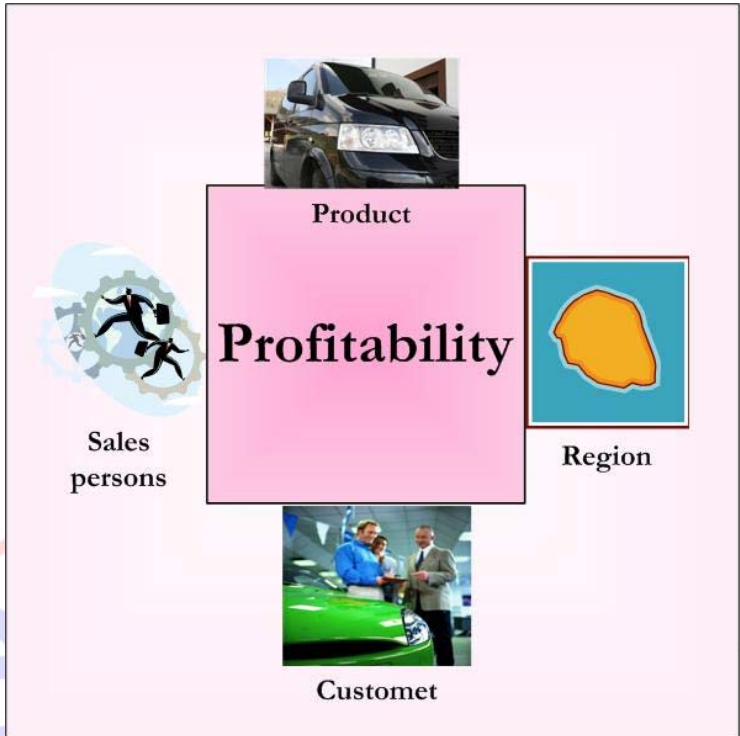


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Reduce Cost, Improve profitability and Customer Relations

Business Performance Sustained

**Best Practice**

**eXensys – Profitability**

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## Introduction:

This document provides the information about profitability in terms of profitability importance and analysis, profitability and sources of profit to the organizations. Profit is the most important factor in every organization when it is below target values. Organization has to address many potential problems. For example, is the prices have been reduced from pressure of customers or the product's value is not being communicated to the customers or cost of goods is out of range. Every organization is established and investment is made with the key aim of generating profits out of their operations. In all the organizations, profitability is the primary goal to survive the industry in the long run. To survive the organization in the long run it is important that every industry has to measure the current and past profitability and also to project the future profitability.

Understanding the product, customer, region and sales person's profitability is vital to any business. Organization needs to know which products and customers are making the largest contributions to the bottom line for better performance management. By measuring the past, current and future performance, it is easy to improve the profitability.

## Overview:

Profit is simply defined as Profit = earnings – cost. Profitability can be defined as either accounting profits or economic profits. Every organization looks to increase the profitability in order to increase the profitability of the organization. It must be either to increase the earnings or to reduce the costs. To increase the sales profitability, organization must be able to analyze products, region, volume of sales and customers, and sales person's performances. Based on these parameters, the company has to measure the current, past profitability and the future profitability. Profitability measures with revenues and expenses. The income will be generated for selling the products or providing services to others. While generating the income, what ever the activities are involved such as usage of sales person, usage of products, and usage of channel, it will come under the expenses such as sales person salary, and product cost.

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Every organization has to work on reasons for calculating profitability like whether the organization is maintaining profitability for the past period or projecting profitability for the coming period. Measuring the profitability is the most important measure for the success of business. A business which is not profitable cannot survive. Increasing profitability is one of the most important tasks of the business managers. Managers constantly look for ways to change the business to improve profitability in the point of products, customers, regions and sales teams. If the profit of organization comes down, then the managers have to work on the reasons.

