

PROFIT FIRST NATION

COGS & Subs: Answers to FAQs Episode #110 "Visual Recap"

Total Revenue

< Less COGS >

< Less Subs >

When COGS and/or Subs is Greater Than 24% of your Total Revenue, you need to deduct them to calculate Real Revenue

= Real Revenue

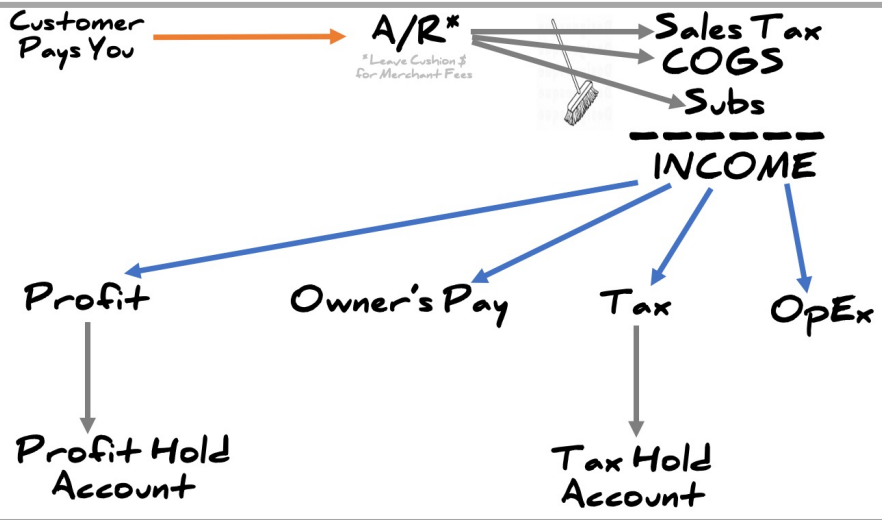
The Basis for your Allocations

There are only two ways to improve profitability:

#1. Increase Margin
(aka RAISE PRICES)

#2. Decrease Expenses

Take 5-minutes to do the Reverse Engineer Calculator



PROFIT FIRST NATION
Reverse Engineer Calculator
(Based on Owner's Pay Target)

Circle or highlight the column with the owner's pay range that you need to make in order to provide enough for housing, food, clothing/necessities, transportation and modest entertainment

() Step #1

REAL REVENUE	\$0 - \$20K	\$20K - \$50K	\$50K - \$1M	\$1M - \$5M	\$5M - \$10M	\$10M - \$50M
Owner's Pay Target:						
Low End of Range (\$)	\$ 5,000	\$ 87,500	\$ 100,000	\$ 100,000	\$ 250,000	\$ 300,000
High End of Range (\$)	\$ 125,000	\$ 175,000	\$ 200,000	\$ 500,000	\$ 600,000	\$ 1,500,000
Profit Target (%)	5%	10%	15%	10%	15%	17%
Owner's Pay Target (%)	50%	30%	20%	10%	5%	1%
Tax Target (%)	15%	15%	15%	15%	15%	15%
OpEx Target (%)	30%	40%	50%	65%	65%	65%
	100%	100%	100%	100%	100%	100%

() Step #2 Insert the target allocation percentages in the % column below based on the column you highlighted in Step #1

	%
Profit	
Owner's Pay	
Tax	
OpEx	0%

() Step #3 Insert the target Owner's Pay YOU NEED TO MAKE in the green box

	%	AUTO-CALCULATION:
Profit	0%	0% \$ -
Owner's Pay	0%	0% \$ -
Tax	0%	100% \$ #DIV/0!
OpEx	0%	0% \$ -

REAL REVENUE TARGET: #DIV/0!

REAL REVENUE	#DIV/0!
Profit	0% #DIV/0!
Owner's Pay	0% #DIV/0!
Tax	0% #DIV/0!
OpEx	0% #DIV/0!

() Step #4 What % of total sales is COGS and/or CONTRACTORS - enter % in GOLD boxes

SALES PLAN	REAL REVENUE	#DIV/0!	AUTO-CALCULATION:
REAL REVENUE	100%	#DIV/0!	100% #DIV/0!
COGS		#DIV/0!	
CONTRACTORS		#DIV/0!	
GROSS SALES	100%	#DIV/0!	100% #DIV/0!

() Step #5 Enter your "Average Sale" amount in the blue box below (this amount should be WHAT YOU SHOULD BE CHARGING - NOW IS THE TIME TO RAISE YOUR PRICES. REMEMBER: The only two ways to increase profitability are to: 1) Increase Margin, and 2) Decrease Expenses

Average Sale: #DIV/0!

of Sales Required: #DIV/0!

Sales Per Month: #DIV/0!

Sales Per Week: #DIV/0!

Sales Per Day: #DIV/0!

of selling days per week in the purple box

() Step #6 Keep adjusting your "Average Sale" price in the blue box above until you are comfortable with the # of sales required to make that happen (THE SECRET: Keep RAISING your "Average Sale" price!)

Marketing Expenses MUST Produce a 6X to 10X Return to Be Profitable

e.g. If it costs you \$200 to have a booth at a craft fair, you need to sell a minimum of \$1,200.00 at that craft fair