

How FP&A leads growth and profitability

*Balancing Top-line Expansion
with Bottom-line Success*

Presented by



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01 *Why Profitability and Growth Matter?*



Key points :

- **Growth** : allows market expansion and shareholder value
- **Profitability** : ensures long term sustainability
- **Companies** : need to balance both for enduring success

02 *Profitable Growth : Definition and Importance*

What is Profitable Growth?



– Definition :

- Growth focused on increasing revenue and profit margins together

– Importance :

- Supports reinvestment and shareholder value
- Essential in competitive markets

03 *Profitability Vs Profitable Growth*



Key Differences

Profitability	Profitable Growth
<ul style="list-style-type: none">• Snapshot of current financial health• Focuses on existing operations• High revenue may not grow profits	<ul style="list-style-type: none">• Sustained profit increase over time• Balances expansion with efficiency• Scales profits with business growth

04 *Metrics for Measuring Profitable Growth*

Key Metrics :

- Revenue growth rate
- Net profit margin
- Return on Invested Capital (ROIC)
- Net Operating Profit After Taxes (NOPAT)
- Economic profit (profit less cost of capital)

05 *Core Strategy* **1: Focus on** **Core Strengths**

Leverage Competitive Advantages :

- Maximise strengths in existing products/services
- Refine your unique value proposition
- Double down on target customer segments

2 : Expand Markets and Segments

Growth through Market Penetration :

- Explore new geographical markets
- Modify offerings for underserved customer groups
- Use alternative distribution channels

3 : Optimise Business Operations

Streamline for Efficiency :

- Evaluate pricing, supply chains, and processes
- Reduce waste and unnecessary costs
- Invest in automation and lean methodologies

4 : Drive Customer-Centric Growth

Acquisition and Retention :

- Enhance customer experience and loyalty programs
- Use data driven personalisation
- Focus on increasing Customer Lifetime Value (CLV)

5-Strategic Partnerships and Acquisitions

Collaborate and Consolidate :

- Partner with complementary businesses
- Pursue M&A for scaling capabilities
- Focus on revenue and cost synergies

06 *Tracking and Sustaining Profitable Growth*

Monitor and Optimise :

- Profit margins, revenue growth, customer acquisition cost (CAC)
- Return on capital employed (ROCE)
- Long term ROI of growth initiatives
- Build a culture of disciplined, sustainable growth

Conclusion

Strategies of how to improve Profitability & Growth :

- Leverage strengths, expand markets, and innovate
- Optimise operations and track financial metrics
- prioritise profitability alongside expansion

The role of FP&A Pros in improving the profitability and growth

1-Revenue Forecasting Models and Scenario Planning :

- **Benefits:** Enhances accuracy in sales projections and resource allocation while preparing the organization for various future scenarios.
- **Impact:** Accurate forecasting ensures resources are optimally allocated, leading to cost savings and improved revenue management. Scenario planning complements this by preparing the company to pivot or adapt strategies quickly in response to changing market conditions, thereby safeguarding revenues and reducing potential losses.
- **Practical Example:** The FP&A team at Procter & Gamble leads quarterly forecasting reviews and scenario planning sessions to align supply chain operations and marketing strategies with current market forecasts and potential future changes.
- **Source:** Gartner

2- Cost Reduction Initiatives

- **Benefits:** Pinpoints inefficiencies and identifies savings opportunities.
- **Impact:** Direct improvement in the bottom line by decreasing operational costs.
- **Practical Example:** The FP&A team at Novartis spearheads annual cost review initiatives, identifying areas where strategic sourcing and procurement optimizations can be implemented to achieve significant cost reductions.
- **Source:** BCG

3- Pricing Strategy Optimization

- **Benefits:** Maximizes both profitability and market share through strategic pricing adjustments.
- **Impact:** Increases revenue and profit margins by adapting prices based on consumer demand and market conditions.
- **Practical Example:** The FP&A department at Coca-Cola routinely analyzes pricing elasticity and market conditions to adjust pricing strategies across its global markets, ensuring optimal profitability and market competitiveness.
- **Source:** McKinsey

4- Profitability Analysis

- **Benefits:** Guides investment decisions by highlighting profitable products and services.
- **Impact:** Focuses on high-return offerings to optimize revenue and margins.
- **Practical Example:** Apple's FP&A team conducts detailed profitability analyses for each product line, prioritizing investments in high-margin products like the iPhone.
- **Source:** CIMA