To analyze profitability in different ways such as

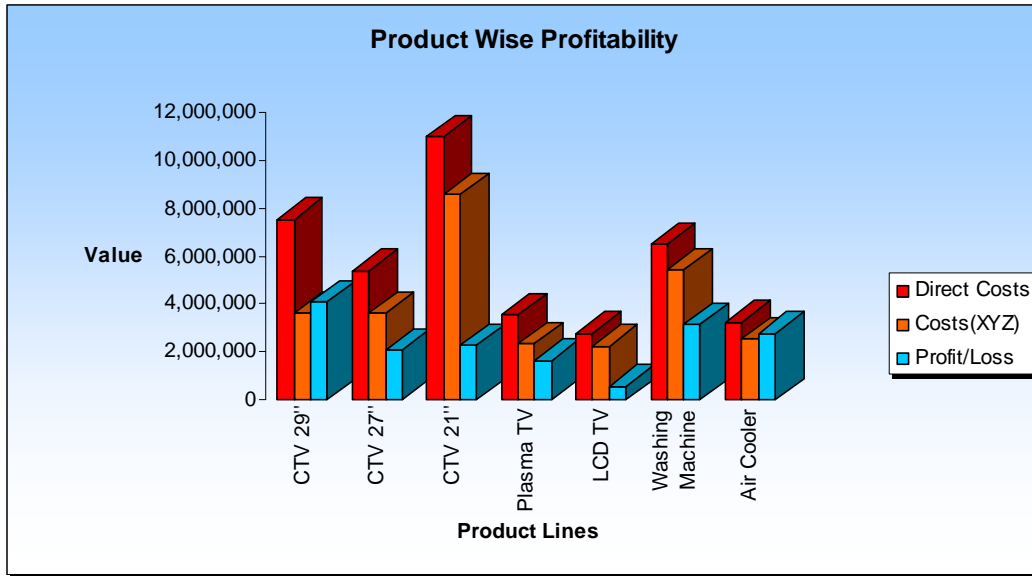
1. Product Profitability
2. Profitability by Region
3. Profitability by Customers
4. Sales persons wise profitability

Every organization has many challenges to measure product probability or to understand product probability about their products. Product probability is further complicated by sales and supply, which includes obtaining, manufacturing, delivering, marketing, selling and returning these products. Organization has to understand all the direct and indirect costs of their products. Product is one of the sources of profit. Every organization has to analyze which product gives more profit and compare to the other products. Product is one of the most critical parts of profits of the organizations and most importantly to get the profit from different products. Based on the analysis, the company has to know about the product management in getting the right products to the right customers profitably.

#### Example: Profitability analysis by Product Lines

Product	Revenue	Direct Costs	Costs(XYZ)	Profit/Loss
CTV 29"	15260000.00	7,550,200	3,625,100	4,084,700
CTV 27"	11055600.00	5,400,200	3,600,000	2,055,400
CTV 21"	21844500.00	11,020,500	8,570,500	2,253,500
Plasma TV	7540500.00	3,560,400	2,341,200	1,638,900
LCD TV	5565200.00	2,765,200	2,245,100	554,900

Washing Machine	15055400.00	6,510,300	5,412,000	3,133,100
Air Cooler	8565300.00	3,250,003	2,534,000	2,781,297

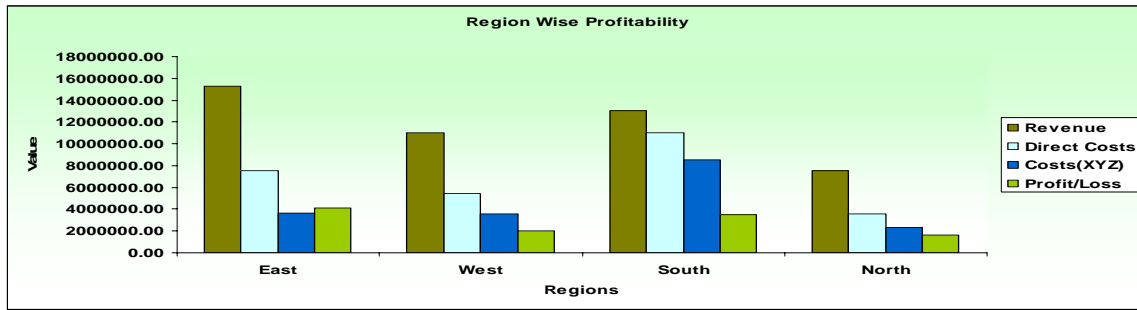


### Region wise Profitability:

Region is one of the important factors for the source of profits in every organization. Every organization should be analyzed based on the region wise sales and costs. The organization should analyze the total revenue per region, the costs involved and the total profit. Based on this, the organization can analyze which region is best for sales and profit. And, the organization needs to measure and monitor the weak profitability regions. Exensys provides the best solution to segregate the different regions and assign customers and sales persons to the regions based on which the organization can provide more relationship with customers.

