

Improving the Bottom Line

Prepared For

Your Group

Prepared By

Distribution Performance Project
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Objectives Of The Session

- Set a Realistic Profit Target
 - How Much
 - How Fast
- Develop an Action Program to Reach the Profit Target
 - Priorities for Action
 - Realistic Improvements

Exhibit 1

Distribution Performance

Income Statement Results For Mountain View, Inc.

	<u>Dollars</u>	<u>Percent</u>
Net Sales	10,000,000	100.0
Cost of Goods Sold	<u>7,500,000</u>	<u>75.0</u>
Gross Margin	2,500,000	25.0
Payroll and Fringes	2,000,000	20.0
All Other Expenses	<u>300,000</u>	<u>3.0</u>
Total Expenses	<u>2,300,000</u>	<u>23.0</u>
Profit Before Taxes	200,000	2.0
Fixed Expenses	1,800,000	
Variable Expenses	500,000	5.0

Exhibit 2

Distribution Performance

The Profit Impact Of One Percent Improvements

<u>Improvement Area</u>	<u>Increase in Profit--%</u>
Pricing	47.5
Buying	37.5
Unit Sales	10.0
Total Expenses	11.5
Inventory	2.3
Accounts Receivable	1.1

Exhibit 3

Distribution Performance

That Can't Be Right

<u>Summary Income Statement</u>	<u>Current</u>	<u>Pricing</u>	<u>Unit Sales</u>
Net Sales	10,000,000	10,100,000	10,100,000
Cost of Goods	<u>7,500,000</u>	<u>7,500,000</u>	<u>7,575,000</u>
Gross Margin	2,500,000	2,600,000	2,525,000
Fixed Expenses	1,800,000	1,800,000	1,800,000
Variable Expenses	<u>500,000</u>	<u>505,000</u>	<u>505,000</u>
Total Expenses	<u>2,300,000</u>	<u>2,305,000</u>	<u>2,305,000</u>
Profit Before Taxes	200,000	295,000	220,000

Exhibit 4

Distribution Performance

The Sales Impact of Enhanced Order Economics

Item	Current	Potential
1 Number of Orders	4,211	4,211
2 Lines per Order	25.0	
3 Lines Ordered [1 x 2]	105,263	105,684
4 Fill Rate	95.0%	
5 Lines Filled [3 x 4]	100,000	100,611
6 Average Order Line	\$100.00	
7 Net Sales [5 x 6]	\$10,000,000	\$10,161,748
Increase in Sales		

Exhibit 5

Distribution Performance

Let's Make It Up With Volume

<u>Transaction Information</u>	<u>Current</u>	<u>Worst Case</u>	<u>Possible Case</u>
Average Transaction	2,500.00	2,375.00	2,375.00
Cost of Goods per Transaction	1,875.00	1,875.00	1,875.00
Number of Transactions	4,000	4,000	5,246
 Summary			
Income Statement			
Net Sales	10,000,000	9,500,000	12,459,250
Cost of Goods Sold	<u>7,500,000</u>	<u>7,500,000</u>	
Gross Margin	2,500,000	2,000,000	
Variable Expenses	500,000	475,000	622,963
Fixed Expenses	<u>1,800,000</u>	<u>1,800,000</u>	<u>1,800,000</u>
Total Expense	<u>2,300,000</u>	<u>2,275,000</u>	<u>2,422,963</u>
Profit Before Taxes	200,000	-275,000	

Exhibit 6

Distribution Performance

The Typical Relationship Between Customer Size and Gross Margin Percentage

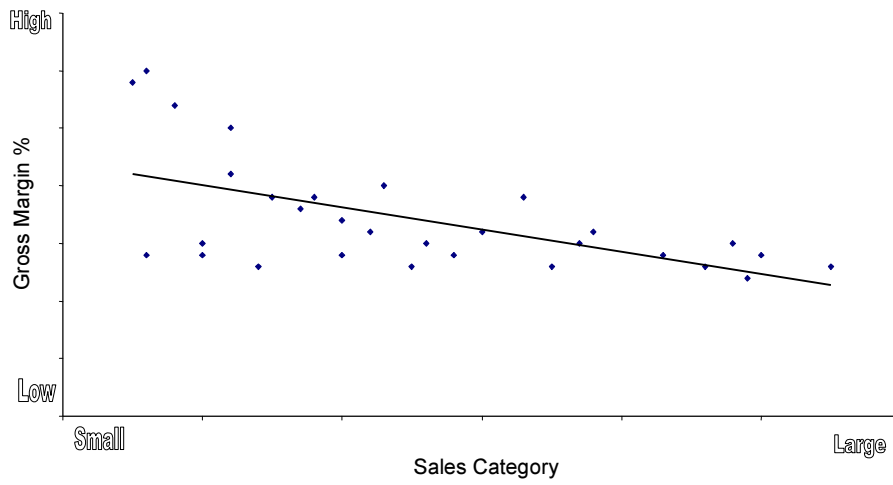


Exhibit 7

Distribution Performance

The Needed Relationship Between Cost to Serve and Gross Margin Percentage

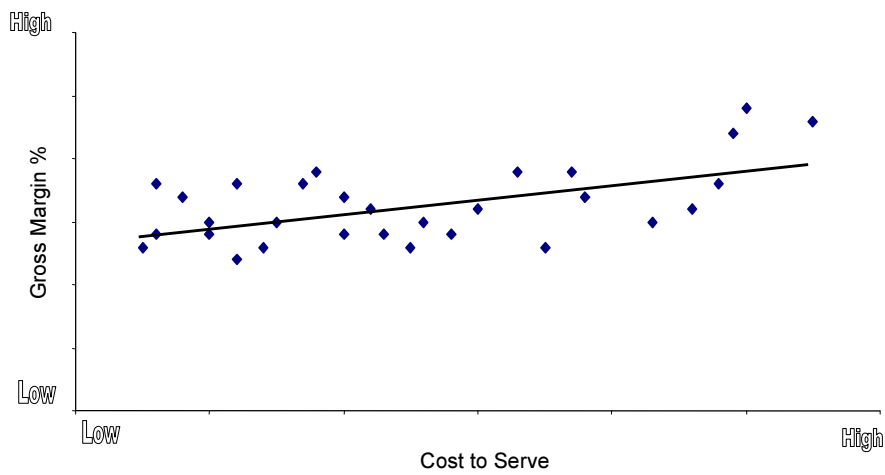


Exhibit 8

Distribution Performance