

#89th Marketing Club 4th Dubai

51st Business Club

Profit Management Basics

Tuesday 2-5-2023

9 PM EGY 9 PM KSA 10 PM UAE

FOUNDER & HOST

Dr. Mahmoud Bahgat



INSTRUCTOR

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Profit Management

Ahmed Abdelwahab

Business unit head

Takeda

Biography

- ✓ Pharmacist
- ✓ Graduated from the faculty of Pharmacy, Alexandria University, 2007
- ✓ MBA Holder- Advanced Marketing.
- ✓ 16 years of diversified experience in Egypt, KSA & GCC.
- ✓ Experience in product launches, P&L management, leadership and managing teams
- ✓ Passionate about training, public speaking, sales ,and marketing management & business consultations
- ✓ BUH –Takeda.





Always remember!





Agenda

1. Introduction
2. What is profit management?
3. Why is profit management crucial?
4. How to manage the profit effectively?
5. Tools needed for effective profit management.
6. Who is the profit manager?
7. Skills needed for a successful profit manager.
8. Some financial definitions.



Introduction

Profit management is an essential aspect of running a successful business. It involves analyzing financial data and making strategic decisions to optimize profits.

Effective profit management requires a deep understanding of the business's revenue streams, expenses, and overall financial performance.

By implementing sound profit management strategies, businesses can increase their profitability, improve cash flow, and achieve long-term success.



What is the meaning of revenue streams?

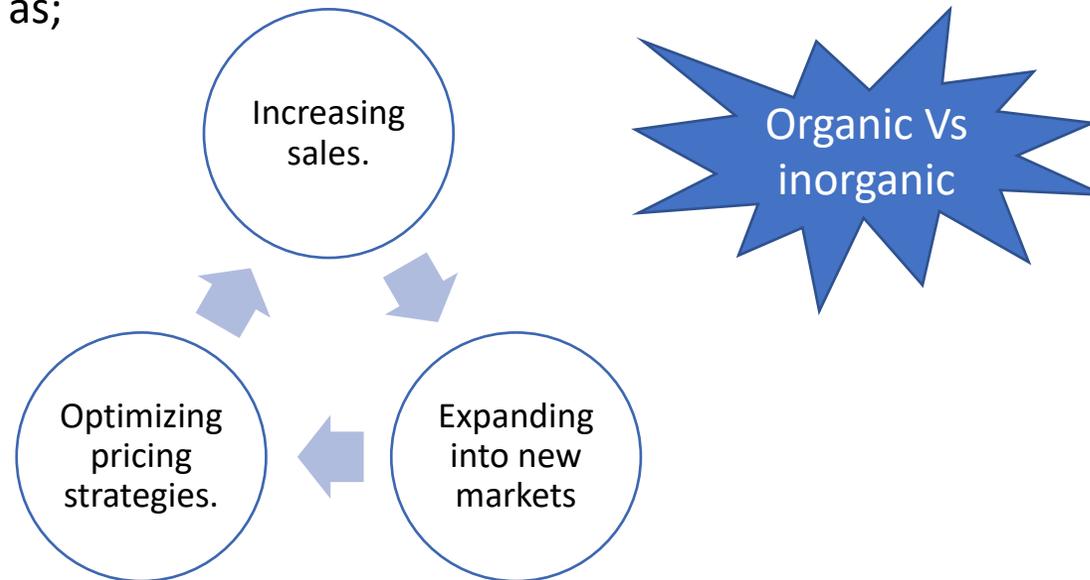
Revenue streams refer to the various sources of income or revenue a company generates through its products or services. In finance, revenue streams are a key aspect of a company's financial model and are closely monitored by investors and analysts.

For example, **a software company** may have revenue streams from the sale of its software products and ongoing support and maintenance fees. An **e-commerce company** may generate revenue streams from the sale of goods, as well as from advertising and affiliate marketing.



