



Kirkpatrick&Hopes
consultingaccountantsandbusinessadvisers

How do your numbers compare with the rest?

AVN Short Benchmarking Survey
for XYZ Limited

If you would like to know more about this report and how we can help you with your numbers, please ask our reception staff.

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How your results compare with the rest

To help you identify the areas of your business where you are doing less well, I have produced this

summary report for you.

I have produced it using data from the AVN Benchmarking Survey.

I would also be delighted to use the AVN Benchmarking Survey to produce a much more detailed and insightful full benchmarking report for you. Please give me a call on 01189235800 if you would like me to also produce a full report for you.

How to interpret the charts in this report

The charts in this report show the relative position of your business for each measure compared to other businesses in your sector. For each measure the higher your score on the chart the better your performance.

The scale for these charts is always 0-100, where:

- 100 = You are the best in the benchmark group for that particular measure.
- 50 = You are average for that particular measure.
- 0 = You are at the bottom of the group for that particular measure.

And to make it even easier to see how you are performing, and to help you to assess your performance at a glance, we have also colour-coded the chart:

- **Green** = areas where you perform best
- **Yellow** = areas where your performance is around average, and
- **Red** = areas where you perform worst.

Note: For some measures, such as debtors days, a low number would be better than a high number. In this instance, it is better to have as few debtors days as possible. In these cases the data has been inverted so that the charts are consistent throughout. This means a score of 100 would relate to the company with the lowest debtors days.

How to interpret the tables in this report

The tables show the raw data for your company and the group. This raw data is classified into five categories:

- **Best** – This represents the best performance in the group.
- **Upper quartile** – This is the performance level that separates the top quarter of the group from the bottom three quarters i.e. the top quarter will have performed better than this, while the bottom three quarters will have performed worse than this.

How your results compare with the rest

- **Median** – This is the average. In other words, it is the performance level that separates the bottom half of the group from the top half. So the bottom half will have performed worse than this, while the top half will have performed better than this.
- **Lower quartile** – This is the performance level that separates the bottom quarter of the group from the top three quarters i.e. the bottom quarter will have performed worse than this, while the top three quarters will have performed better than this.
- **Worst** – This represents the worst performance in the group

The tables also show your result and the relative position. This will allow you to see which quartile you fall into.

Note: If there is any data missing for any section then no data will be shown, although this section will still be printed out.

An important note about the Data Protection Act

This report complies fully with the Data Protection Act. Please visit www.avn.co.uk for full details of our privacy policy or email dataprotection@avn.co.uk.

We would also stress that the data was entered completely anonymously. As a result it is impossible for The AVN Benchmarking Survey, or any other AVN service, to identify your business or to match up your business with your data.

Note: AVN is a network of accountants helping UK owned and managed businesses become the most successful and enjoyable to run in the world. AVN accountants have access to a suite of tools, software and resources to do exactly that by *changing the number that matter*.

Kirkpatrick & Hopes is an AVN accountant. Please ask us about those tools, software and resources to change the number that matter most to you.

How your results compare with the rest



Measure	Your results		Industry averages				
	Relative score	Your actual	Worst	Lower quartile	Median	Upper quartile	Best
Sales growth (%)	28	4.9	-27.6	-2.5	2.9	8.8	26.4
Operating margin (%)	19	8.9	-21.2	-4.3	1.5	7.2	20.6

Sales growth

Most businesses want to grow their sales. And it is easy to benchmark this growth against previous years.

seasy to benchmark this growth

However, it is even more useful to benchmark your other businesses within your sector. This will tell you:

ate of sales growth against you:

- If you are in a growing industry or a declining industry by looking at the average rate of growth in your sector, and
- By comparing your results against other businesses whether you are gaining market share or losing market share.

ustry by looking at the average

you will get a feel for et share.

Since your last accounts your sales – sometimes referred to as *turnover* or *revenue* – has increased by £9,256. This is a growth of 4.9% since last year. This first line on the chart below shows how this compares with other businesses within your sector.

