AIKO Node

Profit Engine X-Ray

Consultant's report

Prepared for: **Example Packaging Ltd**

Period analysed: 2024-01 – 2025-12

Date: 30 March 2026

Executive summary

Project goal: Understand why we need more people every time revenue grows, and agree on 3 actions.

£7.3M	£699k	28.0%	65.9%	£149k
Revenue	Operating profit	Contribution margin	Break-even, % of revenue	Revenue per FTE

> Of every pound of revenue, 72.0% goes to variable costs, leaving a 28.0% contribution margin that has to cover £112,408 of fixed costs a month. Break-even sits at 65.9% of current revenue, operating leverage is 2.9. 4 cost lines (27.5% of operating costs) grow faster than revenue: this is where the engine runs hot. Each employee carries £149,255 of revenue a year. Operating cost per order line moved +13.7% over the period. If nothing changes, profit over the next 12 months is £754,674.

Three key findings

1. **Costs are outrunning revenue.** 4 cost lines grow faster than revenue and make up 27.5% of operating costs (£61,451 a month).
2. **Fixed base and break-even.** Variable costs take 72.0% of revenue; contribution margin is 28.0%.
3. **If nothing changes, and where the biggest lever is.** On current trends profit over the next 12 months is £754,674 (last 12 months: £873,998); the revenue trend is £4,856 a month.

The options and what they are worth

OPTION	ASSUMPTION	PROFIT IN 12 MONTHS	DIFFERENCE
Baseline, nothing changes	current trends	£754,674	—
Price +3%	price +3 %, volume -1 %	£979,833	+£225,159
Volume -10%	volume -10 %, same structure	£520,736	£-233,938
Volume +10% with the current structure	volume +10 %, outrunning lines keep growing	£961,092	+£206,418
Outrunning costs held to revenue growth	outrunning lines (4) grow with revenue	£992,582	+£237,908
Top-3 manual processes cost -50%	top-3 processes hours -50 %	£772,878	+£18,204
Fixed costs -5%	fixed costs -5 %	£834,214	+£79,540

Combined: price +3%, costs held, automation	price +3%, costs held, automation	£1,235,735	+£481,061

Our proposal in brief. We suggest starting with "Outrunning costs held to revenue growth": the largest single effect (+£237,908 over 12 months) and a decision within your own control. *(see "Proposal for next steps")*

Method

The Profit Engine X-Ray is a product of the AIKO Node OUT method (Observe • Understand • Transform). It answers one question: how your profit responds to volume, price and people — and what happens if nothing changes. 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 how every cost line behaves: fixed, variable or outrunning revenue.

U Understand

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

T Transform

In a management workshop the team chooses three levers and assigns owners, deadlines and KPIs.

Calculation model

Each cost line is compared with monthly revenue over 24 months (linear regression): the slope shows how much the line moves with volume, the intercept its fixed part. Break-even = fixed costs ÷ contribution margin %. Revenue per FTE is calculated by function. Cost per order = manual hours × hourly cost by function ÷ number of orders. The price–volume–mix bridge splits the profit change between two years into price, quantity and mix effects. The baseline extends the last 12–24 months' trends; each scenario changes one parameter.

Four cost classes

Cost lines are placed on two axes: how much they move with volume (slope) and how their growth compares with revenue growth. The boundaries come from your own data.

cales with revenu	a healthy variable base, managed through unit cost and suppliers.
Outruns revenue	this is usually where the biggest lever sits — processes that are bought with people.
Fixed	does not move with volume — the lever is scale, not savings.
Shrinking	check whether this is efficiency or deferred investment.

How to read the charts

Engine map	Each dot is a cost line. Further right means it moves more with volume; higher means it grows faster than revenue. The dashed lines separate the four classes.
Cost structure over time	Stacked bars: fixed, semi-variable and variable costs each month, with the revenue line.
Bridge	From last year's profit to this year's: how much price, quantity and mix added or took away.
Baseline and scenarios	The line is profit on current trends 12 months ahead with an uncertainty band; the three markers are the scenario outcomes.

