

## To much data :What do the business owners want by way of reporting

Top down reporting whereby summary information is provided rather than wading through large volumes of data is preferred by many SME operators who do not have the desire to review pages of data , unless it is absolutely required.

A problem for many SME proprietors across all businesses is that while they are provided with traditional accounting reports , the information is in a format making it difficult to assist stakeholders in making decisions that help control the business . Estate agents are no different in principal from many other businesses and the owners should be looking to ensure that they have meaningful reports provided to them on a regular basis . A traditional financial reports that many businesses in the SME sector prepare will often not readily convey the performance of the business because the basis of those reports is really no more than is to assist with meeting compliance obligations . By way of example only , agencies traditionally report their commission revenue on a receipts basis which often can be months after the transaction has taken place. It is for this reason that agents do not place a lot of store in the compliance accounts that are produced as it does not truly reflect the monthly performance of their operations with respect to the sales area. It is surely more relevant to therefore have information relating to actual sales in a particular reporting period and relay that to a breakeven point .This information if clearly provided enables the business to readily identify profitability . The accounting systems must be used in tandem with the internal management software that can provide the necessary information at any point in time.

Management should decide what their key reporting needs are and the manner in which they prefer to see that data. The reports should be prepared to provide information that is not only relevant to the stake holders but in a format that will be best understood by the reader .Often different owners of the same business will require information in a different format that best suits their own management style and focus. The principal aim is to ensure it leads to stronger control that enables management to be responsive in a timely manner. The one size fits all type reporting is not appropriate especially when you have varying levels of financial understanding within the management group. Critically reports can be easily tailored to best reflect the specific needs of different parties . One principal , some stake holders prefer to monitor their fixed overheads ( adjusted for some non fixed overheads )as their primary mechanism for staying on top of the business performance. With this information it is very straight forward to determine the level of sales that is needed to break even or meet budgeted profit results. The focus is therefore making sure that the business does not suffer from overhead creep as well as ensuring that sales targets are realigned as various costs escalate.

A clear picture of the “ adjusted” fixed overhead structure when combined with the understanding of the net commission enjoyed by the business enables the stake holders to very quickly undertake a health check on the business . Whether it be a determination of the required sales level to achieve breakeven or to quickly compute the monthly profitability . See charts below .

Containment and management of costs is clearly important in any business .In recent years it has been increasingly clear to successful agencies that in order to drive the sales team you must provide them with greater resources requiring more training as well as strong administrative back up support . This investment is ongoing and unless the information is reported in an easily understood format it may be a number of months or longer before the escalation in costs is noted .The process requires that a “rolling” 12 month average is continuously monitored thereby ensuring that any increase is identified and dealt with . This may not necessarily require a cost cutting approach but in fact may realign the expectation in terms of sales targets . If costs are increasing it will at least enable the stakeholders to determine what the appropriate strategy is . In the case of one client , a major cost was telephone costs .The level of communication costs had increased so significantly that the a re evaluation of that cost was warranted with new providers and plans delivering considerable savings .

It is important to also note that equally relevant is the reporting for the rental management area , which also needs to have the same principles applied. Often we see how agents do not properly monitor each aspect of the business , leading to incorrect assumptions regarding various segments of the business operations. The property management area while delivering a regular cash flow, needs to be monitored to ensure that the area is achieving a satisfactory level of profitability .The true picture is often difficult to see as the blended result ( of the overall business , sales and property management ) may be disguising a less than satisfactory result in the property management operation.

Generally speaking too much information usually loses the message which is why a lot of the information can be provided in a format that enables busy stakeholders to quickly assess the position and drill down if required .

The data required to make this quick appraisal is readily available from the regular accounting records and the management systems that most agencies use today but it is presented in a format that allows the stake holders to quickly ascertain what is going on . In short it will help proprietors keep a close eye on all the critical aspects of the business and provide direction where any issues may arise.

The message therefore is that generic reporting is not likely to provide the stakeholders with adequate and meaningful data that will assist with driving the business forward so take some time out to work out what information you would like to obtain and ensure that time is set aside to implement the reporting accordingly.

