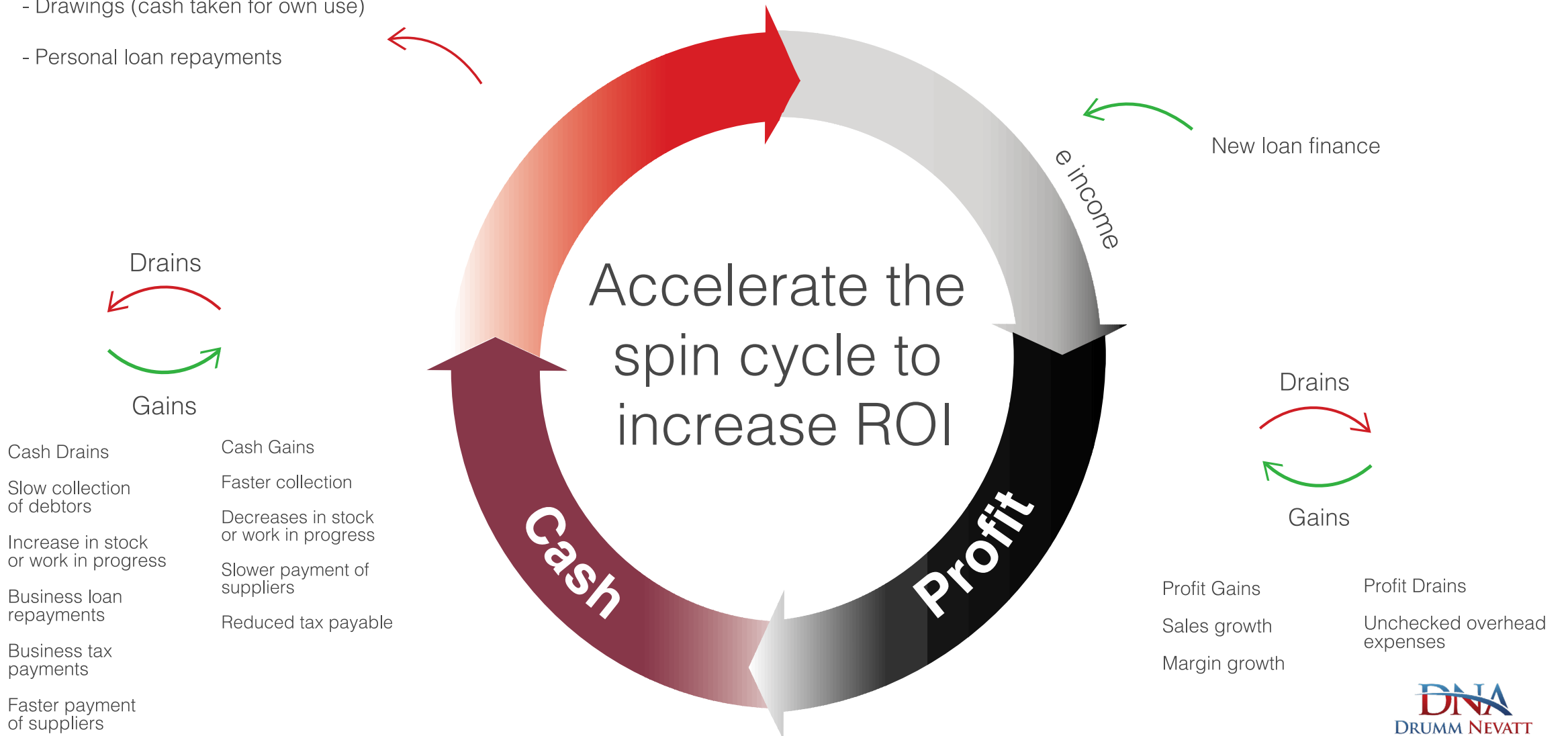
1. Planning for 'what ifs'.
2. Increasing sales outcomes.
3. Lowering the cost of sales.
4. Managing cashflow.
5. Next Steps.
6. Q & A.

How could a tougher economy affect your business?

- Fewer customers
- Fewer enquiries or leads
- Harder to convert enquiries or leads into sales
- Customers return less often
- Customers spend less
- Competitors reduce prices to attract customers
- Increased cost of stock
- Increased expenses (interest rates, fuel, wages, etc.)

The Business 101 Cycle

- Drawings (cash taken for own use)
- Personal loan repayments



Value Gap Analysis

INPUTS

CASH CONVERSION

PROFIT

ROI



Profit and Loss

Sales ⓘ

\$1,250,000

Cost of sales / direct costs ⓘ

\$700,000

Overhead expenses ⓘ

\$500,000

Do you have other income? ⓘ

YES NO

Balance Sheet

Accounts receivable / debtors ⓘ

\$218,500

Inventory / Work in Progress (WIP) ⓘ

\$194,500

Accounts payable / creditors ⓘ

\$116,000

Other Financial Variables

Tax rate ⓘ

29%

Valuation multiple ⓘ

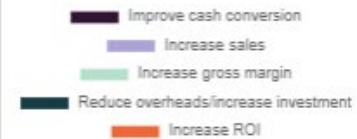
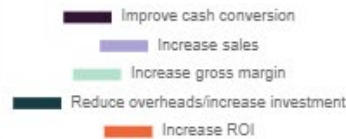
3.5

Impact Summary

	Cashflow	Profit
Improve cash conversion	\$0	-
Increase sales	\$0	\$0
Increase gross margin	\$0	\$0
Reduce overheads/ increase investment	\$0	\$0
Increase ROI	\$0	\$0
Total	\$0	\$0
Potential business value impact		\$0

