AIKO Node

Margin X-Ray

Consultant's report

Prepared for: **Example Trading Ltd**

Period analysed: 2024-01 – 2025-12

Date: 30 March 2026

Executive summary

Project goal: Understand why our margin is falling while sales grow, and agree on 3 actions.

£15M	£6.8M	46.2%	1.6%	38.8%
Net sales	Contribution margin	Margin, %	Discounts, % of sales	Top 5 customers, % of sales

> Over the period (24 months) net sales were £14,626,953 and contribution margin £6,762,321 (46.2%); discounts make up 1.6% of sales. Protect customers (10) bring 60.4% of sales and 61.0% of margin; Reprice customers (5) bring 19.3% of sales but only 18.8% of margin. The top-5 customers make up 38.8% of sales. If nothing changes, contribution margin over the next 12 months is £3,923,666.

Three key findings

1. **Discounts without rules.** 80% of the team often give discounts without a manager's approval, while discounts make up 1.6% of sales.
2. **The team cannot see low-margin customers.** 80% of the team do not know, or only partly know, which customers earn the least, although the Reprice quadrant brings 19.3% of sales.
3. **Margin is not a management metric.** 80% of the team do not see the result of their work in margin terms.

The options and what they are worth

OPTION	ASSUMPTION	MARGIN IN 12 MONTHS	DIFFERENCE
Baseline, nothing changes	current trend	£3,923,666	—
Price +3% (volume -1%)	price +3 %, volume -1 %	£4,133,371	+£209,704
Reprice: the Reprice quadrant halfway to the median margin	Reprice customers (5) halfway to the median margin	£3,931,783	+£8,117
Discount discipline: discounts -2 pp	discounts -2 pp of sales	£4,061,675	+£138,009
Grow: the Grow quadrant +20% volume	Grow quadrant (5) volume +20 %	£3,987,642	+£63,976
Review: loss-making customers to break-even	loss-making customers (0) to break-even	£3,923,666	+£0
Mix: 5% of Reprice sales → Protect products	mix: 5% of Reprice product sales → Protect	£3,928,274	+£4,608
Combined: price, reprice, discounts	price + reprice + discounts	£4,279,496	+£355,830

Our proposal in brief. We suggest starting with "Price +3% (volume −1%)": the largest single effect (+£209,704 of margin over 12 months) and a decision within your own control. *(see "Proposal for next steps")*

Method

The Margin X-Ray is a product of the AIKO Node OUT method (Observe • Understand • Transform). It answers one question: which customers and products earn, and which only add volume and workload. The analysis uses reports the company already produces, and every conclusion is tested against three layers: the numbers, the manager's knowledge and the team's view.

O Observe

We collect the data, check its quality and calculate the margin of every customer and product.

U Understand

We set the numbers against a manager interview and an anonymous team survey. Where these layers diverge, there is a finding. From this come the baseline and the options.

T Transform

In a management workshop the team chooses the target and the initiatives that fill the gap, with owners and deadlines.

Calculation model

Net sales = sales − discounts. Contribution margin = net sales − direct costs (cost of sales) − delivery costs. Margin, % = contribution margin ÷ net sales. Fixed costs (rent, administration) are not allocated to customers or products, so you can see how much each one contributes to covering them.

Four quadrants

Customers and products are placed on two axes: size (net sales above or below the median) and profitability (margin, % above or below the median). The medians come from your own data, so everything is compared with your company's own centre, not with an abstract norm.

Protect	large and profitable. The core to keep and serve first.
Reprice	large but less profitable. This is usually where the biggest lever sits: prices, discounts, cost to serve.
Grow	small but profitable. Candidates for growth and sales attention.
Review	small and less profitable. A decision is needed: change terms, consolidate or exit.

How to read the charts

Margin map	Each dot is a customer or a product. Further right means larger sales (log scale); higher means a higher margin, %. The dashed lines are the medians that split the plane into four quadrants.
Shares of sales and margin	For each quadrant: the share of sales and the share of margin it brings. When the sales share is larger than the margin share, the quadrant is borrowing margin from the others.
Concentration curve	Shows how much of sales comes from the largest customers. A steep start means dependence on a few customers.
Monthly trend	Two charts over the same months: net sales on top, margin, % below. This helps separate seasonality from structural change.

Data checks

Before the calculation the data is checked automatically: whether all months are present, whether there are negative costs or zero prices, whether any margin is unrealistically high, and whether the sales total matches the profit and loss statement. Every issue was discussed with you; the remaining notes are listed in this report.

