SAMPLE RESULTS · WORKED EXAMPLE

# Profit Diagnostic

How a £4m business found its fastest routes to more profit, and turned them into a 90-day plan.

### MEET BRIGHTWATER FABRICATIONS

A fictional sheet-metal fabricator that sells to other businesses on 30–60 day terms. It's profitable and busy, and the owner wants to grow. We use it in our Levers for Growth guide and as the example in every Castle FD tool.

| | |
|---|---|
| Annual sales | **£4,000,000** |
| Gross margin | **40%** |
| Overheads | **£1,200,000** |
| Operating profit | **£400,000** |
| Debtor / stock / creditor days | **60 / 45 / 40** |
| Cash in the bank | **£250,000** |

## What Brightwater did

The diagnostic covers four areas: Increase Revenue, Improve Margin, Reduce Overheads and Optimise Business Model, 128 questions in all. Brightwater's owner started with **Improve Margin**, which covers pricing, product mix, purchasing, labour, quality, and billing and recovery. Each question offers four answers, from best practice to "never done".

**14**
medium or high-impact opportunities found in Improve Margin

**6**
rated quick wins, to start in the first four to six weeks

**22**
questions answered, about 15 minutes for one area

## How the priorities are set

Each opportunity is scored out of 100 on four factors, which you can adjust to fit your situation: the size of the £ impact, how easy it is, how quickly it pays back and what it costs. The diagnostic then orders them into a plan, with an owner and a timescale for each.

## Brightwater's action list (top 10 of 14)

| # | Action | Owner and timing |
|---|---|---|
| 1 | **Pricing review cadence**<br>Schedule an annual pricing review and model the impact of a 5–10% rise. | FD / MD · Wks 1–4 |
| 2 | **Discount governance**<br>Discount authorisation policy, manager sign-off above a threshold, discounts tracked monthly. | FD / MD · Wks 1–4 |
| 3 | **Focus on higher-margin lines**<br>Make the top three margin lines the focus of sales and delivery. | MD / FD · Wks 2–6 |
| 4 | **Purchase order controls**<br>PO system with an approval threshold and authorisation levels by role. | FD / Ops · Wks 1–4 |
| 5 | **Productivity and downtime**<br>Utilisation and output KPIs for every productive role, reviewed monthly. | Ops / MD · Wks 2–6 |
| 6 | **Write-offs and credit notes**<br>Monthly write-off and credit note report, by value, reason and who authorised it. | FD / MD · Wks 1–4 |
| 7 | **Customer mix**<br>Rank customers by gross margin and cost to serve; review the bottom 10%. | FD / MD · Wks 2–6 |
| 8 | **Waste and rework tracking**<br>Monthly cost-of-quality report in £: scrap, rework, returns, credit notes. | Ops / MD · Wks 2–6 |
| 9 | **Billing accuracy**<br>Pre-billing checklist; compare actual and quoted hours weekly. | FD / Ops · Wks 1–3 |
| 10 | **Payment terms**<br>Standard terms on every invoice, automated reminders, debtor days tracked monthly. | FD · Wks 1–3 |

## What surprised the owner

It had expected the answer to be overheads. The biggest gaps were in pricing and in work slipping through unbilled: no annual price review, discounts given freely, and jobs that overran their quoted hours without anyone noticing.

## What Brightwater did next

It took the first three actions into the next 90 days, one owner each, and booked a review at day 45. Then it ran the Increase Revenue area, to compare the two lists.

TRY IT ON YOUR OWN NUMBERS

**Start the Profit Diagnostic**

castlefd.com/profit-diagnostic