Total Cash Impact \$0

Total Profit Impact \$0



Value Gap Analysis

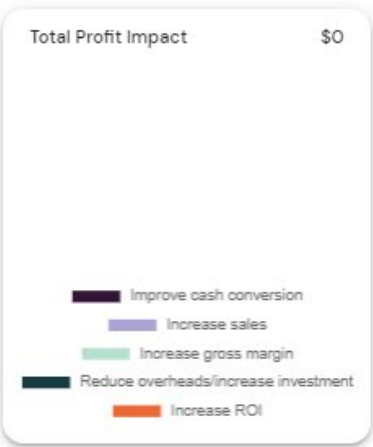
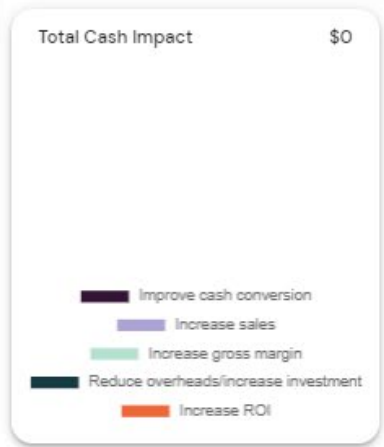
INPUTS **CASH CONVERSION** PROFIT ROI ⋮

Cash Conversion

Strategy	Change	Impact
<div style="border: 2px solid yellow; padding: 5px;"> Reduce debtor days ⓘ Debtor days are currently 64 days </div>	<input type="text" value="0"/>	\$0 freed up
<div style="border: 2px solid yellow; padding: 5px;"> Reduce inventory/WIP days ⓘ Inventory/WIP days are currently 101 days </div>	<input type="text" value="0"/>	\$0 freed up
<div style="border: 2px solid yellow; padding: 5px;"> Reduce payable days ⓘ Payable days are currently 60 days </div>	<input type="text" value="0"/>	\$0 cash required
<div style="border: 2px solid yellow; padding: 5px;"> Cash conversion cycle ⓘ Current cash conversion cycle is 105 days </div>		0 days
Cash Impact		\$0

Impact Summary

	Cashflow	Profit
Improve cash conversion	\$0	-
Increase sales	\$0	\$0
Increase gross margin	\$0	\$0
Reduce overheads/ increase investment	\$0	\$0
Increase ROI	\$0	\$0
Total	\$0	\$0
Potential business value impact		\$0



Value Gap Analysis

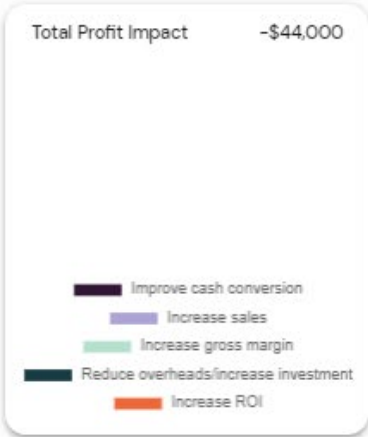
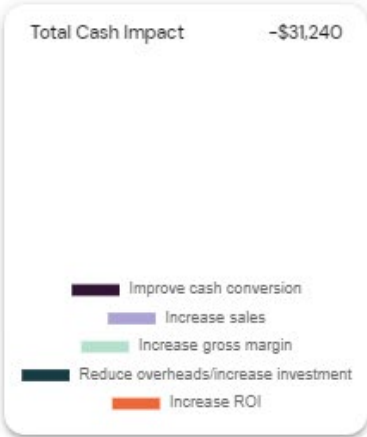
INPUTS CASH CONVERSION PROFIT ROI

Sales Show detailed sales drivers

Strategy	Change	Impact
Increase retention rate ⓘ Change retention rate from 78% to 70% Change retained customers from 663 to 595	-8%	-68 retained customers
Increase number of leads per year ⓘ Current number of leads is 175	0%	0 new leads
Increase lead conversion rate ⓘ Lead conversion rate is currently 60% New customers are currently 105 Change total customers from 768 to 700	0%	0 new customers
Increase transactions per customer ⓘ Transactions per customer is currently 1.5	0%	0 transactions per client
Increase average transaction value ⓘ Average transaction value is currently \$980	0%	\$0 average value
Change sales from \$1,129,412 to \$1,029,412		-\$100,000 sales
Cash Impact -\$31,240		Profit Impact -\$44,000

Impact Summary

	Cashflow	Profit
Improve cash conversion	\$0	-
Increase sales	-\$31,240	-\$44,000
Increase gross margin	\$0	\$0
Reduce overheads/ increase investment	\$0	\$0
Increase ROI	\$0	\$0
Total	-\$31,240	-\$44,000
Potential business value impact		-\$154,000



Gross Profit Margin

Value Gap Analysis

INPUTS CASH CONVERSION **PROFIT** ROI

Sales

Show detailed sales drivers

Strategy	Change	Impact
Increase retention rate ⓘ Change retention rate from 78% to 70% Change retained customers from 663 to 595	-8%	-68 retained customers
Increase number of leads per year ⓘ Change number of leads from 175 to 166	-5%	-9 new leads
Increase lead conversion rate ⓘ Lead conversion rate is currently 60% Change new customers from 105 to 100 Change total customers from 768 to 695	0%	-5 new customers
Increase transactions per customer ⓘ Transactions per customer is currently 1.5	0%	0 transactions per client
Increase average transaction value ⓘ Average transaction value is currently \$980	0%	\$0 average value
Change sales from \$1,129,412 to \$1,021,691		-\$107,721 sales

Cash Impact **-\$33,652** Profit Impact **-\$47,397**

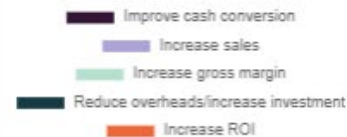
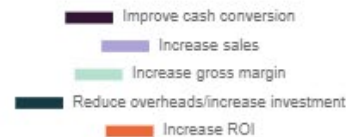
Gross Profit Margin

Impact Summary

	Cashflow	Profit
Improve cash conversion	\$0	-
Increase sales	-\$33,652	-\$47,397
Increase gross margin	\$0	\$0
Reduce overheads/ increase investment	\$0	\$0
Increase ROI	\$0	\$0
Total	-\$33,652	-\$47,397
Potential business value impact		-\$165,890