### Ex: Profitability analysis by Regions

Region	Revenue	Direct Costs	Costs(XYZ)	Profit/Loss
East	15260000.00	7,550,200	3,625,100	4,084,700
West	11055600.00	5,400,200	3,600,000	2,055,400
South	13050100.00	11,020,500	8,570,500	3,510,200
North	7540500.00	3,560,400	2,341,200	1,638,900

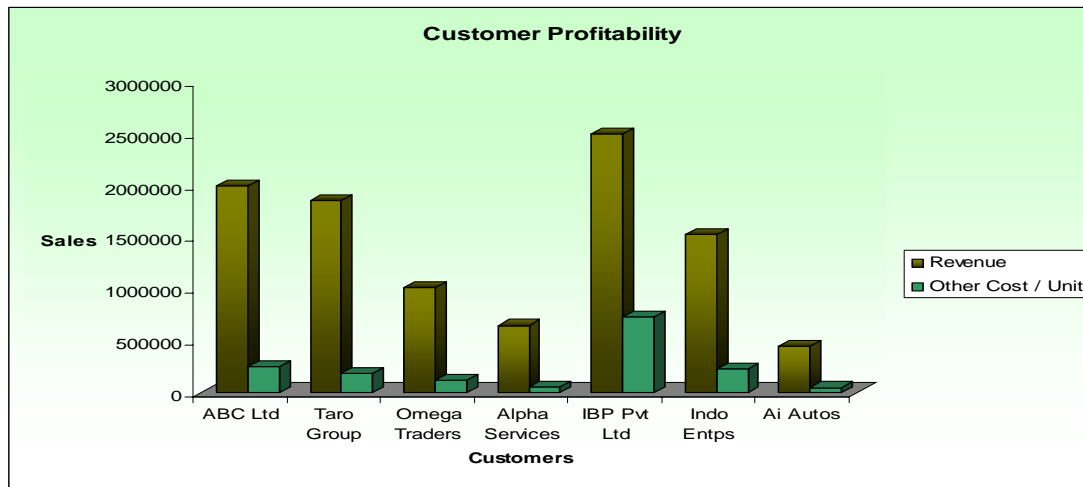


### Customer Profitability:

Customer profitability explains about the understanding of how each day managers are faced with the choice of providing better services to their customers. Organizations need to identify the potential customers, profitable customers and unprofitable customers. Exensys customer profitability helps how the customer profitability drives product profitability and how the product holding drives customer profitability. In every organization, the entire sales depend on the customers, so customers are one of the important factors in profitability.

Organization need to analyze customers credit days, pricing, pending payments, advances and different costs like transport cost, handling charges, based on which the profitability can be measured. The breakdown in relationships between organization and customer happens when the organization doesn't measure and manage customer profitability. Exensys customer profitability supports multiple and changing profiling of customers with saved data, based on which the organization retains valuable relationship with the customers. Exensys customer profitability facilitates the computation and measuring of profitability across multiple dimensions continuously.

Customer	Revenue	Other Cost / Unit
ABC Ltd	2000000	250000
Taro Group	1855000	185500
Omega Traders	1010200	120500
Alpha Services	650000	55100
IBP Pvt Ltd	2500500	730000
Indo Entps	1525300	228700
A1 Autos	450100	50000



### Profitability by Sales Persons

Sales persons are playing key role in generating profits to the organization. Every organization suffers the problem with managing sales team. Sales persons are company's critical link to customers. Exensys provides best solution to manage sales teams and assign sales targets to them on different criteria's. Exensys provides past historical data through reports based on that, the managers can analyze and manage the team performance. When ever sales team manages in good condition, then the profits of the organization will increase. Also, it helps to manage sales team including expenditure, plan promotions and other sales activities.

### Benefits:

- Improving profitability percentage.
- Reduce cost and expenditures.
- Quickly and accurately identifies organization's most profitable products.
- Monitor and execute the historical data.
- Maintain good relationship with customers.
- Quickly and accurately identifies organization's most profitable customers.
- Improve sales force intelligence regarding customers, products and their profitability.
- Improve profitability from sales persons.

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- Provides better information about regions on profitability.
- Reduce competition based on analysis.

**Conclusion:**

Organizations are looking to reduce the cost and improve the profits based on the usage of parameters like product, region, channel sales, customers, and sales team.

- Improving profitability is not easy to the organizations as they need to analyze all the historical data. Exensys provides all the historical information.
- Exensys provides reliable and profitability measurement.