Confidentiality and AI

Customer, product and personal names are replaced with codes on the server before any analysis. The AI model sees only codes and numbers that are already calculated; it does not calculate, and every sentence passes a quality filter: no number that is not in the data can reach the text. In this report the codes are replaced with the real names again. The conclusions were reviewed by an AIKO Node specialist.

Data and data checks

The analysis used your sales report by customer, product and month, and your profit and loss statement.

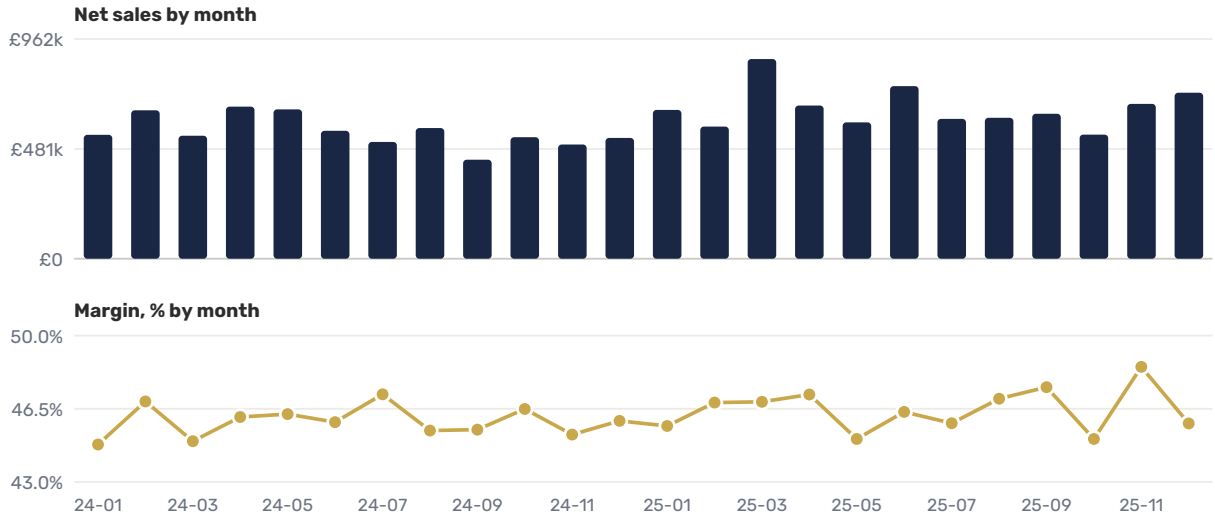
> 2838 rows, 30 customers, 9 products, 24 months (2024-01 to 2025-12), sales total £14,868,349; P&L revenue £7,939,618.

Data check notes

The data passed all checks without notes.

Monthly trend

Top: net sales. Bottom: margin, %. The same months in both charts.



WHAT THIS SAYS

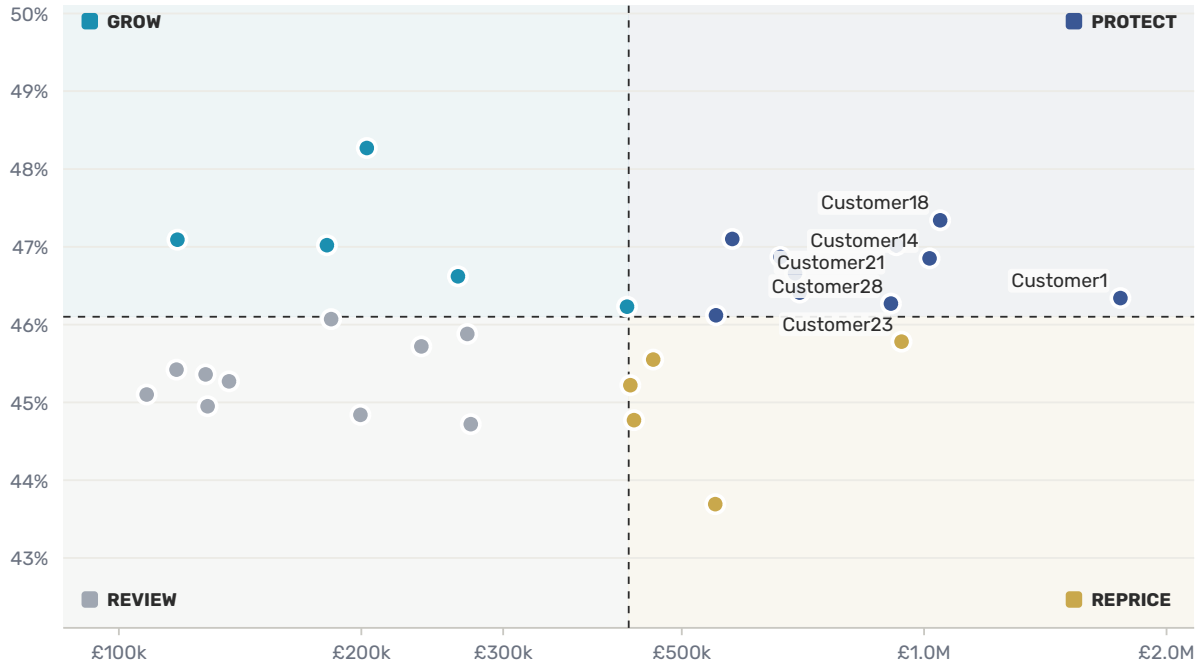
Sales in the second half of the period +18.7% against the first.