5- Budgeting Control

- **Benefits:** Ensures resources are used efficiently and financial discipline is maintained.
- **Impact:** Prevents cost overruns and ensures financial targets are consistently met.
- **Practical Example:** Amazon's FP&A team uses a continuous budgeting process, adjusting spending forecasts based on real-time market data and internal performance metrics.
- **Source:** AFP

6– Capital Investment Analysis

- **Benefits:** Allocates capital to high-return projects.
- **Impact:** Enhances ROI and contributes to financial sustainability.
- **Practical Example:** Google's FP&A team applies rigorous financial metrics such as NPV and IRR to evaluate all major capital investments, ensuring they meet the company's strategic goals and financial thresholds.
- **Source:** AFP

7– Performance Dashboards

- **Benefits:** Offers real-time insights into organizational performance.
- **Impact:** Facilitates informed decision-making, which can lead to improved efficiency and profitability.
- **Practical Example:** The FP&A team at Salesforce develops and manages performance dashboards that track critical financial and operational metrics, enabling swift managerial decisions based on up-to-date data.
- **Source:** McKinsey

8– Supply Chain Optimization

- **Benefits:** Improves efficiency and reduces operational costs in the supply chain.
- **Impact:** Directly enhances profit margins.
- **Practical Example:** Dell's FP&A team plays an integral role in their just-in-time inventory strategy, coordinating with logistics to align production schedules with sales forecasts to minimize holding costs.
- **Source:** CIMA

9– Customer Profitability Analysis

- **Benefits:** Focuses on the most profitable customer segments.
- **Impact:** Increases revenue by prioritizing high-value customer relationships.
- **Practical Example:** Verizon's FP&A group conducts detailed profitability analyses by customer segment, directing marketing and service resources to the most lucrative segments.
- **Source:** AFP

10– Operational Efficiency Programs

- **Benefits:** Minimizes waste and enhances productivity.
- **Impact:** Directly boosts profitability by improving operational efficiency.
- **Practical Example:** Toyota's FP&A division supports their continuous improvement program by providing data-driven insights into manufacturing efficiency and identifying areas for process optimization.
- **Source:** McKinsey

11- Risk Management and Regular Risks & Opportunities Review

- **Benefits:** Mitigates financial risks and enhances organizational resilience by proactively identifying potential threats and opportunities.
- **Impact:** Regular risk and opportunity reviews enable the organization to adapt strategies swiftly, minimizing losses and capitalizing on potential gains. This approach ensures continuous alignment with the organization's risk appetite and strategic objectives.
- **Practical Example:** JPMorgan Chase's FP&A team leads monthly risk management meetings, assessing new risks and reviewing ongoing risk mitigation strategies, allowing them to adjust their financial strategies promptly in response to both external and internal changes.
- **Source:** Gartner
- **Source:** AFP

12- Technology Leveraging

- **Benefits:** Enhances operational efficiencies and sharpens decision-making through advanced technologies.
- **Impact:** Boosts revenue and reduces costs by automating manual processes and enabling more precise analytics.
- **Practical Example:** Siemens' FP&A team has implemented an advanced business intelligence platform that integrates data across multiple systems, enabling real-time financial analysis and reporting. This technology allows the FP&A team to provide quicker, data-driven insights into business performance, driving better strategic decisions and operational improvements.
- **Source:** SAP Insights

Recap:

- **Why it Matters:** Balancing growth (market expansion, shareholder value) with profitability (sustainability).
- **Key Metrics:** Revenue growth, net profit margin, ROIC, NOPAT, economic profit.
- **Core Strategies:**
 - o Leverage core strengths.
 - o Expand markets and customer segments.
 - o Optimize operations (automation, cost control).
 - o Drive customer-centric growth (CLV, personalization).
 - o Form strategic partnerships and acquisitions.

- **Role of FP&A:**

- Revenue forecasting and scenario planning.
- Cost reduction and pricing strategy optimization.
- Profitability, budgeting, and capital investment analyses.
- Operational efficiency and supply chain optimization.
- Technology integration for real-time insights.

- **Sustaining Growth:** Monitor profit margins, CAC, and ROI of initiatives while fostering a culture of disciplined growth.

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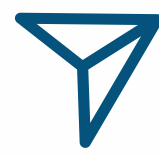
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