

Guarantee Profitability for Your Clients and Your Practice

Prof. Dawn M. Fotopulos



Learning Outcomes

- What value-added services are mission critical
- Three ways to unlock profit in record time-every time
- Diagnose the root problem- help the client see it
- Dispelling false assumptions- prevents action
- 3-Step Process to Lasting Transformation

Brad Smith, CEO Intuit

“If we can improve small business survival rates by 5%
in the United States,
we can eliminate the unemployment problem.”

Agenda- How We'll Get There

- Introduction
- Refining Your Practice
- Takeaways
- The Problem
- Myths/Truths 3 Discovery Areas
 - Products/ Services
 - Pricing
 - Client Base
- Capture, Analyze, Action
- Information, Illustration, Application- case studies
- Step by step plan to unlock hidden profit

Who Is Professor Dawn Fa-top-a-lis?



We deliver world class professional education through local training, national conferences, and virtual experiences. We train small business advisors to develop cutting-edge, highly innovative and vibrant practices that transform small business. In addition to our extensive training on practice growth, practice development and technology trends, Woodard partners with leading software developers like Intuit® and Sage® to provide certification training and advanced product training on solutions highly relevant to small business.



Woodard Groups Provide Local, Face to Face Networking Opportunities for Small Business Advisors and Small Business Owners.

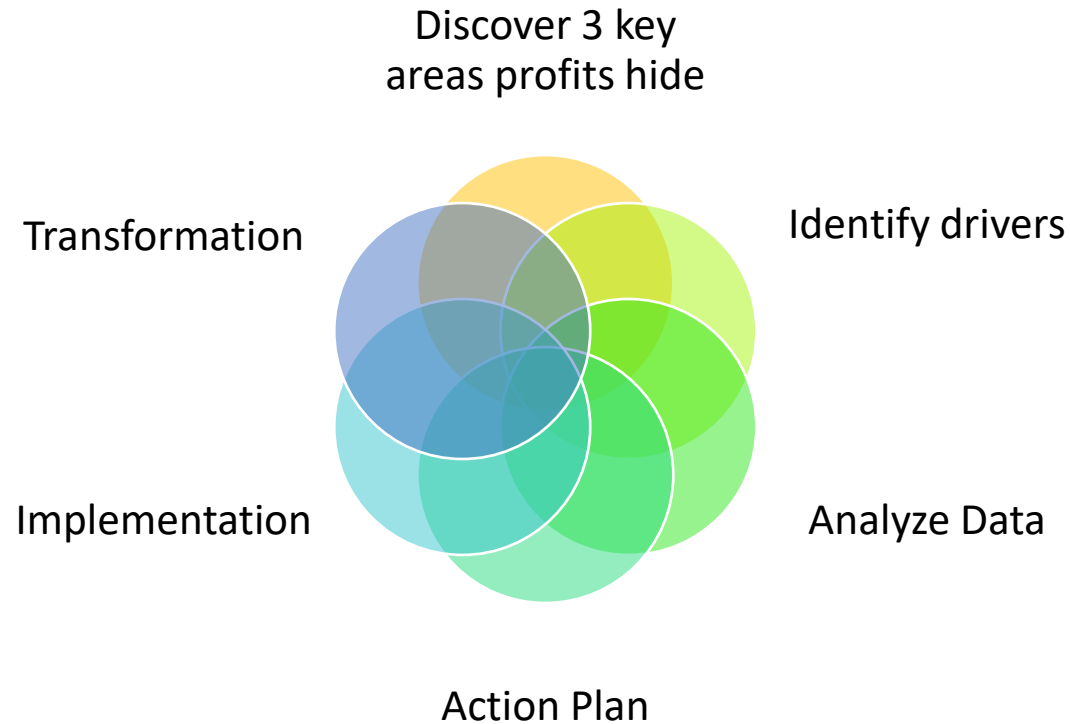
Professor Dawn Fotopulos

- Associate Professor of Business; The King's College, NYC
- Award-winning Author Accounting for the Numberphobic; A Survival Guide for Small Business Owners (AMACOM Books)
- Speaker- Scaling New Heights '16, QB Connect '16, American Management Association, USU, ICIC
- Workshops- FedEx Corporate, Entrepreneur's Organization, Women's President's Org
- Hidden Profit Academy: Accounting Profs and Small Business Owners
- Mission to double SMB survival rates through accounting professionals

