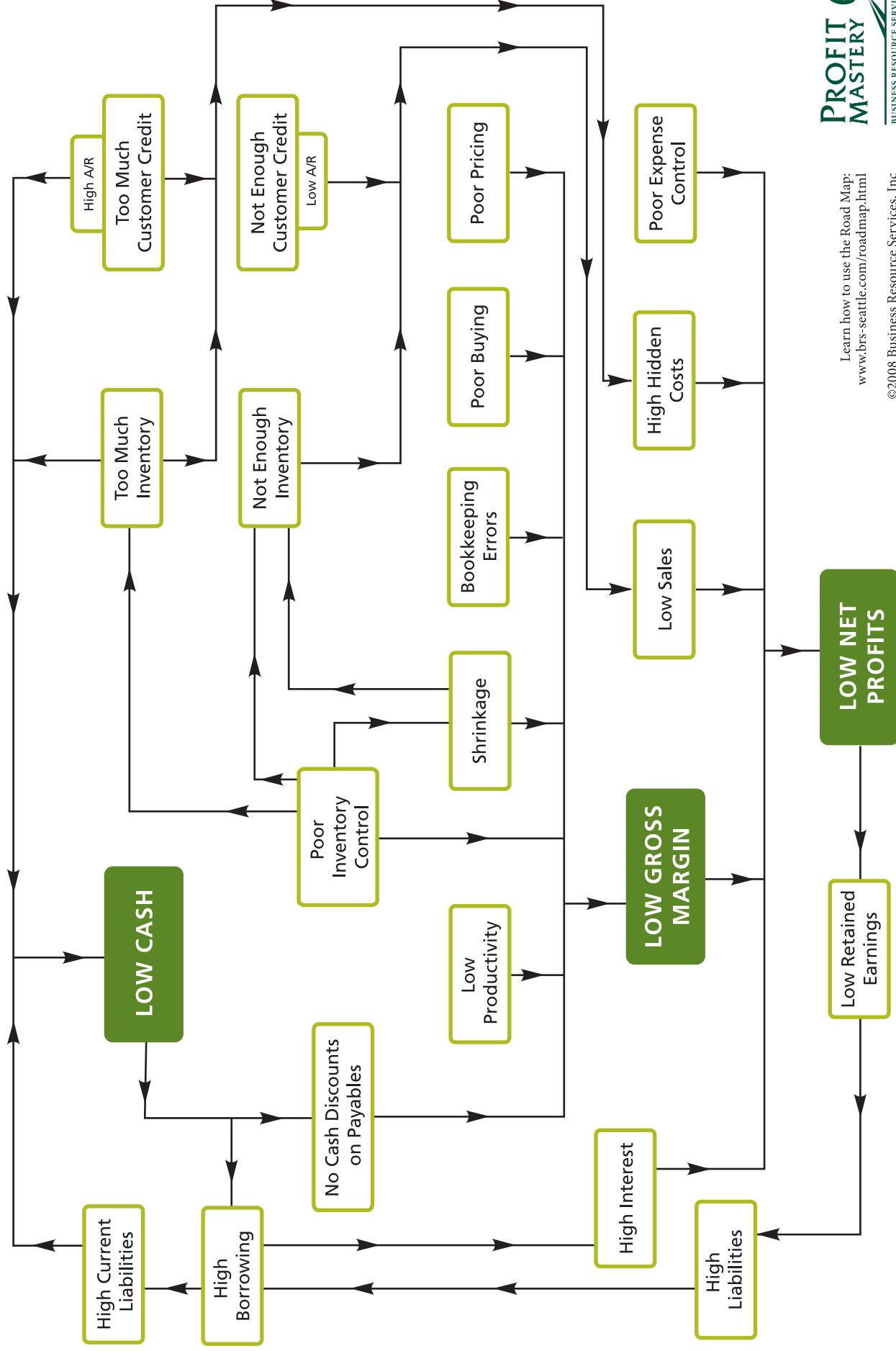




# The Road Map

Cause-and-effect relationships leading to financial distress.