Data checks

Before the calculation the data is checked automatically: whether all months are present, whether operating expenses match the P&L, whether payroll matches the wages line, whether headcount by function adds up to the total, and whether price × quantity matches sales. 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, the monthly profit and loss statement, operating expenses by cost line and headcount by function.

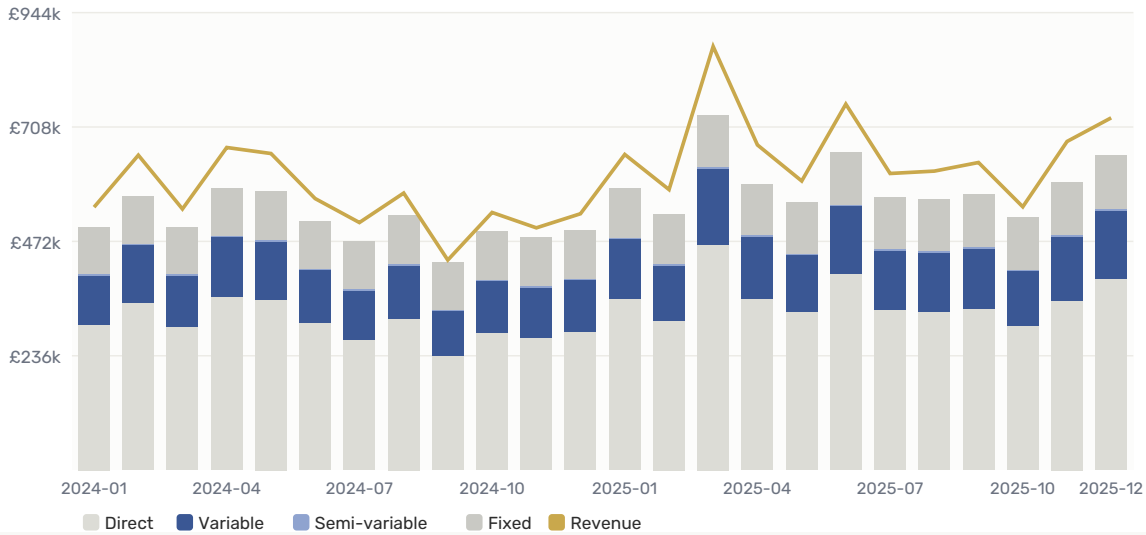
> 2838 rows, 30 customers, 9 products, 24 months (2024-01 to 2025-12), sales total £14,868,349; P&L revenue £7,939,618.

Data check notes

- Payroll by function differs from the P&L wages line by 5.1%. Does one of them include employer taxes or bonuses? Your explanation: The P&L wages line includes employer national insurance and the annual bonus; the headcount file shows base salaries only.

Monthly trend and the price–volume–mix bridge

Top: revenue and costs by class. Bottom: the price–volume–mix bridge between two years.



WHAT THIS SAYS

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

Variable and direct costs grew +17.5%: in proportion.

The fixed base grew +8.1%: no faster than revenue.

→ The structure is holding; the lever is price and the unit cost of variable lines.



WHAT THIS SAYS

Revenue moved +£1,252,283 between the two periods.