Refining Your Practice

- 3 Ways to Unlock Profit - All Product or Service Businesses
 - Specializing in Right Services
 - Possible and Profitable
 - Applying Right pricing
 - Cost Plus, Competitive, TEV
 - Engaging the Right Client
 - Not all clients are created equal

Takeaways for You Today



The Problem

Symptoms vs. Root Causes

The Problem- Symptoms

- “I’m killing myself and not making money”
- “I want to grow my business”
- Doom Loop (thanks Jim Collins!)
- Good to Great book (<http://bit.ly/2oHtFyj>)
- How the Mighty Fall (<http://bit.ly/1bTNk3e>)

The Root Cause- The Doom Loop



Myths and Truths

Debunking False Assumptions

The Truth

You Run Your Business on Gross Profit *not* Revenues.

Product Businesses - Gross Profit per Product

Service Businesses - Gross Profit per Project or Hour of Time Invested



Myths and Truths Product/ Service Line

“The more services I can offer, the stronger my profitability will be”



Myths/ Truths Pricing

“I can’t raise my prices higher than my competition. I’ll lose all my customers to them.”

or

“I can’t raise my prices or no one will buy from me”

or

“I have to be the lowest price in my market to keep my customers”



Myths/ Truths Client Base

“I have to protect my largest clients because they’re the most profitable”



Hard Choices

- 3 T's Few Think About
 - Time
 - Talent
 - Treasure



What if...

- Growing the business is the wrong goal
- Larger top line hurts not helps profitability
- Real Goal
 - Flat or Lower revenues
 - Higher gross profit
 - Tight reins on expenses
 - 15% Net Income



Product and Service Review

First Step to Identify Hidden Profit

Product and service review

Marginal Contribution to Gross Profit

- Diagnostic question;
 - “Every time the business sells X, does that product generate a minimum gross margin percentage?”
 - “I don’t know” is not an option
 - Get the data



Products/ Services That Contribute to GM

- Every product or service you and your client offers has to work as hard for the business as you do.
- Marginal benefit of offering one-more-service.
- Marginal cost of offering one-more-service.



Product/ Service Review

Capturing Data by Product/ Service



Product/ Service Review

Analyze Data- Risks/ Opportunities



Product/ Service Review

Prioritizing Products/ Services- Action Plan



Product/ Service Line Review- Case Study Landscaping Supply

- Situation
- What we did
- Results
- Traps to avoid with product/ service line



Quiz 1 of 3

The Problem, Myths & Truths, Product/ Service Line Review

5 Questions

Pass= 80%

3 Attempts

Required

Power of pricing

Product and Service Businesses

Hurdles and Opportunity

- Why premium pricing is crucial
- How to think about pricing- 3 benchmarks



More Customers \neq Healthy Business



Pricing Strategy

- Discounting services to attract more customers is a cop-out



3 Benchmarks for Pricing

- Cost Plus 45%
- Competition apples to apples
- True Economic Value (Worth) what you deliver



Cost Plus Pricing

- Set gross profit goal
- Cost plus 45%
- Most small business owners get the math wrong!



Cost Plus Pricing

- Ask the question:
- “If something costs you \$10 and you want a 30% gross profit, what would you charge?”



Cost Plus Pricing

- Example:
 - If price is \$13
 - $\$3/\13 is 23% not 30%
- Minimum clearing price should be \$14.20
- If you can't get this;
 - Increase value
 - Improve evidence
 - Be more compelling

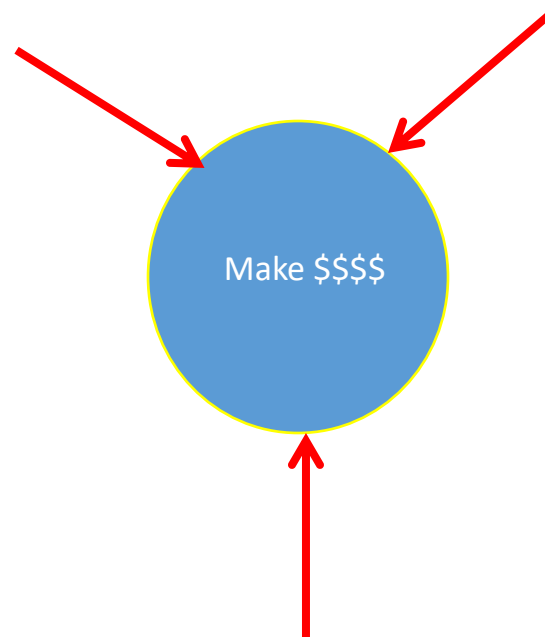
Competitor Pricing

- Mid range price
 - Don't assume your competitor is better
 - Keep your enemies closer; do homework
 - Compare apples to apples
 - Know where they're weak
 - Know where you're strong