Total Cash Impact **-\$33,652**

Total Profit Impact **-\$47,397**



Value Gap Analysis

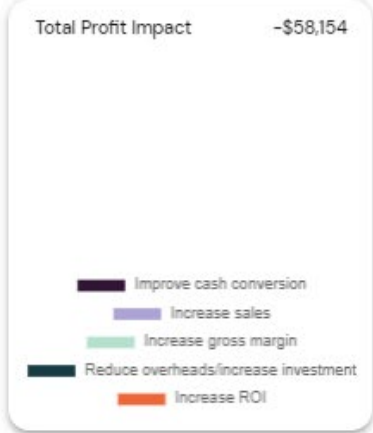
INPUTS CASH CONVERSION PROFIT ROI

Sales Show detailed sales drivers

Strategy	Change	Impact
Increase retention rate ⓘ Change retention rate from 78% to 70% Change retained customers from 663 to 595	-8%	-68 retained customers
Increase number of leads per year ⓘ Change number of leads from 175 to 166	-5%	-9 new leads
Increase lead conversion rate ⓘ Change lead conversion rate from 60% to 50% Change new customers from 105 to 83 Change total customers from 768 to 678	-10%	-22 new customers
Increase transactions per customer ⓘ Transactions per customer is currently 1.5	0%	0 transactions per client
Increase average transaction value ⓘ Average transaction value is currently \$980	0%	\$0 average value
Change sales from \$1,129,412 to \$997,243		-\$132,169 sales
Cash Impact -\$41,290		Profit Impact -\$58,154

Impact Summary

	Cashflow	Profit
Improve cash conversion	\$0	-
Increase sales	-\$41,290	-\$58,154
Increase gross margin	\$0	\$0
Reduce overheads/ increase investment	\$0	\$0
Increase ROI	\$0	\$0
Total	-\$41,290	-\$58,154
Potential business value impact		-\$203,540



Gross Profit Margin

Value Gap Analysis

INPUTS CASH CONVERSION **PROFIT** ROI

Sales

Show detailed sales drivers

Strategy	Change	Impact
Increase retention rate ⓘ Change retention rate from 78% to 70% Change retained customers from 663 to 595	-8%	-68 retained customers
Increase number of leads per year ⓘ Change number of leads from 175 to 166	-5%	-9 new leads
Increase lead conversion rate ⓘ Change lead conversion rate from 60% to 50% Change new customers from 105 to 83 Change total customers from 768 to 678	-10%	-22 new customers
Increase transactions per customer ⓘ Transactions per customer is currently 1.5	0%	0 transactions per client
Increase average transaction value ⓘ Change average transaction value from \$980 to \$882	-10%	-\$98 average value
Change sales from \$1,129,412 to \$897,518		-\$231,893 sales

Cash Impact **-\$72,443** Profit Impact **-\$102,033**

Gross Profit Margin

Impact Summary

	Cashflow	Profit
Improve cash conversion	\$0	-
Increase sales	-\$72,443	-\$102,033
Increase gross margin	\$0	\$0
Reduce overheads/ increase investment	\$0	\$0
Increase ROI	\$0	\$0
Total	-\$72,443	-\$102,033
Potential business value impact		-\$357,116

Total Cash Impact **-\$72,443**

Total Profit Impact **-\$102,033**



Value Gap Analysis

INPUTS CASH CONVERSION PROFIT ROI

Change new customers from 105 to 83
 Change total customers from 768 to 678

Increase transactions per customer ⓘ 0 transactions per client
 Transactions per customer is currently 1.5

Increase average transaction value ⓘ -\$98 average value
 Change average transaction value from \$980 to \$882

Change sales from \$1,129,412 to **\$897,518** -\$231,893 sales

Cash Impact **-\$72,443** Profit Impact **-\$102,033**

Gross Profit Margin

Strategy Change Impact

Increase gross profit margin ⓘ -\$102,033 gross profit
 Change cost of sales from \$632,471 to \$502,610
 Change gross profit from \$496,941 to \$394,908
 Gross margin is currently 44%

Cash Impact \$0 Profit Impact \$0

Overheads

Strategy Change Impact

Reduce overheads/increase investment needed ⓘ -\$10,000 net profit
 Change overheads from \$500,000 to \$510,000
 Change net profit from \$-3,059 to \$-115,092
 Change net margin from -0.3% to -12.8%
 Change estimated value from \$-10,706 to \$-402,822

Cash Impact **-\$7,100** Profit Impact **-\$10,000**

Impact Summary

	Cashflow	Profit
Improve cash conversion	\$0	-
Increase sales	-\$72,443	-\$102,033
Increase gross margin	\$0	\$0
Reduce overheads/ increase investment	-\$7,100	-\$10,000
Increase ROI	\$0	\$0
Total	-\$79,543	-\$112,033
Potential business value impact		-\$392,116

Total Cash Impact **-\$79,543**

- Improve cash conversion
- Increase sales
- Increase gross margin
- Reduce overheads/increase investment
- Increase ROI

Total Profit Impact **-\$112,033**

- Improve cash conversion
- Increase sales
- Increase gross margin
- Reduce overheads/increase investment
- Increase ROI



Increase retention

- Engage customers (in person and online)
- Know your customer
- Ask them what they want
- Under Promise Over Deliver (UPOD)
- Reward loyalty
- Consider offering guarantees

Increase leads

- Build a strong online presence
- Implement a referral programme
- Attend networking events
- Deliver education marketing
- Build a community presence

Turn leads into customers

- Train your sales team
- Offer alternative payment methods
- Utilise testimonials and case studies
- Make it easy for customers to access
- Allow online booking for appointments

Increase transaction value

- Increase prices
- Avoid discounting
- Package products together
- Offer better payment options
- Upsell



Lower your cost of sales

- Early payment discounts
- Volume discount
- Loyalty discount
- Stock control
- Minimise freight
- Review suppliers
- Reduce re-work/wastage

Dangers of discounting

Current Selling Price and Quantity

	Quantity	Unit Price	Total
Sales	10,000	\$100	\$1,000,000
COS	10,000	\$60	\$600,000
Gross Profit			\$400,000

Decrease Selling Price (10%)

