



CFO Analysis Report ABC Paint

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Dear Client,

Thank you for opening the doors to your business and giving us the opportunity to look inside. Our goal with this engagement was to find specific areas in your business where we felt making a few changes would provide a positive impact to your bottom line and cash flow – the two things most important to business owners. After our initial review, we're excited to present the following recommendations:

Objective - Profit Improvement through Revenue Growth

Financial Snapshot:

<u>2013 Companywide Sales:</u>	<u>\$462,000</u>	<u>% Of Total</u>
Paint:	263,000	57%
Consignment:	62,000	13%
Furniture:	61,000	13%
Accessories:	48,000	10%
Miscellaneous:	28,000	7%

Paint average margin is 40%, furniture is 41% and accessories are 46%; however, Paint B (which is considered the high end paint brand) carries the lowest margin of the paint lines.

	<u>2013 Sales</u>	<u>Margin</u>	<u>%Total</u>
Paint A	\$166,900	39.2%	67%
Paint B	62,800	37.2	25
Paint C	12,400	52.5	5
Paint D	7,000	46.4	3

Recommended Strategy:**1. Selective price increases on paint lines.**

Paint B (25% of paint sales) has the lowest gross margin of the paint lines and yet it's perceived to be the high end brand. Paint A accounts for 67% of paint sales, but is not an exclusive offering.

Stratify paint offerings:

- Paint B – *Prestige*; \$18-20 per unit increase
- Paint A – *Premier*; \$2-4 per unit increase
- Paint C – *Private Label*; \$5-7 per unit increase

Profit Potential = \$25,000

We believe to make this pricing strategy work it needs to be supported by marketing efforts. For instance, how are the paints displayed in your store? You need to have distinct differences between your paint lines to create that perceived value and brand loyalty. We are not marketing experts, but we can help you brainstorm ideas!

2. Target decorators and designers to increase Paint A volume.

- Capitalize on faster product availability
- Capitalize on in-bound freight advantage
- Sell 30 more gallons of Paint A per month to d & d

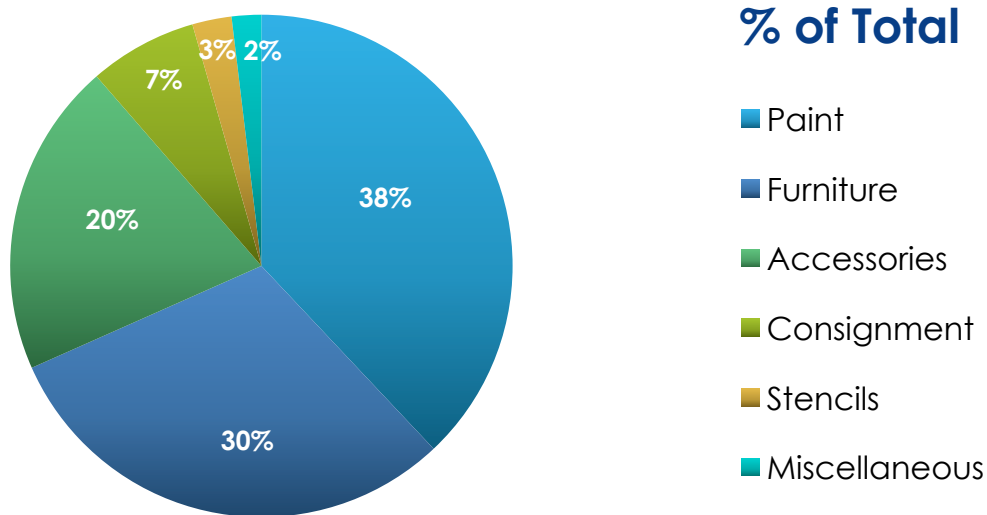
Profit Potential = \$12,000

Objective - Improve Cash Flow by Prioritizing Inventory

Financial Snapshot:

Inventory Summary April 11, 2014:	<u>\$158,000</u>	<u>% Of Total</u>
Paint	60,000	38%
Furniture:	48,000	30%
Accessories:	32,000	20%
Consignment:	11,000	7%
Stencils:	4,000	3%
Miscellaneous:	3,000	2%

Furniture and Accessories account for 50% of inventory by value but represent only 23% of sales. Furniture turnover was 1.3, accessories turnover was 1.5 compared to paint (all types) with turnover of 4.4.



Recommended Strategy:

Emphasize ABC Paint as a destination merchant. Focus on unique (one of a kind) furniture and accessory items.

1. **Sell off furniture items which are not exclusive to ABC Paint. Hold store-wide sale to generate traffic with a goal of reducing furniture inventory by 50% and accessories inventory by 50%.**

Cash Potential = \$40,000

2. **Use freed up cash to reinvest in one of a kind “finds”.**
 - Use digital visual technology (smart phone or iPad) to identify selective pieces consistent with ABC Paint's eclectic image.
 - Target improved margin from 40% > 60% on furniture & accessories

A couple of marketing ideas we came up with to help with this strategy - a.) Put pictures and descriptions of pieces on your website and b.) Send out an online e-catalog/email to former customers or potential customers to highlight certain pieces and maybe offer “special” discounts to these buyers.

Profit Potential = \$20,000

3. **Use freed up store space to feature more consignment items.**
 - Better margins on consignment goods than on furniture or accessories
 - No capital required
 - Target 50% increase in consignment sales

Revenue Potential = \$30,000

We hope you're as excited about this report as we are. As you can see, there are several opportunities where your business can become more successful with a little guidance. At SBS, we offer experienced financial professionals who can work alongside you, the owner, and make an impact. What we outlined above is just a sample. There are more than likely other areas of your business we can analyze and help you with. Some of those we've listed below.

We know that every dollar is important to you and we hope we've shown you that our efforts would more than pay for our services. We'd love the opportunity to provide our CFO Services to you on a more consistent basis – whether on a fixed monthly retainer or on a per project basis. If this interests you, we'd love to set up an appointment!

Larry Sugar

CFO Consultant

Steiner Business Solutions

Future Opportunities:

Cost control – savings potential

- Payroll expense
- Bank Charges
- Freight

Management Information

- Monthly snapshot of vital metrics
- Quarterly trend analysis

Inventory Analysis

- Physical – market value versus cost

- Aging – improve turnover; free up cash