

## The Basic Equations

1

$$OR = (S - COS) - EXP$$

Absolute  
figures

2

$$PR = GMP - CPO$$

Profitability = Margin - Cost per Order

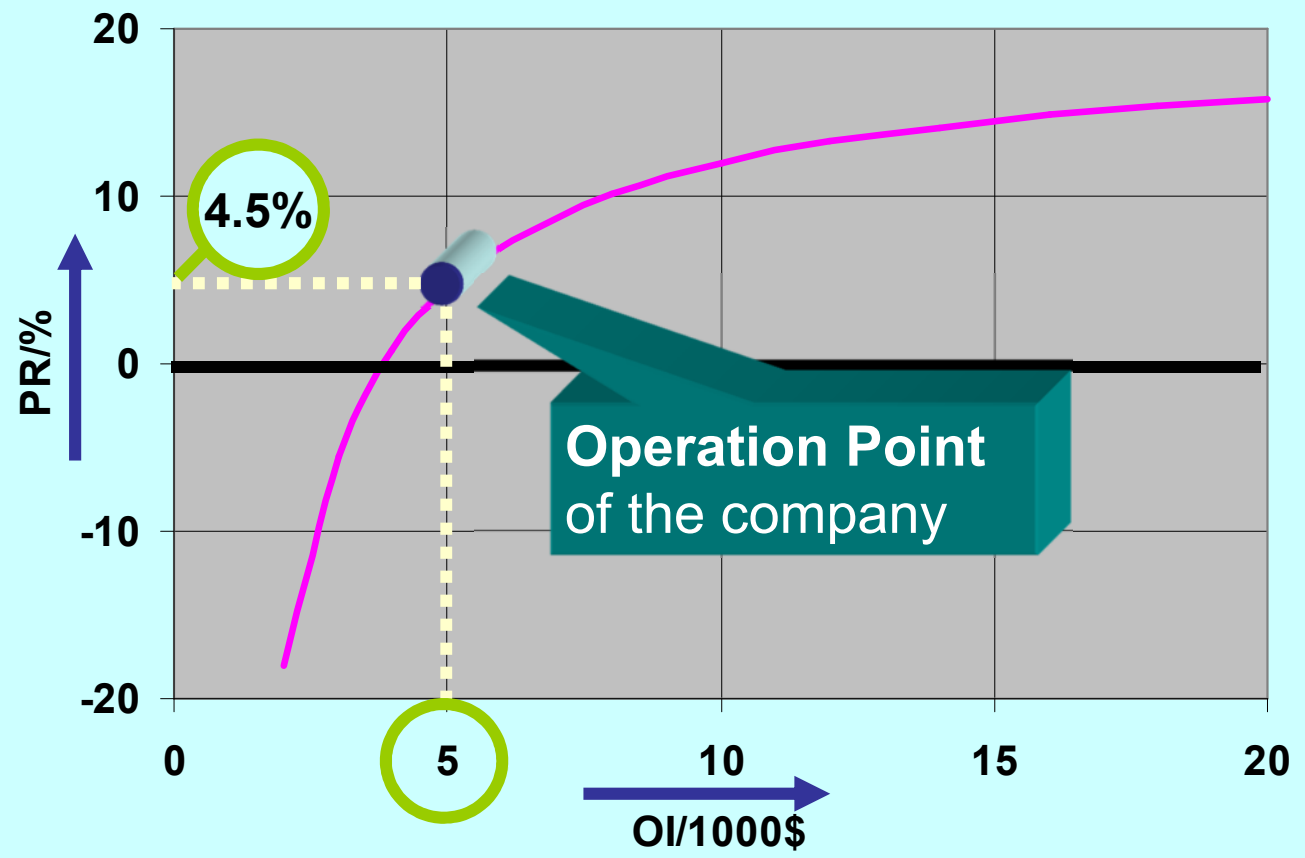
Ratios

3

$$PR = GMP - EXP/OI$$

Both  
mixed

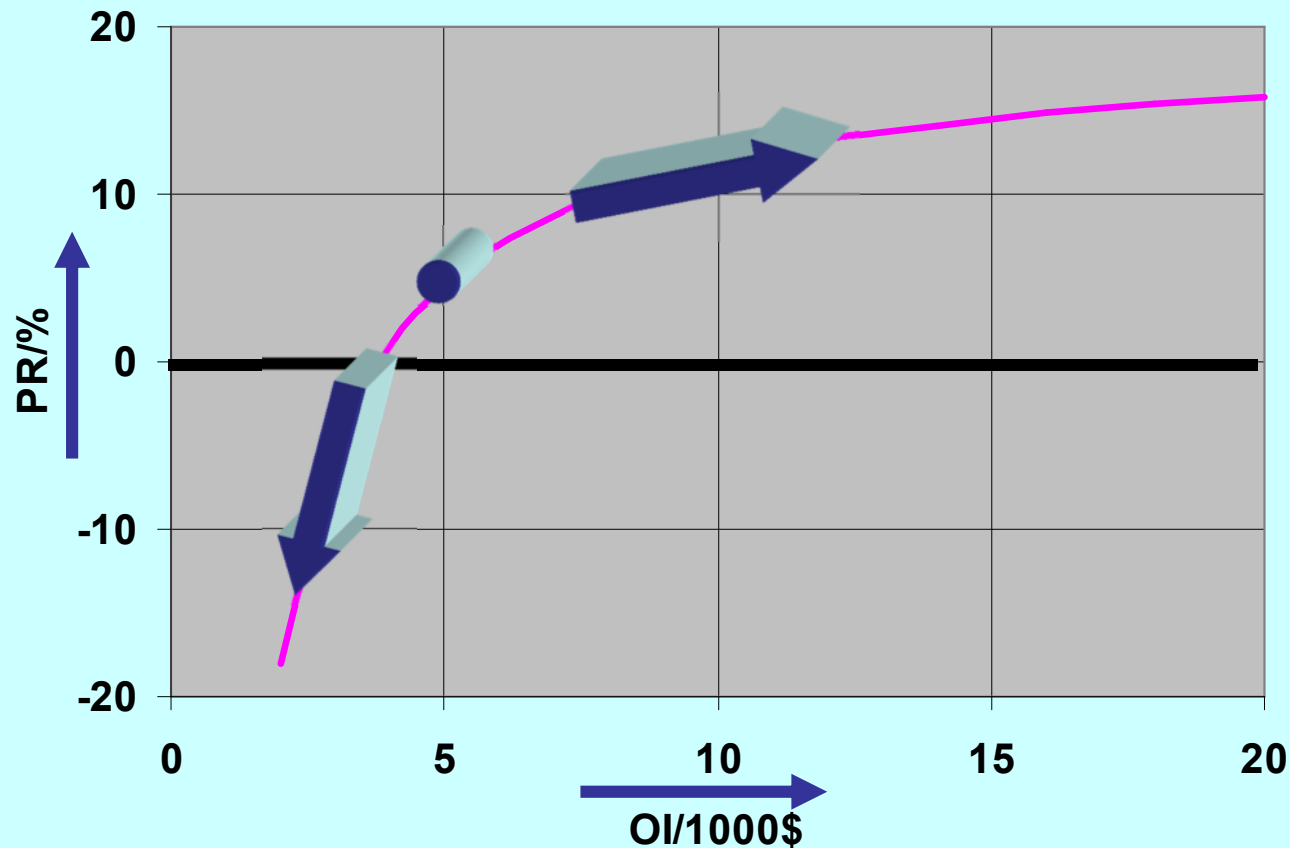
$$PR = GMP - EXP/OI$$