Margin percentage moved +0.6 pp (45.9% → 46.5%).

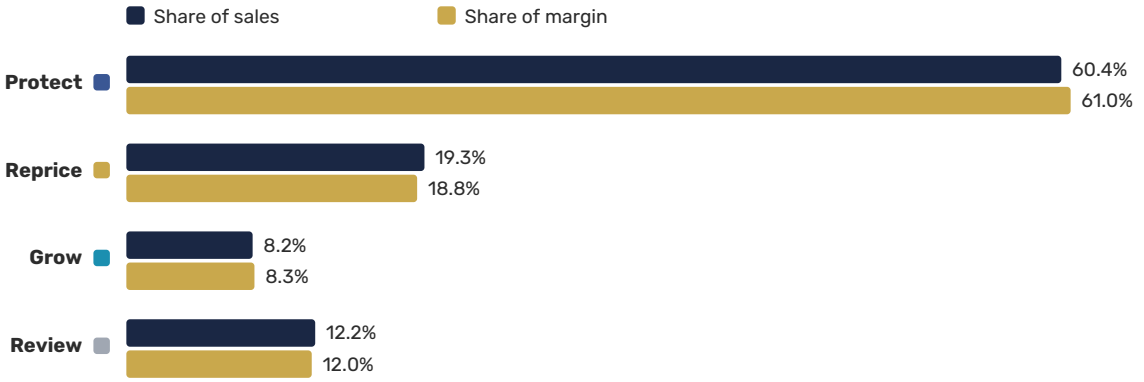
→ Margin is holding; the lever is pricing and mix, not volume.

Margin map: customers

Dots are customers; the largest are labelled. The colour shows the quadrant.



Shares of sales and margin by quadrant



WHAT THIS SAYS

Protect: 10 bring 60.4% of sales and 61.0% of margin.

Grow: 5 small but high-margin (8.3% of margin): the cheapest growth is here.

▼ Reprice: 5 bring 19.3% of sales but only 18.8% of margin: Customer23 45.8%, Customer19 43.7%, Customer20 45.6%.

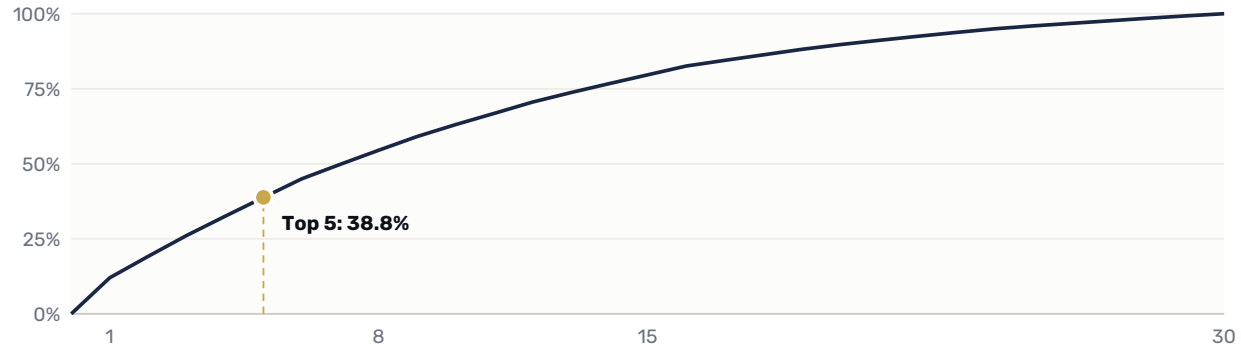
→ Margin is concentrated in the Protect quadrant: the first job is not to lose it; growth sits in the Grow quadrant.

