

# Financial Fitness Boot Camp: The Roadmap to a Profitable Franchise



## Tutor Doctor East Hamilton Case Study

### Case Study Overview - Tutor Doctor East Hamilton - Part 1

#### Background

Tutor Doctor Toronto, a startup in the private tutoring industry, was established with an ambitious vision to change the trajectory of student's lives. With its white glove service and local owner engaged in the community, the franchisee expected a rapid launch and uptake in the market.

**Current Situation:** Despite having a strong service offering, Tutor Doctor East Hamilton's business isn't taking off as projected. Initial revenue and growth metrics are falling short of their benchmarks, raising concerns about whether they will hit their intermediate goals for the first 2 years.

As the franchisee's Business Coach, it is your job to troubleshoot and identify root causes of the lack of performance and recommend potential solutions to help increase sales and revenues. In preparation for your next meeting, the franchisee has provided the following YTD P&L and marketing data over the first 10 months of business.

1. How can franchisees calculate and analyze the Cost of Sale (CoS) for each marketing campaign? What benchmarks or metrics should they use to assess the effectiveness of their marketing expenditures?
2. What recommendations can you make to this franchisee to help increase sales and revenues?

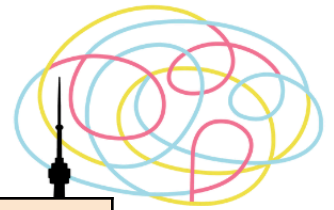
**Tutor Doctor East Hamilton Profit & Loss - 2021 (first 10 months of operation)**



<b>REVENUE</b>	<b>\$54,455</b>
<b>COST OF SALES</b>	
Tutor Costs	<b>\$21,968</b>
Sales Costs	\$1,397
Royalty	\$4,660
Brand Fund	\$1,089
<b>GROSS PROFIT</b>	<b>\$25,341</b>
<b>ADVERTISING &amp; PROMOTION</b>	<b>\$12,525</b>
Event Marketing	\$4,250
Signs	\$1,475
Advertising & Print	\$1,200
PPC	\$2,995
Website	\$1,500
Networking	\$625
Recruitment	\$480
<b>STAFFING WAGES &amp; BENEFITS</b>	<b>\$0</b>
<b>OPERATIONAL EXPENSES</b>	<b>\$11,224</b>
Banking Fees	\$195
Car Maintenance/Fuel	\$1,852
Computer	\$279
Insurance	\$1,352
License Fees & Permits	\$550
Meals & Travel	\$487
Office Expenses	\$543
Postage	\$174
Professional Services	\$2,516
Telecommunications	\$1,150
Training and Seminars	\$2,126
Utilities	\$0
<b>NET INCOME</b>	<b>\$1,592</b>



## Marketing Analysis



**DBA**  
TORONTO 2023

	Events	Community Signs	Flyers	PPC	Website	Networking	TOTAL
<b>Investment</b>	\$4,250	\$1,475	\$700	\$2,995	\$1,500	\$625	<b>\$11,545</b>
<b>Leads</b>	128	53	13	17	22	3	<b>236</b>
<b>Consults</b>	18	20	5	10	11	1	<b>65</b>
<b>Enrollments</b>	12	12	3	5	7	1	<b>40</b>
<b>Sales</b>	\$20,555	\$16,753	\$3,950	\$9,875	\$10,850	\$1,200	<b>\$63,183</b>
<b>F1</b>							
<b>F2</b>							
<b>F3</b>							
<b>F4</b>							
<b>Cost of Sale</b>							

## Case Study Overview - Tutor Doctor East Hamilton - Part 2

**Current Situation:** Tutor Doctor East Hamilton has put in the work and seen a year of exponential growth of sales and revenues! While revenues are growing, the effort isn't reflected in their desired profitability. They are looking to you to analyze why they can't be more profitable.

As the franchisee's Business Coach, it is your job to troubleshoot and identify root causes of the lack of profitability and recommend potential solutions to help. In preparation for your next meeting, the franchisee has provided the following Profit & Loss Statement for the past year.

1. Can you break down the major cost components in the Profit & Loss statement and explain how each of them impacts the franchisee's profitability? What strategies can be employed to manage and optimize these costs effectively?
2. How can franchisees calculate their break-even point, and why is this important for understanding when the business will become profitable? What variables can be adjusted to accelerate reaching the break-even point?
3. What recommendations can you make to this franchisee to help increase profitability?