$GMP = 19.5\%$   
 $EXP = \$ 750$   
 $OI = \$ 5,000$

$CPO = 15\%$   
 $PPC = 30\%$   
 $PR = 4.5\%$

$$PR = GMP - EXP/OI$$

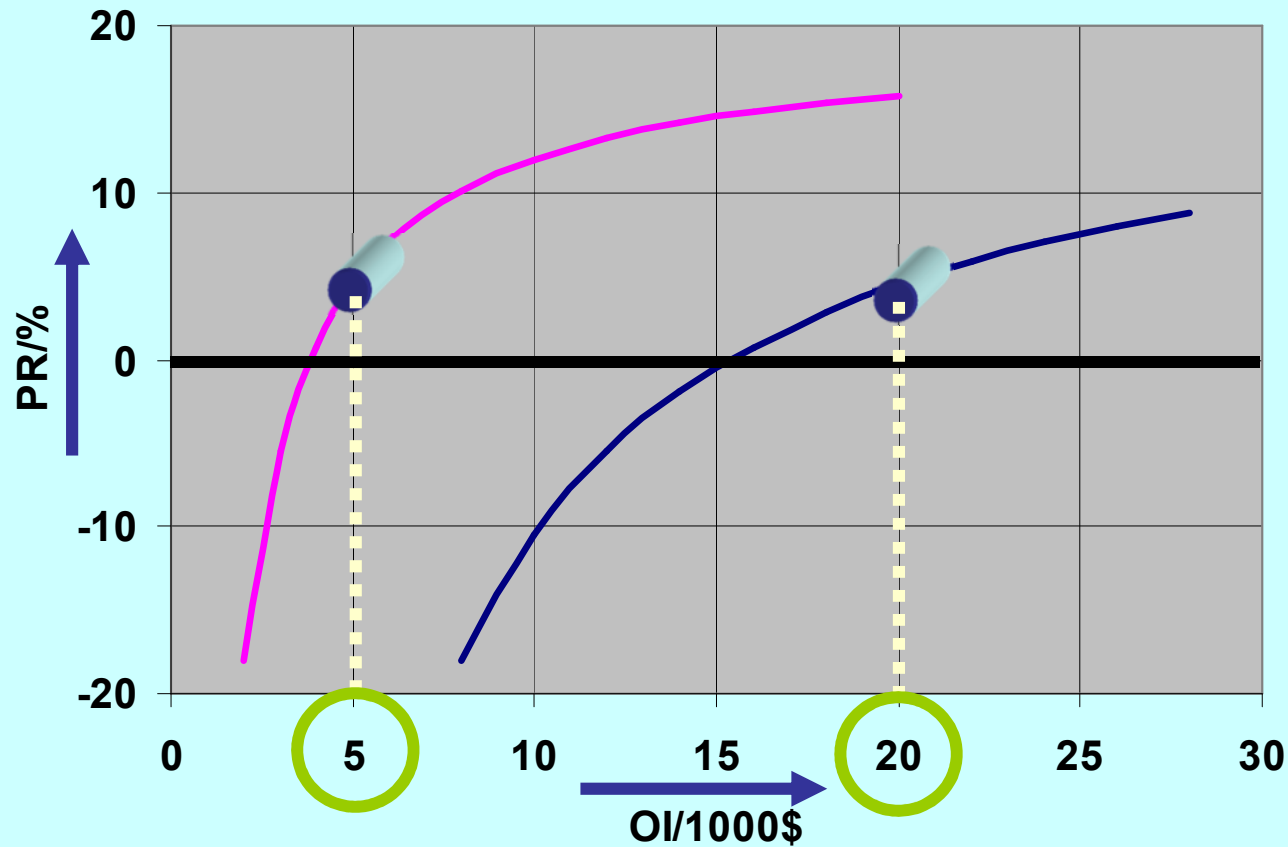


*GMP* = 19.5%  
*EXP* = \$ 750  
*OI* = \$ 5,000

*CPO* = 15%  
*PPC* = 30%  
*PR* = 4.5%

