

$$\text{Profitability} = \text{Revenue} - \text{Cost}$$

Revenue Drivers

Quantity → market share, customer frequency.

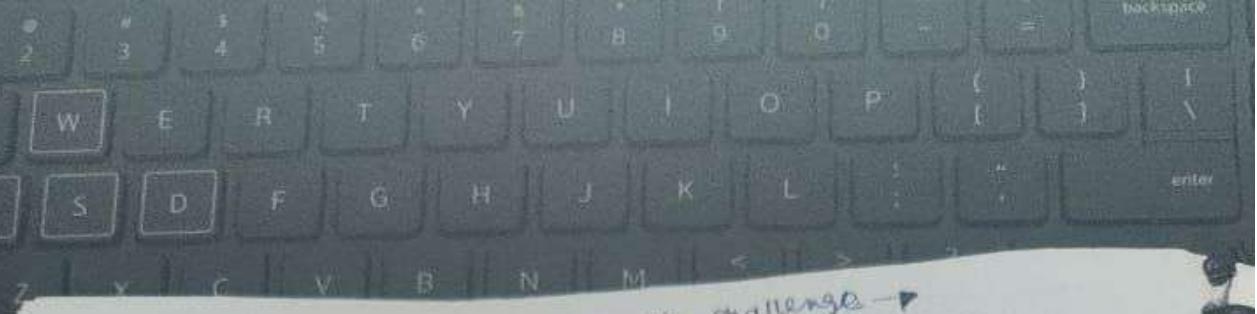
Price → discounts, promotions etc.

Cost Structure

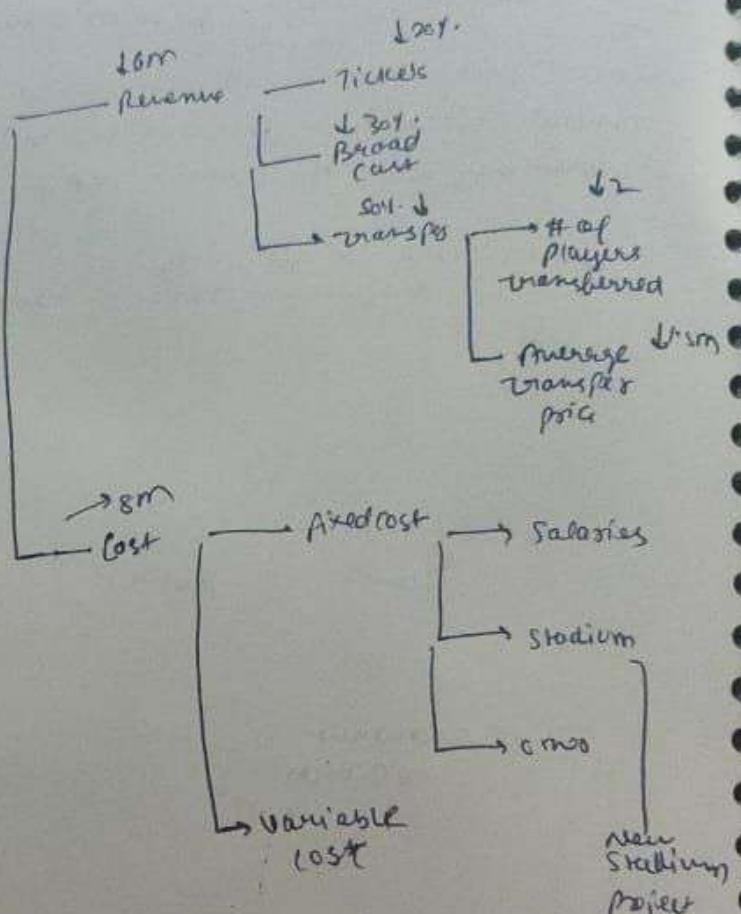
Fixed Costs → Rent, salaries, insurance.

Variable Costs → materials, direct labour.

Semi-Variable costs → fixed & var components



Developing a strategic sell  
that enables Arsenal  
achieve club to return  
From a money operating  
loss of £2 million to a  
margin profit of £2  
million - closing a £4 million  
reliability gap



Planning Stadium Project.

