

One of the key tools to increase competitiveness and profitability of a trading Company in the Russian market in the current circumstances is the complex system of Key Performance Indicators (KPI) aimed at optimizing logistics costs, coordinating activities & actions of marketing, purchase and sales departments, growth of sales effectiveness, inventory management, profitability and maintenance of the entity's financial stability and liquidity.

### Main Goal of KPI Analysis for Trade Companies

Our main goal is to make your Company's business processes "measurable" and on the basis of measurements to provide you with maximum information about business opportunities, potential risks, key factors of growth and development, as well as to offer a set of optimal and most effective solutions in terms of increasing the cost of business and profitability of your Trading Company in the modern Russian market.

### How Does It Work?

Each KPI serves as a tool for measuring the current business processes and financial position of the Company to make tactical and strategic management decisions for successful business development in highly competitive conditions of the trading industry, and also allows assessing the impact of these decisions on the results of the Company's activities at any stage of its life cycle.

### What Do We Offer?

- to develop a unique system of criteria to assess the effectiveness of Your business in the Russian market, taking into account the peculiarities of business processes and financial strategy of Your Company;
- to identify key factors to increase business profitability, to assess the Company's strengths and weaknesses, to analyze potential opportunities and risks;

- comparative analysis of KPI dynamics, assessment of their effectiveness, correlation of indicators and estimation of influence of each of them on profitability of Your Business.

### If You Don't Measure the Situation, You Can't Improve It

Each of the KPI systems presented below, either individually or integrated with others, provides an opportunity not only to "measure" the current state of affairs in Your Company in terms of its profitability, solvency, business efficiency and sales effectiveness, but also to identify areas requiring improvement and to outline the main directions of business development in the nearest future.

SCHNEIDER GROUP experts offer the development of a unique integrated KPI system, taking into account the peculiarities of your Business, which will always allow to "keep your hand in", to make effective management decisions in a timely manner, and to coordinate the development of your Company in accordance with your strategic goals in real time.



- **Business Efficiency KPI System**
- **Sales Effectiveness KPI System**
- **Profitability KPI System**
- **Liquidity KPI System**



• Sales Effectiveness KPIs allow you to determine how successful your team is in increasing sales, how effective are the measures to attract customers:

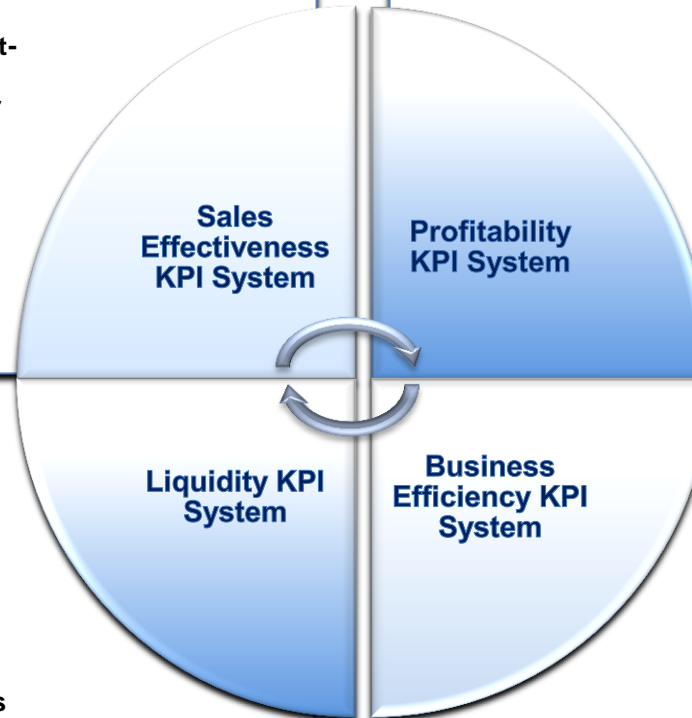


- whether sales & revenue targets are being achieved?
- whether the discounts are reasonable & cost-effective?
- whether there is a positive trend in sales over the past few years?
- whether the Company's sales costs are justified and if they are comparable to the revenue received?

• Profitability KPIs allow you to determine how successful Your Business is:



- whether the Company manages to cover the operating expenses at the expense of the profit received?
- how effectively the owners' capital is used to raise profit?
- whether the current level of operating profit covers tax costs and loan interests?
- what the minimum profit is optimal to cover your current costs?



• Liquidity KPIs allow to determine, whether Your company is able to pay off debts and maintain liquidity & financial stability:

- whether funds are available to meet the liabilities to suppliers, budgets, and employees?
- which part of the Company's current liabilities can be covered by cash?
- whether the company is able to maintain its solvency?
- whether there are signs of bankruptcy?



