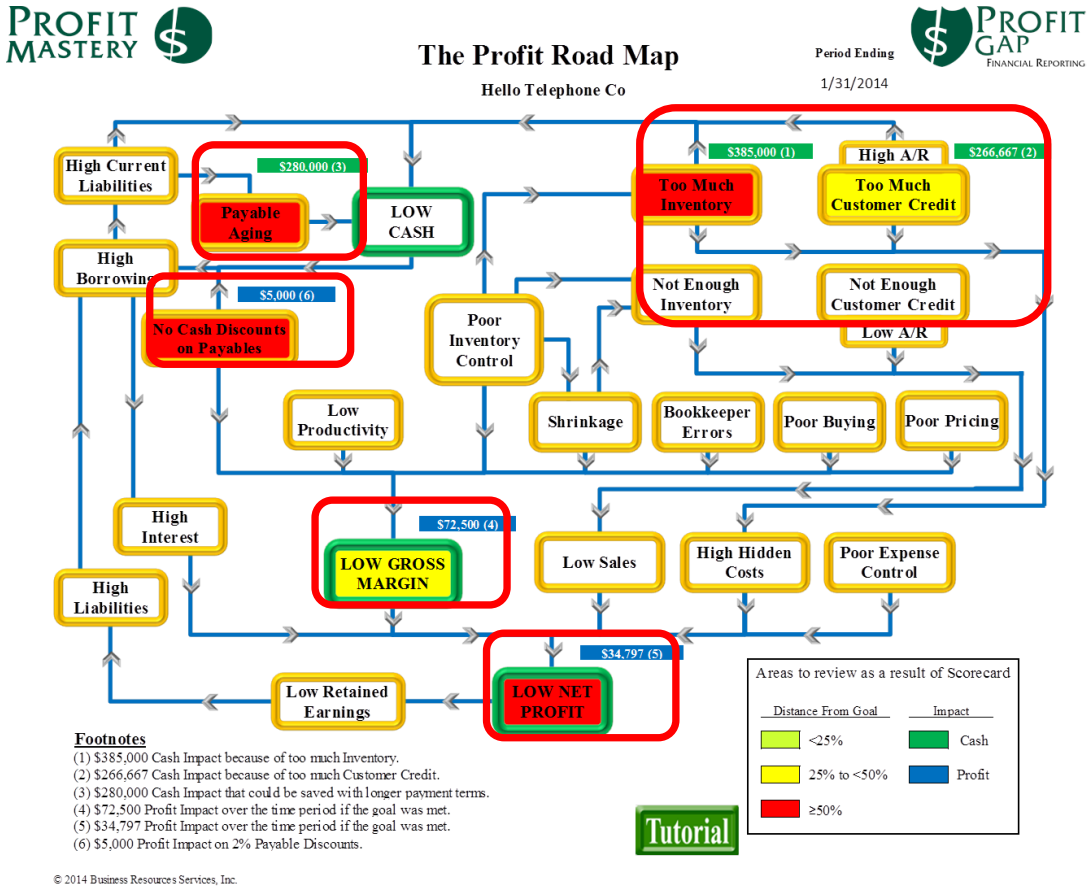
Profit Gap Tutorial

The Profit Road Map



The Road Map is a visual diagnostic tool designed to help identify key causal factors of financial underperformance. If your company has symptoms of Low (or declining) Cash, Low (or declining) Gross Margin, and/or Low (or declining) Net Profit, then begin the analysis process in one of those three shaded boxes.

The Road Map automatically identifies both Cash Impact and Profit Impact for the following boxes circled in red on diagram to the left:

- Payables Aging
- No Cash Discounts on Payables
- Too Much Inventory
- Not Enough Inventory
- Too Much Customer Credit (Receivables)
- Not Enough Customer Credit (Receivables)
- LOW GROSS MARGIN
- LOW NET PROFIT

These boxes will automatically change from white to yellow to red based on how your company is currently performing to goals on the Scorecard. Yellow signifies ***Caution*** at 20% or greater away from Goal. Red signifies ***Problem*** at greater than 50% away from goal. For the Platinum version of Profit Gap the goals are set to the top 10% of your industry peers based on the NAICS code you provided. This should be your ultimate goal to be "Best-in-Class" in your industry. When you see your first Platinum report it will show you realistic potentials for your business.

All report requests after the first report will allow you to change the scorecard goals when you are logged into your Profit Mastery Account and are request a report. The numbers near these same boxes identify the actual dollar value impact away from your goal.

To use the Road Map to identify the source of a Caution or Problem designated by one of the colored boxes, move upwards out of the colored box, against the direction of the arrow, toward a white box. As you travel against the arrow, say to yourself, "…is caused by…" or "…can be caused by…." For instance, moving from "Low Gross Margin" to "No Cash Discounts," you would say, "Low or Declining Gross Margin is/can be caused by not taking Cash Discounts." Then, ask yourself if that's an issue relevant to your company. What can be done to reduce or eliminate that causal factor?

Perform a similar brainstorming exercise for each potential cause of your particular symptom(s). Develop specific goals and action plans to treat every causal factor you identify.

Treating the identified potential causes of the symptom will lead to improved financial performance.