Consultant fit ecosystem around it

Distinguish core & non-core operations  
measure core trim non-core

## CHEMAGN UTILITIES FINANCIAL DECISION

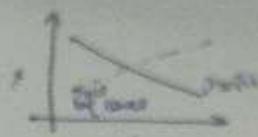
CHIEF EXECUTIVE - BOBBY

UTILITIES → ?

A power utility power generator  
LARGE & BUSINESS MODELS → 1. Power plant & 2. Financial modeling  
CHIEF EXECUTIVE → 1. Power plant & 2. Financial modeling  
WHAT AND THIS OCCURS → 12 months ago  
Financial objectives - generated ~2 million USD  
By whom they want this firm - PEGO

Answers were in percentages

Answers are driven by revenue & cost



Levels

Level 2

Level 3

Level 4

Levels

Revenue  
50 Billion

Answers  
power utility  
(can now)  
from 2.5 billion  
to 3.0 billion  
USD

Power  
Total  
14.3 billion

Cost  
47.6  
Billion

Variants  
cost  
33.3 billion

Fuel  
2.9 billion

Labor  
6.8 billion

Utilities

Value  
Sales  
inc in  
Power  
total  
revenue  
Price  
new  
increased  
importing  
(+0%)

Nuclear

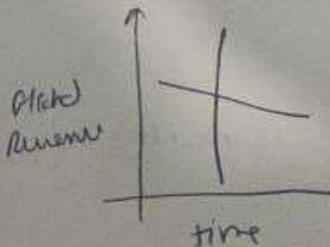
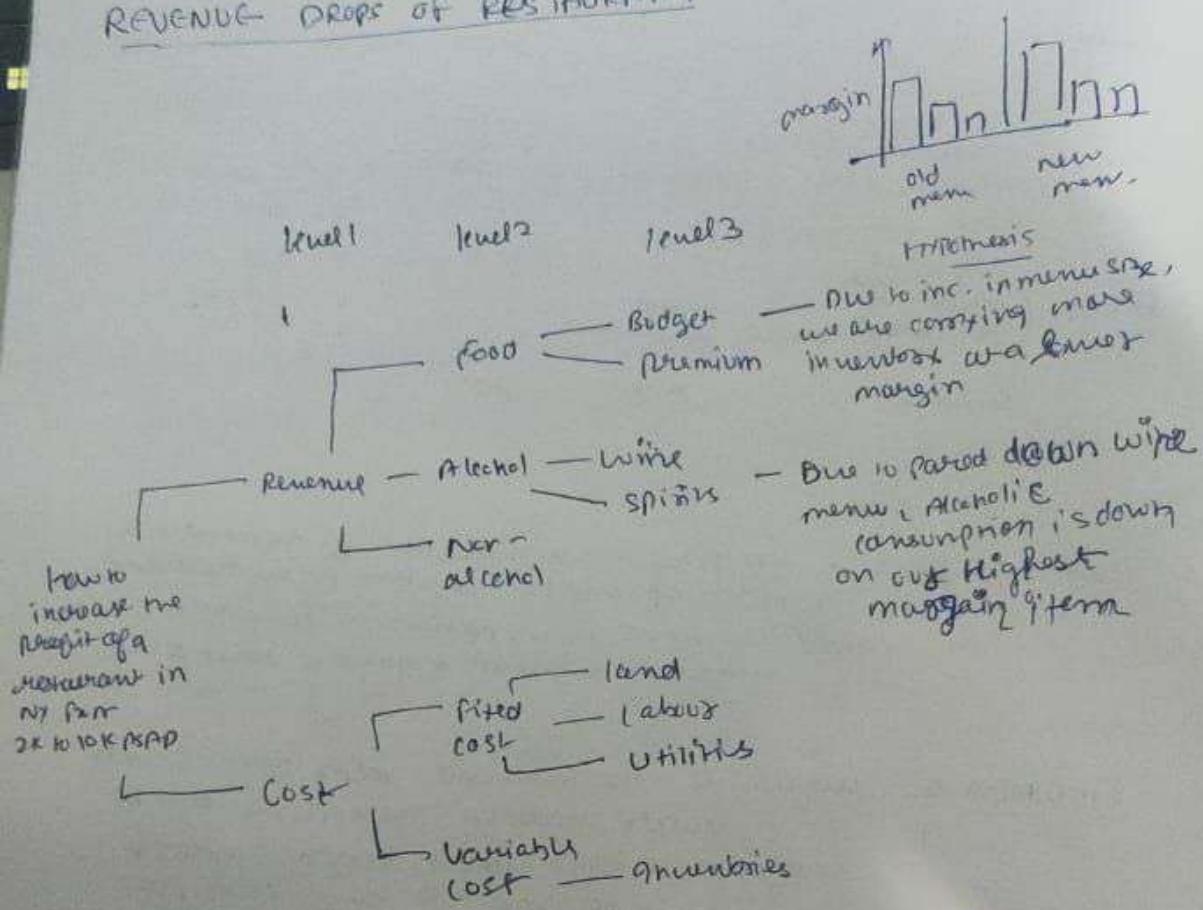
Other