The impact of missed (planned) OI is much higher than overachievement

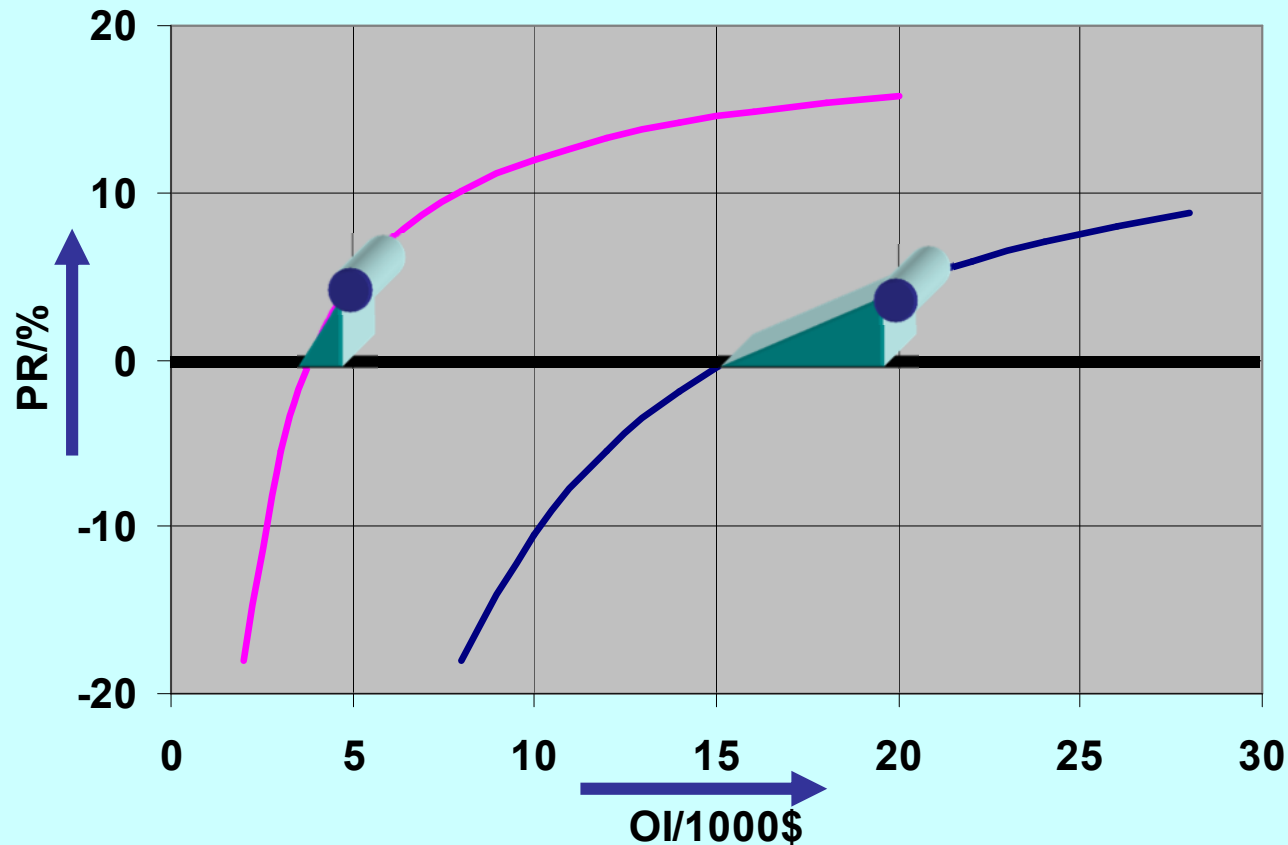
$$PR = GMP - EXPI/OI$$



$OI_1 = \$ 5,000$   
 $OI_2 = \$ 20,000$

$CPO = 15\%$   
 $PPC = 30\%$   
 $PR = 4.5\%$

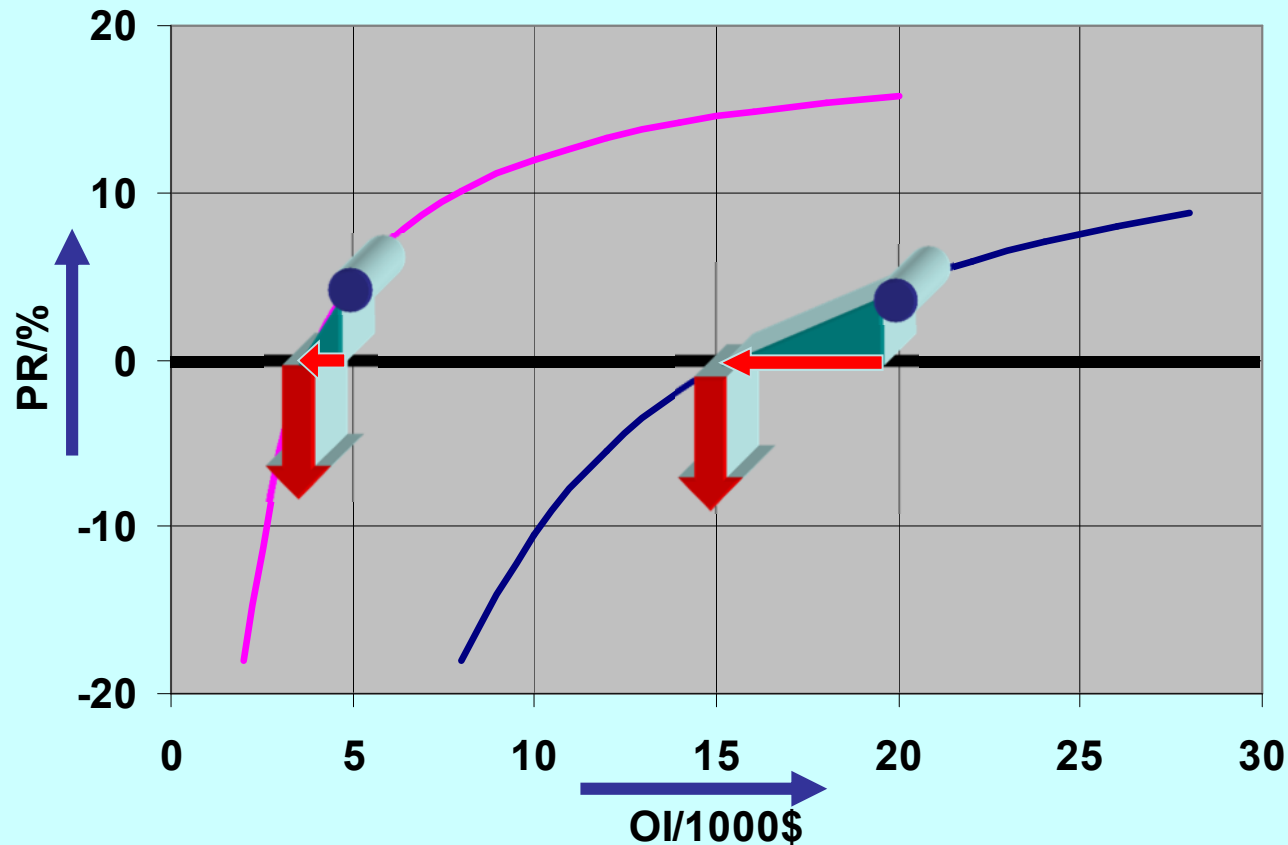
$$PR = GMP - EXPI/OI$$



Smaller companies react more sensitive on a missed OI target than larger companies

For more visit <http://bpmsg.com>

$$PR = GMP - EXPI/OI$$



How much deviation from planned OI results in losses?

$$\Delta OI_{B-E} = PPC_{plan} * OI * (CPO/GMP)$$



**Deviation from planned order income  
resulting in profitability of 0%  
“Break-even”**

**Planned CPO/GMP**

**Planned OI**

**Planned PPC**

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For a profitable organization (CPO/GMP) is always < 1

How much deviation from planned OI results in losses?



