# Meeting with Sara, 11am Wednesday, 12th August 2015

**What are we proposing?**

To share our experience relating to the development, application and acceptance of ‘Good Invoice-Bad Invoice’ based on the concept underlying Contribution Based Activity (CBA) and TARI® along with copyrights, patent, trade-marks and credibility built up over 25+ years.

**Why do we want to do this?**

We have reached the point where the concept is ready for large scale marketing to benefit as wide a number of businesses as possible. With its existing resources and wide user base, we believe Intuit is ideally placed.

**What would Intuit be offering with ‘Good Invoice-Bad Invoice™’**?

At the stroke of a key:

1. the bottom-line impact of any invoice or quote;
2. a real-time ‘fix’ on where the business is ‘at’ compared with target..

**How would this be achieved?**

Sales, cost of sales, gross profit and the number of units driving output,[[1]](#footnote-1) are extracted, permitting comparison of the bottom line impact of a) invoice with target and b) total invoices with target for period to-date.

**Where could this lead?**

Good Invoice-Bad Invoice**™** providesIntuit with a unique opportunity to license existing QB app developers to implement the methodology under the control of QB.

**How would it be marketed?**

Free trial for a month followed by say, an additional $5 per month per company file initially. As demand increases, the rate can be justifiably increased.

**What role would KC/TW play?**

Once agreement is reached, KC/TW will work with QB developers to reveal how the Good Invoice-Bad Invoice methodology is best introduced to users so as to capture their interest and ongoing involvement.

**Other developments by KC/TW that could be of interest to Intuit?**

20 years of experience developing and marketing inter-firm comparative data: key percentages relating to gross profit, productivity, major expenses, and sales per full time equivalent person, across industry sectors. Valuable information for banks, business brokers, advisers, practicing CPAs etc.

# Explaining TARI® (Target Average Rate Index)

**Typical approach to pricing in Service/Trades**:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Materials at cost |  | = | $1000 |  |
| Mark-up on Materials: 20% |  | = | $ 200 |  |
| Wages: 20 hours @ $30 / hour |  | = | $ 600 |  |
| Mark-up on Wages: 30% |  | = | $ 180 |  |
| Sub total |  | = | $1980 |  |
| Mark-up to cover Profit: 25% | $1980 x 25% | = | $ 495 |  |
| **Price/Quote** |  |  | **$2475** |  |

**Pricing approach with Tari®**

|  |  |  |  |
| --- | --- | --- | --- |
| Materials $1000 | = | $1000 |  |
| Wages: 20 hours @ $70 | = | $1400 |  |
| **Price/Quote** |  | **$2400** |  |

**How come $70?**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| A | Targeted expenses for year | = |  | $390,000 |  |
| B | Targeted profit for year | = |  | $100,000 |  |
| C = (A + B) | Target gross profit for year | = |  | $490,000 |  |
| D | Hours paid for year | = | 10,000 |  |  |
| E | Targeted Productivity % | = | 70 |  |  |
| F = (D × E) | Target hours billable | = |  | 7,000 |  |
| G = (C ÷ F) | Target Ave GP per hour (Tari®) | = |  | = $70 |  |

# Applying TARI®

**Example 1: service/trade business**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Invoice No.** | **Sales**  **$** | | **GP**  **%** | | **Gross Profit $** | | **Units** | | **Ave GP per unit $** | | **Tari® (Tgt Ave GP. per unit) $** | | **Variance Per Unit $** |
|  | **A** | | **B** | | **C = A** × **B** | | **D** | | **E = C ÷ D** | | **F** | | **G = E - F** |
| 100097 | 2,475 | | 60 | | 1,495 | | 20 | | 75 | | 70 | | +5 |
|  | |  | |  | |  | |  | |  | |
| **Total to date** | | 350,877 | | 57 | | 200,000 | | 2,500hrs | | 80 | |
| **Target to date** | | 500,000 | | 60 | | 300,000 | | 4,286hrs | | 70 | |
| **Variance** | | **149,123** | | **3** | | **-100,000** | | **1,786hrs** | | **+10** | |

Good Invoice but output units (hours) behind target, despite hourly GP rate $10 above Tari**®**

**Example 2: wholesale business**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Invoice No.** | **Sales**  **$** | | **GP**  **%** | | **Gross Profit $** | | **Units** | | **Ave GP per unit $** | | **Tari® (Tgt Ave GP. per unit) $** | | **Variance Per Unit $** |
|  | **A** | | **B** | | **C = A** × **B** | | **D** | | **E = C ÷ D** | | **F** | | **G = E - F** |
| 100066 | 780 | | 25 | | 195 | | 1 | | 195 | | 220 | | -25 |
|  | |  | |  | |  | |  | |  | |
| **Total to date** | | 504,000 | | 25 | | 126,000 | | 700 | | 180 | |
| **Target to date** | | 600,000 | | 25 | | 150,000 | | 682 | | 220 | |
| **Variance** | | **96,000** | | **-** | | **-24,000** | | **-18** | | **-40** | |

Bad Invoice and the number of units (no. of sales) and average GP per sale behind target,

**Example 3: retail business**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Day Ending** | **Sales**  **$** | | **GP**  **%** | | **Gross Profit $** | | **Units** | | **Ave GP per unit $** | | **Tari® (Tgt Ave GP. per unit) $** | | **Variance Per Unit $** |
|  | **A** | | **B** | | **C = A** × **B** | | **D** | | **E = C ÷ D** | | **F** | | **G = E - F** |
| dd/mm/yy | 2,686 | | 35 | | 940 | | 28 | | 34 | | 30 | | +4 |
|  | |  | |  | |  | |  | |  | |
| **Total to date** | | 67,273 | | 33 | | 22,200 | | 925 | | 24 | |
| **Target to date** | | 80,571 | | 35 | | 28,200 | | 940 | | 30 | |
| **Variance** | | **-13,298** | | **-2** | | **-6,000** | | **-15** | | **-6** | |

Good Invoice but the number of units (no. of sales) and average GP per sale behind target.

1. (production hours, number of sales, meals served, tons/km, etc) [↑](#footnote-ref-1)