



AFA National Forum 2008

The World of Practice Management

Cliff Garrels – Managing Director, Olicc Technologies



Cost to Income Ratio?

What is yours?

My Business:

Total Expenses: \$700k

Labour Hrs / Year: 7 staff x 37 hours x 48 weeks = 12,432

Cost Per Hour: \$700k / 12,432 hours = \$56 per hour

No. of Staff	Total Hrs / Year
2	3,552
3	5,328
4	7,104
5	8,880
6	10,656
7	12,432
8	14,208
9	15,984
10	17,760
11	19,536
12	21,312
13	23,088
14	24,864
15	26,640

What is your cost per hour?

My Business:

Total Revenue: \$860k (\$160k profit)

Income Per Hour: $\$860k / 12,432 = \underline{\$69 \text{ per hour}}$

Cost to Income Ratio: 81% (\$860k/\$700k)

No. of Staff	Total Hrs / Year
2	3,552
3	5,328
4	7,104
5	8,880
6	10,656
7	12,432
8	14,208
9	15,984
10	17,760
11	19,536
12	21,312
13	23,088
14	24,864
15	26,640

What is your income per hour?

$$\frac{r}{t} > \frac{c}{t}$$

$$\begin{array}{ccc} \$69 \text{ p/h} & > & \$56 \text{ p/h} \\ \text{revenue} & & \text{cost} \end{array}$$

How much greater is your revenue per hour to cost per hour?

$$\begin{array}{ccc} \$69 \text{ p/h} & > & \$56 \text{ p/h} \\ \text{revenue} & & \text{cost} \end{array}$$

How many of your clients exceed?

$$\frac{r}{t} > \frac{c}{t}$$

Which clients don't?

My Business:

Total Revenue / Client	No. of client
\$5,000 +	11
\$1,000 - 5,000	75
> \$1,000	1580

Olicc's Revenue Analysis Statistics across 2,000 planners*:

Total Revenue / Client	%
\$5,000 +	1%
\$1,000 - 5,000	7 %
> \$1,000	92 %

* Average Number of clients per practice – 1,715

Source – Olicc Technologies

Average time spent on active clients:

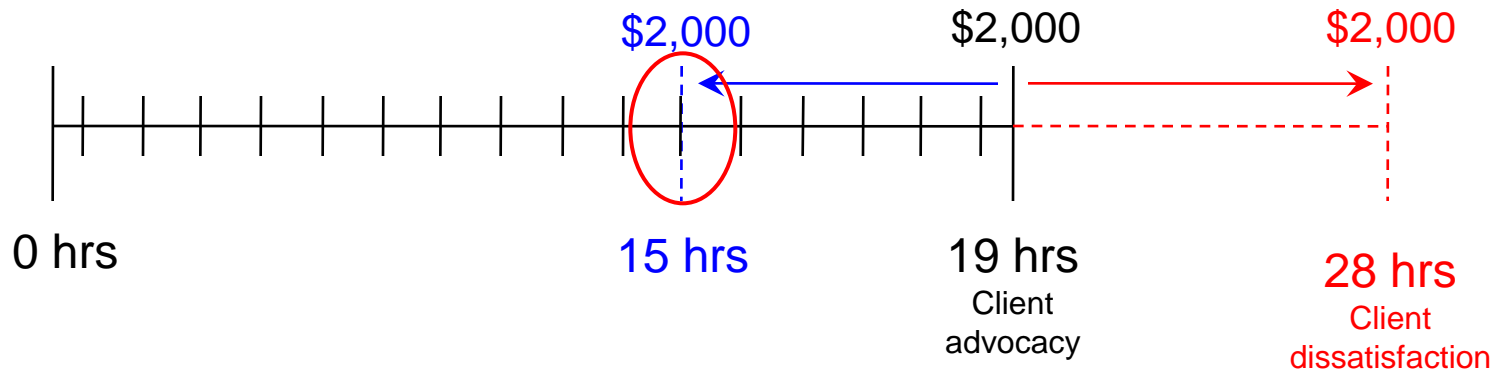
19 hours per year

Average time spent on non-active clients:

