

- ★ STRATEGIC BUSINESS MANAGEMENT CONSULTING FIRM OF THE YEAR
- ★ GAMECHANGER OF THE YEAR, ROB BRAIMAN

Profit Engineering – How to Rethink and PLAN YOUR PROFIT

Profit is the ultimate goal of any business and should not be viewed as something that may or may not be left over at the end of a month, quarter or year. It needs to be defined, planned for, structured, expected, or in other words – engineered.

An effective way to guarantee profit for your business is to “engineer” it. In profit engineering, you plan for your profit as an up-front expense. Here’s how.

1) Determine Your Break Even Point

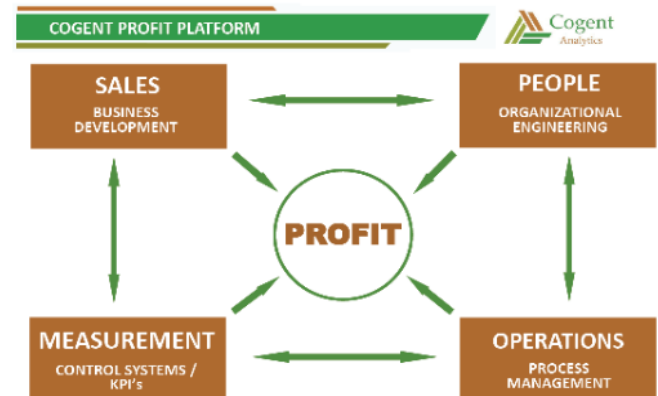
“I’m making money, so how come I don’t have any?” The answer for most owners is simple – because you are not doing the math.

Making money does not necessarily mean making a profit, and you cannot make a profit if you do not know your break-even point. Many business owners do not fully know how to read their financials or use them as a management tool. The sales reports say they are making money, but they are not seeing the profit. Thus, simply bringing in money does not guarantee solvency, you also need to make a profit on the money. Knowing at which point you actually begin to make a profit is crucial in profit engineering.

2) Determine a realistic profit % and reverse engineer.

Traditionally, net profit minus taxes is what you get to keep; it’s what you can put in the bank. You are therefore treating profit as a “residual;” that is, whatever is left over. This is a great if you are truly profitable, and obviously will be detrimental to the health of your business when you are not. With profit engineering – you are taking a different approach.

If your profit was not as much as you had expected or hoped for; there is a pretty good chance that you didn’t engineer the profit percentage you wanted into your business formula. In simplistic terms, profit engineering is treating



profit as the first item of expense. You can do this by establishing a realistic profit percentage, and reverse engineering everything else back through your business formula (taking into account your break even point). So, once you set your expected profit %, what does the business need to achieve or save to cover the “profit expense?”

This is of course simplified – the process may not be so simple. Click to learn more [about profit engineering and a Discovery Analysis](#) for your business, or Contact Cogent today.

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