Roadmap Analysis

Company Name__________________________________

Step 1: Review Your Trends

A. Review your 3-year Balance Sheet and Income Statement Spreadsheet
   1. Next to each line, put a “+” for a positive trend (i.e., sales increasing or costs decreasing as a percentage), or a “—” for a negative trend (i.e., sales going down, costs going up).
   2. Put a question mark next to any line or items you may have questions about, or need to get additional information.

B. Repeat the process with your 3-year Benchmark Ratio Report
   1. Next to each line, put a “+” for a positive trend, or where you are above the industry benchmark, or a “—” where the trend is down, or you are below the industry benchmark.
   2. Put a question mark next to any line or items you may have questions about, or need to get additional information.

Step 2: Summarize What You Find

Summarize your top positive and negative issues and questions from parts A & B in Step 1 to the chart below:

+       —

Things I have questions about

1. _____________________________________________
2. _____________________________________________
3. ______________________________________________
4. ______________________________________________
5. ______________________________________________

Step 3: Find the Dollars!

Take out your Road Map. Review your minus column items and locate them on the Road Map. Follow the arrows back up to determine the causes behind the issue. Then, calculate how many dollars this item may be costing you, using the attached worksheets.

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The Road Map
Cause-and-effect relationships leading to financial distress.

LOW CASH
- High Current Liabilities
  - High Borrowing
    - No Cash Discounts on Payables
      - Poor Inventory Control
        - Low Productivity
          - Shrinkage
            - Bookkeeping Errors
              - Poor Buying
                - High Hidden Costs
                  - Poor Expense Control

LOW NET PROFITS
- Low Retained Earnings
  - Low Sales
    - High Hidden Costs
      - Poor Expense Control

LOW GROSS MARGIN
- Low Productivity
  - Shrinkage
    - Bookkeeping Errors
      - Poor Buying
        - High Hidden Costs
          - Poor Expense Control

Too Much Inventory
- Not Enough Inventory
  - Not Enough Customer Credit
    - Low A/R

Too Much Customer Credit

Learn how to use the Road Map: www.brs-seattle.com/roadmap.html
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Step 4:  Add up the dollars and put them on your Road Map

<table>
<thead>
<tr>
<th>ISSUE</th>
<th>CASH IMPACT</th>
<th>PROFIT IMPACT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inventory</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Accts. Rec.</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Gross Margin:</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>-No discounts</td>
<td></td>
<td></td>
</tr>
<tr>
<td>-Productivity</td>
<td></td>
<td></td>
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<tr>
<td>-Inventory Controls</td>
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<tr>
<td>-Poor Buying</td>
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<td>-Poor Pricing</td>
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<tr>
<td>Overhead Controls</td>
<td>$</td>
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<tr>
<td>Hidden Costs</td>
<td>$</td>
<td>$</td>
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<tr>
<td>Misfinancing</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Other:</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td></td>
<td>$___________</td>
<td>$_____________</td>
</tr>
<tr>
<td><strong>TOTALS</strong></td>
<td>$___________</td>
<td>$_____________</td>
</tr>
</tbody>
</table>

Step 5:  Set Targets and Develop Action Plans

1. Using your Goal Worksheet, set target numbers for Sales, Gross Margin, Productivity and Cash Flow

2. Determine your top 3 Management Issues

3. Develop plans of action. Use the SMART goal setting system:
   - **Specific**
   - **Measurable**
   - **Aggressive**
   - **Realistic**
   - **Timeline**

*For example:*

My goal is to improve my gross margin by three percent by the end of the 3rd quarter next year. I will measure my progress on a monthly basis—both storewide and by department. I will review pricing policies with my staff and pay commissions based on margins, not sales. I will review my inventory by department and determine which price points have sold in the past. I will also get advice on my pricing policies from industry experts.
# Improve Cash Flow and Profits

## Worksheet 1

### Inventory Turns

**Information Needed**

1. FYE or Annualized COGS $ 
2. Actual Inventory from Balance Sheet $ 
3. Turns (COGS ÷ Inventory) a. Actual _______ b. Industry (Goal) _________

**Calculations**

A. COGS / Industry Turn (#1 ÷ #3a) $ _________ ÷ _____ = $ _________

B. Extra Cash tied up in Inventory

   - Inventory on Hand (#2 above) $ 
   - (less) Inventory Target (#A above) -

<table>
<thead>
<tr>
<th>Excess Inventory $’s</th>
<th>$</th>
</tr>
</thead>
<tbody>
<tr>
<td>(at industry average or goal level of performance)</td>
<td></td>
</tr>
</tbody>
</table>

### Accounts Receivable Turns

**Information Needed**

1. FYE or Annualized Sales $ 
2. Actual A/R from Balance Sheet $ 
3. Turns (Credit Sales ÷ A/R) a. Actual _______ b. Industry (Goal) _________

**Calculations**

A. Sales / Industry Turn (#1 ÷ #3a) $ _________ ÷ _____ = $ _________

B. Extra Cash tied up in A/R

   - Accounts Receivable on Hand (#2 above) $ 
   - (less) Accounts Receivable Target (#A above) -

<table>
<thead>
<tr>
<th>Excess A/R $’s</th>
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Improve Cash Flow and Profits
Worksheet 2

Gross Profit

Information Needed
1. Annualized Sales or FYE Sales $____________________
2. Industry (or Goal) average GPM __________ %
3. Company's GPM __________ %

Calculations (If industry GPM is greater than company's GPM)
A. Industry GPM — Company GPM % — % = %
B. Line A. percentage x Annualized Sales (#1) % x $ = $__________ *

*Represents increased $'s of Gross Profit you would realize on an annualized basis if you were to achieve a margin equal to the average of the industry or at your goal.

Net Profits

Inventory Hidden Costs

Information Needed
1. Excess Inventory $'s from Worksheet 1: $_________________
2. Hidden Cost Factor "HC" (20% — 36%) __________ %

Calculations
"HC" (#2) x Excess Inventory $'s (#1) _____% x $_________ = $__________ *

*Potential Hidden Costs incurred at current level of inventory management inefficiency

Accounts Receivable Hidden Costs

Information Needed
1. Excess A/R $'s from Worksheet 1: ____________________
2. HC Factor "HC" (20% — 36%) %

Calculations
"HC" (#2) x Excess A/R $'s (#1) _____% x $_________ = $__________

*Potential Hidden Costs incurred at current level of A/R management inefficiency