

The Science of Measurement

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Introduction

- ◉ Name
- ◉ Role
- ◉ Winery

- ◉ Name one metric that is important to you



A business is made up of:



Financial – Historical Focus

If you want to measure outcomes
the focus is on:

Revenue – Expenses = Profit

(Lagging Indicators)

Outcome Measures

- ⦿ Sales and Profit by Channel
 - **Retail**
 - Web
 - Phone
 - Tasting room
 - **Trade**
- ⦿ Margin by Channel
- ⦿ Margin by Product

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More Outcome Measures

- ⦿ Revenue Growth %
- ⦿ Inventory Growth %
- ⦿ AR Growth %

- ⦿ Compare - Revenue Growth with Inventory and AR growth

Financial focused

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Your company's profitability depends on how well your people consistently perform specific activities.

Business – Future Focus

If you want to influence outcomes the focus needs to be on:

People X Process = Profit

(Leading/Predictive Indicators)

Input Measures

- ◉ Number of winemaker dinners
- ◉ Emails captured per day
- ◉ Visitor Traffic
- ◉ Outbound calls per day
- ◉ Wine club signups

Non-financial

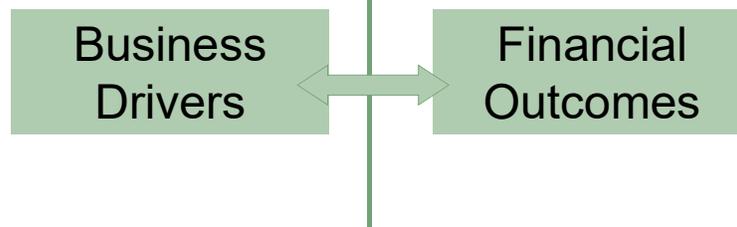
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Two Views of Profit

- ◉ Business View is reflected in Business Statements

- ◉ Financial View is reflected in Financial Statements



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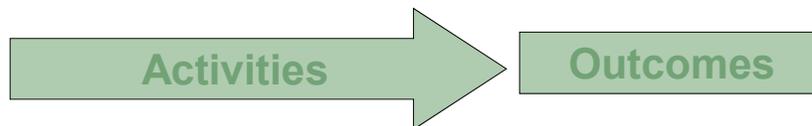


Once again, a business is made up of:



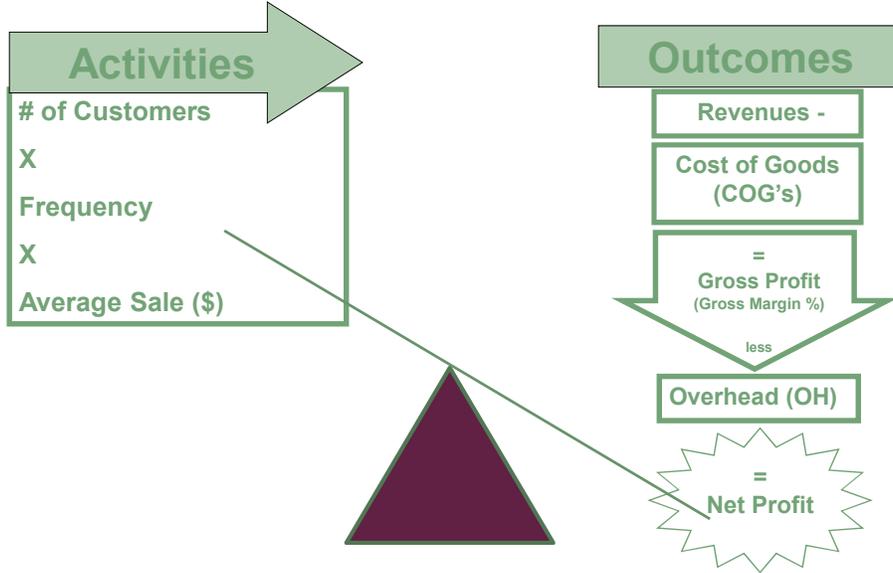
In other words, a company is made up of various people performing various activities each day. The goal is to measure, manage, and leverage those activities on a real-time basis.

Activities Drive Outcomes



Understanding the relationship between these two perspectives is what we call The Profit Equationsm

**Our goal is to leverage both sides of
The Profit EquationSM**



Difference in Perspectives

Financial Statements:	Business Statements:
Outcome Focused	Activity Focused
Historical Reports	Real-time Reporting
Lagging Indicators	Leading Indicators
Capture Transactions	Measure the Activities that Drive Transactions
Financial View	Financial <u>and</u> non-Financial View
It's all about the \$\$\$\$	It's all about the #####

People perform best when they understand the “rules of play” and the scoring method is clear.