Largest by net sales · Customers

NAME	NET SALES	CONTRIBUTION MARGIN	MARGIN, %	QUADRANT
Customer1	£1,753,031	£812,350	46.3%	Protect
Customer18	£1,046,716	£495,465	47.3%	Protect
Customer14	£1,015,658	£475,819	46.9%	Protect
Customer23	£937,472	£429,210	45.8%	Reprice
Customer21	£923,181	£434,055	47.0%	Protect
Customer28	£909,236	£420,694	46.3%	Protect
Customer3	£700,406	£325,028	46.4%	Protect
Customer2	£691,394	£322,627	46.7%	Protect
Customer17	£663,031	£310,776	46.9%	Protect
Customer30	£577,774	£272,150	47.1%	Protect
Customer5	£551,598	£254,402	46.1%	Protect
Customer19	£550,207	£240,370	43.7%	Reprice

Sales concentration

Cumulative share of sales by number of customers, largest first.



The 5 largest customers make up 38.8% of sales.

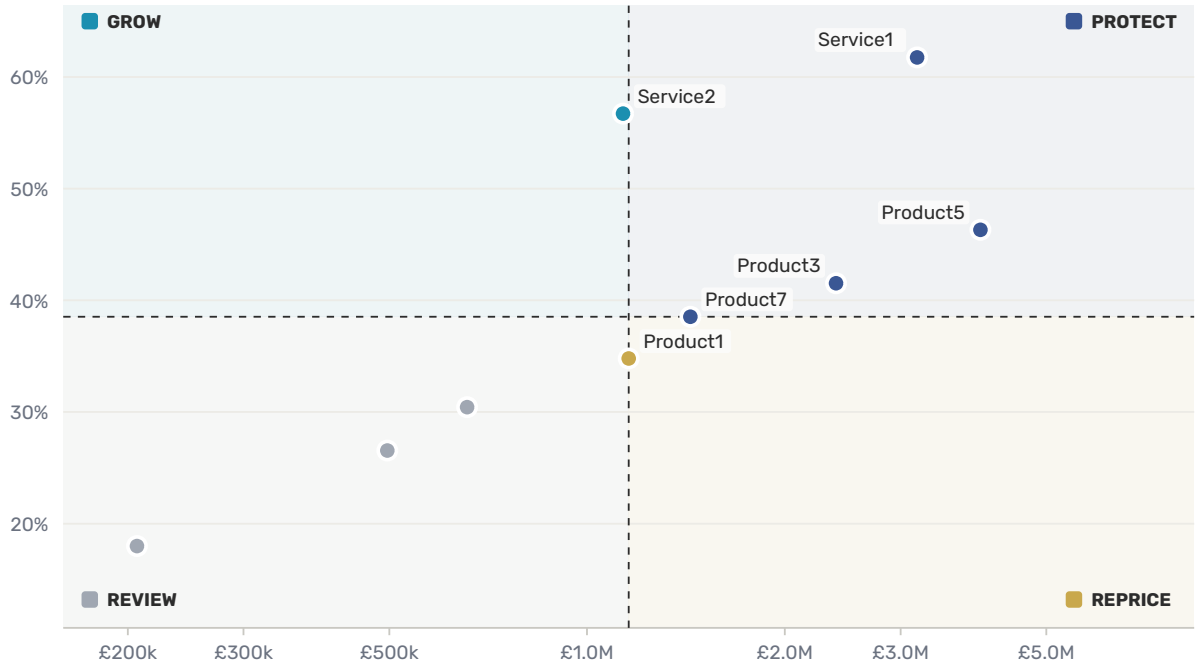
WHAT THIS SAYS

The top-5 customers make up 38.8% of sales; 30 customers in total, median margin 46.1%.