Maximizing Revenue

One of the primary goals of profit management is to maximize revenue. This can be achieved through various means, such as;

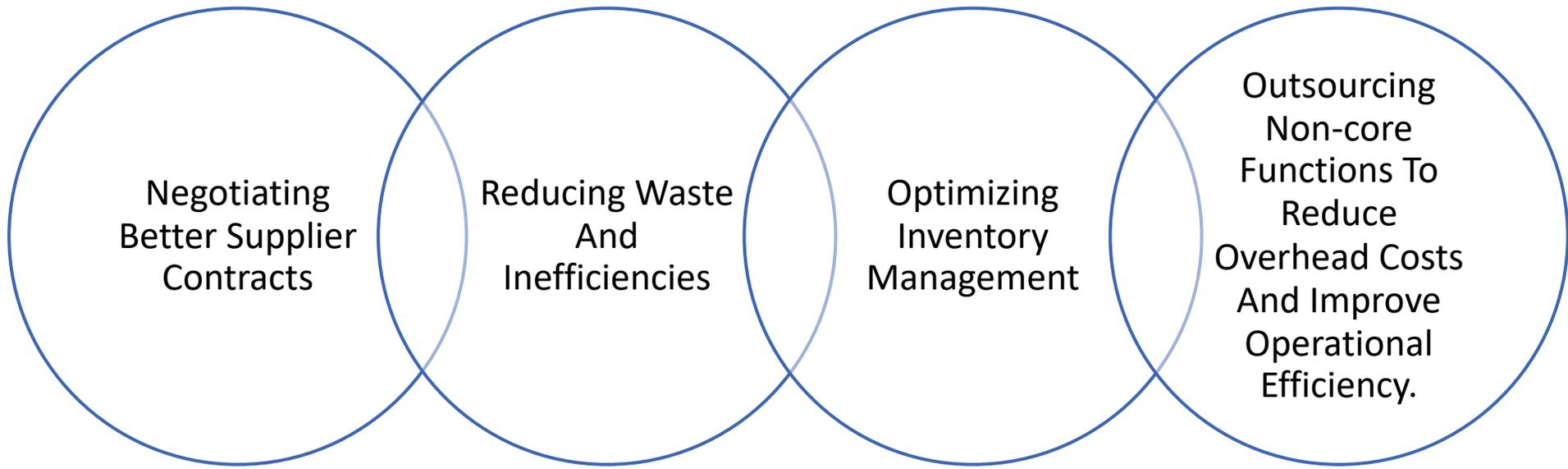


- To maximize revenue, businesses must first identify their **most profitable products or services and focus on promoting them (20-80)**
- They can also explore new revenue streams by developing complementary products or **expanding into related markets.**



