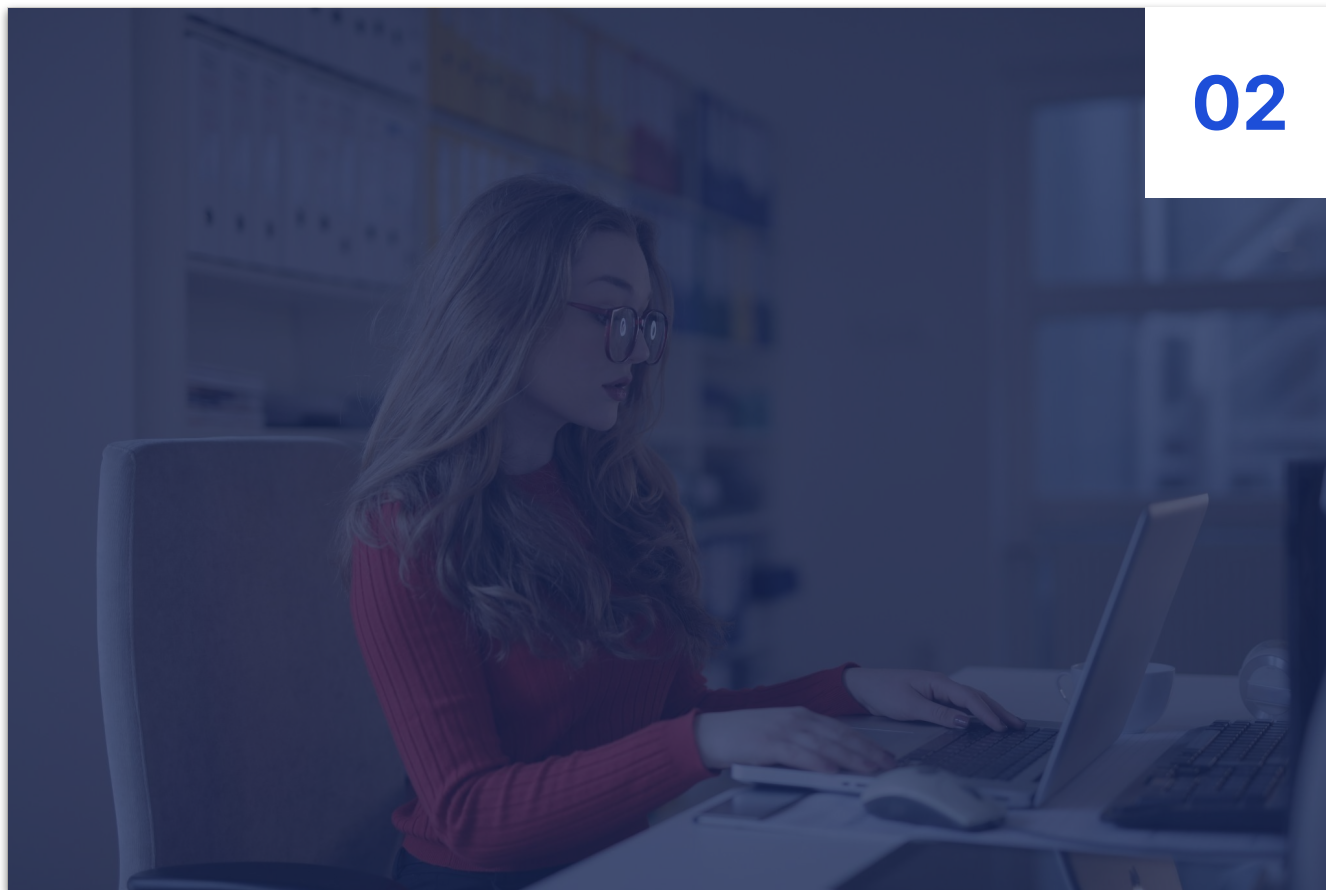




Create Profit– Margin Magic

2024
EDITION



Margin Magic –

OVERVIEW

One of the most valuable lessons I learned early in my entrepreneurial journey came from my first coach, Greg. He taught me that achieving the personal and financial margin we need as business owners is directly tied to improving the "margins" within our business. While I always understood the importance of profitability, Greg showed me that increasing margins goes beyond simply being profitable—it's about optimizing efficiency and maximizing every aspect of your operations. And when you improve your margins, profitability naturally follows.

