



THE
BUSINESS
ARCHITECT

Margin OPTIMISER

The Margin Optimiser

We want to use Profit Centres to be able to evaluate what type of projects you want &, just as important, what projects you want less of. Its ok to be busy yet we want to ensure we are effective by being PROFITABLE. This sheet will help raise your awareness of some key areas to focus to achieve a truly effective practice, with Industry leading Gross Margin!

1 Gross Margin Mastery

- Gross Margin is THE measure of effectiveness
- FIRST ensure your Gross Profit is correctly calculated. Check Cost of Sales for your Practice, which will typically include: Your Direct Labour, any Sub consultant fees & Disbursements.

Your Notes/ Comments:

2 Target Market

PRIOR to letting projects IN the front door, we want to be super clear about who our Target Market is. We need clarity of: Your Niche, Your Ideal Project & Client (Rate A,B,C,D) as this will set you up to obtaining an industry leading Gross Profit Margin!

3 80:20 Rule (Pareto Principle)

- A powerful principles/ tool in business/ life.
- We want 20% of Effort resulting in 80% of the Results...
- Profit Centre analysts is critical... it might be that :
 - 80% of Profit comes from 20% of your Clients
 - 80% of losses can be caused by 20% of your clients

4 Profit Centre Categories

Whilst the typical Profit Centre would be Project Type, if you have a moderate sized Practice , you may want to do a Profit Centre Analysis by Project Leader/ Manager also.

The Margin Optimiser

Profit Centres/ current snapshot example

Item	Name	Sales	% of Sales	Cost of Sales (Direct Cost)	Gross Profit	Gross margin % of Sale
1	Residential NEW	\$600,000	33%	\$240,000	\$360,000	60%
2	Residential Alt	\$400,000	22%	\$120,000	\$280,000	70%
3	Commercial	\$300,000	17%	\$150,000	\$150,000	50%
4	Industrial	\$500,000	28%	\$390,000	\$110,000	22%
Total		\$1.8 m	100%	\$900k	\$900k	50%

The Margin Optimiser

Profit Centres/ Proposed Numbers

Item	Name	Sales	% of Sales	Cost of Sales (Direct Cost)	Gross Profit	Gross margin % of Sale
1	Residential NEW	+\$200k \$800,000	1/3	\$350,000	\$450,000	55%
2	Residential Alt	+\$400k \$800,000	1/3	\$300,000	\$500,000	64%
3	Commercial	+\$500k \$800,000	1/3	\$300,000	\$500,000	64%
4	Industrial	\$500,000	28%	\$390,000	\$110,000	22%
Total		+\$600k \$2.4 m	100%	Same # staff \$950k	+\$550k \$1.45 m	+10% 60%

The Margin Optimiser

Profit Centres/ NOW, your turn to review your Profit Centres, whilst typically by Project. You could review by Project Manager/ Leader. How effective are you across all your Profit Centre categories?

Item	Name	Sales	% of Sales	Cost of Sales (Direct Cost)	Gross Profit	Gross margin % of Sale
1						
2						
3						
4						
Total						