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60 SECONDS: OVERFOCUSING ON SALES GROWTH?

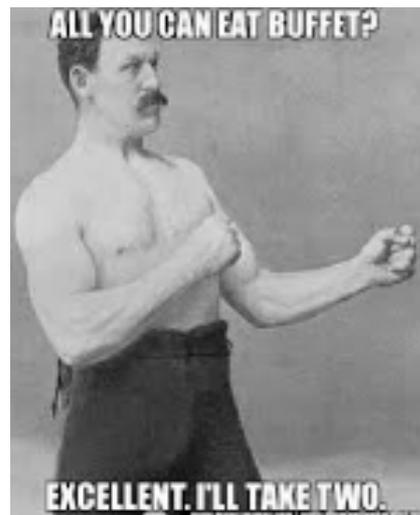
What gets measured, gets done. Sales & margin need managing together:

Summary:

There's no Holy Grail. Sales & margin need to be considered together. Capex needs to be rationed and, at the end of the day, it's cash that matters...

Getting the balance right:

- There's no single killer measure, don't behave as though there is
- LfL sales growth implies increase at the unit level
- Whilst total sales growth is what turns up in terms of cash
- And margin matters as giving away a tenner for nine quid has always been easy
- Ultimately, ultimately, it's free cash flow per share that drives value



LfL sales growth; the Holy Grail?

- This is the area of most focus. And it's nice to be in growth at the unit level
- But it's not sufficient to live happily ever after. Nor is it even necessarily necessary...
- Because total sales (x margin – expenses) matter re cash flow
- Co A could have positive LfLs but be shutting shops & have declining margins
- Co B meanwhile could have minus 1% LfLs but be adding stores & widening margins
- But slavishly jacking margins can also end in disaster. Ask Restaurant Group

Keeping It Simple: Sales

<i>Sales Increases – Good</i>	<i>Sales Increases -- Bad</i>
Full Margin	Discounted
Organic	Delivery
Like-for-like	Cannibalised

LfL sales, the major weaknesses:

- LfL sales ignore margins (discounting, delivery, marketing etc.) as well as capex & store closures
- They drive certain actions. Sales managers may beggar their neighbours (in the firm) to hit target
- What gets measured, gets done. Paying footballers to get corners will lead to more corners.
- But corners don't win matches. Goals are what matter



So what?

- Langton has banned the word 'holistic'. So let's just say you need a rounded approach
- We've banned the phrase 'balanced scorecard' too
- But if it was your business, yes, yours, what would you look for?
- You'd look for cash. Free cash. Geld after costs. Everything else is incidental.
- We go into more depth on this and other topics in our review, which is found [here](#)

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