Competitor Pricing

- Your Great Strength
- Competition Weakness
- Most Demand

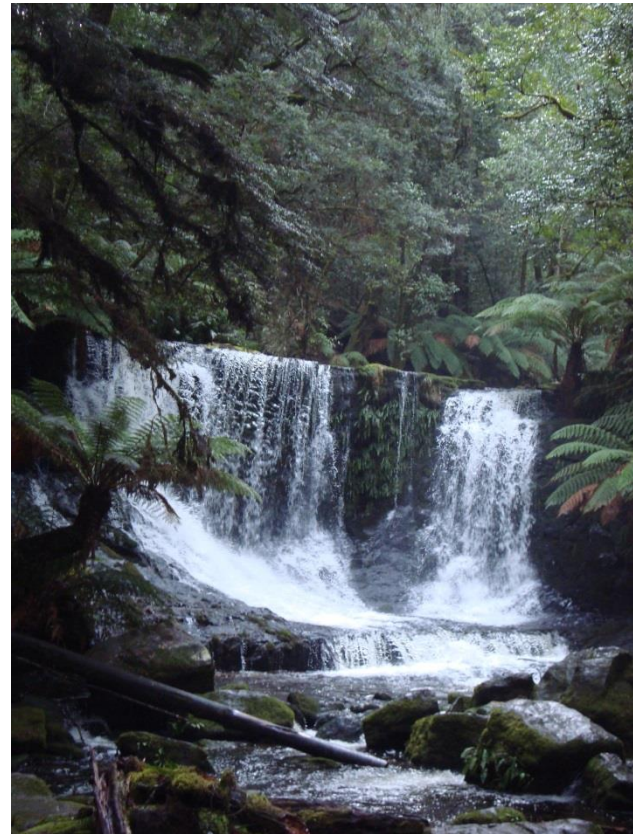


True Economic Value (TEV)

- Highest price bound
- Price based on worth not cost
- Uncommoditize your services
- Makes competition irrelevant
- Requires you prove your value

TEV Ties Price to Value

- You don't get paid for what you do; you get paid for what you deliver.
- Value First
 - Value = End Benefit / Price
 - What's in it for me?
 - Prove it.



TEV Testimonials

- Heroics around tax time
- Unwinding Gordian knots
- Service specialties
 - Audits with the IRS
 - Forensic accounting
 - Industry focus

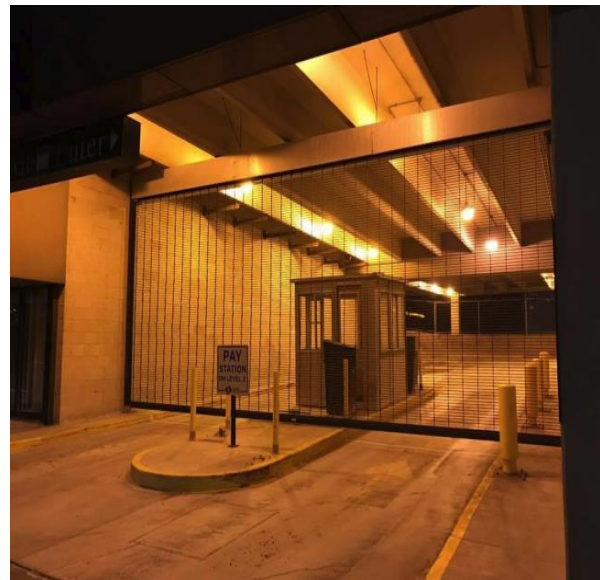
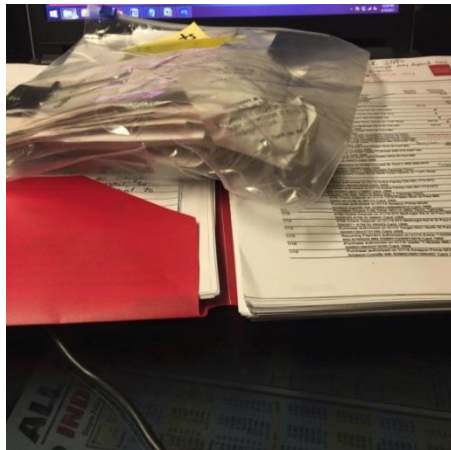


TEV Testimonials

- “I found an additional \$400,000 in profit for his business”
- “I saved a non-profit from losing its non-profit status due to poor accounting practices”
- “My client passed an IRS audit with flying colors because I was able to fix the books”



1:45 AM. Who else is up?