option resistance riskiness

option	resistance	riskiness
fixed price contract	low	medium
new energy supplier	medium	medium

Buy a new mill high high

## REVENUE DROPS OF RESTAURANT



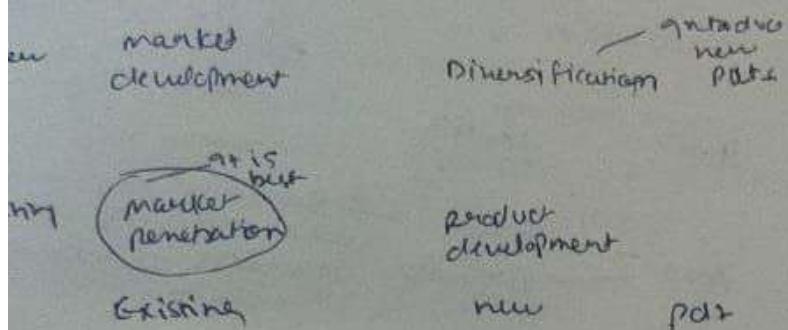
## WRAP-UP →

make this into structured problem using decision tree

7 8 9  
+  
4 5 6

## Ansoff Matrix

Market



Risk analysis - It may involve huge amt of investment ex.  
acquisition of direct competitor in the relevant  
market segment or competitor in another  
customer segment → quickly reach scale

INDICES-1 - We would recommended M&M could launch  
leather shoes in the existing market  
earning higher profit margins because  
the mix of shoes & bags could fully  
utilize store spaces & generate most  
volume sales

INDICES-2 - International diversification

## CASE STUDY

### NETFLIX PROFITABILITY

② make sure objectives are clear.

\* clarify objectives

- (1) increase profit (revenue - cost)
- (2) from 200 million to 300 million (100 million increase)
- (3) within 6 months - time

SMART approach

Specific  
Measurable  
Achievable  
Result-focused  
Time bound

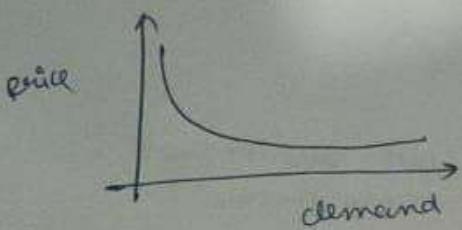
Objectives - wants to increase profitability 50% within 6 months.

Decision tree - A decision tree support tool that uses a tree like graph or model of decisions and their possible consequences, including chance event outcomes, resource costs and utility

PARETO PRINCIPLE (80-20 rule)

Moment 80% of effects come from 20% of causes

Price & demand



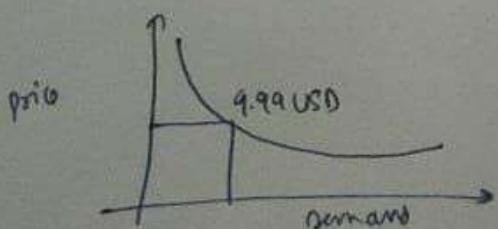
Price-elastic -

consumer is in position to change demand in response to change in price.