$$\Delta OI_{B-E} < PPC_{\text{plan}} * OI$$

For a profitable organization (CPO/GMP) is always  $< 1$

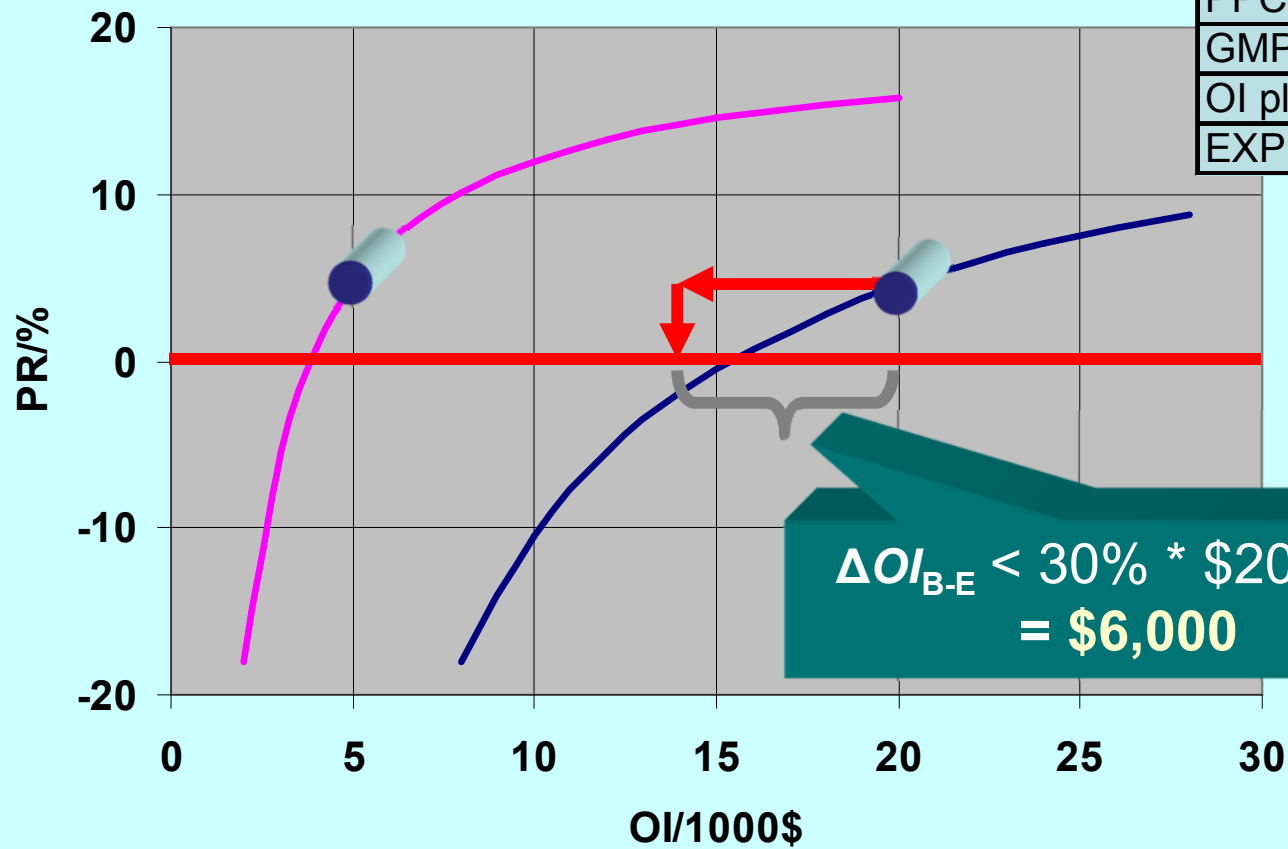


PPC is an indicator how much % deviation from the planned order income will result in losses for the company

$$\Delta OI_{B-E} < PPC_{\text{plan}} * OI$$

Example:

|             |       |
|-------------|-------|
| CPO         | 15,0% |
| PPC         | 30,0% |
| GMP         | 19,5% |
| OI plan T\$ | 20,0  |
| EXP T\$     | 3,0   |