TEV Exercise

- Take 5 minutes
 - Write down one compliment
 - Write down one incident of heroics
 - Situation
 - What you did
 - Results



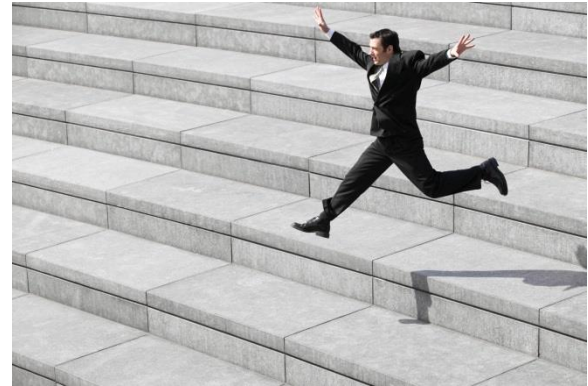
Pricing Services

- Expert Pricing
- Specialty knowledge pricing
- Credential pricing
- Always provide the evidence...



Compliments

- Capture every compliment
 - No time for humility
- THIS is your portfolio
 - It's not what you do
 - It's how you do it
- Psychic benefits are TREMENDOUS



Connect Value to Price

- Why do customers buy from you (your client) instead of competition?
- Capture the evidence
 - Situation
 - What you did
 - Results



Pricing It Right

- Closure rates
- Capacity planning
- Hours worked



Pricing Case Study – PR Agency

- Situation
- What we did
- What were the results



Closure Rates Hold the Key

- If your closure rates are above 25%-30% percent, you're pricing too low!
- When capacity constrained, you premium price.
- Now and forever.



Quiz 2 of 3

Power of Pricing, 3 Pricing Benchmarks, Pricing It Right

5 Questions

Pass= 80%

3 Attempts

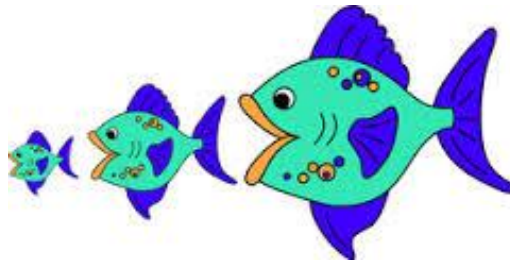
Required

Client Base Review

Not All Clients Are Created Equal

Client Base Review

- What a client base REALLY is.
- Myths / Truths about clients- Large vs. Small



Client Base Review

- Capturing Client Data
- Segmenting Clients
 - Large
 - Small
 - High potential
 - Demanding clients
- Sales vs. client potential alignment

Client Base Review Case Study

- Photographer
 - Situation
 - What we did
 - What were the results
- Traps to avoid...



Client Base Review- Process

- Step 1- Unpack revenue streams
 - Weddings 50%
 - Groups 40%
 - Portraits 10%
- Step 2- Unpack gross margin by client

Analyze 2X2 Matrix



Denise Zitzmann Photography

Cross reference revenues vs. gross profit

Cross reference total revenues vs. revenues per hour

Service	Revenues	Average Sale	Time	Per Hour
Weddings	50%	\$1500	16 man hours	\$94- \$20=\$74
Groups	25%	\$500	5 man hours	\$100
Portraits	25%	\$750	1.5 man hours	\$500

Where should she invest her time for the best return?

Target audience for marketing?

