

Special Finance for Non- Financial People

HEALTHCARE MARKETING
DR. UMBACH & PARTNER
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Training + Consulting

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Turnover and Revenue

Turnover is the amount you are selling
(e.g. number of units sold) *Absatz*

Revenue is the amount of money coming in
from sold products *Sales Umsatz*

Units sold x Price per Unit = Revenue

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Shareholder Value

Shareholder Value Maximization
Management principle ("Value based management")

Criticism
While shareholder value might be best for the owners of a corporation, it can threaten the long-term health of a company, for example by emphasizing returning cash to shareholders rather than investment

Stakeholder Analysis
The worth of a business measured by a combination of financial success, usefulness to society, and satisfaction of employees

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Breakeven Point

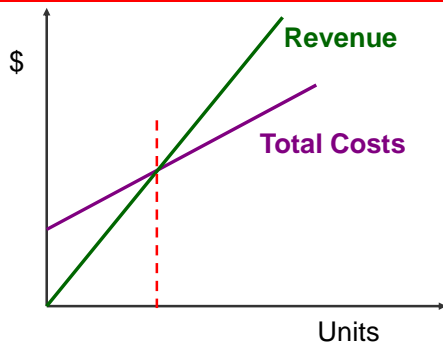
The level of sales where total costs equal total revenue. Thus, zero profit results.

The point where the revenue is equal to total cost. The company makes neither profit nor loss.

The point at which expenses and income are equal. There is no net loss or gain, one has "broken even".

The point where total revenue received equals total costs associated with the sale of the product.

Breakeven Point



Cash-flow

Receipts from sales
- Payments to suppliers etc

= Cash-flow

Money available

Profit vs Cash-flow

Income Statement

Sales	75 Euro
Costs	65 Euro
Profit	10 Euro

Actual Cashflow

Receipts from sales	60 Euro
Payments to suppliers	65 Euro
Cash-flow	- 5 Euro

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Profit Margin

Profit (Income)	33 €
÷ Revenue (Sales)	133 €
<hr/>	
Profit Margin "Umsatz-Rendite"	25 %

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Return on Investment (ROI)

Profit	33 €
÷ Investment	100 €
<hr/>	
ROI	33 %
"Profitability"	Kapital-Rendite

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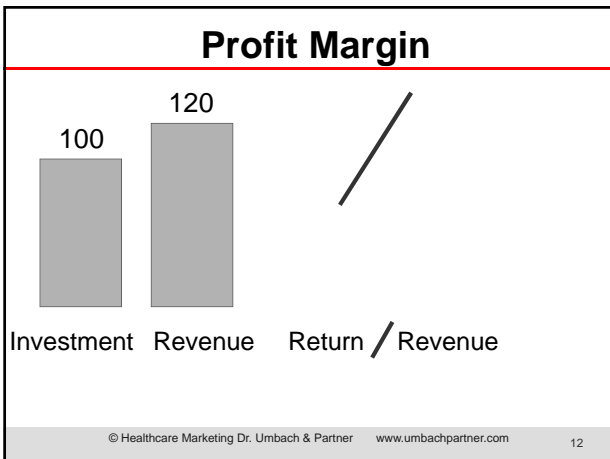
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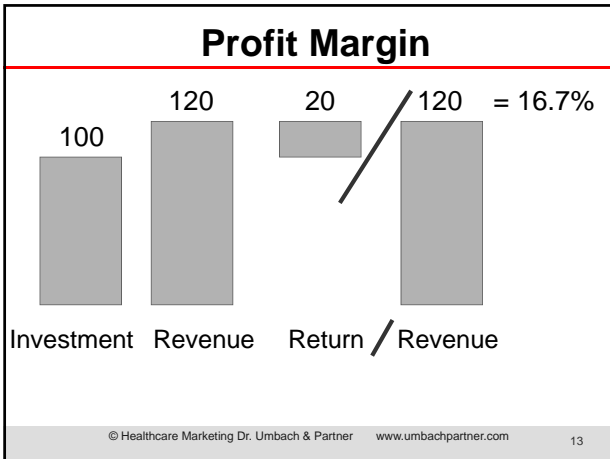
Revenue	120 €
- Cost	100 €
<hr/>	
Profit	
Profit Margin	
ROI	