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Operating margin

Your operating margin is your net operating profit as a percentage of sales. It is usual in ratio analysis to talk of net profit *before* interest. And so your interest payable and similar interest, credit card interest, hire purchase interest and other loan interest – have not been taken into account. Likewise, interest receivable and similar income have not been taken into account.

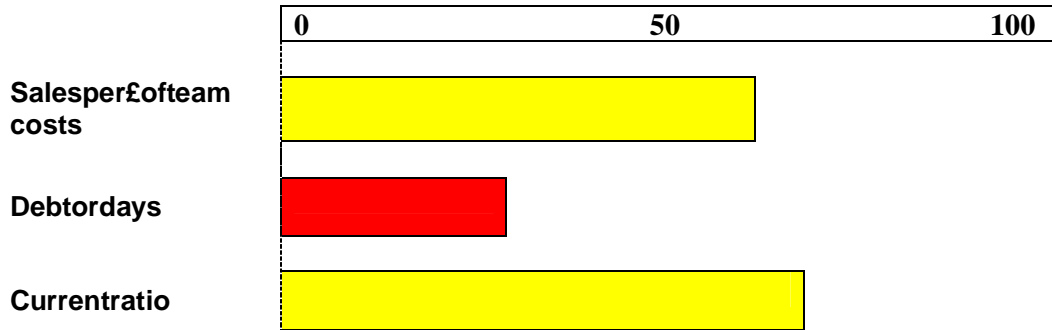
before interest and tax expressed as a percentage of sales. It is usual in ratio analysis to talk of net profit *before* interest. And so your interest payable and similar interest, credit card interest, hire purchase interest and other loan interest – have not been taken into account.

How your results compare with the rest

It shows the proportion of your sales that is profit. And it reflects the efficiency of your business processes in terms of their revenue-generating outcomes. This is a good benchmark to evaluate your overall performance.

Note: Unlike the directors of limited companies, the business owners of unincorporated businesses – *sole traders* and *partnerships* – do not receive a salary. Instead they take *drawings* which are not shown in the profit and loss account. In order to make a meaningful comparison of incorporated and unincorporated businesses, these drawings have been treated as salary and therefore have been added to the costs of all the unincorporated businesses included in these comparisons. Obviously this has the effect of adjusting the profits of unincorporated businesses downwards so that they are comparable with those of limited companies.

How your results compare with the rest



Measure	Your results		Industry averages				
	Relative score	Your actual	Worst	Lower quartile	Median	Upper quartile	Best
Sales per £ of team costs	42	£3	£2	£3	£3	£5	£9
Debtor days	45	64	98	66	59	36	12
Current ratio	30	0.8	0.1	0.3	0.6	1.0	2.5

Sales per £ of team costs

For many businesses one of the most important costs is the cost of the people that work in the business – both employees and owner managers. One of the key measures is sales per £ of team costs.

Debtor days

The debtor day's ratio is the average number of days that your debtor takes to pay. Once again, it is important for your cash flow to turn the amount of money you are owed into cash as quickly as possible.

Current ratio

The current ratio compares your current assets (those assets that can be turned into cash relatively quickly) and your current liabilities (those amounts you owe and which are payable within a year). It shows the extent to which amounts that are due and payable within twelve months are covered by amounts which are receivable within the same time.

How to get a full benchmarking report

I have produced this summary report for you using the Benchmarking Survey.

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An overview of what your full report will contain

Your comprehensive full benchmarking report will contain...

