

# DORVAL

## MANAGEMENT ASSOCIATES

256 Howard Ave., Hope, RI, 02831 (401) 439-0129 www.DorvalManagement.com

### Focus of Business

- Retail Garden Center
- \$3,100,000 in Annual Revenue
- In Business 55 years (Second Generation)

### Business Problems (Before DMA)

The gross profit was not covering expenses and the cost of labor, their biggest expense, was too high. The company was losing money every year and was close to going out of business.

### Gross Profit Solution:

DMA researched the local market and realized the company was in a very affluent area. We taught management how to develop a yearly budget by month. We recommended that prices be increased and developed gross margin multipliers for the buyers and taught them how to price their products accordingly to achieve targeted gross margin by sales category.

### Labor Cost Too High Solution:

DMA developed a labor variance report by department that projected labor cost per week as a percentage of projected sales derived from the budget. Labor figures were tracked weekly and year-to-date allowing management to keep a close eye on their biggest expense.

### Result

The first weekend after the prices were increased, only one customer said "oh, you increased your prices". After a 12 month period, gross margin increased 5% increasing gross profit by \$155,000.

By keeping an eye on labor cost on a weekly basis, the company reduced its labor cost by \$60,000 within the first year.

The company is now making a profit and is no longer in danger of going out of business.