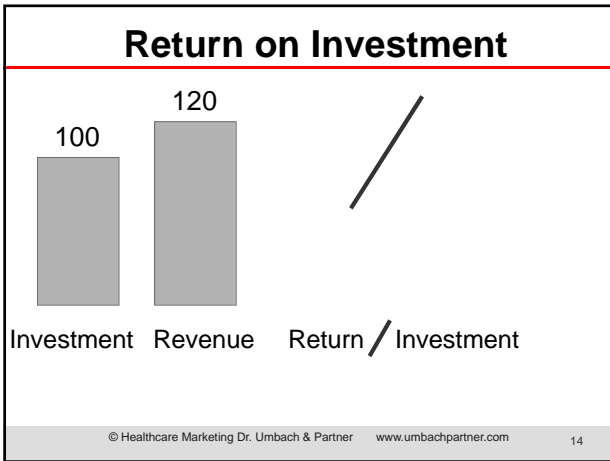
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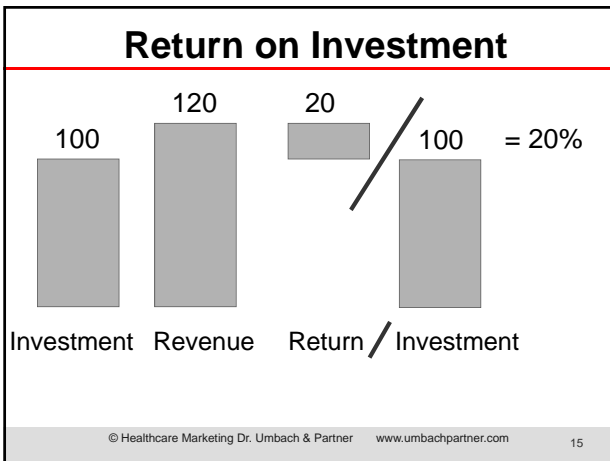
Revenue	120 €
- Cost	100 €
<hr/>	
Profit	20 €
Profit Margin	
$20 € \div 120 € = 16.7\%$	
ROI	
$20 € \div 100 € = 20\%$	

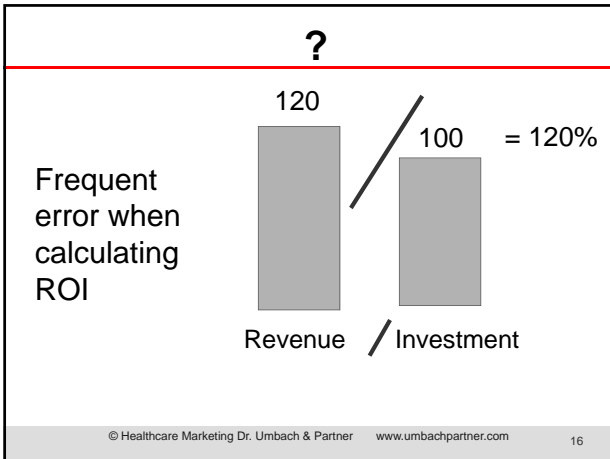
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Return on Investment

"Value"
Profitability


Per

- Customer
- Campaign


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Case Study

Direct mail



A



B

Which one is better ?

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	A	B
Number targeted	100 000	100 000
Conversion rate	2 %	3 %
Number of sales	2 000	3 000
Revenue per sale	60 €	60 €
Revenue generated	120 000 €	180 000 €
Investment	100 000 €	155 000 €
"Profit"	20 000 €	25 000 €
Return on Investment	20 %	16 %

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Conclusions

- Avoid the term "better"
- Version A is more profitable

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Maximize the ROI

- Develop version A and version B
- Test A versus B
- Measure the ROI
- Decide on activities with high ROI

... There will be resistance

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Maximize Profit		
	A	B
Revenue	30	40
Costs	30	30
• Variable	20	20
• Fixed	10	10

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Separate			
	A	B	Sum
Revenue	30	40	
Costs	30	30	
Profit	0	+ 10	→ 10

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Separate			
	A	B	Sum
Revenue		40	
Costs		30	
Profit		10	→ 10?