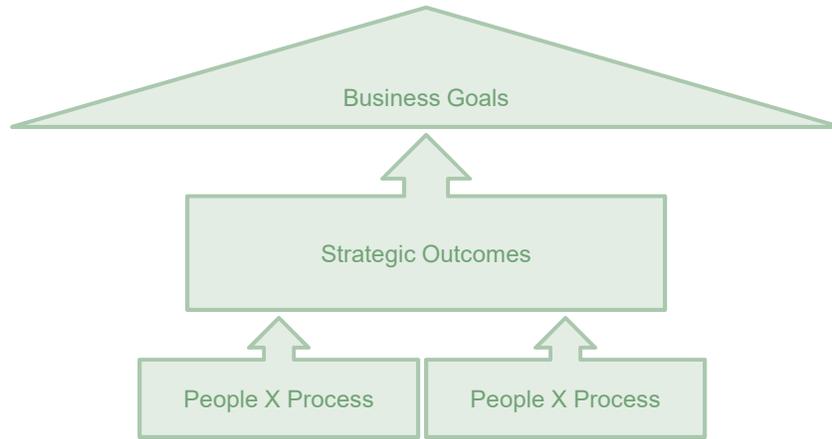
Our goal is to create a link between:

Traditional Financial Indicators
Revenue - Expenses = Profit

and

Key Performance Indicators
People x Process = Profit

The Lead Domino Theory



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Goal



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What are we really saying?



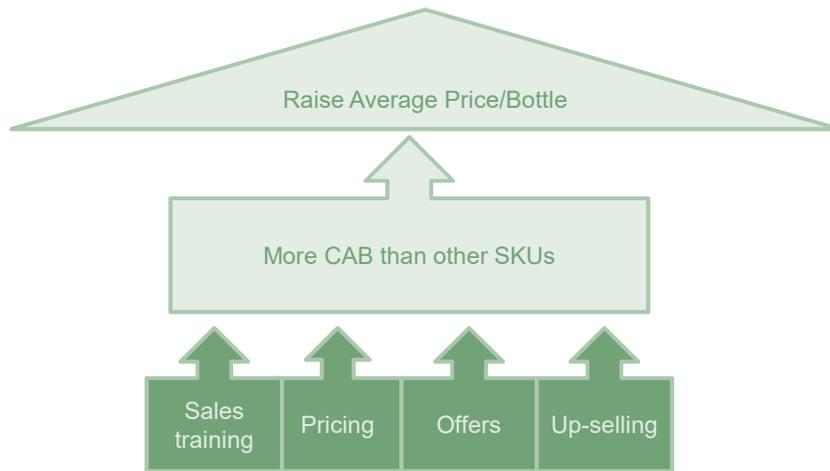
Which one is easier to work on?

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We focus on the lead dominoes

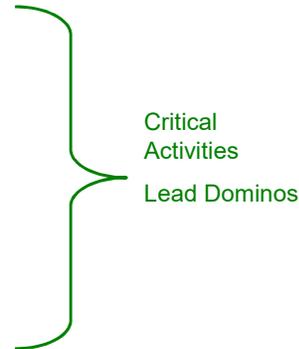


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A Systematic Approach To:

- ⦿ Identify
- ⦿ Measure
- ⦿ Monitor
- ⦿ Leverage
- ⦿ Continuously Improve



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Exercise - LeCouRougeWinery

Your goal is to increase (TR or Web) revenue by \$500,000 this year.

Strategies:

- ⦿ Price ↑
- ⦿ Volume ↑

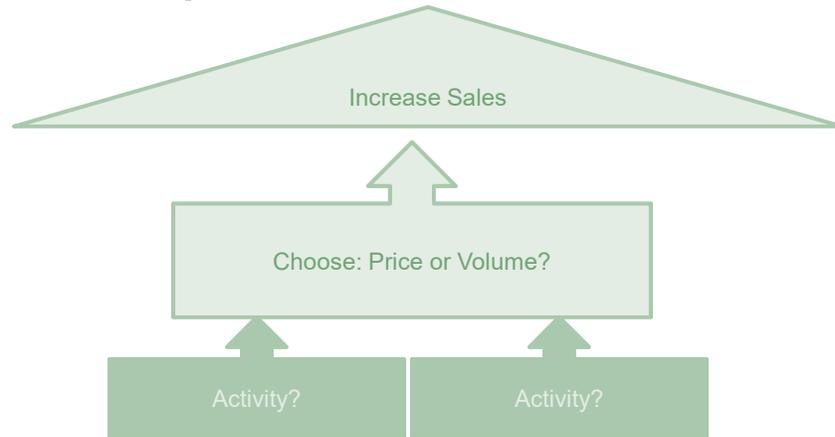
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Case Study

Step 1

- Identify Activities



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Case Study

Step 2

- Create measurements around activities

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Create measures



of _____

\$ _____

New _____

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Recap

- ◉ Inputs versus Outputs
- ◉ Leading versus Lagging
- ◉ Who should be involved in creating?

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What stood out for you?

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Thank you!

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