4.6 hours per year

Source – Olicc Technologies

Case Study: Client 1 – Active Clients



Revenue: \$2,000
 Time: 15 hrs
 Income: \$133 p/h
 (Cost: \$56 p/h)

Cost to Income Ratio:
42%

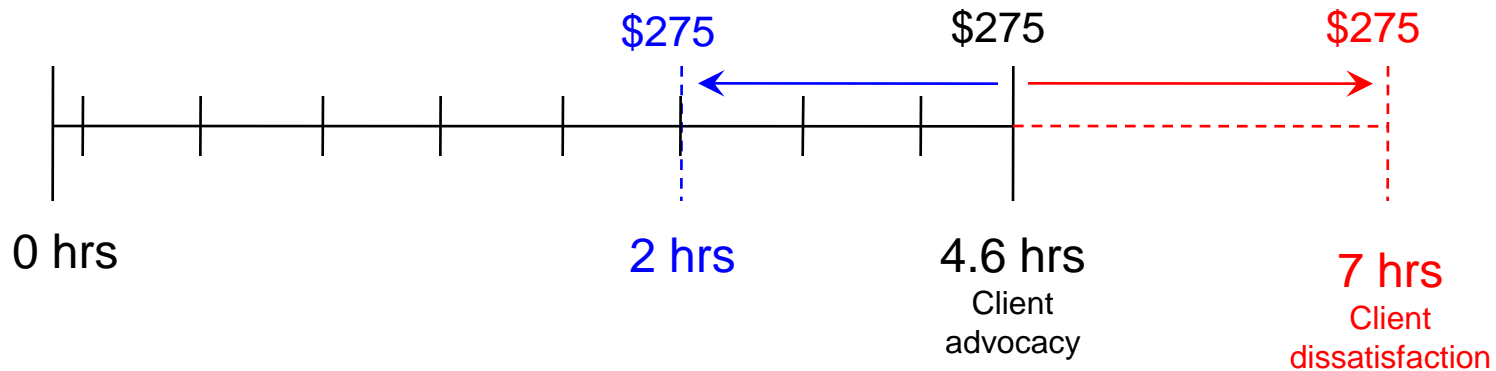
Revenue: \$2,000
 Time: 19 hrs
 Income: \$105 p/h
 (Cost: \$56 p/h)

Cost to Income Ratio:
53%

Revenue: \$2,000
 Time: 28 hrs
 Income: \$71 p/h
 (Cost: \$56 p/h)

Cost to income Ratio:
79%

Case Study: Client 2 – Non-Active Clients



Revenue: \$275
 Time: 2 hrs
 Income: \$137 p/h
 (Cost: \$56 p/h)

Cost to Income Ratio:
41%

Revenue: \$275
 Time: 4.6 hrs
 Income: \$59 p/h
 (Cost: \$56 p/h)

Cost to Income Ratio:
95%

Revenue: \$275
 Time: 7 hrs
 Income: \$39 p/h
 (Cost: \$56 p/h)

Cost to income Ratio:
143%

Do you know your revenue per client?

$$r / t$$

What level of service does your practice provide each client?

$$c / t$$

Is your revenue greater than your cost?

$$\frac{r}{t} > \frac{c}{t}$$

The core elements of running a profitable practice:

Revenue – what income is each client generating for your practice?

How? Analyse your commission spreadsheets

Expenses – how much time are you spending on each client?

How? Track how long it takes to complete tasks in your office

Develop your business

How? Develop strategies to drive efficiency and productivity

Profitable practice – core foundations

Understand how you derive your income by client, product & manufacturer

Understand your expenses particularly those associated with your human capital

Ensure you build client advocacy by delivering a consistent experience on time, every time

Thankyou for your time.