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Form		
A + B	A	B
Revenue	30	40
Variable Costs	20	20
<hr/>		
PC I		
<hr/>		
Fixed Costs		
<hr/>		
PC II		
<hr/>		
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Form		
B	A	B
Revenue		40
Variable Costs		20
<hr/>		
PC I		
<hr/>		
Fixed Costs		
<hr/>		
PC II		
<hr/>		
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Product Contribution			
A + B	A	B	
Revenue	30	40	PC = Product Contribution
Variable Costs	20	20	DB = Deckungs- Beitrag
<hr/>			
PC I	10	20	
<hr/>			
Fixed Costs		20	
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PC II		10	
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Product Contribution			
B	A	B	PC = Product Contribution
Revenue		40	DB = Deckungs-Beitrag
Variable Costs		20	
<hr/>			
PC I		20	
<hr/>			
Fixed Costs		20	
<hr/>			
PC II		0	

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	A + B	B
PC II	10	0
More profitable		

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Right sizing
"Pruning"
Portfolio verschlanken
Produkt-Bereinigung

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Discounting

Year 0	Year 1	Year 2	Year 3
100 €	100 €	100 €	100 €

Discounting

Annual Discount Rate 5%

Year 0	Year 1	Year 2	Year 3
100 €	100 €	100 €	100 €
	x 0,95	x 0,95	x 0,95
		x 0,95	x 0,95
			x 0,95

Discounting

Annual Discount Rate 5%

Year 0	Year 1	Year 2	Year 3
100 €	100 €	100 €	100 €
	x 0,95	x 0,95	x 0,95
		x 0,95	x 0,95
			x 0,95
	(x 0,95)	(x 0,91)	(x 0,86)

Discounting

Annual Discount Rate 5%

Year 0	Year 1	Year 2	Year 3
100 €	100 €	100 €	100 €
	x 0,95	x 0,95	x 0,95
		x 0,95	x 0,95
			x 0,95
	(x 0,95)	(x 0,91)	(x 0,86)
100 €	95 €	91 €	86 €

Cumulative Discounted Cash Flow

Discount Rate: 5%

Year	1	2	3	4
Receipts	20 €	100 €	200 €	280 €
Payments	220 €	200 €	100 €	80 €

Cash flow

Cumulative Discounted Cash Flow

Discount Rate: 5%

Year	1	2	3	4
Receipts	20 €	100 €	200 €	280 €
Payments	220 €	200 €	100 €	80 €

Cash flow -200 -100 € 100 € 200 €

Cumulative Discounted Cash Flow

Discount Rate: 5%

Year	1	2	3	4
Receipts	20 €	100 €	200 €	280 €
Payments	220 €	200 €	100 €	80 €
Cash flow	-200	-100 €	100 €	200 €
	x 0,95	x 0,91	x 0,86	x 0,82

Cumulative Discounted Cash Flow

Discount Rate: 5%

Year	1	2	3	4
Receipts	20 €	100 €	200 €	280 €
Payments	220 €	200 €	100 €	80 €
Cash flow	-200	-100 €	100 €	200 €
	x 0,95	x 0,91	x 0,86	x 0,82

Discounted
Cash flow

Cumulative Discounted Cash Flow

Discount Rate: 5%

Year	1	2	3	4
Receipts	20 €	100 €	200 €	280 €
Payments	220 €	200 €	100 €	80 €
Cash flow	-200	-100 €	100 €	200 €
	x 0,95	x 0,91	x 0,86	x 0,82

Discounted
Cash flow

	-190 €	-91 €	86 €	164 €
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Cumulative Discounted Cash Flow

Discount Rate: 5%

Year	1	2	3	4
Receipts	20 €	100 €	200 €	280 €
Payments	220 €	200 €	100 €	80 €
Cash flow	-200	-100 €	100 €	200 €
	x 0,95	x 0,91	x 0,86	x 0,82

Discounted

Cash flow	-190 €	-91 €	86 €	164 €
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Cumulative discounted
Cash flow

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Cumulative Discounted Cash Flow

Discount Rate: 5%

Year	1	2	3	4
Receipts	20 €	100 €	200 €	280 €
Payments	220 €	200 €	100 €	80 €
Cash flow	-200	-100 €	100 €	200 €
	x 0,95	x 0,91	x 0,86	x 0,82

Discounted

Cash flow	-190 €	-91 €	86 €	164 €
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Cumulative discounted
Cash flow

Cash flow	-190 €	-281 €	-195 €	-31 €
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- 31 Euro

Cumulative Discounted Cash Flow
= Net Present Value (NPV)
= Netto-Geldwert
= Netto-Barwert

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G I G O

Garbage in Garbage out

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