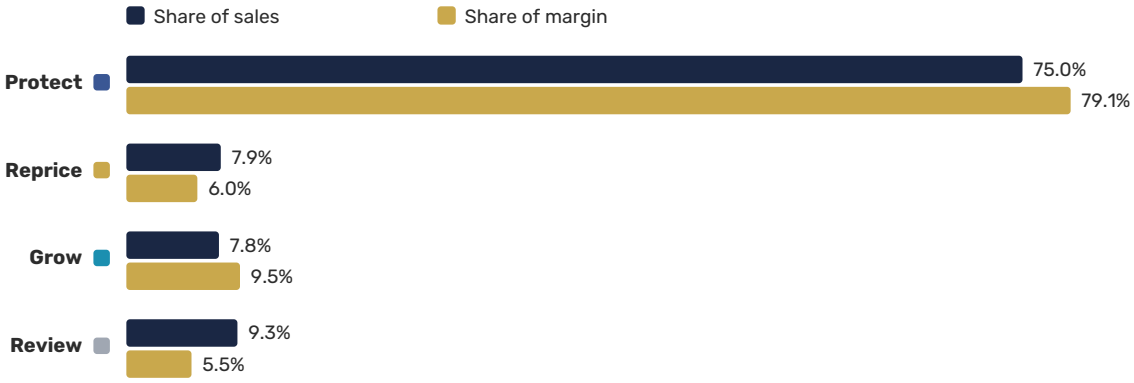
→ Discounts are 1.6% of sales; one percentage point is worth £85,004 a year.

Margin map: products

Dots are products and services; the largest are labelled.



Shares of sales and margin by quadrant



WHAT THIS SAYS

Protect: 4 bring 75.0% of sales and 79.1% of margin.

Grow: 1 small but high-margin (9.5% of margin): the cheapest growth is here.

▼ Reprice: 1 bring 7.9% of sales but only 6.0% of margin: Product1 34.8%.

→ Margin is concentrated in the Protect quadrant: the first job is not to lose it; growth sits in the Grow quadrant.

Largest by net sales · Products

NAME	NET SALES	CONTRIBUTION MARGIN	MARGIN, %	QUADRANT
Product5	£3,967,479	£1,837,237	46.3%	Protect
Service1	£3,179,082	£1,962,952	61.8%	Protect
Product3	£2,392,977	£993,901	41.5%	Protect
Product7	£1,435,936	£553,213	38.5%	Protect
Product1	£1,157,083	£402,534	34.8%	Reprice
Service2	£1,134,432	£643,526	56.7%	Grow
Product6	£656,832	£199,921	30.4%	Review
Product2	£496,556	£131,849	26.6%	Review
Product4	£206,577	£37,189	18.0%	Review

What the numbers show

> Contribution margin is £6,762,321, or 46.2% of net sales. The Reprice quadrant holds 5 customers: they bring 19.3% of sales but only 18.8% of margin. There are 0 loss-making customers. The 5 largest customers account for 38.8% of sales.

Exceptions and your explanations

Why is the margin of Customer23 45.8%: are there special prices, discounts or extra service?	*Customer1 has had a fixed-price contract since 2023.*
Why is the margin of Customer19 43.7%: are there special prices, discounts or extra service?	*We install for this customer free of charge.*
Why is the margin of Customer20 45.6%: are there special prices, discounts or extra service?	*Not sure, I need to check with our sales manager.*

Why it is so: findings

Findings arise where the numbers, the manager's answers and the team's view diverge.

1

Discounts without rules

80% of the team often give discounts without a manager's approval, while discounts make up 1.6% of sales. This may be one source of the margin spread.

2

The team cannot see low-margin customers

80% of the team do not know, or only partly know, which customers earn the least, although the Reprice quadrant brings 19.3% of sales.

3

Margin is not a management metric

80% of the team do not see the result of their work in margin terms.

Manager interview and team survey

Manager interview: summary

Pricing	The manager said: Cost plus a 25% mark-up, but we negotiate with the large customers. Briefly Customer loyalty and pressure on price from a few large buyers. The sales manager up to 10%, I can go higher. Customer1 gets 12%.
Cost structure	The manager said: Two years ago, in spring 2024. Rent, administration, IT, warehouse staff. I do not know our break-even point.
Contracts	The manager said: About 70% of capacity, more in season. Yes, with the three largest customers, fixed prices for two years. No, prices are not indexed, which hurts when raw material prices rise.
Product mix	The manager said: 30 to 60 days, the large customers 90 days.
Management information	Reports are prepared quarterly by the accounts team.

Team survey

Employees who answered: 6. Results are anonymous and shown only in aggregate.

How often do you give a customer a discount without a manager's approval?



Do you know which of our customers or products earn the least?



What drives the price we offer a customer the most?



How often do you do work that was not included in the price?



How much of your week goes to customers you think do not pay off?



Do you see the result of your work in money (margin, not just volume)?