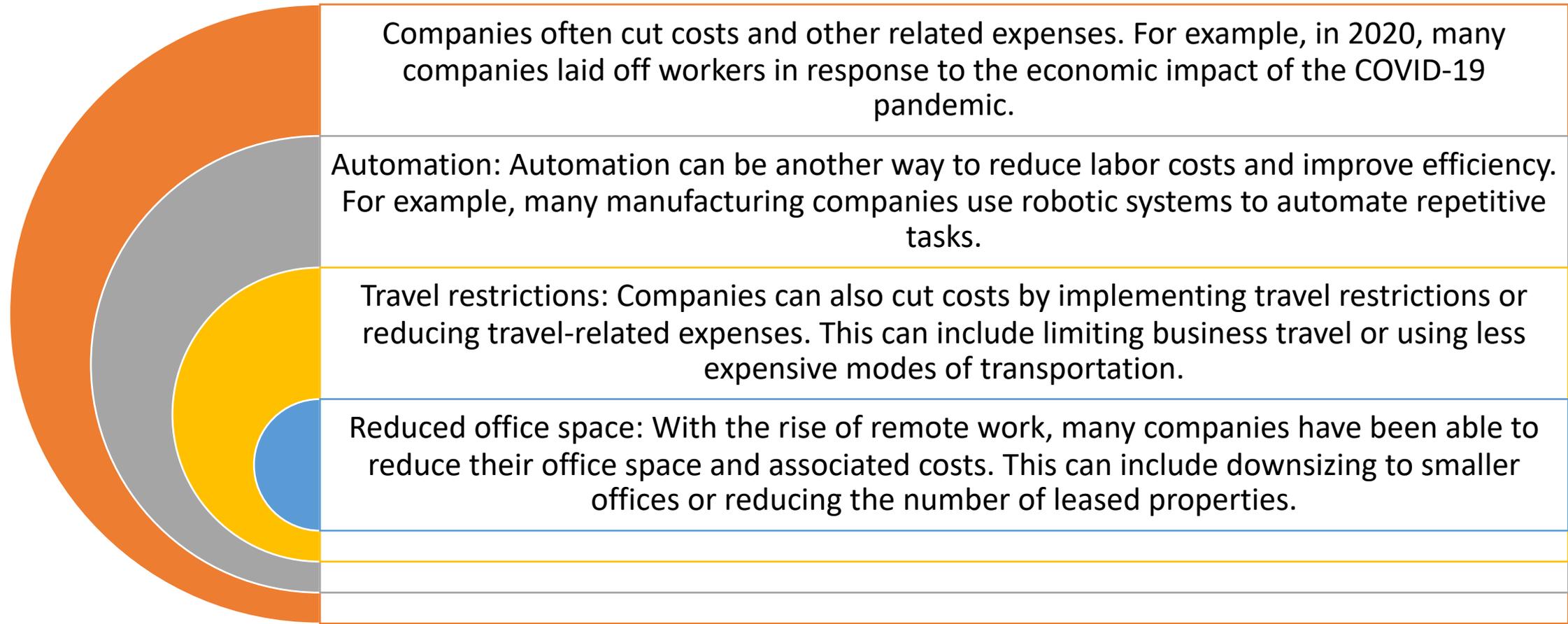
Controlling Costs

While revenue growth is essential, it is equally important to keep expenses under control to maintain profitability. This requires thoroughly analyzing all expenses, including fixed and variable costs. Businesses can implement cost-saving measures such as:





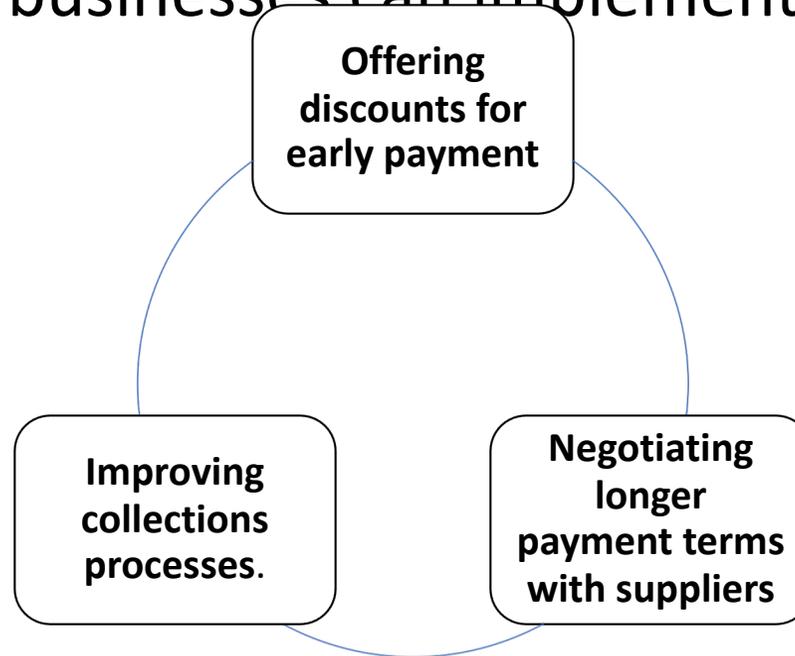
Other ways to control cost





Improving Cash Flow

- ✓ Effective profit management can also help businesses improve their cash flow. This is essential for investing in future growth opportunities.
- ✓ To improve cash flow, businesses can implement strategies such as:





Investing in Growth

Finally, effective profit management enables businesses to invest in future growth opportunities. By maximizing profitability and improving cash flow, businesses can allocate resources towards **expanding into new markets, developing new products, or acquiring complementary businesses.**

By making smart investments in growth, businesses can stay ahead of the competition and achieve long-term success.



What will happen if companies don't focus on profit ?

- If companies don't focus on profit, they may **struggle** to :
 1. **Stay competitive**
 2. **Attract investors**
 3. **Continue operating in the long term.**

Profit is a key factor in a company's ability to sustain itself, pay bills and employees, invest in research and development, and grow the business. Without a focus on profit, a company may not have the resources to achieve its goals or fulfill its mission.



Examples of companies that have failed due to profitability:



Blockbuster: The popular video rental store chain shut down in 2013 due to declining revenue as customers shifted towards online streaming services.