## Tutor Doctor East Hamilton - Profit & Loss Statement - 2022



<b>REVENUE</b>	<b>\$235,747</b>
<b>COST OF SALES</b>	
Tutor Costs	\$107,264
Sales Costs	\$4,825
Royalty	\$18,860
Brand Fund	\$4,715
<b>GROSS PROFIT</b>	<b>\$100,083</b>
<b>ADVERTISING &amp; PROMOTION</b>	<b>\$24,337</b>
Event Marketing	\$2,355
Signs	\$1,720
Advertising & Print	\$1,856
PPC	\$12,350
Website	\$1,800
Networking	\$1,185
Recruitment	\$3,071
<b>STAFFING WAGES &amp; BENEFITS</b>	<b>\$34,773</b>
<b>OPERATIONAL EXPENSES</b>	<b>\$21,710</b>
Banking Fees	\$356
Car Maintenance/Fuel	\$3,924
Computer	\$1,578
Insurance	\$1,620
License Fees & Permits	\$1,100
Meals & Travel	\$2,133
Office Expenses	\$1,723
Postage	\$525
Professional Services	\$4,216
Telecommunications	\$1,380
Training and Seminars	\$3,155
Utilities	\$0

NET INCOME

\$19,263



## Case Study Overview - Tutor Doctor East Hamilton - Part 3



**Current Situation:** Tutor Doctor East Hamilton continues to grow at a rapid pace and enjoying a banner year in 2023! They have reinvested in growth in the business and have enjoyed a lot of financial benefits from the performance of their franchise. Despite the rapid growth they have seen a small decline in sales the past two months and hours delivered continue to increase. Looking at their bank balances, they're struggling to meet tutor payroll and anxiety has increased as they're unsure how they'll make all the payments in the months ahead.

They are looking to you to analyze why their financial health isn't where it should be as they don't understand why they don't have cash in the bank.

As the franchisee's Business Coach, it is your job to troubleshoot and identify root causes of the lack of financial health and recommend potential solutions to help. In preparation for your next meeting, the franchisee has provided the following Profit & Loss Statement and Balance Sheet for this year.

1. Based on the data below, what stands out to you as to why the franchisee isn't as financially healthy as they should be?
2. What are the key principles of cash flow management, and how can franchisees ensure they have adequate cash flow to cover expenses and support business growth? What tools or practices can be employed to manage cash effectively?
3. What are the key components of a financial forecast and budget, and how can franchisees use these tools to plan for future growth and navigate financial challenges? What are the best practices for creating and maintaining an effective budget?

## Tutor Doctor East Hamilton - Profit & Loss Statement - 2023



<b>REVENUE</b>	<b>\$371,365</b>
<b>COST OF SALES</b>	
<b>Tutor Costs</b>	<b>\$150,774</b>
<b>Sales Costs</b>	\$7,245
<b>Royalty</b>	\$29,710
<b>Brand Fund</b>	\$7,427
<b>GROSS PROFIT</b>	<b>\$176,209</b>
<b>ADVERTISING &amp; PROMOTION</b>	<b>\$26,193</b>
<b>Event Marketing</b>	\$2,355
<b>Signs</b>	\$2,325
<b>Advertising &amp; Print</b>	\$2,300
<b>PPC</b>	\$12,350
<b>Website</b>	\$1,800
<b>Networking</b>	\$1,275
<b>Recruitment</b>	\$3,788
<b>STAFFING WAGES &amp; BENEFITS</b>	<b>\$44,560</b>
<b>OPERATIONAL EXPENSES</b>	<b>\$25,790</b>
<b>Banking Fees</b>	\$676
<b>Car Maintenance/Fuel</b>	\$3,924
<b>Computer</b>	\$1,578
<b>Insurance</b>	\$3,141
<b>License Fees &amp; Permits</b>	\$1,100
<b>Meals &amp; Travel</b>	\$3,217
<b>Office Expenses</b>	\$1,723
<b>Postage</b>	\$525
<b>Professional Services</b>	\$5,371
<b>Telecommunications</b>	\$1,380
<b>Training and Seminars</b>	\$3,155
<b>Utilities</b>	\$0

NET INCOME

\$79,666



## Tutor Doctor East Hamilton Balance Sheet - Dec 31, 2023



<b>Assets</b>	
<b>Current assets</b>	
Cash - Chequing Account	\$5,748
Cash - Savings Account	\$955
Event Materials	\$975
Event Tent	\$1,200
Marketing Materials	\$1,475
Lawn Signs	\$200
<b>Total current assets</b>	<b>\$10,553</b>
<b>Long-term assets</b>	
SMART Car	\$8,500
Office Furniture	\$2,700
Computers	\$980
Accounts receivable - Future Payments	\$31,755
<b>Total long-term assets</b>	<b>\$43,935</b>
<b>Fixed Assets</b>	
Franchise Fee	\$50,000
<b>Total Assets</b>	<b>\$104,488</b>
<b>Liabilities</b>	
<b>Current liabilities</b>	
Deferred Revenue - Prepaid Tutoring	\$79,543
Line of Credit	\$11,588
Credit Card	\$4,289
<b>Total current liabilities</b>	<b>\$95,420</b>
<b>Long-term liabilities</b>	
Bank Loan	\$6,243
<b>Total long-term liabilities</b>	<b>\$6,243</b>



<b>Total Liabilities</b>	<b>\$101,663</b>
<b>Owner's Equity</b>	
Owner's capital	\$25,000
Retained earnings	\$13,250
<b>Total Owner's Equity</b>	<b>\$38,250</b>
<b>Total Liabilities and Owner's Equity</b>	<b>\$139,913</b>

## Additional Notes: