



**Profit & Loss Statement (P&L) Review**  
**Summary of presentation by Tom Kosnik, Visus Group, April 6, 2021**

**Gross Profit is the magic number.** There's no more important number on the P&L because these are the dollars you have to operate and grow your business.

Total Staffing Revenues minus Total Cost of Sales = Gross Profit.

	Dollars	Percent of Revenues
<b>REVENUES:</b>		
Sales:		
Clerical		
Light Industrial		
Professional & Skill Trades		
Direct Hire		
Other		
Total Sales		
Less Discounts		
<b>TOTAL REVENUES</b>		
<b>COST OF SALES:</b>		
Supplemental Wages		
Supplemental Payroll Taxes		
Supplemental Workers Comp Insurance		
Subcontracted Temporaries		
<b>TOTAL COST OF SALES</b>		
<b>GROSS PROFIT</b>		

**Sources of Staffing Revenue:**

It's prudent to break out revenue categories, e.g., clerical, light industrial, IT, government) to know where your business is concentrated, set future goals, and because different market segments contribute different profit margins. "Other" revenue categories may include fees earned from payrolling, training or other services.

**Cost of Sales** includes costs of temporary workers including:

- Wages
- Payroll taxes
- Workers comp insurance
- Health insurance
- Other employee benefits

The non-wage portion of Cost of Sales (i.e., taxes, insurance and other benefits) is also called labor “burden.” Your burden will differ by sales category (light industrial, clerical, etc.) and even positions within industry categories, due mainly to variable workers comp insurance rates.

Costs of background checks, drug tests and transportation are typically counted as General & Administrative (G&A) expense, but a lot of light industrial staffing firms include them in Cost of Sales. Whether you record these expenses as Cost of Sales or G&A, you need to know all the costs associated with each account for pricing your business appropriately.

**Gross Margin** is the gross profit dollars’ *percentage* of total staffing revenues (i.e., total gross profit dollars divided into total revenue dollars). Typical gross margins in staffing are:

- Light Industrial – 18%
- Construction – 30%
- IT – 28%

Those numbers can vary by geographic market, depending on how competitive the market is and variability in workers comp insurance costs. Margins will also vary based on how you price your business on the spectrum of commodity to value-level pricing. (Alliance performance surveys of the alternative staffing sector consistently find median gross margins to be several points higher than the conventional staffing industry.)

**Below the Gross Profit line on the P&L, your people are your biggest expense.**

- Generally, **Sales & Recruiting staff** (including salaries, taxes, benefits, commissions) account for 35% of Gross Profit. (For an industrial staffing company with an 18% Gross Margin, this equates to about 6% of Revenues.)
- Regarding **Marketing Personnel**, firms are currently spending 1.5% of Revenue just for this function – i.e., the staff that manage digital marketing, blogging, social media, etc. Whatever this person does needs to drive more sales and more candidates.
- A related trend is the transfer of account management tasks to hybrid recruiters while sales staff focus exclusively on “hunting.”

Altogether, sales, recruiting, marketing, admin and back-office personnel will typically account for 40% of Gross Profit. This percentage will be much higher – 65-75% of gross profit – for a startup that’s ramping up its sales.

SALES, GENERAL & ADMINISTRATIVE EXPENSES	Dollars	Percent of Revenues
<b>SALES PERSONNEL EXPENSES:</b> Salaries & Wages Sales/Branch Managers (Excluding President) Salaries & Wages Sales Reps (commissions) Employee Taxes & Benefits <b>TOTAL SALES PERSONNEL EXPENSES</b>		
<b>RECRUITING PERSONNEL EXPENSES:</b> Salaries & Wages for Recruiting Managers Salaries & Wages for Recruiters Employee Taxes & Benefits <b>TOTAL RECRUITING PERSONNEL EXPENSES</b>		
<b>ADMIN PERSONNEL EXPENSES:</b> Salaries for Admin Personnel Employee Taxes & Benefits <b>TOTAL ADMIN PERSONNEL EXPENSES</b>		
<b>MARKETING PERSONNEL EXPENSES:</b> Salaries & Wages for Marketing Managers Salaries & Wages for Research Assistants Employee Taxes & Benefits <b>TOTAL MARKETING PERSONNEL EXPENSES</b>		
<b>BACK-OFFICE PERSONNEL EXPENSES:</b> Salaries & Wages for Accounting Staff Salaries & Wages for Information Systems Staff Employee Taxes & Benefits <b>TOTAL BACK-OFFICE PERSONNEL EXPENSES</b>		

- Best practice is to break out your people expense. You should know the cost of your internal staff for each function – sales, recruiting, marketing – and the cost of each person.

The rest of the P&L is Occupancy and General and Administrative expense, then Finance costs.

OCCUPANCY EXPENSES:	Dollars	Percent of Revenues
Rent Utilities R/E Taxes Janitorial Other (Repairs, etc.) <b>TOTAL OCCUPANCY EXPENSES</b>		
<b>GENERAL &amp; ADMINISTRATIVE EXPENSES:</b> <b>MARKETING:</b> Advertising expenses Travel Meals and Entertainment Other <b>SALES:</b> Travel Meals and Entertainment Training Other Selling Expenses <b>RECRUITING:</b> Travel Meals and Entertainment Training Other recruiting Expenses Information Systems Expenses Professional Services Internal Recruiting Expenses Media Advertising, Specialty Items, etc. Job Boards (Monster, Dice, etc.) Other Advertising (Promo Materials, Brochures, etc.) Insurance (E&O, Bonding, Liability, Fire, etc.) Telephone (excluding data lines) Memberships & Subscriptions Office Services Supplies Office Furniture/equipment repairs Printing (Forms, Cards, etc.) Postage Other Taxes Bad Debt Expense Depreciation and Amortization Other Expenses Contributions <b>TOTAL G&amp;A EXPENSES</b>		

- The average reported marketing expense is about 1.2% to 1.3% of revenue. The staffing industry hasn't done a good job of benchmarking marketing costs. It's an emerging metric on the P&L.

	Dollars	Percent of Revenues
FINANCE COSTS:		
Interest Income		
Bank Charges		
Interest (on business loans)		
Interest Expense		
TOTAL FINANCE COSTS		
TOTAL SALES, GENERAL & ADMINISTRATIVE EXPENSES		
NET INCOME/LOSS BEFORE INCOME TAXES		

To recap, the major Profit & Loss Statement categories are:

<b>TOTAL REVENUES</b>
<b>TOTAL COST OF SALES</b>
<b>GROSS PROFIT (Revenues less Cost of Sales)</b>
<b>SALES, GENERAL &amp; ADMINISTRATIVE EXPENSES</b>
TOTAL SALES PERSONNEL EXPENSES
TOTAL RECRUITING PERSONNEL EXPENSES
TOTAL ADMIN PERSONNEL EXPENSES
TOTAL MARKETING PERSONNEL EXPENSES
TOTAL BACK-OFFICE PERSONNEL EXPENSES
TOTAL OCCUPANCY EXPENSES
TOTAL GENERAL & ADMINISTRATIVE EXPENSES:
TOTAL FINANCE COSTS
<b>TOTAL SALES, GENERAL &amp; ADMINISTRATIVE EXPENSES</b>
<b>NET INCOME/LOSS BEFORE INCOME TAXES</b> <b>(Gross Profit less Total S,G&amp;A Expenses)</b>