Kodak: Formerly a leader in photography and film, Kodak went bankrupt in 2012 as digital photography became more popular and traditional photography declined.



Toys "R" Us: The toy store chain filed for bankruptcy in 2017 and eventually shut down all of its stores due to intense competition from online retailers like Amazon and Walmart.



RadioShack: The electronics store chain filed for bankruptcy in 2015 and closed most of its stores due to increased competition and declining sales.



Examples of companies that have expanded due to profitability:



Amazon: With its beginnings as an online bookstore, Amazon has grown into one of the largest e-commerce companies in the world. Due to its profitability, Amazon has expanded into various industries, including cloud computing, grocery retail, and streaming entertainment.



Starbucks: Starbucks started as a single coffee shop in Seattle in 1971. Through a focus on quality and customer experience, Starbucks has expanded into over 30,000 locations worldwide, serving coffee and food products.



Apple: Apple's success in personal computing led to the expansion of the company into other technologies such as smartphones, MP3 players, and laptops. With each product's success, Apple has expanded into new markets, helping the company to become one of the most profitable in the world.



Google: Originally a search engine, Google has expanded into advertising, online productivity tools, and mobile operating systems. Due to successful diversification, Google has become one of the world's most successful and profitable tech companies.



Conclusion

- In conclusion, profit management is critical to running a successful business. **By maximizing revenue, controlling costs, improving cash flow, and investing in growth, businesses can achieve long-term profitability and success.**
- Effective profit management requires a deep understanding of financial data and strategic decision-making skills. With the right approach, businesses can optimize their profits and stay ahead of the competition.



The Role of Data in Profit Management

Data plays a crucial role in effective profit management. By analyzing **financial data**, businesses can identify trends and patterns that inform decision-making. For example, data analysis may reveal that certain products or services are **more profitable** than others, or that customers in a **particular demographic** are more likely to make repeat purchases.

In addition to financial data, businesses can also use **customer feedback and market research** to inform profit management strategies. By understanding customer needs and preferences, businesses can develop products and services more likely to generate revenue.



The Importance of Risk Management in Profit Management

Effective risk management is essential for successful profit management. By identifying and mitigating potential risks, businesses can protect their profits and minimize losses. This may **involve diversifying investments, purchasing insurance, or implementing safety protocols to prevent accidents or other incidents.**

In addition to financial risks, businesses must also consider **reputational risks**. Negative publicity or customer backlash can significantly impact a company's profitability, so it's important to have a plan in place to address these types of risks.



The Role of Technology in Profit Management

Technology can play a key role in profit management by providing businesses with tools to analyze data, automate processes, and improve efficiency. For example, businesses can use **customer relationship management (CRM) software** to track customer interactions and identify sales and revenue growth opportunities.

Omnichannel
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In addition, technology can help businesses streamline operations and reduce costs. For example, **automation tools can be used to reduce labor costs, while inventory management software can help businesses optimize their supply chain and reduce waste.**



Who is the profit manager ?

- Profit manager is responsible for managing an organization's finances with the goal of maximizing **profits**. His duties may include:
 1. Creating financial plans.
 2. Analyzing revenue and expenses.
 3. Identifying opportunities for cost reduction.
 4. Developing strategies to increase revenue.
 5. Evaluating the financial impact of business decisions.
- This role is often found in businesses across all industries and is critical for the overall success and growth of the company.



Why the Profit Manager is important?

The profit manager's main objective is **to identify the profit drivers of the enterprise and create strategies that will help the company to manage its costs, increase sales, and improve its margins.**

Having a Profit Manager in place can better understand a company's financial performance and enable effective decision-making. This leads **to greater efficiency and profitability for the business**, which helps it to stay competitive in the marketplace.

How to improve profitability of a company ?

1. Increase revenue: One way to improve profitability is to increase revenue by attracting more customers, increasing sales to existing customers, or raising prices.

2. Decrease expenses: Another way to improve profitability is to reduce expenses. This can be done by renegotiating contracts with suppliers, reducing overhead costs, or cutting unnecessary expenses.

3. Improve efficiency: Improving operational efficiency is another key factor in improving profitability. This can be done by streamlining processes, implementing new technology, or optimizing production methods.

How to improve profitability of a company ?

4. Expand offerings: One way to increase revenue is to expand product or service offerings. This can be done by identifying and capitalizing on new market opportunities or developing complementary products or services.