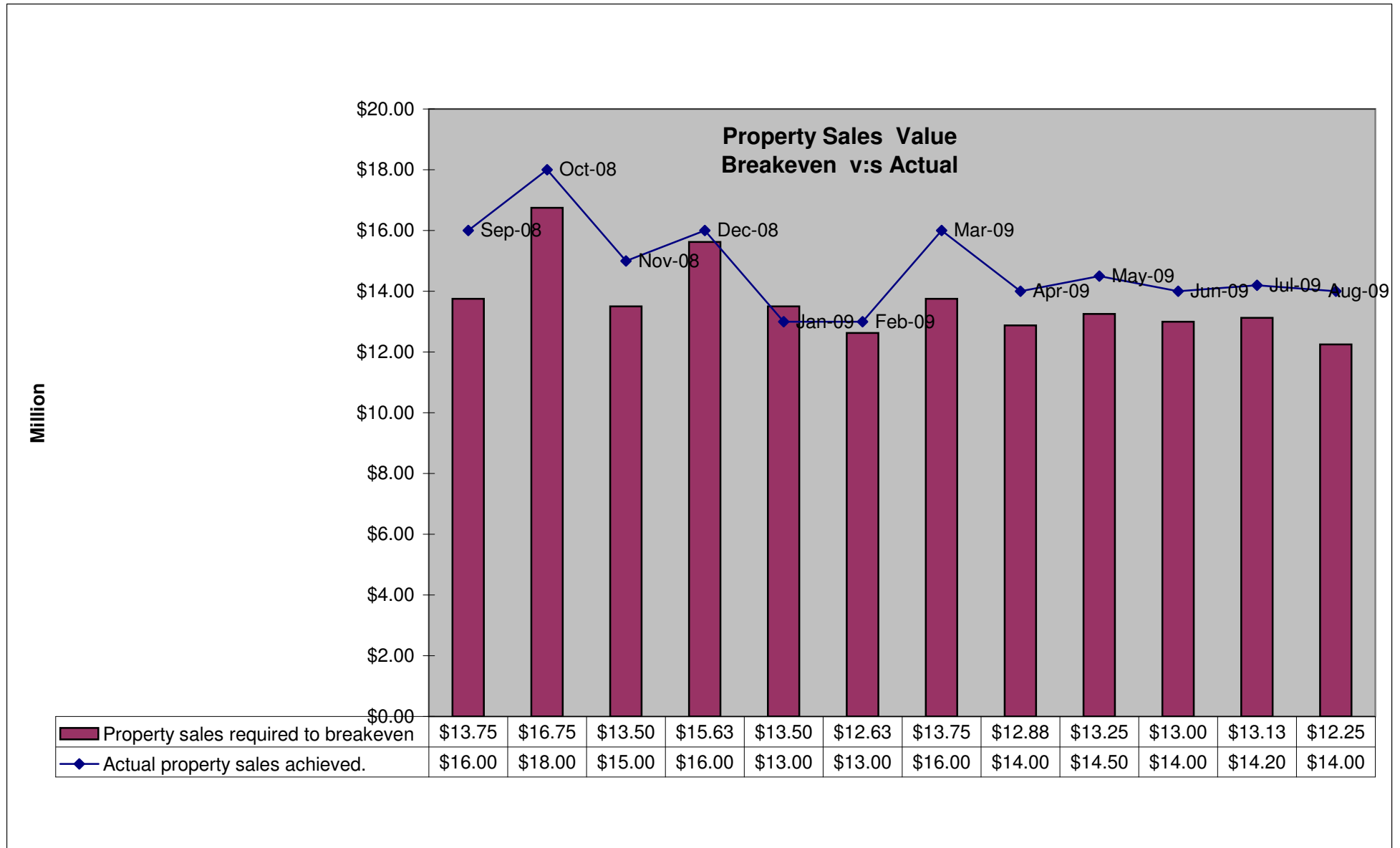
Sothertons Melbourne  
Property Division