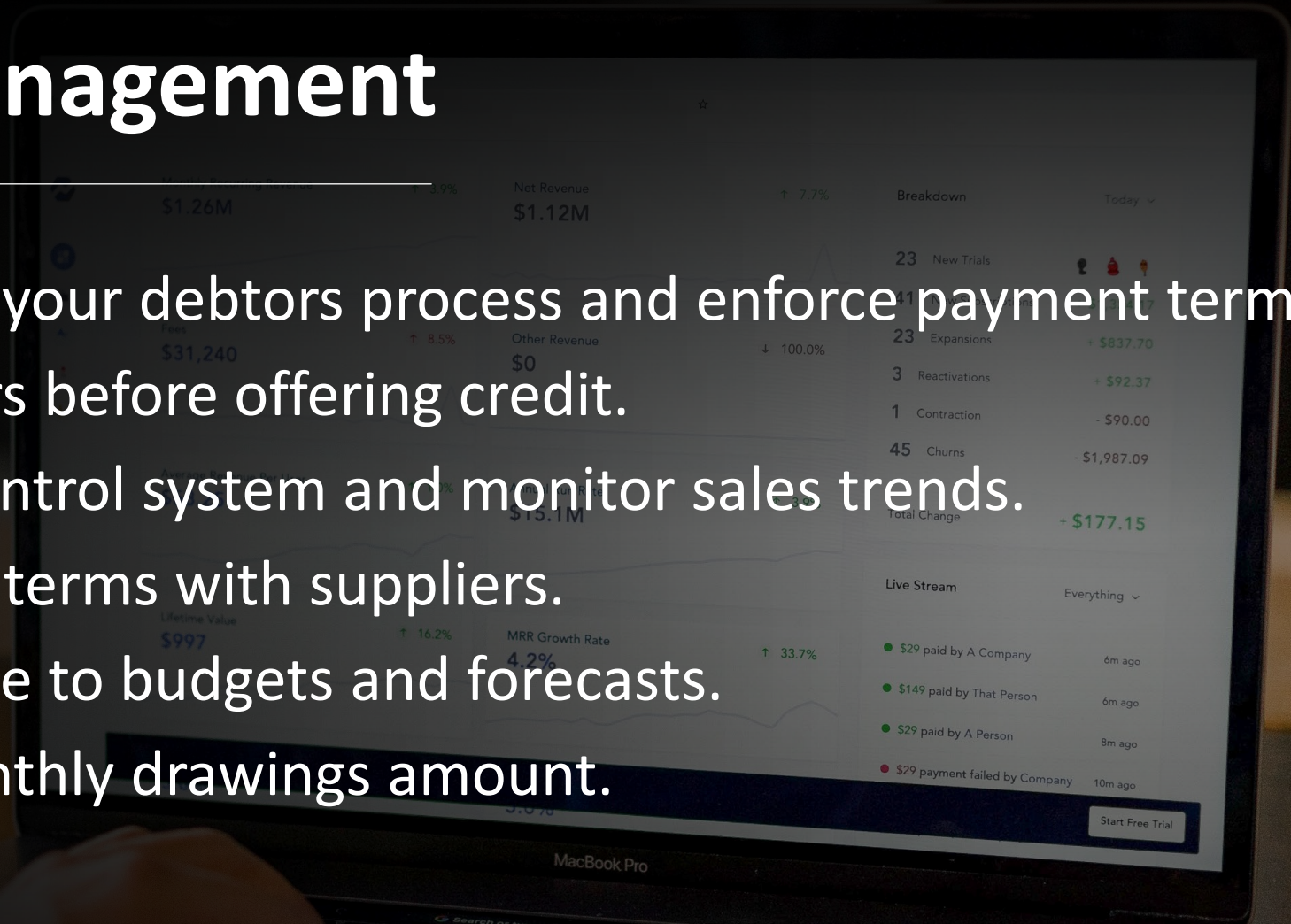
	Quantity	Unit Price	Total
Sales	10,000	\$90	\$900,000
COS	10,000	\$60	\$600,000
Gross Profit		\$90	\$300,000

Decrease Volume (10%)

	Quantity	Unit Price	Total
Sales	9,000	\$100	\$900,000
COS	9,000	\$60	\$540,000
Gross Profit			\$360,000

Cashflow management

1. Create or review your debtors process and enforce payment terms.
2. Qualify customers before offering credit.
3. Create a stock control system and monitor sales trends.
4. Negotiate better terms with suppliers.
5. Utilise and adhere to budgets and forecasts.
6. Determine a monthly drawings amount.



Value Gap Analysis

INPUTS **CASH CONVERSION** PROFIT ROI ⋮

Cash Conversion

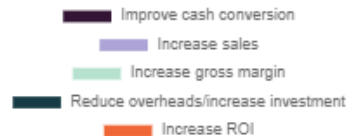
Strategy	Change	Impact
Reduce debtor days ⓘ Change debtor days from 64 to 67 days	3	-\$10,274 freed up
Reduce inventory/WIP days ⓘ Change inventory/WIP days from 101 to 106 days	5	-\$9,589 freed up
Reduce payable days ⓘ Payable days are currently 60 days	0	\$0 cash required
Cash conversion cycle ⓘ Change cash conversion cycle from 105 to 113 days		+8 days

Cash Impact **-\$19,863**

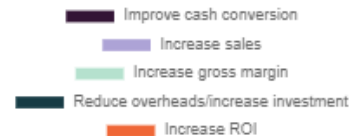
Impact Summary

	Cashflow	Profit
Improve cash conversion	-\$19,863	-
Increase sales	-\$72,443	-\$102,033
Increase gross margin	\$0	\$0
Reduce overheads/ increase investment	-\$7,100	-\$10,000
Increase ROI	\$0	\$0
Total	-\$99,407	-\$112,033
Potential business value impact		-\$392,116

