Cost Analysis: Simple ways to present and analyse data

Cost Analysis

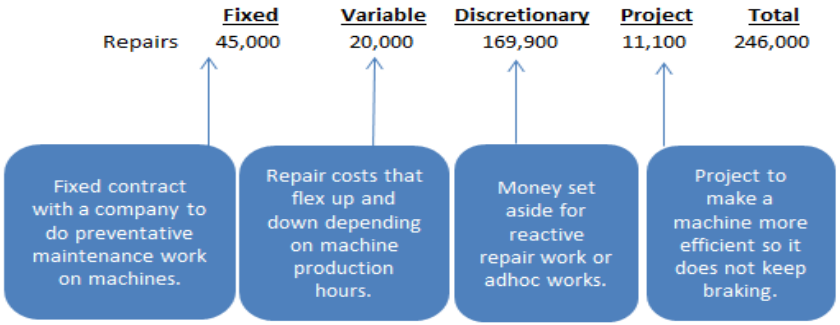
Comparing to a baseline

		Variances		
Cost types	Full year	vs. budget	vs. last year	vs. last 4 weeks run rate
Sales	10,349,000	-1,345,370	2,069,800	-1,034,900
Margin	2,540,000	-330,200	508,000	-254,000
Light & heat	-36,200	5,430	2,027	3,620
Payroll	-1,011,000	123,342	56,616	-50,550
Rent, Rates & Service charge	-625,500	75,060	35,028	-31,275
Repairs	-246,000	36,900	13,776	-12,300
Travel	-37,282	4,101	2,088	-1,864
Net Profit	**584,019**	**-85,367**	**617,535**	**-346,369**

Table 1: Profit & Loss of a business with 8 stores, £.

A good start is to compare costs against budget, last year and a run rate.

Cost types



Categorising costs into types allows an understanding of how costs can be influenced. Fixed costs e.g. contract costs will often need external negotiation vs. discretionary spend which can often be internally influenced more quickly.

Cost per driver

Figure 1: Cost per driver, focus on travel and repairs

Dividing costs by an associated driver is a simple way to get an average cost per driver. This allows a review to happen of who is higher or lower than the average.

Ranking

Store	Repairs Total
Store 1	-£40,000
Store 3	-£34,000
Store 4	-£34,000
Store 6	-£30,000
Store 7	-£30,000
Store 8	-£30,000
Store 5	-£24,000
Store 2	-£24,000
Grand Total	**-£246,000**

Table 2: Repairs spend ranked by highest spending stores

Ranking tables: are a way to order metrics by best or worst performers. Such tables are easy to understand and virtually any metric can be ranked. Ranking tables can also drive healthy competition.

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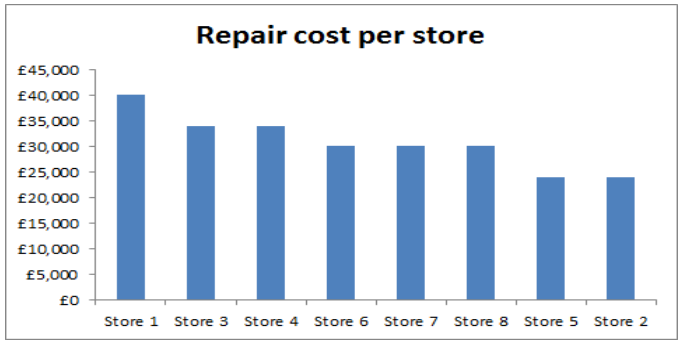
Graphs

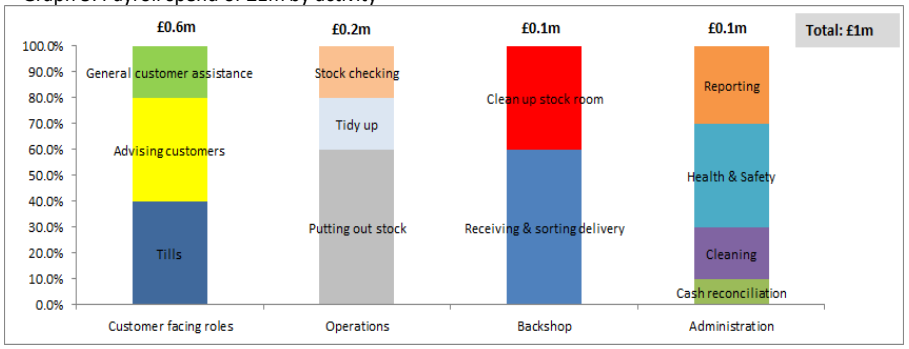


Graph 1: Repairs spend by store in graphical format

Graphs allow a visual representation of performance. There are many variations possible in most spread sheet packages.

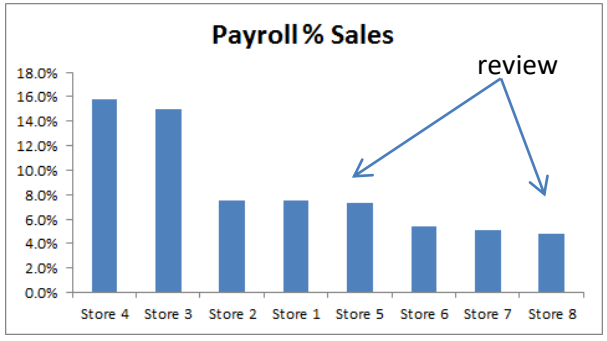
By activity

Graph 5: Payroll spend of £1m by activity



What activities are driving the costs. In graph 5 payroll costs are driven by customer facing roles, predominantly advising customers. Such data can be collected by conducting observations and interviews with colleagues, or even customers.

Cost as a % of sales



Graph 2: Payroll spend by store

Cost as a % of sales (costs/sales) allows performance to be relatively reviewed.

Example: Store 8 has £68k of payroll, whereas store 5 has £55k, hence is store 8 more inefficient? Payroll as a % of sales is only 5% in store 8 and actually 7% in store 5, therefore for the sales it makes store 8 actually appears the better performing store.

There are lots mores ways, what can you think of?