5. Focus on customer satisfaction: Improving customer satisfaction can increase customer retention and loyalty, ultimately leading to increased revenue and profitability. It's important for a company to identify its strengths and weaknesses and to implement strategies that will optimize its operations and increase profitability.



Examples of companies that have successfully increased their profitability through various strategies

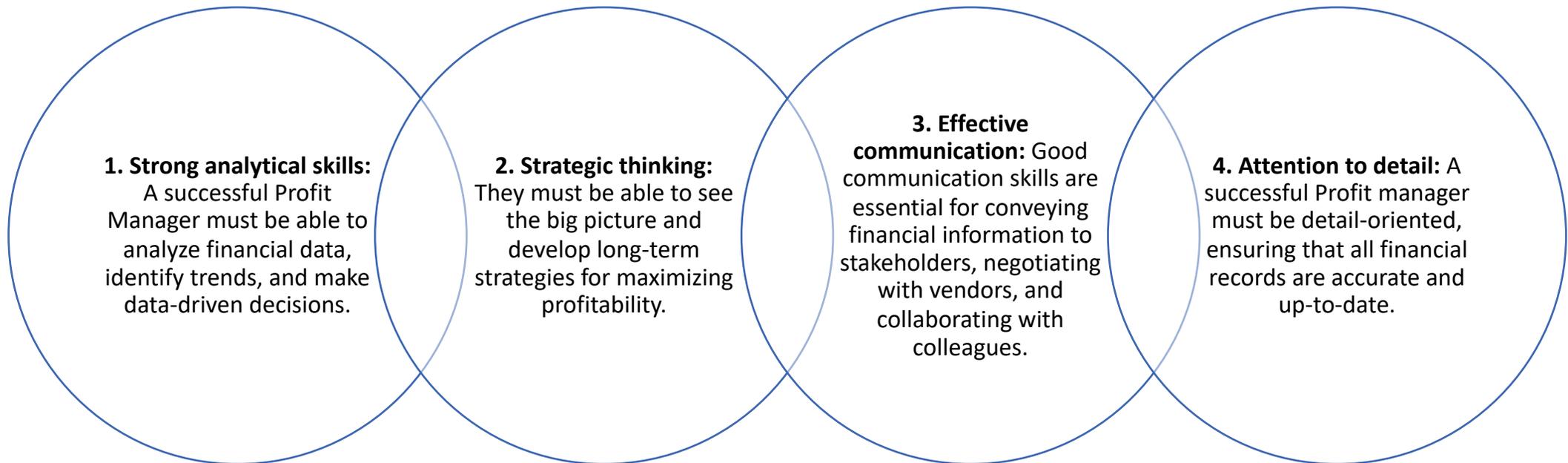
Coca-Cola: Coca-Cola has increased its profitability through a focus on product diversification and efficiency. By expanding into new markets and product categories, such as **energy drinks and teas**, and by streamlining its operations and supply chain, Coca-Cola has been able to increase its profitability over time.

Visa: Visa has increased its profitability through a focus on innovation and strategic partnerships. By investing in **new payment technologies**, such as mobile payments and contactless payments, and by partnering with banks and other financial institutions, Visa has been able to increase its market share and revenue, leading to higher profits.

McDonald's: McDonald's is a fast-food chain that has increased its profitability through a focus on operational efficiency and innovation. By **investing in technology and automation** and by introducing new products and menu items, McDonald's has been able to increase sales and reduce costs, leading to higher profits.



What are the characteristics of successful profit manager?





What are the characteristics of successful profit manager?

5. Adaptability: Business conditions can change quickly, so a successful Profit Manager must be able to adapt to new circumstances and adjust financial strategies accordingly.

6. Leadership: They must be able to motivate and inspire their team to achieve financial goals.

7. Ethical behavior: A successful Profit Manager should demonstrate a high level of integrity in financial reporting and decision-making, ensuring that the company's financial practices are legal, ethical, and moral.

Overall, a successful Profit Manager must be a well-rounded individual with financial expertise, leadership skills, and ethical behavior.



What is common between a Profit Manager and a Sales Manager?