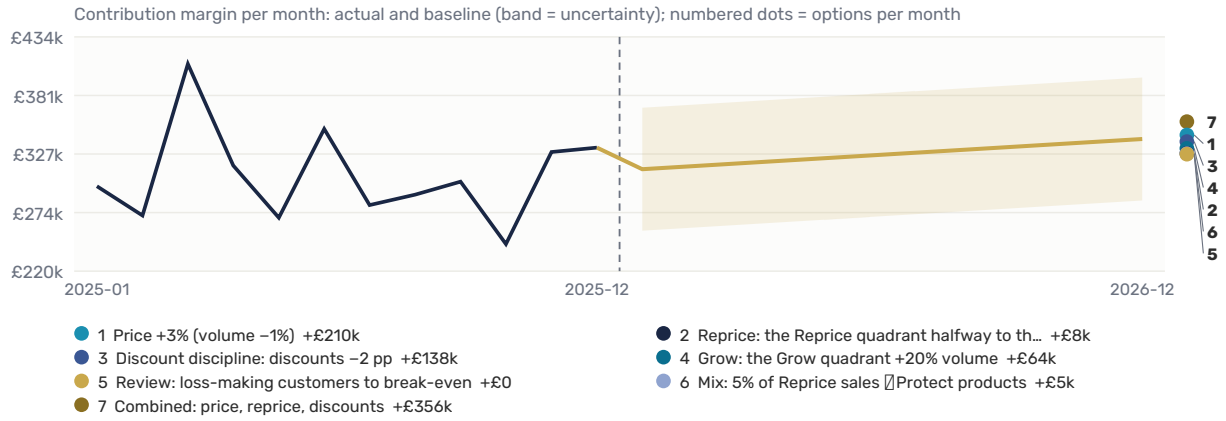


Suggestions from the team

- Transport, because we ship small orders
- Fuel
- Warehouse wages
- Free installation
- Returns
- Discount rules
- A price review once a year
- Minimum order

Simulations: what happens to margin under different decisions

The baseline shows what happens to contribution margin over 12 months if the current trend continues. Each option changes one parameter (price, repricing, discounts, volume, loss-makers or mix) and shows the effect on margin. These are not recommendations but a map of possibilities: which to take is decided by the management team in the workshop.



WHAT THIS SAYS

Baseline margin over 12 months: £3,923,666 (+£231,701 against the last 12 months).

Margin trend: +£2,511 a month.

→ The band shows the uncertainty: the decisions must work at its lower edge too.

Sensitivity: margin over 12 months as price and discounts change

Other parameters unchanged. Blue is better than the baseline, gold is worse.

PRICE ↓ • DISCOUNTS →	0 PP	-1 PP	-2 PP	-3 PP
-3 %	£3.7M	£3.8M	£3.8M	£3.8M
0 %	£3.9M	£4.0M	£4.1M	£4.1M
+3 %	£4.2M	£4.3M	£4.3M	£4.3M
+5 %	£4.3M	£4.4M	£4.5M	£4.5M

WHAT THIS SAYS

1% of price = £83,624, 1 pp of discounts = £85,004, 1% of volume = £39,237.

▼ Worst cell (price −3%, discounts unchanged): £3,672,794; best: £4,479,796.

→ Price and discounts work immediately and without investment, which is why pricing belongs on the workshop agenda.

All options in one table

OPTION	ASSUMPTION	MARGIN IN 12 MONTHS	DIFFERENCE	MARGIN AFTER, %
Baseline, nothing changes	current trend	£3,923,666	—	46.9%
Price +3% (volume -1%)	price +3 %, volume -1 %	£4,133,371	+£209,704	48.5%
Reprice: the Reprice quadrant halfway to the median margin	Reprice customers (5) halfway to the median margin	£3,931,783	+£8,117	47.0%
Discount discipline: discounts -2 pp	discounts -2 pp of sales	£4,061,675	+£138,009	47.8%
Grow: the Grow quadrant +20% volume	Grow quadrant (5) volume +20 %	£3,987,642	+£63,976	46.9%
Review: loss-making customers to break-even	loss-making customers (0) to break-even	£3,923,666	+£0	46.9%
Mix: 5% of Reprice sales → Protect products	mix: 5% of Reprice product sales → Protect	£3,928,274	+£4,608	47.0%
Combined: price, reprice, discounts	price + reprice + discounts	£4,279,496	+£355,830	49.4%

WHAT THIS SAYS

Largest single lever: "Price +3% (volume -1%)" +£209,704.

→ The whole programme is worth +£355,830 over 12 months; the workshop question is which part of it is realistic within a year.

The options up close

For every option: assumption, mechanism, result, evidence in your data, what it needs, risks and the first step.