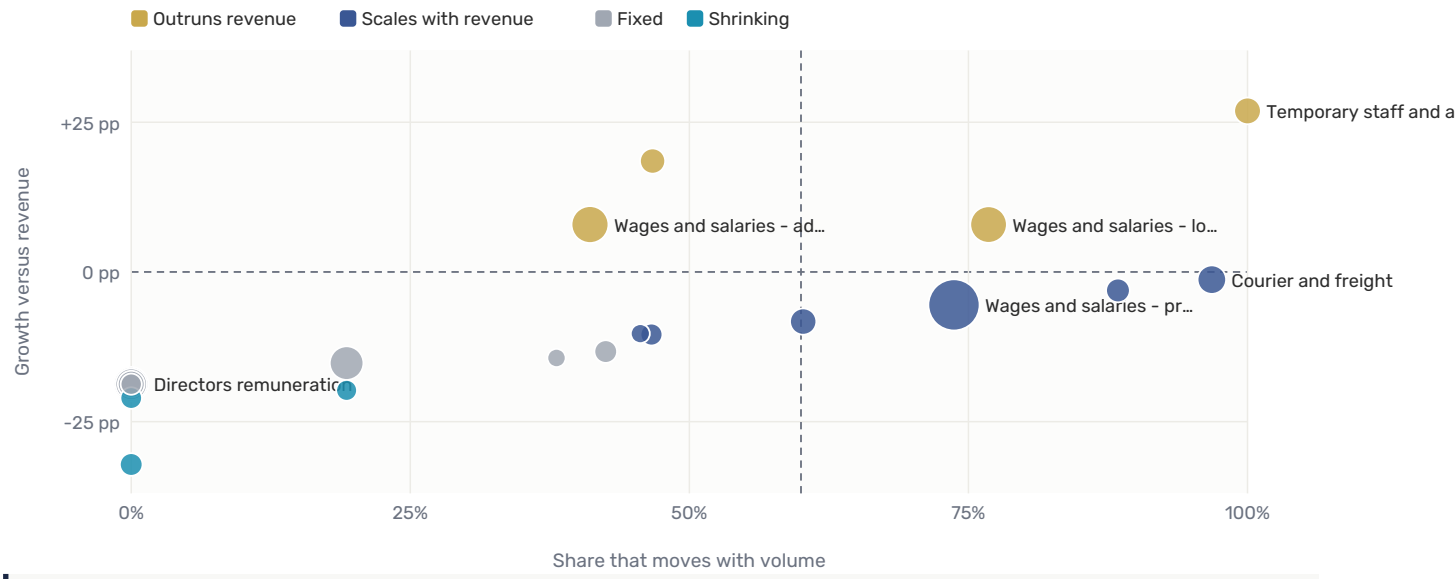
Price contributed £198,059.

Volume: +£827,041.

→ Growth comes almost entirely from volume; price is under-used.

Engine map: cost behaviour

Dots are cost lines; the largest are labelled. The colour shows the class.



WHAT THIS SAYS

6 lines (40.5% of operating costs) move with revenue: a healthy variable base.

3 lines are shrinking (3.3%): check whether this is efficiency or deferred investment.

▼ 4 lines outrun revenue (27.5% of operating costs, £61,451 a month): Wages and salaries - admin +26.7%, Wages and salaries - logistics +26.7%, Temporary staff and agency +45.7%.

→ Look at the outrunning lines first: this is where profit leaks as volume grows.

Largest cost lines

LINE	AMOUNT, 12 MONTHS	MOVES WITH VOLUME, %	GROWTH, %	CLASS
Wages and salaries - production	£794,684	73.7%	13.2%	Scales with revenu
Wages and salaries - admin	£300,011	41.1%	26.7%	Outruns revenue
Wages and salaries - logistics	£284,141	76.8%	26.7%	Outruns revenue
Directors remuneration	£234,000	0.0%	0.0%	Fixed
Wages and salaries - sales	£213,778	19.3%	3.5%	Fixed
Rent and rates	£168,000	0.0%	0.0%	Fixed
Courier and freight	£116,727	96.8%	17.5%	Scales with revenu

What the numbers show

> Variable costs take 72.0% of revenue, fixed costs are £112,408 a month and break-even sits at 65.9% of current revenue. 4 cost lines outrun revenue (27.5% of operating costs). On current trends profit over the next 12 months is £754,674 (last 12 months: £873,998).

Exceptions and your explanations

Line Wages and salaries - admin is outrunning revenue — what is in it, and is it tied to the number of orders?	*Temporary staff cover the peak season; we have not reviewed it for two years.*
Which part of Wages and salaries - logistics is fixed by contract, and which could you change within 3 months?	*IT subscriptions were added one by one by different managers.*
Does Temporary staff and agency include one-off items that will not repeat?	*Not sure, I will check with our office manager.*

Dependence on people

Revenue and profit per FTE by function; what would stop if one person left.

FUNCTION	FTE	PAYROLL PER YEAR	HOURLY COST
Production / operations	24.0	£803,520	£19
Logistics and warehouse	8.0	£250,560	£18
Administration and finance	7.0	£257,040	£21
Sales	5.0	£226,800	£26
Management	3.0	£252,720	£48
Other	2.0	£58,320	£17

Revenue per FTE: £149,255; operating profit per FTE: £14,259; payroll share of revenue: 25.3%.

WHAT THIS SAYS

Revenue per FTE: £149,255 a year; payroll share of revenue: 25.3%.

▼ Administration, finance and management: 10.0 of 49.0 FTE (20.4%).

→ Each FTE carries £14,259 of operating profit a year: that is what one extra person costs if they do not earn it.

Cost per order and manual work

Top-10 repetitive processes by annual cost (hours × hourly cost by function).

Order lines per month: 118; operating cost per line: £1,890; revenue per line: £5,154.

WHAT THIS SAYS

The top-3 processes make up £36,407: a concentrated target for automation.

▼ 7 repetitive processes: 61 hours a week, £58,962 a year.

▼ 5 of them grow with orders: this is the mechanism behind the outrunning lines.

→ Saved hours become profit only when the headcount structure changes or they are redirected to growth.

PROCESS	HOURS/WEEK	RESPONDENTS	ANNUAL COST	GROWS WITH ORDERS
Order entry into Sage	16.0	2	£16,256	yes
Invoicing	11.0	2	£10,555	yes
Moving data between Excel and the system	10.0	1	£9,596	yes
Quotes	6.0	1	£7,113	yes
Delivery notes to spreadsheet	7.0	1	£5,732	yes
Stock checks	6.0	1	£4,913	no

Why it is so: findings

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

1 Costs are outrunning revenue

4 cost lines grow faster than revenue and make up 27.5% of operating costs (£61,451 a month). The largest: Wages and salaries - admin, Wages and salaries - logistics, Temporary staff and agency. Operating cost per order line moved from £1,769 to £2,012 (+13.7%) while the number of lines changed by -0.6%.

2 Fixed base and break-even

Variable costs take 72.0% of revenue; contribution margin is 28.0%. Fixed costs are £112,408 a month and break-even sits at 65.9% of current revenue. The headroom above break-even is 34.1% of revenue. Operating leverage is 2.9: a 1% change in revenue moves profit by about 2.9%. A 10% volume drop would leave 12-month profit at £520,736 (£-233,938).

3 If nothing changes, and where the biggest lever is

On current trends profit over the next 12 months is £754,674 (last 12 months: £873,998); the revenue trend is £4,856 a month. One percent of price is worth £83,624 a year, one percent of volume £23,415, one percent of fixed costs £15,866. Of the single options, "Outrunning costs held to revenue growth" has the largest effect: +£237,908 over 12 months.

Manager interview and team survey

Manager interview: summary

Where the time goes	The manager said: Order entry, invoicing and moving stock figures between Excel and Sage take most of the admin time. Briefly The admin team re-enters every order into Sage and then into the delivery spreadsheet. When orders rise 20% the office and the warehouse paperwork clog first; we add temps and overtime.
Cost structure	The manager said: Four to five people touch one order from receipt to invoice. Rent, management, insurance and most admin salaries do not change when volume drops 10%. I do not know our break-even point exactly.
Dependence on people	The manager said: We raised prices by about 2.5% last January and lost no customers. If our office manager left for a month invoicing would stop.
Systems and data	The manager said: Eight people in two years, mostly admin and warehouse for order handling. Sage for accounts, Excel for stock and quotes; nothing talks to each other automatically.
What has been tried	Reports are prepared quarterly by the accounts team.

Team survey

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

How many hours a week do you move data by hand (Excel, systems, e-mails)?



Do you know what the process you do most often costs the company?



How often do you wait for information from another department before you can continue?



When orders increase, how do you cope?



Do you enter the same thing into more than one place?



Do you know what would stop if you were away for a month?