Greg has earned a reputation as a master at turning around struggling companies, and his expertise in boosting gross margins has made him a sought-after expert in the field. One of his most impactful presentations, aptly named "Margin Magic," has transformed countless businesses. Today, I've asked Greg to share a bit of his "magic" with us, offering actionable insights that can help you enhance your company's margins and, in turn, create more margin in your life as an entrepreneur.

If there's one metric that can elevate all the most critical performance indicators in your business, it's gross margins. You don't need to be a CPA to grasp the power of gross margins—and, when you improve them, every other key metric follows suit.

Gross margins represent the percentage of revenue left after covering the Cost of Goods Sold (COGS), which includes the expenses required to produce your goods or services. By optimizing this number, you set the foundation for stronger financial health and greater overall business performance.

- **This includes** raw materials and wages for labor required to produce or assemble products or to deliver services.
- **It does not include** business expenses that are not related to the production and delivery of the goods, such as rent, utilities, and marketing expenses.

Gross Margin Percentage

The formula to calculate your gross margins percentage is as follows: [revenue minus COGS] divided by revenue. So, if your revenue is \$5 million and your COGS is \$4 million, your gross margin percentage would be calculated as follows:

$$\frac{(\$5 \text{ million} - \$4 \text{ million})}{\$5 \text{ million}} = 20\% \text{ Gross Margin}$$

Margin Magic –

Case Study

For many businesses, a 20 percent gross margin is considered healthy, though it varies by industry. When Greg first stepped in to help, my business was operating at just 15 percent. That left me with almost no room for error—any misstep, and my already slim profits would be under pressure.

At that time, I was spending \$85 in COGS to generate \$100 in revenue. My focus was on high-volume, low-margin accounts, placing a lot of unskilled labor, and going head-to-head with much larger competitors. This limited my ability to apply much of a markup on the people I was placing, which left me, as they say in the South, between a rock and a hard place.

To make matters more challenging, my operating expenses were eating up a large portion of my gross margin, leaving my EBITDA (earnings before interest, taxes, depreciation, and amortization) at just 5 percent of revenue—a relatively low figure. Greg identified that if we could raise my gross margin by just 1 percent—only \$0.20 per hour—to hit a 16 percent gross profit, my profits would increase by 20 percent. Just 20 cents per hour could make all the difference.

Done!

So many variables affect gross margins, and Greg knew we could find that 1 percent. And we did—fairly easily, in fact.