1 Price +3% (volume -1%)	+£209,704
Assumption	price +3 %, volume −1 %
How it works	A 3% price increase across the portfolio, assuming 1% of volume is lost. Variable costs follow volume only, so nearly all of the price goes to margin.
Result over 12 months	**£4,133,371 (+£209,704, +5.3%; margin 48.5%)**
Evidence in your data	One percent of price is £83,624 a year; 1% of volume is £39,237.
What it needs	A price-list review by customer and product; arguments for the sales team; contracts with indexation.
Risks and side effects	Reaction of the largest customers; competitor pricing; discount leakage through the sales team.
First step	Review the prices of the 20 largest customers; find where the price has not moved for more than 12 months.

2 Reprice: the Reprice quadrant halfway to the median margin

+£8,117

Assumption	Reprice customers (5) halfway to the median margin
How it works	Large customers with margin below the median (the Reprice quadrant) are repriced so that their margin rises halfway to the median. Calculated per customer from its sales and margin gap.
Result over 12 months	**£3,931,783 (+£8,117, +0.2%; margin 47.0%)**
Evidence in your data	Customers below the median: 5; quadrant sales over 12 months £1,610,098; median 46.1%.
What it needs	A list with every customer's margin and terms; a negotiation plan by customer importance; a changed price or changed terms (delivery, minimum order).
Risks and side effects	Losing a strategically important customer; negotiations take sales time.
First step	Split the Reprice customers into strategic and merely large; start with the merely large.

3 Discount discipline: discounts −2 pp

+£138,009

Assumption	discounts −2 pp of sales
How it works	Discounts fall by 2 percentage points of sales (no more than current discounts): rules, limits and approval above the limit.
Result over 12 months	**£4,061,675 (+£138,009, +3.5%; margin 47.8%)**
Evidence in your data	Discounts now 1.6% of sales, £138,009 over 12 months; 1 pp = £85,004.
What it needs	Discount limits by customer size and margin; an approval rule; a monthly discount report to the sales team.
Risks and side effects	Salespeople bypass the limits "in special cases"; customers used to discounts react.
First step	List who granted which discounts over 3 months and on what grounds.

4 Grow: the Grow quadrant +20% volume

+£63,976

Assumption	Grow quadrant (5) volume +20 %
How it works	Grow-quadrant customers (small but high-margin) buy 20% more; margin grows in proportion.
Result over 12 months	**£3,987,642 (+£63,976, +1.6%; margin 46.9%)**
Evidence in your data	Grow quadrant: 5 customers, margin £319,879 over 12 months.
What it needs	A list and an accountable salesperson for each; an offer from the Protect products; a contact rhythm.
Risks and side effects	The cost of serving small customers; sales attention drifts from the large ones.
First step	Pick the 10 Grow customers with the largest potential and one offer for each.

5 Review: loss-making customers to break-even

+£0

Assumption	loss-making customers (0) to break-even
How it works	Customers with a negative contribution margin are brought to break-even: a changed price, a delivery fee, a minimum order or a parting of ways.
Result over 12 months	**£3,923,666 (+£0, +0.0%; margin 46.9%)**
Evidence in your data	0 loss-making customers: £0 over 12 months from £0 of sales.
What it needs	The reason for every loss-maker (price, delivery, returns); a decision per customer; who communicates it.
Risks and side effects	Some volume leaves; margin does not suffer, but revenue and fixed-cost coverage do.
First step	Review the 5 largest loss-makers: why, and what to change.

6 Mix: 5% of Reprice sales → Protect products

+£4,608

Assumption	mix: 5% of Reprice product sales → Protect
How it works	5% of Reprice-product sales shift to Protect products (higher margin); revenue stays, margin grows by the difference.
Result over 12 months	**£3,928,274 (+£4,608, +0.1%; margin 47.0%)**
Evidence in your data	Reprice products margin 34.8%, Protect 48.7%; Reprice sales £661,519.
What it needs	Sales incentives on margin, not turnover; proposal templates with Protect products; a range review.
Risks and side effects	Customers want exactly those products; some Reprice products are the door into the customer.
First step	For every Reprice product pick a Protect alternative and put it in the proposal template.

7 Combined: price, reprice, discounts

+£355,830

Assumption	price + reprice + discounts
How it works	Three decisions together: price +3% (-1% volume), the Reprice quadrant halfway to the median, discounts -2 pp. The effects add up; some may overlap.
Result over 12 months	**£4,279,496 (+£355,830, +9.1%; margin 49.4%)**
Evidence in your data	Parts: price £209,704, reprice £8,117, discounts £138,009.
What it needs	A management decision on all three; three owners; monthly tracking (margin by customer, discount share).
Risks and side effects	Too many initiatives at once; price and customer negotiations run on different clocks.
First step	In the workshop, decide which two of the three to start with.