- ✓ Both the Profit Manager and Sales Manager are responsible for **generating revenue** for the company. While the Profit Manager focuses on maximizing profitability by managing costs and increasing revenue, the sales manager focuses on generating revenue by overseeing the sales team and ensuring that sales targets are met.
- ✓ Both roles are crucial to the success and growth of any business, and they must work together to achieve their shared revenue generation goal.



What is common between a Profit Manager and a Product Manager?

- ✓ Both Profit Manager and product manager roles involve **making decisions that contribute to a company's success**. While their focus may be different, profit managers are primarily responsible for ensuring that the company earns profits. In contrast, product managers are responsible for developing and launching products that meet customer needs and drive revenue for the company.
- ✓ However, both may need to collaborate with other departments, such as marketing and finance, and work closely with other company leadership team members to achieve their goals.
- ✓ Additionally, both roles require strong analytical and strategic thinking skills and excellent communication and leadership abilities.



What are the skills needed for a successful profit manager?

- To be a successful profit manager, you would need the following skills:
- **1. Financial Management Skills:** This includes the ability to create budgets, manage cash flow, analyze financial statements, and make financial projections.
- **2. Analytical Skills:** You must possess strong analytical skills to be able to interpret data, identify trends, and make informed decisions based on that data.
- **3. Leadership Qualities:** You must have strong leadership qualities to manage teams and motivate them to achieve common goals.
- **4. Communication Skills:** Excellent communication skills are necessary to effectively convey financial information to non-financial stakeholders such as executives, employees, or investors.



What are the skills needed to be a successful profit manager?

- **5. Strategic Thinking:** To be successful as a profit manager, you need to have a strategic mindset to anticipate changes in market trends, identify new opportunities, and mitigate potential risks.
- **6. Problem-Solving:** Identifying and solving problems quickly is critical for a profit manager.
- **7. Technical Proficiency:** Proficiency in various software applications such as Microsoft Excel and accounting software is necessary for a Profit Manager to effectively manage the financial activities of a business
- . Overall, being a Profit Manager requires a unique mix of financial acumen, leadership ability, and strategic thinking.



What is the average salary of a profit manager in USA , UK , Canada & KSA ?

- The average salary of a Profit Manager varies depending on several factors like industry, company size, and location. Here are the estimated average salaries for-profit managers in the countries mentioned based on data from online sources as of 2021:-
 - ✓ **USA: \$105,000 per year.**
 - ✓ **UK: £50,000 per year.**
 - ✓ **Canada: CAD 85,000 per year.**
- Please note that these figures are not fixed and can vary based on the mentioned factors. It's best to check with a specific company or job listing for more accurate and updated salary information.



Understanding financial statements

- ✓ **Learn the basics:** Financial statements typically include a balance sheet, income statement, and cash flow statement. You should familiarize yourself with what these statements represent and how they relate to one another.
- ✓ **Know the terms:** Financial statements use much-specialized vocabulary. You should learn what terms like revenue, expenses, assets, liabilities, and equity mean and how they are used in financial statements.
- ✓ **Look for trends:** When analyzing financial statements, it can be helpful to look at how the numbers have changed over time. This can help you identify trends indicating a company's financial health.

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Understanding financial statements

- ✓ **Compare to industry benchmarks:** By understanding how a company's financial statements compare to industry benchmarks, you can develop the skills to make informed financial decisions with patience and persistence to help you evaluate its performance. You can find industry benchmarks in trade publications or using financial data providers.
- ✓ **Get help:** If you are having trouble understanding financial statements, consider seeking help from a financial professional or taking a course in financial analysis.
- ✓ **Remember,** understanding financial statements takes time and practice. Don't be discouraged if you don't understand everything at first. With patience and persistence, you can develop the skills you need to make informed financial decisions.

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Financial terminologies to understand financial statements

- ✓ **Income Statement:** A financial statement that shows a company's revenues, expenses, and net income (or loss) over a specific period of time.
- ✓ **Balance Sheet:** A financial statement that shows a company's assets, liabilities, and equity at a specific point in time.
- ✓ **Cash Flow Statement:** A financial statement that shows the inflows and outflows of cash over a specific period of time.
- ✓ **Revenue:** The income generated by a company from its normal business operations.
- ✓ **Cost of Goods Sold (COGS):** The direct costs associated with producing and selling a product.
- ✓ **Gross Profit:** The difference between revenue and COGS.