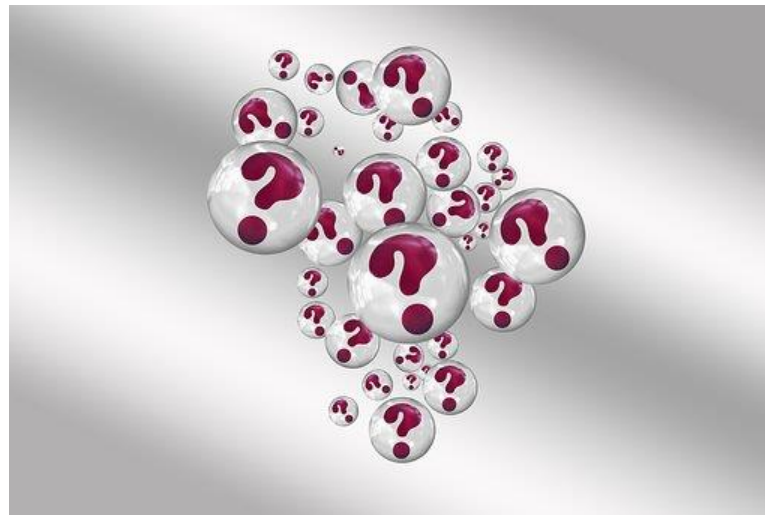
Where are the hidden costs?

Analyze 2X2 Matrix



Action Plan

- Stop Doing!
 - Weddings
- Do More Portraits
 - New babies
 - Family
 - Anniversary
- Do Less Groups
 - Schools
 - Sports Teams
 - Clubs



Gather Data , analyze, plan

3 Steps to More Profit

Assumptions vs. Reality

- Capture data by revenues and gross profit
- Analyze the data BCG 2x2 matrix
- Determine priorities by quadrant
- Action Plan
- Accountability- who, what, when

Gather Data Example

Copy of Team ZEUS Prod%2FServ, Pvg, CBase Review Homework.xlsx - Microsoft Excel

Product/ Service List-Basic Data Capture

Instructions- fill out the table

Collect the Data for the list:

- Describe the list of products/ services- everything that rings the
- Include price per product/ service
- Include revenues LY by product/ service
- Include revenues TY by product/ service
- % Inc/ Dec LY vs. TY
- Include unit gross margin percentage by product/ service
- Total GM/ Product or Service

The columns are set up for you. Just fill them in.

Product/ Service Line (stop at 100 Px/ Unit	Revenues LY	Revenues TY	% Inc/ Dec LY/ TY	GM %/ Unit	Total GM/ Prod or Serv
40x20 Del Castillo 5	1.33574				
40x20 Galcar 5	1.10108				
40x20 Galcar 7	1.13719	\$18,807.20			
40x20 Hebra 7	1.17328	\$3,731.82			
40x25 Del Castillo 5	18,358.23				
40x25 Galcar 5	24,170.65				
40x25 galcar 7	1.41892	\$47,454.24			
40x25 Hebra 7	1.46396	\$10,367.64			
Autumn Shades 16 x 10	1.09				
Autumn Shades 16 x 8	0.87				
Autumn Shades Heavy 16 x 10	1.09				
Autumn Shades Heavy 16 x 8	0.87				
Brazilian Charcoal 6 16x10	0.94595				
Brazilian Charcoal 6 16x8	0.55957				
Brazilian Multicolor 8 16x10	1.44144				
Brazilian Multicolor 8 16x8	1.01083				
Forest Green 16 x 10	1.12				
Forest Green 16 x 8	0.9				
Olive Gray 16 x 10	1.09				
Olive Gray 16 x 8	0.87				
Plum 16 x 10	1.17				
Strata Grav 16 x 10	0.9	\$2,185.45			

PS List GM PS 2X2 Matrix PS Action Plan CBase List GM CBase 2X2 CBase Action Plan

Analyze Data

Copy of Team ZEUS Prod%2FServ, Pkg, CBase Review Homework.xlsx - Microsoft Excel

File Home Insert Page Layout Formulas Data Review View

Clipboard Font Alignment Number Conditional Formatting Styles Cells Editing

Normal Bad Good Neutral Calculation Check Cell Explanatory... Input Linked Cell Note

Where to place prod/ service on the matrix

STARS- Top 10 products/ services with outsized GM

DOGS- Bottom 10 products/ services draining time/ resources GM below hurdle rate

POTENTIAL- 10 Products/ services- Easy to Sell

POTENTIAL- 10 Products/ services High GM hard sell

POTENTIAL 2nd Priority Refine

STARS 1st Priority Do More

Product A

High Gross Margin

DOGS 4th Priority Stop Doing

POTENTIAL 3rd Priority Refine

Easy to Sell/ Comparative Advantage

Form Responses 1 Visioning Feedback Starting Point Benchmark PS 1st GM PS 2X2 Matrix PS Action Plan CBase List GM CBase 2X2 CBase Action Plan

