

## Key Leverage Points

Components of Profit	Present Position	Change Factor	Possible Position
Number of Customers	1,000	x 1.05 <sup>1</sup> =	1,050
*multiply this by the average purchase frequency	x 10 =	x 1.05 <sup>2</sup> =	x 10.5 =
Number of Sales Transactions	10,000		11,025
*multiply this by the average value of a sale	x £62.50 =	x 1.05 <sup>3</sup> =	x £65.63 =
Total Sales Revenue	£625,000		£723,570
*multiply this by the gross margin	x 40% =	x 1.05 <sup>4</sup> =	x 42% =
Total Gross Margin	£250,000		£303,899.72
*subtract the fixed overhead from this	- £220,000 =	x 1.10 <sup>5</sup> =	- £242,000 =
Net Profit	£30,000		£61,899.72
Take the Net Profit in the "Present Position" and subtract it from the Net Profit in the "Possible Position."			<div style="display: flex; align-items: center;"> <div style="border-left: 1px solid black; border-bottom: 1px solid black; width: 100px; height: 15px; margin-right: 5px;"></div> <div style="font-size: 2em;">→</div> </div>
<b>Profit Improvement Potential</b>			<div style="display: flex; align-items: center;"> <div style="border-bottom: 1px solid black; width: 100%; height: 15px; margin-right: 5px;"></div> <div style="font-size: 2em;">→</div> </div>
			£30,000
			£31,899.72

**The result is a Net Profit increase to £61,889—  
more than double the present profit!**

### Change Factor Notes:

1. To determine a 5% increase, the change factor is 1.05. To increase the number of customers, you can cultivate referral sources, create host-beneficiary relationships, use mailing lists, and improve inbound conversion rates. To decrease the number of lost customers, you can provide awesome service, create extraordinary guarantees, and collect customer surveys or feedback forms.
2. To determine a 5% increase, the change factor is 1.05. To increase the frequency of purchases, you can use direct mailers to existing clients, create buyer or user clubs, improve customer relationships, and systematise post-purchase interaction.
3. To determine a 5% increase, the change factor is 1.05. To increase the average value of each sale, you can institute product recommendations through cross-selling and upselling, reorganise product/service displays and menus, and systematise service delivery.
4. To determine a 5% increase, the change factor is 1.05. To increase the gross margin, you can raise prices and lower variable costs. You can lower variable costs by improving production, supply, or distribution schedules; renegotiating supplier contracts; and evaluating material usage.
5. To determine a 10% increase, the change factor is 1.10. The increased fixed costs allow for the increased level of team training and systems that may be necessary to produce the other noted changes.