Total Cash Impact **-\$99,407**



Total Profit Impact **-\$112,033**



Value Gap Analysis

INPUTS **CASH CONVERSION** PROFIT ROI ⋮

Cash Conversion

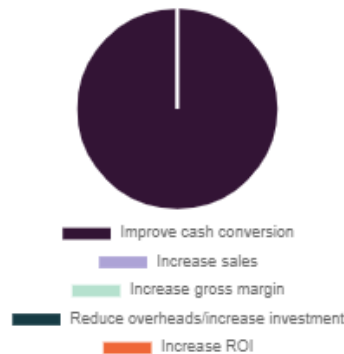
Strategy	Change	Impact
Reduce debtor days ⓘ Change debtor days from 64 to 59 days	-5	+\$17,123 freed up
Reduce inventory/WIP days ⓘ Change inventory/WIP days from 101 to 106 days	5	-\$9,589 freed up
Reduce payable days ⓘ Payable days are currently 60 days	0	\$0 cash required
Cash conversion cycle ⓘ Current cash conversion cycle is 105 days		0 days

Cash Impact **+\$7,534**

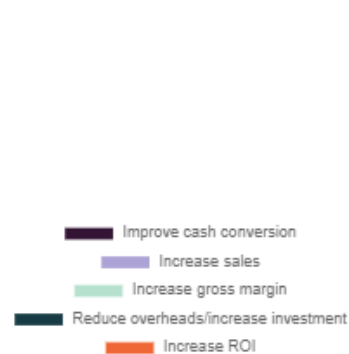
Impact Summary

	Cashflow	Profit
Improve cash conversion	+\$7,534	-
Increase sales	\$0	\$0
Increase gross margin	\$0	\$0
Reduce overheads/ increase investment	-\$7,100	-\$10,000
Increase ROI	\$0	\$0
Total	+\$434	-\$10,000
Potential business value impact		-\$35,000

Total Cash Impact **+\$434**



Total Profit Impact **-\$10,000**



Value Gap Analysis

INPUTS CASH CONVERSION PROFIT ROI ⋮

Cash Conversion

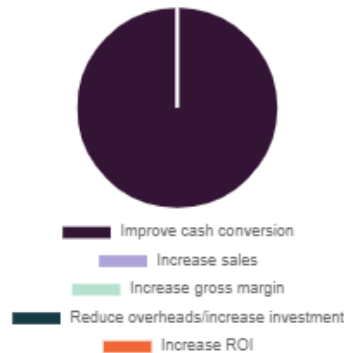
Strategy	Change	Impact
Reduce debtor days ⓘ Change debtor days from 64 to 59 days	-5	+\$17,123 freed up
Reduce inventory/WIP days ⓘ Change inventory/WIP days from 101 to 96 days	-5	+\$9,589 freed up
Reduce payable days ⓘ Payable days are currently 60 days	0	\$0 cash required
Cash conversion cycle ⓘ Change cash conversion cycle from 105 to 95 days		-10 days

Cash Impact **+\$26,712**

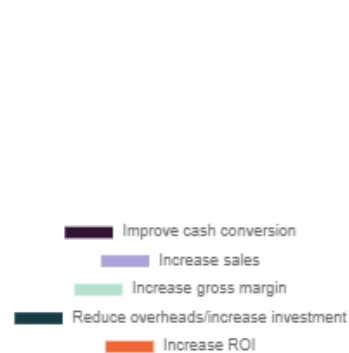
Impact Summary

	Cashflow	Profit
Improve cash conversion	+\$26,712	-
Increase sales	-\$72,443	-\$102,033
Increase gross margin	\$0	\$0
Reduce overheads/ increase investment	-\$7,100	-\$10,000
Increase ROI	\$0	\$0
Total	-\$52,831	-\$112,033
Potential business value impact		-\$392,116

Total Cash Impact **-\$52,831**



Total Profit Impact **-\$112,033**



Value Gap Analysis

INPUTS CASH CONVERSION **PROFIT** ROI ⋮

Sales

Show detailed sales drivers

Strategy Change Impact

Increase retention rate ⓘ 5% +43 retained customers

Change retention rate from 78% to 83%

Change retained customers from 663 to 706

Increase number of leads per year ⓘ -5% -9 new leads

Change number of leads from 175 to 166

Increase lead conversion rate ⓘ -10% -22 new customers

Change lead conversion rate from 60% to 50%

Change new customers from 105 to 83

Change total customers from 768 to 789

Increase transactions per customer ⓘ 0% 0 transactions per client

Transactions per customer is currently 1.5

Increase average transaction value ⓘ -10% -\$98 average value

Change average transaction value from \$980 to \$882

Change sales from \$1,129,412 to **\$1,044,430** -\$84,982 sales

Cash Impact **-\$26,548** Profit Impact **-\$37,392**

Impact Summary

	Cashflow	Profit
Improve cash conversion	+\$26,712	-
Increase sales	-\$26,548	-\$37,392
Increase gross margin	\$0	\$0
Reduce overheads/ increase investment	-\$7,100	-\$10,000
Increase ROI	\$0	\$0
Total	-\$6,936	-\$47,392
Potential business value impact		-\$165,872

Total Cash Impact **-\$6,936**



- Improve cash conversion
- Increase sales
- Increase gross margin
- Reduce overheads/increase investment
- Increase ROI

Total Profit Impact **-\$47,392**



- Improve cash conversion
- Increase sales
- Increase gross margin
- Reduce overheads/increase investment
- Increase ROI

Gross Profit Margin

Value Gap Analysis

INPUTS CASH CONVERSION PROFIT ROI

Sales

Show detailed sales drivers

Strategy Change Impact

Increase retention rate ⓘ +43 retained customers
 Change retention rate from 78% to 83%
 Change retained customers from 663 to 706

Increase number of leads per year ⓘ +5 new leads
 Change number of leads from 175 to 180

Increase lead conversion rate ⓘ -15 new customers
 Change lead conversion rate from 60% to 50%
 Change new customers from 105 to 90
 Change total customers from 768 to 796

Increase transactions per customer ⓘ 0 transactions per client
 Transactions per customer is currently 1.5

Increase average transaction value ⓘ -\$98 average value
 Change average transaction value from \$980 to \$882