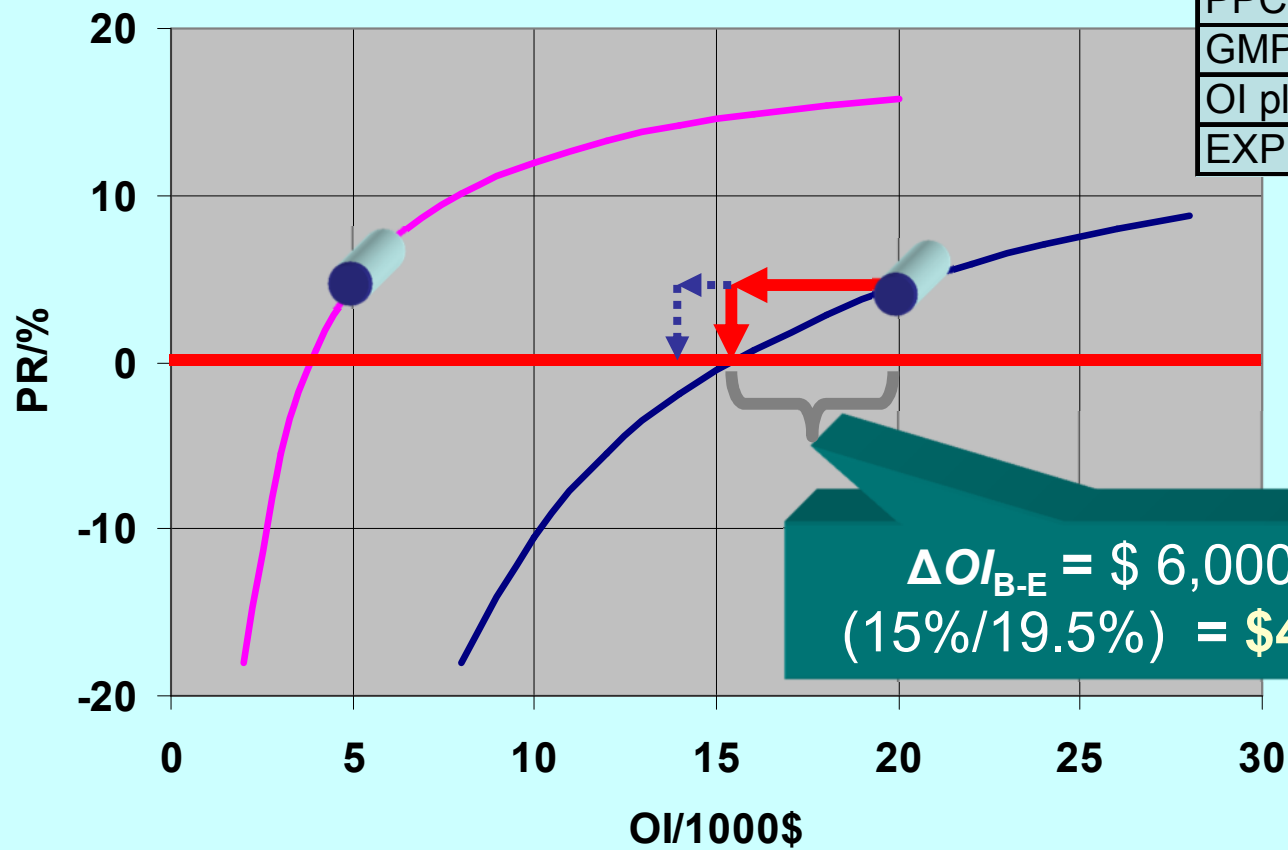


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$$\Delta OI_{\text{plan}} < \Delta OI_{\text{B-E}}$$

Any deviation  $\Delta$  from a planned order income  $OI_{\text{plan}}$  higher than  $\Delta OI_{\text{B-E}}$  will result in losses.

## Summary

- 1 The impact of missed (planned)  $OI$  is much higher than over-achievement
- 2 Smaller companies react more sensitive on a missed  $OI$  target than larger companies
- 3 A deviation from planned order income  $OI$  of more than  $PPC\%$  will result in losses.
- 4 An increasing  $PPC$  will increase  $\Delta OI_{B-E}$  and give a higher tolerance to variation of order income