Action Plan

Copy of Team ZEUS Prod%2FServ, Pkg, CBase Review Homework.xlsx - Microsoft Excel

File Home Insert Page Layout Formulas Data Review View

Paste Cut Copy Format Painter Clipboard Font Alignment Number Conditional Formatting Styles Cells Editing

Normal Bad Good Neutral Calculation Check Cell Explanatory... Input Linked Cell Note

G18

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R
1	Product/ Service Action Plan																	
2																		
3																		
4	Action Plan- Refine the product line- Refine sales priorities- Refine target audiences																	
5																		
6	Based on results from 2X2 Matrix (which you review with the client)																	
7	Develop 3-5 action points for the next two weeks.																	
8	Calendarize these activities																	
9	Have accountability and responsibility to make sure it happened																	
10																		
11		Today	This Week	Next Week	Who is Responsible	Check Up Date												
12	Do More																	
13																		
14																		
15																		
16																		
17																		
18																		
19	Do Less																	
20																		
21																		
22																		
23																		
24																		
25																		
26																		
27	Stop Doing!																	
28																		
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36																		
37																		
38																		

Form Responses 1 Visioning Feedback Starting Point Benchmark PS List GM PS 2X2 Matrix PS Action Plan CBase List GM CBase 2X2 CBase Action Plan

Ready 100%

Realizing Hidden profit

- Gross Margin by Product / Project / Client

Benchmark Profit By Industry- Engage the Client

- Profit Tracker Access.com
- Engagement with client
- Password “SNH16”
- What if...

Total Sales	\$ 1000000
Cost of Goods/Sales	\$ 700000
<hr/>	
Gross Margin	\$ 300,000.00 <small>(revenue - direct costs)</small>
<hr/>	
Fixed Costs	\$ 100000
Variable Costs	\$ 75000
<hr/>	
Earnings Before Taxes	\$ 125,000.00 <small>(gross margin - (fixed + variable costs))</small>
<hr/>	
Taxes	\$ 62,500.00
Tax Rate	% 50
<hr/>	
Net Income	\$ 62,500.00 <small>(earnings - taxes)</small>
<hr/>	
Profit Tracker Assessment	
Gross Margin / Revenues	30%
Net Income / Revenues	6%
Fixed Costs / Revenues	10%
Variable Costs / Revenues	8%

Over 20 Years of Research

- Observations:
 - Most businesses are selling *some* unprofitable products/ services
 - Most businesses under price products/ services out of fear
 - Most businesses have a significant percentage of clients that cost them money
- Solutions:
 - Convert or eliminate unprofitable products/ services
 - Test price changes carefully; the worst rarely happens
 - Convert or fire unprofitable clients
- Takeaway
 - Most hidden profit in core products/ services and existing clients
 - Customer testimonials provide the evidence to premium price

Goals

- Product/ Services- fewer, higher margin projects
- Pricing- Premium pricing- align with sales efforts
- Client Base- Existing, loyal clients best source of hidden profit

Your New Service

Analytic Sequence- Monthly Review

Step by Step Action Plan- Unlock Hidden Profit

- Product/ Services Review
 - 2X2 Matrix
 - Action Plan
 - Implementation Plan



Step by Step Action Plan- Unlock Hidden Profit

- Pricing Review
 - 2X2 Matrix
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Step by Step Action Plan- Unlock Hidden Profit

- Client Base Review
 - 2X2 Matrix
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The screenshot shows a Google Sheet titled "Client Base Review" with the following structure:

- Client Base Review** (Section Header)
- Top 100 Clients** (Section Header)
- Instructions** (List of instructions for data entry):
 - List client name (A)
 - List total reins/ client (B)
 - List total GM/ client (C)
 - List GM % by client (D)
 - Service Biz (E)
 - W/ M (each) (F)
 - Frequency (if you know it) (G)
 - Recency (if you know it) (H)
- Data Table** (Columns: Client Name, Total Reins, Total GM, GM%, # of Claims, GM per Claim for 2015 and 2016):