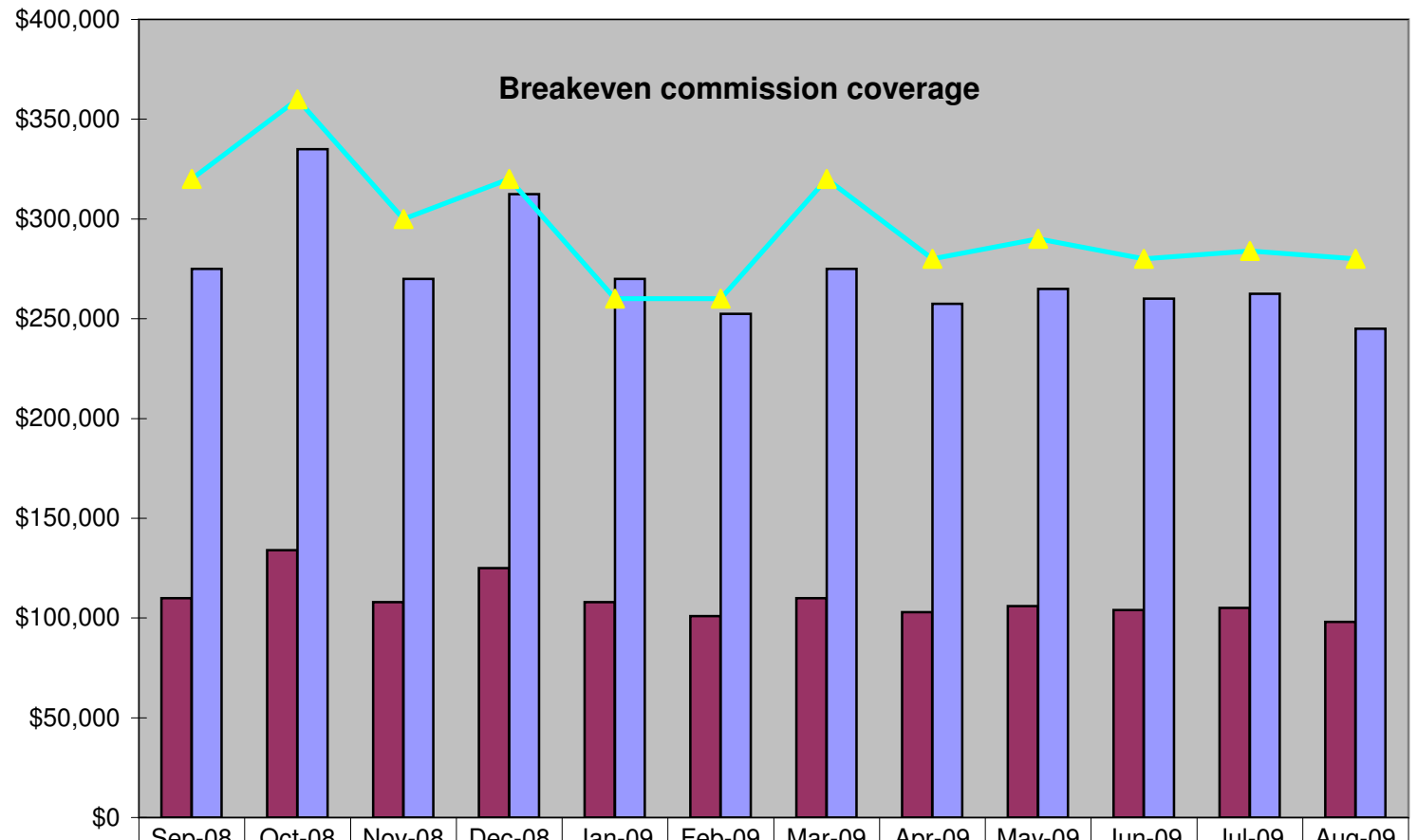
Blue Sky Pty Ltd  
Review of overheads - Breakeven points

	Sep-08	Oct-08	Nov-08	Dec-08	Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09	Jul-09	Aug-09
12 Month Running Average -overheads	\$110,000	\$134,000	\$108,000	\$125,000	\$108,000	\$101,000	\$110,000	\$103,000	\$106,000	\$104,000	\$105,000	\$98,000
Gross "break even" commission required	\$275,000	\$335,000	\$270,000	\$312,500	\$270,000	\$252,500	\$275,000	\$257,500	\$265,000	\$260,000	\$262,500	\$245,000
Gross commission achieved	\$320,000	\$360,000	\$300,000	\$320,000	\$260,000	\$260,000	\$320,000	\$280,000	\$290,000	\$280,000	\$284,000	\$280,000
Property sales required to breakeven ( Millions )	\$13.75	\$16.75	\$13.50	\$15.63	\$13.50	\$12.63	\$13.75	\$12.88	\$13.25	\$13.00	\$13.13	\$12.25
Actual property sales achieved. ( Millions )	\$16.00	\$18.00	\$15.00	\$16.00	\$13.00	\$13.00	\$16.00	\$14.00	\$14.50	\$14.00	\$14.20	\$14.00

Note : Items omitted from overhead breakeven calculation .

The average overheads excludes the variable costs such as commission payments , sales staff salaries/ commissions , directors superannuation top up , donations .





Average overheads	\$110,00	\$134,00	\$108,00	\$125,00	\$108,00	\$101,00	\$110,00	\$103,00	\$106,00	\$104,00	\$105,00	\$98,00
Gross "break even" commission required	\$275,00	\$335,00	\$270,00	\$312,50	\$270,00	\$252,50	\$275,00	\$257,50	\$265,00	\$260,00	\$262,50	\$245,00
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