Change sales from \$1,129,412 to **\$1,053,695** -\$75,717 sales

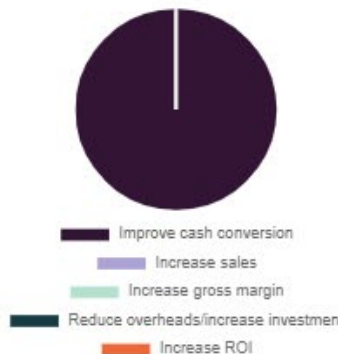
Cash Impact **-\$23,654** Profit Impact **-\$33,315**

Gross Profit Margin

Impact Summary

	Cashflow	Profit
Improve cash conversion	+\$26,712	-
Increase sales	-\$23,654	-\$33,315
Increase gross margin	\$0	\$0
Reduce overheads/ increase investment	-\$7,100	-\$10,000
Increase ROI	\$0	\$0
Total	-\$4,042	-\$43,315
Potential business value impact		-\$151,604

Total Cash Impact **-\$4,042**



Total Profit Impact **-\$43,315**



Value Gap Analysis

INPUTS CASH CONVERSION PROFIT ROI ⋮

Sales

Show detailed sales drivers

Strategy Change Impact

Increase retention rate ⓘ 5% +43 retained customers

Change retention rate from 78% to 83%
Change retained customers from 663 to 706

Increase number of leads per year ⓘ 3% +5 new leads

Change number of leads from 175 to 180

Increase lead conversion rate ⓘ -5% -6 new customers

Change lead conversion rate from 60% to 55%
Change new customers from 105 to 99
Change total customers from 768 to 805

Increase transactions per customer ⓘ 0% 0 transactions per client

Transactions per customer is currently 1.5

Increase average transaction value ⓘ -10% -\$98 average value

Change average transaction value from \$980 to \$882

Change sales from \$1,129,412 to **\$1,065,623** -\$63,789 sales

Cash Impact **-\$19,928** Profit Impact **-\$28,067**

Impact Summary

	Cashflow	Profit
Improve cash conversion	+\$26,712	-
Increase sales	-\$19,928	-\$28,067
Increase gross margin	\$0	\$0
Reduce overheads/ increase investment	-\$7,100	-\$10,000
Increase ROI	\$0	\$0
Total	-\$315	-\$38,067
Potential business value impact		-\$133,234

Total Cash Impact -\$315



Improve cash conversion
 Increase sales
 Increase gross margin
 Reduce overheads/increase investment
 Increase ROI

Total Profit Impact -\$38,067



Improve cash conversion
 Increase sales
 Increase gross margin
 Reduce overheads/increase investment
 Increase ROI

Gross Profit Margin

Value Gap Analysis

INPUTS CASH CONVERSION PROFIT ROI ⋮

Sales

Show detailed sales drivers

Strategy Change Impact

Increase retention rate ⓘ 5% +43 retained customers

Change retention rate from 78% to 83%

Change retained customers from 663 to 706

Increase number of leads per year ⓘ 3% +5 new leads

Change number of leads from 175 to 180

Increase lead conversion rate ⓘ -5% -6 new customers

Change lead conversion rate from 60% to 55%

Change new customers from 105 to 99

Change total customers from 768 to 805

Increase transactions per customer ⓘ 5% +0.1 transactions per client

Change transaction per customer from 1.5 to 1.6

Increase average transaction value ⓘ -10% -\$98 average value

Change average transaction value from \$980 to \$882

Change sales from \$1,129,412 to **\$1,118,904** -\$10,507 sales

Cash Impact **-\$3,283** Profit Impact **-\$4,623**

Gross Profit Margin

Impact Summary

	Cashflow	Profit
Improve cash conversion	+\$26,712	-
Increase sales	-\$3,283	-\$4,623
Increase gross margin	\$0	\$0
Reduce overheads/ increase investment	-\$7,100	-\$10,000
Increase ROI	\$0	\$0
Total	+\$16,330	-\$14,623
Potential business value impact		-\$51,181

Total Cash Impact **+\$16,330**



- Improve cash conversion
- Increase sales
- Increase gross margin
- Reduce overheads/increase investment
- Increase ROI

Total Profit Impact **-\$14,623**



- Improve cash conversion
- Increase sales
- Increase gross margin
- Reduce overheads/increase investment
- Increase ROI

Value Gap Analysis

INPUTS CASH CONVERSION PROFIT ROI ⋮

Sales

Show detailed sales drivers

Strategy Change Impact

Increase retention rate ⓘ 5% +43 retained customers

Change retention rate from 78% to 83%

Change retained customers from 663 to 706

Increase number of leads per year ⓘ 3% +5 new leads

Change number of leads from 175 to 180

Increase lead conversion rate ⓘ -5% -6 new customers

Change lead conversion rate from 60% to 55%

Change new customers from 105 to 99

Change total customers from 768 to 805

Increase transactions per customer ⓘ 5% +0.1 transactions per client

Change transaction per customer from 1.5 to 1.6

Increase average transaction value ⓘ -5% -\$49 average value

Change average transaction value from \$980 to \$931

Change sales from \$1,129,412 to **\$1,181,066** +\$51,654 sales

Cash Impact **+\$16,137** Profit Impact **+\$22,728**

Gross Profit Margin

Impact Summary

	Cashflow	Profit
Improve cash conversion	+\$26,712	-
Increase sales	+\$16,137	+\$22,728
Increase gross margin	\$0	\$0
Reduce overheads/ increase investment	-\$7,100	-\$10,000
Increase ROI	\$0	\$0
Total	+\$35,749	+\$12,728
Potential business value impact		+\$44,547

Total Cash Impact +\$35,749



Improve cash conversion
Increase sales
Increase gross margin
Reduce overheads/increase investment
Increase ROI

Total Profit Impact +\$12,728



Improve cash conversion
Increase sales
Increase gross margin
Reduce overheads/increase investment
Increase ROI