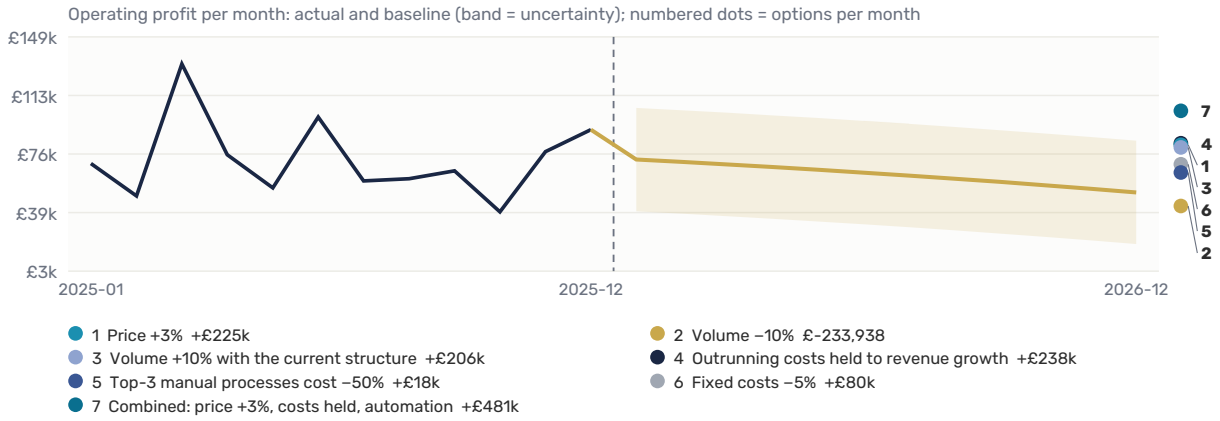


Suggestions from the team

- Re-typing orders from e-mail into Sage
- Chasing delivery notes
- Moving stock figures between Excel and Sage
- Quotes typed twice
- Checking stock by walking the warehouse
- One order screen for everything
- Scan delivery notes
- Connect Sage and the stock file

Simulations: what the engine does under different decisions

The baseline shows what happens to profit over 12 months if current trends continue. Each option changes one or two parameters and shows the effect on profit, margin and break-even. These are not recommendations but a map of possibilities: which to take is decided by the management team in the workshop.



WHAT THIS SAYS

- Revenue trend: +£4,856 a month.
- ▼ Baseline profit over 12 months: £754,674 (£-119,324 against the last 12 months).
- ▼ The fixed base in the baseline grows 34.0% a year (at the pace of the outrunning lines).
- → The band shows the uncertainty: the decisions must work at its lower edge too.

Sensitivity: profit over 12 months as price and volume change

Structure unchanged. Blue is better than the baseline, gold is worse.

PRICE ↓ • VOLUME →	-10 %	-5 %	0 %	+5 %	+10 %
-3 %	£295k	£399k	£504k	£609k	£713k
0 %	£521k	£638k	£755k	£872k	£989k
+3 %	£747k	£876k	£1.0M	£1.1M	£1.3M
+5 %	£897k	£1.0M	£1.2M	£1.3M	£1.4M

WHAT THIS SAYS

1% of price = £83,624, 1% of volume = £23,415: price works 3.6 times harder.

▼ Worst cell (price −3%, volume −10%): £294,951; best: £1,448,965.

→ The price–volume combination matters more than any single cost decision, which is why pricing belongs on the workshop agenda.

All options in one table

OPTION	ASSUMPTION	PROFIT IN 12 MONTHS	DIFFERENCE	MARGIN AFTER • BREAK-EVEN AFTER
Baseline, nothing changes	current trends	£754,674	—	9.0% • 67.8%
Price +3%	price +3 %, volume -1 %	£979,833	+£225,159	11.5% • 61.8%
Volume -10%	volume -10 %, same structure	£520,736	£-233,938	6.9% • 75.3%
Volume +10% with the current structure	volume +10 %, outrunning lines keep growing	£961,092	+£206,418	10.5% • 62.7%
Outrunning costs held to revenue growth	outrunning lines (4) grow with revenue	£992,582	+£237,908	11.9% • 57.6%
Top-3 manual processes cost -50%	top-3 processes hours -50 %	£772,878	+£18,204	9.2% • 67.8%
Fixed costs -5%	fixed costs -5 %	£834,214	+£79,540	10.0% • 64.4%
Combined: price +3%, costs held, automation	price +3%, costs held, automation	£1,235,735	+£481,061	14.5% • 52.6%