## Step 4: Add up the dollars and put them on your Road Map

<u>ISSUE</u>	<u>CASH IMPACT</u>	<u>PROFIT IMPACT</u>
Inventory	\$	\$
Accts. Rec.	\$	\$
Gross Margin:	\$	\$
-No discounts		
-Productivity		
-Inventory Controls		
-Poor Buying		
-Poor Pricing		
-Poor Bookkeeping		
Overhead Controls	\$	\$
Hidden Costs	\$	\$
Misfinancing	\$	\$
Other:	\$	\$
	\$ _____	\$ _____
<b>TOTALS</b>	\$ _____	\$ _____

## Step 5: Set Targets and Develop Action Plans

- Using your Goal Worksheet, set target numbers for Sales, Gross Margin, Productivity and Cash Flow
- Determine your top 3 Management Issues
- Develop plans of action. Use the SMART goal setting system:
  - **Specific**
  - **Measurable**
  - **Aggressive**
  - **Realistic**
  - **Timeline**

***For example:***

*My goal is to improve my gross margin by three percent by the end of the 3<sup>rd</sup> quarter next year. I will measure my progress on a monthly basis—both storewide and by department. I will review pricing policies with my staff and pay commissions based on margins, not sales. I will review my inventory by department and determine which price points have sold in the past. I will also get advice on my pricing policies from industry experts.*

# Improve Cash Flow and Profits

## Worksheet 1

### Inventory Turns

#### Information Needed

1. FYE or Annualized COGS \$ \_\_\_\_\_
2. Actual Inventory from Balance Sheet \$ \_\_\_\_\_
3. Turns (COGS ÷ Inventory) a. Actual \_\_\_\_\_ b. Industry (Goal) \_\_\_\_\_

#### Calculations

- A. COGS / Industry Turn (#1 ÷ #3b) \$ \_\_\_\_\_ ÷ \_\_\_\_\_ = \$ \_\_\_\_\_
- B. Extra Cash tied up in Inventory
- |                                    |          |
|------------------------------------|----------|
| Inventory on Hand (#2 above)       | \$ _____ |
| (less) Inventory Target (#A above) | -        |

<b>Excess Inventory \$'s</b>	<b>\$ _____</b>
<b>(at industry average or goal level of performance)</b>	

### Accounts Receivable Turns

#### Information Needed

1. FYE or Annualized Sales \$ \_\_\_\_\_
2. Actual A/R from Balance Sheet \$ \_\_\_\_\_
3. Turns (Credit Sales ÷ A/R) a. Actual \_\_\_\_\_ b. Industry (Goal) \_\_\_\_\_

#### Calculations

- A. Sales / Industry Turn (#1 ÷ #3b) \$ \_\_\_\_\_ ÷ \_\_\_\_\_ = \$ \_\_\_\_\_
- B. Extra Cash tied up in A/R
- |  |          |
|--|----------|
| Accounts Receivable on Hand (#2 above)       | \$ _____ |
| (less) Accounts Receivable Target (#A above) | -        |

<b>Excess A/R \$'s</b>	<b>\$ _____</b>
<b>(at industry average or goal level of performance)</b>	

# Improve Cash Flow and Profits

## Worksheet 2

### Gross Profit

#### Information Needed

1. Annualized Sales or FYE Sales \$ \_\_\_\_\_
2. Industry (or Goal) average GPM \_\_\_\_\_ %
3. Company's GPM \_\_\_\_\_ %

#### Calculations (If industry GPM is greater than company's GPM)

A. Industry GPM — Company GPM \_\_\_\_\_ % — \_\_\_\_\_ % = \_\_\_\_\_ %

B. Line A. percentage x Annualized Sales (#1) \_\_\_\_\_ % x \$ \_\_\_\_\_ = \$ \_\_\_\_\_ \*

*\*Represents increased \$'s of Gross Profit you would realize on an annualized basis if you were to achieve a margin equal to the average of the industry or at your goal.*

### Net Profits

### Inventory Hidden Costs

#### Information Needed

1. Excess Inventory \$'s from Worksheet 1: \$ \_\_\_\_\_
2. Hidden Cost Factor "HC" (20% — 36%) \_\_\_\_\_ %

#### Calculations

"HC" (#2) x Excess Inventory \$'s (#1) \_\_\_\_\_ % x \$ \_\_\_\_\_  
= \$ \_\_\_\_\_ \*

*\*Potential Hidden Costs incurred at current level of inventory management inefficiency*

### Accounts Receivable Hidden Costs

#### Information Needed

1. Excess A/R \$'s from Worksheet 1: \_\_\_\_\_
2. HC Factor "HC" (20% — 36%) \_\_\_\_\_ %

#### Calculations

"HC" (#2) x Excess A/R \$'s (#1) \_\_\_\_\_ % x \$ \_\_\_\_\_  
= \$ \_\_\_\_\_

*\*Potential Hidden Costs incurred at current level of A/R management inefficiency*