• Business efficiency KPIs allow to determine, how efficiently disposable resources are used:

- how the Company might benefit from using a trade credit as an alternative to paying loan interests?
- whether the payments due from buyers are balanced with the maturity of the suppliers' liabilities?
- whether the current structure of assets and liabilities is optimal to strengthen the financial position of the Business?



**Main indicators to perform the express - analysis of current business processes and the entity`s financial position**

**Gross Margin per Unit**

- The indicator shows the gross profit per customer / product or product line / service (in absolute and relative terms)

Gross Margin per Unit				
Ratio / Group	Group of items A	Group of items B	Services	Total
Sales / revenue, \$	5 000,00	2 000,00	1 500,00	8 500,00
Cost of Sales, \$	4 500,00	1 000,00	450,00	5 950,00
Gross margin, \$	500,00	1 000,00	1 050,00	2 550,00
Gross margin, %	10%	50%	70%	30%

**Days of Accounts receivable / payable turnover**

- The indicator allows to estimate the average number of days during which the accounts are paid by customers / payments are made to suppliers; shows how effectively the Company manages its accounts receivable / payable

Industry average accounts receivable turnover (wholesale)				
Ratio / Year	2014	2015	2016	2017
Days of accounts receivable turnover	44	46	47	51

**Days of inventory turnover**

- The indicator demonstrates how effectively were the Company's sales activities, how synchronized was the work of the entity's sales and purchase departments. The indicator is a sign of how efficiently the Company is managing its inventory, whether it has an excessive demand for its products or has purchased too many goods

Industry average inventory turnover (wholesale)				
Ratio / Year	2014	2015	2016	2017
Days of inventory turnover	20	19	20	24

**Revenue per FTE**

- The indicator provides an opportunity to assess the effectiveness of each employee, as well as the deviation from the entity`s average value and the target set by the Company

Revenue per FTE				
Ratio / Group	Group of items A	Group of items B	Services	Total
Sales / revenue, \$	5 000,00	2 000,00	1 500,00	8 500,00
Number of employees, pers.	5	3	2	10
Revenue per FTE, \$	1 000,00	666,67	750,00	850,00

**Main indicators to perform the detailed analysis of current business processes and the entity`s financial position**

**Sales Effectiveness KPI System for Trade**

**Sales Costs to Sales Volume Ratio:** In practice the entity`s sales costs are often higher than the amount that might be expected by management (taking into account the costs for maintaining the office, staff salaries, etc.). Understanding the real value of Sales costs to Sales volume ratio allows you to make effective decisions on optimizing costs related to sales activities.

**Revenue per FTE:** The indicator provides an opportunity to assess the effectiveness of each employee, as well as the deviation from the entity`s average value and the target set by the Company.

**Profitability KPI System for Trade**

**Return on Equity (ROE):** The indicator shows how efficiently management uses the net assets of the Company to raise profit.

**Break Even Quantity & Revenue:** The indicators represents sales volume at which the Company covers all costs associated with its production and sale activities without making a profit. The breakeven point is the point at which the total costs of the Business are equal to its total revenues.

**Business Efficiency KPI System for Trade**

**Gross Margin per Unit :** The indicator shows the gross profit per customer / product or product line / service (in absolute and relative terms).

**Days of Inventory Turnover:** The indicator demonstrates how effectively were the Company`s sales activities, how synchronized was the work of the entity`s sales and purchase departments. The indicator is a sign of how efficiently the Company is managing its inventory, whether it has an excessive demand for its products or has purchased too many goods.

**Days of Accounts Receivable / Payables Turnover:** In case if there is certain delays in cash inflows from customers, this could negatively affect your cash position. This KPI will operate as an "early warning system". The indicator allows to estimate the average number of days during which the accounts are paid by customers / payments are made to suppliers; shows how effectively the Company manages its accounts receivable / payable.

**Financial Leverage Ratio:** A company is liable to pay loan / credit interests no matter whether it gains profit or suffers losses. The ratio allows a Trading Company to measure the financial risk and shows the degree of its dependence on external sources of financing.

**Liquidity KPI System for Trade**

**Current ratio:** The indicator shows the Company`s ability to cover current liabilities with current assets. The ability to pay short-term debts in a timely manner means that there is a high probability that the Company will be able to maintain its solvency and going concern in a long run.

**Burn rate:** The indicator implies the speed with which the Company uses ("burns") its liquid cash. Knowing your level of burnout, you can track the amount of money used each month to finance your Business. The indicator allows you (and investors) to determine when the Company is expected to run out of cash.