WHAT THIS SAYS

- Largest single lever: "Outrunning costs held to revenue growth" +£237,908.
- ▼ A 10% volume drop costs £233,938 of profit: that is the price of the fixed base in a bad year.
- ▼ Growth of +10% with the current structure yields £206,418 instead of £234,358: the difference is the price of growing as you are.
- → The whole programme is worth +£481,061 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%	+£225,159
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 profit.
Result over 12 months	**£979,833 (+£225,159, +29.8%); margin 11.5%, break-even 61.8%**
Evidence in your data	One percent of price is £83,624 a year; the price–volume–mix bridge shows how much price contributed last year.
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 prices and discounts for the 20 largest customers; find where the price has not moved for more than 12 months.

2 Volume -10%

£-233,938

Assumption	volume -10 %, same structure
How it works	Volume falls 10% with the structure unchanged: variable costs fall in proportion, fixed costs stay. This is a risk scenario, not a choice; it shows how much profit the fixed base absorbs.
Result over 12 months	**£520,736 (£-233,938, -31.0%); margin 6.9%, break-even 75.3%**
Evidence in your data	One percent of volume is £23,415 of contribution a year; the fixed base is £112,408 a month.
What it needs	An agreed list of which costs are deferred or cut if volume falls.
Risks and side effects	Reacting late; cutting the wrong costs (sales, quality).
First step	Agree which fixed costs are deferred if volume falls for two months in a row.

3 Volume +10% with the current structure

+£206,418

Assumption	volume +10 %, outrunning lines keep growing
How it works	Volume grows 10%, but the outrunning cost lines keep growing with it, as they have so far. Compared with the same growth with those lines held, the difference is the price of growing with the current structure.
Result over 12 months	**£961,092 (+£206,418, +27.4%); margin 10.5%, break-even 62.7%**
Evidence in your data	The same growth with the outrunning lines held would give £989,032; the difference is the price of growing with the current structure: £27,940.
What it needs	Nothing: this is the "grow as we do now" case.
Risks and side effects	Profit grows slower than revenue; every new order needs more people.
First step	Before planning growth, decide which outrunning lines must grow slower than revenue.

4 Outrunning costs held to revenue growth

+£237,908

Assumption	outrunning lines (4) grow with revenue
How it works	The outrunning cost lines grow no faster than revenue over the next 12 months (the fixed base stops growing on its own). Revenue and variable costs as in the baseline.
Result over 12 months	**£992,582 (+£237,908, +31.5%); margin 11.9%, break-even 57.6%**
Evidence in your data	Outrunning lines: 4, £61,451 a month; without holding, the fixed base grows 34.0% a year.
What it needs	Monthly tracking of these lines, an owner for each, a stop rule for hiring and contracts.
Risks and side effects	Hidden demand: if the processes are not changed, holding costs turns into overtime and quality problems.
First step	Give every outrunning line an owner and a 12-month ceiling.

5 Top-3 manual processes cost -50%

+£18,204

Assumption	top-3 processes hours -50 %
How it works	The three most expensive manual processes the team reported take half the hours (automation, single data entry, integration). The saving is hours × the hourly cost of the function.
Result over 12 months	**£772,878 (+£18,204, +2.4%); margin 9.2%, break-even 67.8%**
Evidence in your data	Processes: Order entry into Sage; Invoicing; Moving data between Excel and the system. Saving £18,204 a year.
What it needs	Process mapping, a solution (integration or tool), 2–4 months of implementation, a temporary double workload.
Risks and side effects	Saved hours do not show in costs unless the headcount structure changes or the work is redirected to growth.
First step	Map the top-3 processes: who, how many hours, which tools; appoint an owner.

6 Fixed costs −5%

+£79,540

Assumption	fixed costs −5 %
How it works	Fixed costs fall 5% (rent, IT subscriptions, insurance, professional fees, directors' pay) through a one-off contract review.
Result over 12 months	**£834,214 (+£79,540, +10.5%); margin 10.0%, break-even 64.4%**
Evidence in your data	Fixed costs over 12 months: £1,348,896; 5% is £79,330.
What it needs	A contract list with end dates; negotiations; cancelling unused subscriptions.
Risks and side effects	A small effect compared with the other options; attention drifts away from the structural causes.
First step	List every fixed contract with its amount and end date; mark the ones to review within 3 months.