price goes ↑ consumer shifts

Recommendations

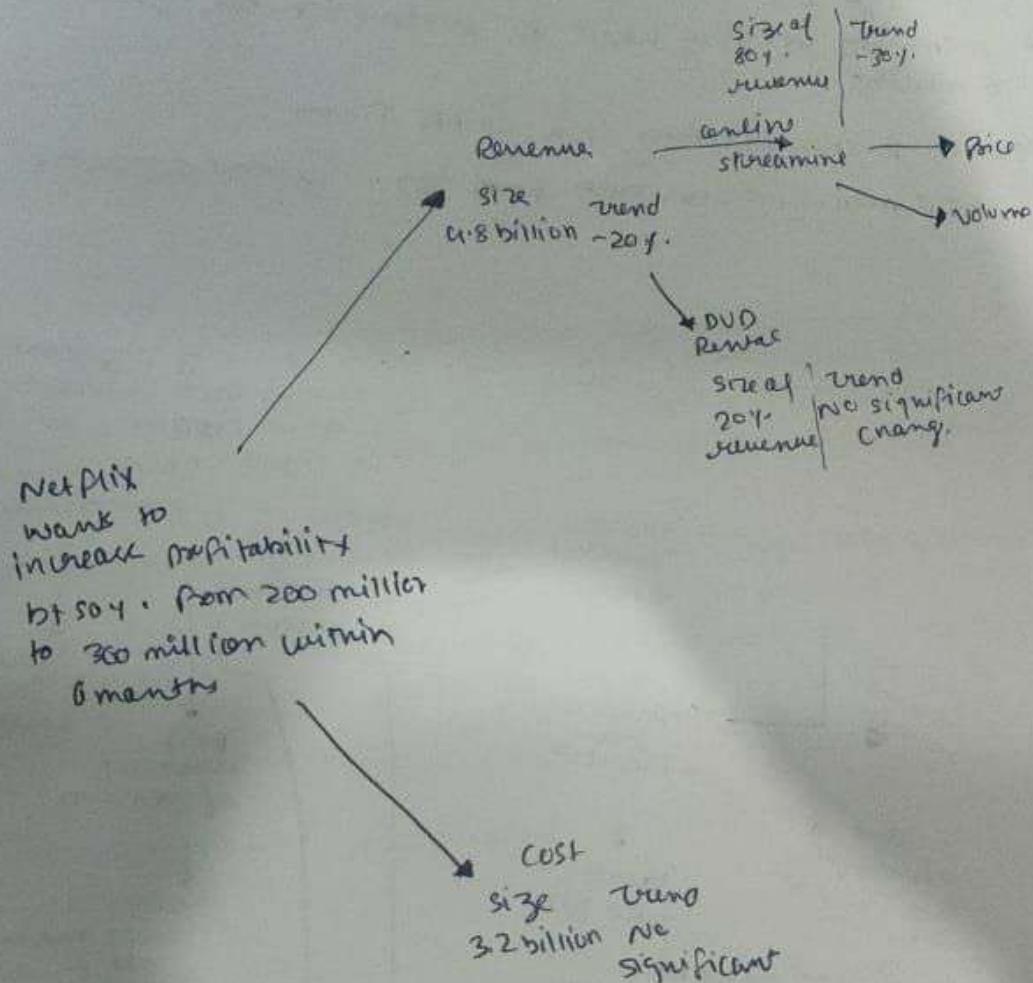
(1) lower price back to 9.99 USD/month



(2) increase subscription level.

Because first increase price then decrease may - not impact customers

7 8 9  
4 5 6



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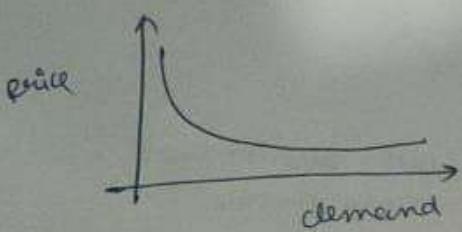
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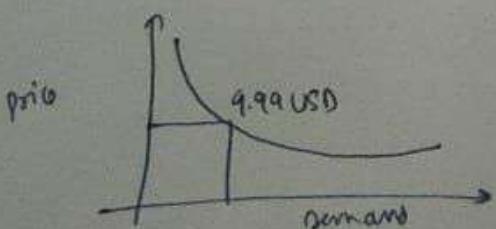
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9 hours subscription level

Lowest level subscription	Up to 30 movies	Standard definition display	\$7.99.
Medium level subscription	Limited movies	Standard definition display	\$9.99
High end subscription	Unlimited movies	HD	\$14.99.

### (3) Change subscription model →

currently Netflix is traditional Model customer have to pay upfront last

- (1) Add a trial period.
- (2) Switch the model to freemium
  - add advertisements for free membership
  - remain current subscription option for paid membership

### CASE FEEDBACK - .

putting key drivers into decision tree is crucial to solve the case .

use data to support your analysis