Value Gap Analysis

INPUTS CASH CONVERSION PROFIT ROI ⋮

Change average transaction value from \$980 to \$931

Change sales from \$1,129,412 to **\$1,181,066** +\$51,654 sales

Cash Impact **+\$16,137** Profit Impact **+\$22,728**

Gross Profit Margin

Strategy Change Impact

Increase gross profit margin ⓘ 0%  +\$22,728 gross profit

Change cost of sales from \$632,471 to **\$661,397**

Change gross profit from \$496,941 to **\$519,669**

Gross margin is currently 44%

Cash Impact **\$0** Profit Impact **\$0**

Impact Summary

	Cashflow	Profit
Improve cash conversion	+\$26,712	-
Increase sales	+\$16,137	+\$22,728
Increase gross margin	\$0	\$0
Reduce overheads/ increase investment	-\$7,100	-\$10,000
Increase ROI	\$0	\$0
Total	+\$35,749	+\$12,728
Potential business value impact		+\$44,547

Overheads

Strategy Change Impact

Reduce overheads/increase investment needed ⓘ \$10,000  -\$10,000 net profit

Change overheads from \$500,000 to **\$510,000**

Change net profit from -\$3,059 to **\$9,669**

Change net margin from -0.3% to **0.8%**

Change estimated value from \$-10,706 to **\$33,841**

Cash Impact **-\$7,100** Profit Impact **-\$10,000**

Total Cash Impact **+\$35,749**



■ Improve cash conversion
■ Increase sales
■ Reduce overheads/increase investment

Total Profit Impact **+\$12,728**



■ Improve cash conversion
■ Increase sales
■ Reduce overheads/increase investment

Value Gap Analysis

INPUTS CASH CONVERSION PROFIT ROI ⋮

Change average transaction value from \$980 to \$931

Change sales from \$1,129,412 to **\$1,181,066** +\$51,654 sales

Cash Impact **+\$16,137** Profit Impact **+\$22,728**

Gross Profit Margin

Strategy Change Impact

Increase gross profit margin ⓘ **+\$34,538 gross profit**

Change cost of sales from \$632,471 to **\$649,586**

Change gross profit from \$496,941 to **\$531,480**

Change gross margin from 44% to **45%**

Cash Impact **+\$8,386** Profit Impact **+\$11,811**

Impact Summary

	Cashflow	Profit
Improve cash conversion	+\$26,712	-
Increase sales	+\$16,137	+\$22,728
Increase gross margin	+\$8,386	+\$11,811
Reduce overheads/ increase investment	-\$7,100	-\$10,000
Increase ROI	\$0	\$0

Total **+\$44,135** **+\$24,538**

Potential business value impact **+\$85,884**

Overheads

Strategy Change Impact

Reduce overheads/increase investment needed ⓘ **-\$10,000 net profit**

Change overheads from \$500,000 to **\$510,000**

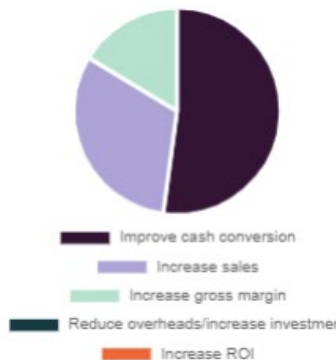
Change net profit from \$-3,059 to **\$21,480**

Change net margin from -0.3% to **1.8%**

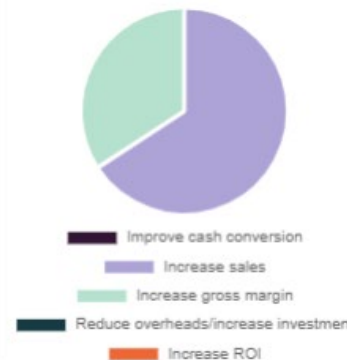
Change estimated value from \$-10,706 to **\$75,178**

Cash Impact **-\$7,100** Profit Impact **-\$10,000**

Total Cash Impact **+\$44,135**



Total Profit Impact **+\$24,538**



Value Gap Analysis

INPUTS CASH CONVERSION PROFIT ROI ⋮

Change average transaction value from \$980 to \$931

Change sales from \$1,129,412 to **\$1,181,066** +\$51,654 sales

Cash Impact **+\$16,137** Profit Impact **+\$22,728**

Gross Profit Margin

Strategy Change Impact

Increase gross profit margin ⓘ +\$34,538 gross profit

Change cost of sales from \$632,471 to **\$649,586**

Change gross profit from \$496,941 to **\$531,480**

Change gross margin from 44% to **45%**

Cash Impact **+\$8,386** Profit Impact **+\$11,811**

Overheads

Strategy Change Impact

Reduce overheads/increase investment needed ⓘ -\$10,000 net profit

Change overheads from \$500,000 to **\$510,000**

Change net profit from \$-3,059 to **\$21,480**

Change net margin from -0.3% to **1.8%**

Change estimated value from \$-10,706 to **\$75,178**

Cash Impact **-\$7,100** Profit Impact **-\$10,000**

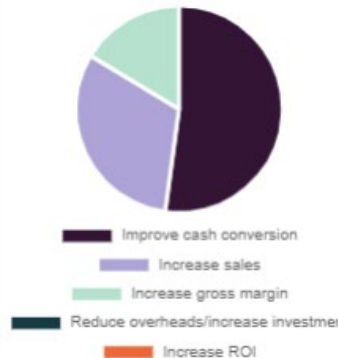
Impact Summary

	Cashflow	Profit
Improve cash conversion	+\$26,712	-
Increase sales	+\$16,137	+\$22,728
Increase gross margin	+\$8,386	+\$11,811
Reduce overheads/ increase investment	-\$7,100	-\$10,000
Increase ROI	\$0	\$0