7 Combined: price +3%, costs held, automation

+£481,061

Assumption	price +3%, costs held, automation
How it works	Three decisions together: price +3% (−1% volume), outrunning lines held, top-3 manual processes −50%. The effects add up; some may overlap.
Result over 12 months	**£1,235,735 (+£481,061, +63.7%); margin 14.5%, break-even 52.6%**
Evidence in your data	Parts: price £225,159, costs held £237,908, automation £18,204.
What it needs	A management decision on all three; three owners; monthly KPI tracking.
Risks and side effects	Too many initiatives at once; price and automation run on different clocks (price: weeks, automation: months).
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

> Profit is not following revenue because 4 cost lines grow faster than revenue and make up 27.5% of operating costs; the largest is Wages and salaries - admin. Every additional order needs more administration and manual work, so the fixed base grows with volume and the break-even (65.9% of revenue) drifts upwards.

Three ways to solve it

#	WAY	WHAT WOULD CHANGE	WHY IT FITS YOU
1	**Decouple administration from volume**	The outrunning lines grow no faster than revenue over 12 months and the most expensive manual processes take half the hours (single entry, integration). Options: "costs held" +£237,908 and "automation" +£18,204.	The team reported 7 repetitive processes: 61 hours a week.
2	**Raise profitability through price**	A price-list review where prices have not moved for more than 12 months; variable costs follow volume only, so price goes almost entirely to profit. Option "price +3%" +£225,159.	One percent of price is worth £83,624 a year, more than one percent of volume (£23,415).
3	**Review the fixed base**	A one-off review of fixed contracts (rent, IT subscriptions, insurance, professional fees) and a clear rule for deferring fixed costs if volume falls. Option "fixed -5%" +£79,540.	Fixed costs are £112,408 a month; a 10% volume drop would change profit by £-233,938.

Where we suggest starting

> **We suggest starting with "Outrunning costs held to revenue growth": the largest single effect (+£237,908 over 12 months) and a decision within your own control. Price comes second, because its effect arrives in weeks while automation takes months. The combined option shows what the whole programme is worth: +£481,061.**

What if...

- What if growth were planned so that the outrunning lines grow half as fast as revenue: how many extra people would then be needed?
- What if prices for the 20 largest customers were indexed every year: would that cover the growth of the fixed base (£112,408 a month)?
- What if one manual process were handed to the customer entirely (self-service ordering)?
- What if volume fell 10%: which fixed costs would be deferred within 30 days?

Questions for the discussion

1. Which outrunning line is the cause and which is the consequence?
2. Which 12-month profit do we treat as the target: the baseline, one of the options or a combination?
3. Which manual processes would disappear if an order were entered once?
4. How much price can we move without losing volume at the 20 largest customers?
5. Who has the right to stop a new hire or contract until the gap is filled?

What the workshop must decide: bridging the gap

The workshop is built as gap-filling with initiatives: the baseline shows where you 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 (the main cause).
2. What the 12-month target is and how large the gap to it is.
3. Which initiatives, with owners and deadlines, fill the gap.

The gap arithmetic

ITEM	PROFIT IN 12 MONTHS	NOTE
Baseline (nothing changes)	£754,674	point X
Target (point Y), chosen by the team	_____	e.g. one of the options; the whole programme: £1,235,735
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. If the chosen initiatives are process redesign or automation, AIKO Node can support the implementation stage (Transform).

Appendix: glossary

Fixed costs	Do not change when volume changes: rent, administration, management.
Variable costs	Rise and fall with volume: materials, delivery, commissions.
Break-even	The revenue at which profit is zero.
Operating leverage	The percentage change in profit for a 1% change in revenue.
Price–volume–mix bridge	The split of a profit change into price, quantity and mix effects.
Baseline	The forecast if nothing changes: current trends continued.
Lever	A decision the company can implement itself that changes the profit engine.
KPI	The key indicator that measures the result of a lever.

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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