Financial terminologies to understand financial statements

- ✓ Operating Income: The income generated by a company from its normal business operations after deducting operating expenses.
- ✓ Net Income: The total income generated by a company after deducting all expenses.
- ✓ Equity: The residual interest in a company's assets after deducting liabilities.
- ✓ Return on Investment (ROI): The profit or loss generated by an investment as a percentage of the initial investment.
- ✓ Personnel expenses: all components related to employees and their respective payments. Salaries and wages, bonus payments, overtime or weekend compensation, and social security contributions.
- ✓ General & administration expenses: the costs associated with running a business that doesn't relate to your products or sale (OPEX – operating expense)



Basic financial terminologies

- ✓ Asset: Anything that has value can be owned by an individual or entity.
- ✓ Liability: An obligation or debt an individual or entity owes to others.
- ✓ Income: The money earned from work or investments.
- ✓ Budget: A financial plan that outlines expected income and expenses over a specific period.
- ✓ Investment: Purchasing assets to earn a profit or gain some other benefit.
- ✓ Interest: The cost of borrowing money or the return on investment.
- ✓ Capital: The funds invested or available for investment.
- ✓ Return: The profit or loss on an investment over a specific period.
- ✓ Risk: The possibility of losing money or failing to achieve a desired outcome.
- ✓ These are just a few examples of basic financial terminologies; there are many more you may come across when dealing with finances.



Understanding financial statements

Grande Corporation
Balance Sheet at 31 December 20YY

Figures in \$1,000's

ASSETS

Current Assets	9,609	
Long-Term Investments & Funds	1,460	
Property, Plant & Equipment	9,716	
Intangible Assets	1,222	
Other Assets	<u>68</u>	
Total Assets		22,075

LIABILITIES

Current Liabilities	3,464	
Long-Term Liabilities	<u>5,474</u>	
Total Liabilities		8,938

OWNERS EQUITY

Contributed Capital	3,464	
Retained Earnings	<u>5,474</u>	
Total Owners Equity		13,137

Total Liabilities and Equities **22,075**

COMPANY B
INCOME STATEMENT

For Year Ended September 28, 2019 (In thousands)

NET SALES	\$ 4,358,100
COST OF SALES	2,738,714
GROSS PROFIT	<u>1,619,386</u>
SELLING AND OPERATING EXPENSES	560,430
GENERAL AND ADMINISTRATIVE EXPENSES	293,729
TOTAL OPERATING EXPENSES	<u>854,159</u>
OPERATING INCOME	765,227
OTHER INCOME	960
GAIN (LOSS) ON FINANCIAL INSTRUMENTS	5,513
(LOSS) GAIN ON FOREIGN CURRENCY	(12,649)
INTEREST EXPENSE	(18,177)
INCOME BEFORE TAXES	<u>740,874</u>
INCOME TAX EXPENSE	257,642
NET INCOME	<u>\$ 483,232</u>

XYZ Company
Cash Flow Statement

For the Month Ending xx/xx/xxxx
Cash at Beginning of Month \$ 15,000

Operations	
Cash receipts from customers	\$ 65,000
Cash paid for	
Inventory purchases	\$ (22,000)
General operating and administrative expenses	\$ (10,000)
Wage expenses	\$ (10,000)
Interest	\$ (1,000)
Income taxes	\$ (2,000)
Net Cash Flow from Operations	\$ 20,000
Investing Activities	
Cash receipts from	
Sale of property and equipment	\$ 3,000
Collection of principal on loans	
Sale of investment securities	
Cash paid for	
Purchase of property and equipment	\$ (6,000)
Making loans to other entities	
Purchase of investment securities	
Net Cash Flow from Investing Activities	\$ (3,000)
Financing Activities	
Cash receipts from	
Issuance of stock	
Borrowing	
Cash paid for	
Repurchase of stock (treasury stock)	\$ (3,000)
Repayment of loans	\$ (5,000)
Dividends	\$ (0)
Net Cash Flow from Financing Activities	\$ (8,000)
Net Increase in Cash	\$ 9,000
Cash at End of Month	\$ 24,000

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Thanks a lot

Q & A

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The poster features a dark blue background with yellow and white text. On the left, there is a portrait of Dr. Mahmoud Bahgat, and on the right, a portrait of Dr. Ahmed Abdelwahab. The Marketing Club logo is visible at the bottom center.