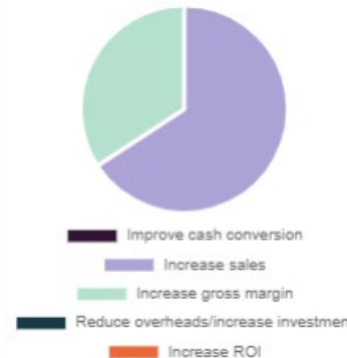
Total **+\$44,135** **+\$24,538**

Potential business value impact **+\$85,884**

Total Cash Impact **+\$44,135**



Total Profit Impact **+\$24,538**



Value Gap Analysis

INPUTS CASH CONVERSION PROFIT ROI ⋮

Change average transaction value from \$980 to \$931

Change sales from \$1,129,412 to **\$1,181,066** +\$51,654 sales

Cash Impact **+\$16,137** Profit Impact **+\$22,728**

Gross Profit Margin

Strategy Change Impact

Increase gross profit margin ⓘ 1%  +\$34,538 gross profit

Change cost of sales from \$632,471 to **\$649,586**

Change gross profit from \$496,941 to **\$531,480**

Change gross margin from 44% to **45%**

Cash Impact **+\$8,386** Profit Impact **+\$11,811**

Overheads

Strategy Change Impact

Reduce overheads/increase investment needed ⓘ \$15,000  -\$15,000 net profit

Change overheads from \$500,000 to **\$515,000**

Change net profit from \$-3,059 to **\$16,480**

Change net margin from -0.3% to **1.4%**

Change estimated value from \$-10,706 to **\$57,678**

Cash Impact **-\$10,650** Profit Impact **-\$15,000**

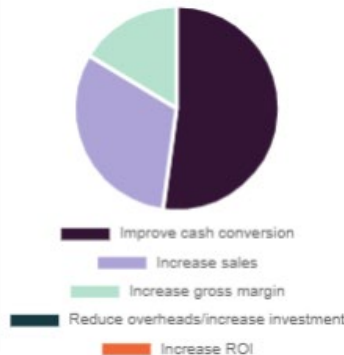
Impact Summary

	Cashflow	Profit
Improve cash conversion	+\$26,712	-
Increase sales	+\$16,137	+\$22,728
Increase gross margin	+\$8,386	+\$11,811
Reduce overheads/ increase investment	-\$10,650	-\$15,000
Increase ROI	\$0	\$0

Total **+\$40,585** **+\$19,538**

Potential business value impact **+\$68,384**

Total Cash Impact **+\$40,585**

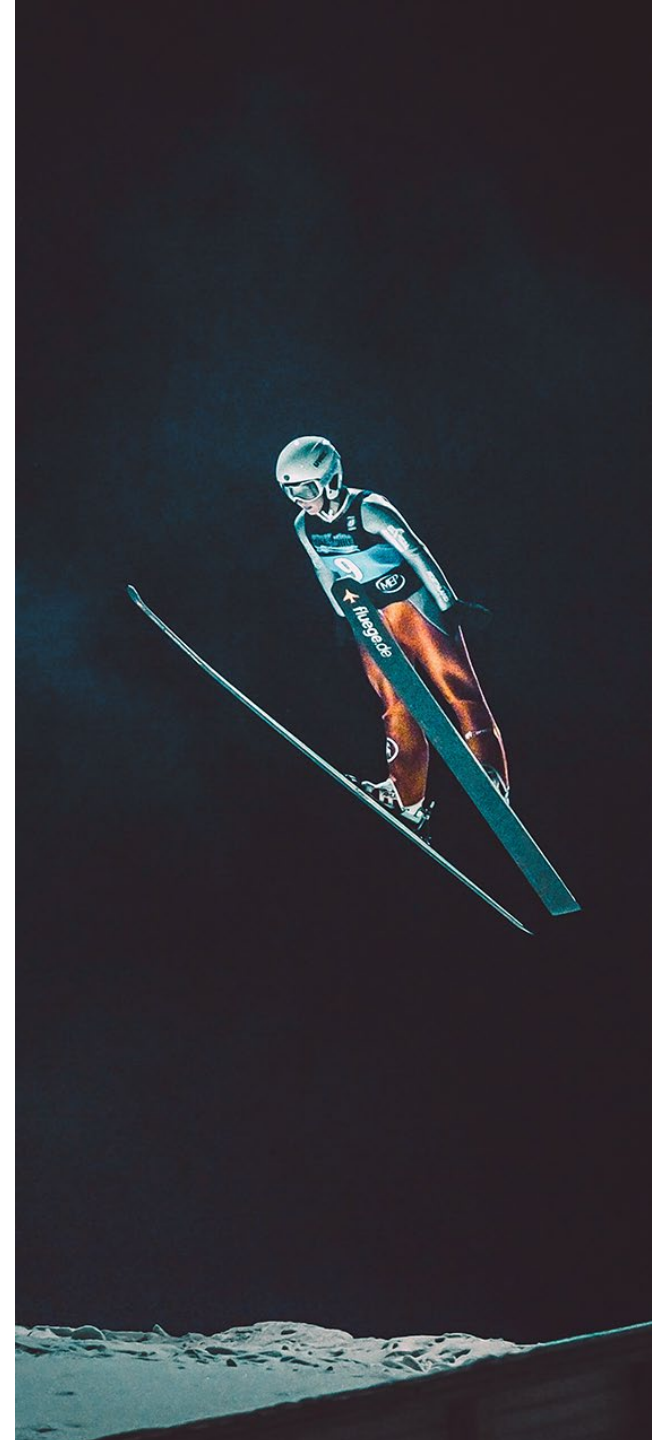


Total Profit Impact **+\$19,538**



Key Performance Indicators (KPIs)

1. Define, measure and report on your KPIs.
2. Set and communicate targets to your team.
3. Measure your results.
4. Consider the impact of corrective action.
5. Align goals actions with improving KPIs.



Your next steps

- Set aside time to work *ON* your business
- Identify and monitor your key sales and cashflow drivers
- Analyse ‘what if’ scenarios to determine the impact on your business
- Set goals and review progress

How we can help you

1. Cashflow & Profit Improvement Meeting \$600
2. Cashflow Forecast - \$3,000
3. Quarterly Management Coaching - \$2,600 p.a
4. Complimentary Client Review – FREE



Questions?

Parting thought

“Never take your eyes off the cash flow because it’s the lifeblood of business.”

- Richard Branson

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