Margin Magic –

Case Study Outcome

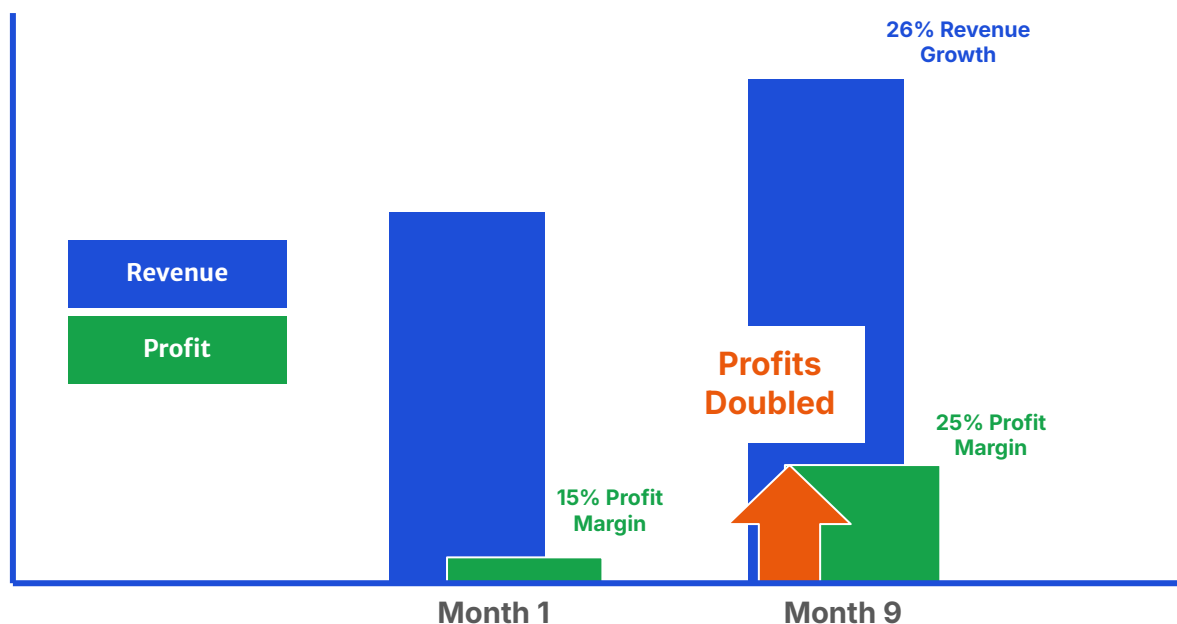


Small High Margin Accounts

By finding a more profitable niche in the staffing industry I was able to charge a premium placement fee, immediately boosting gross margins.

In less than nine months, I went from 16 percent GP to 26 percent GP.

Abracadabra, Margin Magic, my EBITDA doubled!





Application

The opportunities are virtually limitless, and the impact is extraordinary when you focus your attention on improving gross margins.

Here are some of the key steps I guide my coaching clients through to get them started on optimizing their business margins.

First, I take the time to understand their current situation by:

- Segmenting the business into logical categories, such as different products, services, or account sizes.
- Reviewing the costs associated with each segment to determine whether they're improving or getting worse.
- Analyzing pricing strategies for each segment using relevant data like competitor research or the business's unique selling proposition.
- Assessing compensation rates for both the entrepreneur and their staff to ensure they align with business goals and profitability.

This foundational analysis helps uncover opportunities for growth and improvement.





Application

The opportunities are virtually limitless, and the impact is extraordinary when you focus your attention on improving gross margins.

Then we follow five steps to improving margins, which I got directly from Greg. Having these steps in place helps us move forward methodically and consistently:

- Conduct a SWOT analysis for your business. What are your Strengths, Weaknesses, Opportunities, and Threats?
- Create a plan. What variables will we look to impact and how?
- Set up key performance indicators, or KPIs. How will we measure progress along the way?
- Schedule regular communications with your team. Remember, consistent and clear communication builds trust and accountability. Be the ATV leader.
- Track, adjust, and tackle the problem areas. Just like the fourth step in the E-4 Process, we need to get help, iterate, and adjust as we go. If you get stuck, you can go straight to the E-4 Process itself to identify what's not working, set a new intention, get help, plan, and pivot, and then iterate and adjust.

Forum Retreat –

THE WRAP



Margins create financial flexibility for you and your business. Practice Margin Magic and you'll build a strong financial foundation to lift your business to new heights.




THE HONOR WOULD BE MINE

If you're seeking an executive coach for your business, it would be my honor to help you find the magic in the margin.

Website: extraordinaryadvisors.com

Email: todd@extraordinaryadvisors.com



Forum Retreat Facilitator–

ABOUT TODD PALMER



Todd is on a mission to improve the lives of his clients, EO Forums, and audiences by sharing the strategies he's learned and used for over 20 years.

His coaching style is individualized, focusing on the leader within you. He guides leaders and entrepreneurs to discover what's holding them back from achieving the success they can have in life and business.

Average Rating

9.5

After each forum retreat, Todd is rated between 1 - 10 on the impact his facilitation made.

Testimonial



“One of the standout qualities of Todd was his acute attention to emotions. He created a space where vulnerability was not only welcomed but celebrated. His emotional intelligence allowed for a deeper exploration of our individual and collective experiences, paving the way for genuine breakthroughs.

– EO Forum Retreat Member & Local Chapter Forum Chair