- More than 15 pages containing 19 key benchmarking measures to help you see where you are performing well and where there are areas for improvement.
- An analysis of your breakeven sales and how risk your business is from fluctuations in sales compared with other businesses in your sector.
- A comparison of your gross margin against other businesses in your sector. This analysis will give you an invaluable insight into, among other things, whether you are charging the right prices.
- An analysis of your net profit margins as well as your operating margin - and how your growth in net profit compares with other businesses.
- Additional measures of productivity and team costs, including average team costs. These will give you further insights into how productive you are and how much your team costs compared to the teams of other businesses in your industry.
- You will see how your asset turnover compares. In other words, how effectively you are using your assets to create sales.
- You will see how your stock turnover compares. This will give you an insight into how efficiently you manage your stock levels compared with others in similar businesses.
- You will gain further insights into how well you perform in managing debtors through a comparison of your debtor to total asset ratio.
- There will also be other cash and gearing ratios that will give you an insight into the financial risk your business faces compared with others in similar businesses.
- And finally you will see how you compare in what is arguably the most important ratio of all... your return on investment.
- And not only will the report benchmark your business against your competitors for all the key measures, but it will also help you to create an action plan for improving your performance even further.

OnePagePerformanceImprovementPlan



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Where you are now	Where you want to be	How you get there
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Your key numbers		Which ranks you...
Sales growth	4.9%	
Margin of safety	13.2%	
Gross margin	67.6%	
Operating margin	8.9%	
Net profit margin	7.9%	
Growth in net profit	66.8%	
Sales per £ of employee costs	£3.39	
Average employee costs	£6,077	
Sales per employee	£20,006	
Profit per employee	£1,779	
Asset turnover	6.6	
Stock days	65.7	
Debtor days	26.4	
Debtor to total assets	0.5	
Current ratio	0.8	
Quick ratio	0.2	
Interest cover	7.8	
Return on investment	51.9%	
Return on capital employed	134.1%	

Your targets
<p>Sales –What would you like your sales growth and margin of safety to be? NB: Improving your sales growth to match the upper quartile – i.e. to 12.5% – will add £32,078 in extra profit</p>
<p>Profit –What would you like your profit to be? NB: Improving your gross margin to match the upper quartile – i.e. to 32.5% – will add £39,987 in extra profit. And improving your net margin to match the upper quartile – i.e. to 12.4% – will add £18,594 in extra profit.</p>
<p>People costs and productivity –What would you like your average employee costs, sales per employee, sales per £ of employee costs and profit per employee to be? NB: Improving your sales per £ of employee costs by 10% – i.e. to £3.78 – will add £12,085 in extra profit.</p>
<p>Assets –What would you like your asset turnover, debtor days, stock days and debtor to total asset ratio to be? NB: Improving your asset turnover to match the upper quartile – i.e. to 6.6 will add £12,085 in extra profit. And improving your stock days to match the upper quartile – i.e. to 40.3 days will add £15,000 to the amount of cash you have in the bank. And improving your debtor days to match the upper quartile – i.e. to 40.3 days will add £15,000 to the amount of cash you have in the bank.</p>
<p>Return on investment –What would you like your return on investment to be? NB: Improving your return on investment by 10% – i.e. to 56.8% – will add £12,085 in extra profit.</p>

Your action plan
<p>Sales –As a first step use Business Potential to calculate the impact of working on each of the key sales drivers, and use SSTW to generate 100s of ideas for improving your sales and marketing processes.</p>
<p>Profit –As a first step use Business Potential to calculate the impact of working on each of the key profit drivers. And also work through SSTW module 3 on pricing – since pricing is often the biggest single factor driving the profitability of many businesses</p>
<p>People costs and productivity –Systems are the key to productivity and efficiency. So as a first step, watch Michael Gerber's video. Then evaluate the System Builders software as a means of systemising your business. And use the AVN Team Forum, Team Questionnaire and Let's Get Going event tools to involve your team in making your business more successful.</p>
<p>Assets –As a first step, work through the Insider Report on getting paid on time, in full, every time. Then use System Builder to create the operational and financial systems you need to reduce debtors, working progress and stock.</p>
<p>Cash and gearing –Explore refinancing options, and consider invoiced discounting, factoring and asset finance. Also, review your credit control systems and processes for paying suppliers, and renegotiate the interest paid on borrowing. And avoid nasty surprises by producing regular high quality cash flow forecasts.</p>
<p>Return on investment –Much of the above will have a big impact on your return on investment. What else can you do?</p>