Client Name	2015					2016 (09/30)				
	Total Reins	Total GM	GM%	# of Claims	GM per Claim	Total Reins	Total GM	GM%	# of Claims	GM per Claim
Farmers Insurance	113062	69,995.92	61.00%	213	328.51	43805	25,476.99	58.16%	80	318.46
Tower Ins	29362	18,164.26	61.00%	122	148.89	76471	45,636.73	59.16%	140	312.59
Clamont	40193	37,333.97	61.00%	117	318.66	13649	7,356.66	58.16%	51	144.26
Penn National	90807	56,174.35	61.00%	197	285.15	25430	14,790.09	58.16%	67	265.68
Pennsylv Rock	0	0.00	61.00%	0	0.00	41995	24,424.29	58.16%	90	271.38
National General	662	489.12	61.00%	1	489.12	0	0.00	58.16%	0	0.00
Homacha	3716	2,295.49	61.00%	6	459.30	3292	1,914.63	58.16%	2	957.31
Liberty Mutual						20642	119,601.39		426	159422
										52,719.04
- Difference 1st Qtr 2015 vs 1st Qtr 2016** (Section Header)
- Client Name** (List of clients for comparison):

Client Name	Total Reins	Total GM	GM%	# of Claims	GM per Claim
Farmers Insurance	-13013	-6,823.96	61.00%	-11	579.41
Tower Ins	-7496	-43,152.39	61.00%	-137	314.58

Quiz 3

Client Base Review, Product/ Service Line Review, Pricing, Action Plan Creation

Final Cumulative Quiz 10 Questions

Pass= 90%

Required!

Step by Step Action Plan - Unlock Hidden Profit

- Celebrate!



Let's Connect

“How I met Mariette!”

- @dfotopulos
- Dawn.Fotopulos



Just the Beginning...

Additional links and resources are listed in the “Resources Document” for this course available to course registrants



Certificate of Completion

Fill in course evaluation!

*Please complete your course evaluation to
receive your certificate of completion.*

Our goal is to provide you with the very best training possible.

We truly appreciate your feedback.

Thank you!

The screenshot shows a web-based course evaluation form for Hidden Profit Academy. The form is titled 'Course Survey' and includes fields for 'Course Name', 'Date Completed', 'Learner Name (Optional)', and 'Instructor Name (Required)'. Below these fields is a scale from 1 to 5, with 'Not at all' at 1 and 'Very much so' at 5, and 'N/A' for 'Not applicable'. The form is divided into two main sections: 'About Me' and 'Methods and Materials'. The 'About Me' section includes questions about the learner's interest in the course and their preparation. The 'Methods and Materials' section includes questions about the learning objectives, materials, and the effectiveness of the instructor and group leaders. The right side of the form contains 'Relevance and Effectiveness' and 'Instructor Ratings' sections, each with a series of horizontal lines for handwritten feedback.

HPA HIDDEN PROFIT ACADEMY

Course Survey

Course Name _____

Date Completed _____

Learner Name (Optional) _____

Instructor Name (Required) _____

Directions: Please use the following scale to indicate the extent to which you agree with the statements below.

1 2 3 4 5 N/A
Not at all A little Somewhat For the most part Very much so Not applicable

About Me

I was personally interested in taking this course. _____

I had the necessary pre-requisites or experience to take this course and to finish it successfully. _____

Methods and Materials

Stated learning objectives are met. _____

Pre-requisites were appropriate (if applicable). _____

Program materials were accurate. _____

Program materials were relevant and contributed to the achievement of the learning objectives. _____

Time allotted to the learning activity was appropriate. _____

Instructor was effective. _____

Group Leaders were effective in answering my questions. _____

Instructions for accessing course content were clear and timely. _____

Course content was easy to access. _____

Handout or advance preparation materials were satisfactory (if applicable). _____

Correspondence was timely, accurate, and complete. _____

Audio and video materials were effective. _____

Relevance and Effectiveness

The program was relevant to my responsibilities. _____

This program helped increase my knowledge and/or skills. _____

I will be able to perform my responsibilities better as a result of this course. _____

Instructor Ratings

The instructor was knowledgeable of the program content. _____

The instructor made effective use of examples and/or illustrations. _____

The instructor responded effectively to participant questions. _____

Overall, the instructor was effective. _____

Comments: _____

Overall Rating

Overall, the instructor was effective. _____

Overall, I would recommend this course to others. _____

Overall, the program was effective. _____



THANKS FOR LISTENING...

Grow your CPA practice beyond annual tax preparation...