Proposal for next steps

The service ends with this report, the workshop deck and the results template. Here we propose the area worth fixing, the ways to fix it and where to start; how to do it is decided by your management team in the workshop.

The problem worth solving

> Sales and margin do not move together: the Reprice quadrant brings 19.3% of sales but only 18.8% of margin, and discounts make up 1.6% of sales. Margin leaks through pricing and discount rules, not through one customer.

Three ways to solve it

#	WAY	WHAT WOULD CHANGE	WHY IT FITS YOU
1	**Reprice the large low-margin customers**	A price and terms review in the Reprice quadrant up to the median margin; option "reprice" +£8,117.	The Reprice quadrant is 19.3% of sales with 18.8% of margin.
2	**Discount rules**	Discount limits by customer size and margin, approval above the limit, a monthly discount report; option "discounts -2 pp" +£138,009.	Discounts make up 1.6% of sales; 1 pp is worth £85,004 a year.
3	**Pricing and mix**	Annual price indexation and steering sales towards Protect products; options "price +3%" +£209,704 and "mix" +£4,608.	1% of price is worth £83,624 a year.

Where we suggest starting

> **We suggest starting with "Price +3% (volume -1%)": the largest single effect (+£209,704 of margin over 12 months) and a decision within your own control. In parallel, discount rules, because without them repricing leaks back. The whole programme is worth +£355,830.**

What if...

- What if every Reprice-quadrant customer had an annual price conversation with the numbers in hand: how much margin would we recover if it worked for half of them?
- What if a discount above the limit required a manager's approval: how much of the 1.6% in discounts would remain?
- What if loss-making customers moved to minimum-order or delivery-fee terms?
- What if prices were indexed every year to costs: would that cover the margin spread?

Questions for the discussion

1. Which 12-month margin do we treat as the target: the baseline, one of the options or a combination?
2. Which 5 Reprice customers are strategically important and which are simply large?
3. Which discount rule would change the most, and who will own it?
4. Which loss-making customers are an investment and which are a mistake?
5. What does the team see differently from the numbers, and why?

What the workshop must decide: bridging the gap

The workshop is built as gap-filling with initiatives: the baseline shows where margin will be in 12 months if nothing changes; the team chooses the target (point Y); the difference is the gap that specific initiatives, with owners and deadlines, must fill. The 2-hour workshop deck is a separate PDF on your page.

Three decisions in 2 hours

1. Do we agree with the diagnosis (where margin leaks).
2. What the 12-month margin target is and how large the gap to it is.
3. Which initiatives, with owners and deadlines, fill the gap.

The gap arithmetic

ITEM	MARGIN IN 12 MONTHS	NOTE
Baseline (nothing changes)	£3,923,666	point X
Target (point Y), chosen by the team	_____	e.g. one of the options; the whole programme: £4,279,496
Gap = Y − X	_____	what the initiatives must deliver

Initiatives table (filled in the workshop)

#	INITIATIVE	EFFECT IN 12 MONTHS	OWNER	DEADLINE	KPI (NOW → TARGET)
1					
2					
3					
4					
5					

Total	does the total ≥ the gap?

Enter the initiatives in the form on your project page and the results presentation is extended with each initiative written as a well-formed outcome (optional, while the project is open).

What next

The report, the workshop deck and the results presentation are the core of the service. In the workshop your team chooses the target and the initiatives; if you enter them on your project page, we add them to the results presentation (while the project is open). We recommend a monthly gap review and repeating the X-Ray in 6–12 months. The next step can be the Profit Engine X-Ray (how revenue turns into profit) or the Sales X-Ray (whether revenue will repeat). AIKO Node can support the implementation stage (Transform).

Appendix: glossary

Net sales	Sales minus discounts.
Contribution margin	Net sales minus direct and delivery costs; the amount that covers fixed costs and makes the profit.
Median	The middle value: half of the customers or products are above it, half below.
Quadrant	A group by size and profitability: Protect, Reprice, Grow, Review.
Lever	A decision the company can implement itself that changes the margin.
KPI	The key indicator that measures the result of a lever.
Baseline	Contribution margin over the next 12 months if the current trend continues.
Option	A simulation: one parameter changed and its effect on margin over 12 months.

This report is based on the data and answers provided by the client. It is not legal, tax or investment advice.

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