



space & light studio

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Agenda

- THE CURRENT PROFIT FIGURES OF SIS
- SIS'S BREAK-EVEN POINT
- THE PROFITABILITY OF CONDUCTING EACH TYPE OF YOGA CLASS
- THE IMPLICATIONS OF THE ANALYSES ABOVE FOR SIS
- SENSITIVITY ANALYSES
- PLAN OF ACTION

THE CURRENT PROFIT FIGURES OF SIS

| Item | Revenue | Variable Costs | Contribution Margin | Fixed Costs | Profit |
|------------------------|------------------|----------------|---------------------|------------------|------------------|
| Yoga classes | 1,200,000 | 300,000 | 900,000 | 1,000,000 | (100,000) |
| Dance classes | 1,200,000 | 240,000 | 960,000 | 1,000,000 | (40,000) |
| Yoga and dance classes | 1,200,000 | 240,000 | 960,000 | 1,000,000 | (40,000) |
| Total | 3,600,000 | 780,000 | 2,820,000 | 3,000,000 | (180,000) |

- no profits in the first semester
- positive contribution margin
- decreasing losses

SIS'S BREAK-EVEN POINT

- 199 classes
- all variable and fixed costs will be covered with a revenue of 27230.42\$

THE PROFITABILITY OF CONDUCTING EACH TYPE OF YOGA CLASS

| Item | Revenue | Variable Costs | Contribution Margin | Fixed Costs | Profit |
|------------------------|-----------|----------------|---------------------|-------------|-----------|
| Yoga classes | 1,200,000 | 300,000 | 900,000 | 1,000,000 | (100,000) |
| Dance classes | 1,200,000 | 240,000 | 960,000 | 1,000,000 | (40,000) |
| Yoga and dance classes | 1,200,000 | 240,000 | 960,000 | 1,000,000 | (40,000) |

- group and prices
- classes and/or times
- group classes
- highest contribution margin classes
- positive contribution margin classes
- all classes - positive gross margin

THE IMPLICATIONS OF THE ANALYSES ABOVE FOR SIS

- they should not close any classes as long as they make a contribution
- they have to run their business into viability

RESULTS OF SENSITIVITY ANALYSIS

Sensitivity analysis based on different fixed costs:
 the higher the fixed costs, the lower the gross profit.

Sensitivity analysis based on different unit cost:
 overall costs and different teachers wages overall accuracy.

Sensitivity analysis based on different revenues:
 if it increases the gross profit respectively.

PLAN OF ACTION

more revenue

- invest in advertising
- increase prices

lower fixed cost

- improve renting capacity
- negotiate better conditions

SPACE AND LIGHT STUDIO Harvard Case Solution & Analysis



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THE CURRENT PROFIT FIGURES OF SLS

Contribution statement

| | 31.12.2012 | 31.01.2013 | 28.02.2013 | 31.03.2013 | 30.04.2013 | 31.05.2013 |
|-----------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Revenue | 3 870,00 | 14 080,00 | 12 435,00 | 19 400,00 | 20 487,00 | 25 188,00 |
| - Variable costs | - 7 140,00 | - 10 065,00 | - 7 680,00 | - 10 657,50 | - 8 797,50 | - 10 965,00 |
| = Contribution | - 3 270,00 | 4 015,00 | 4 755,00 | 8 742,50 | 11 689,50 | 14 223,00 |
| - Fixed cost | - 14 761,00 | - 14 761,00 | - 14 761,00 | - 14 761,00 | - 15 461,00 | - 15 461,00 |
| = Profit | - 18 031,00 | - 10 746,00 | - 10 006,00 | - 6 018,50 | - 3 771,50 | - 1 238,00 |

- no profit in the first semester
- positive contribution
- decreasing losses

| | 31.12.2012 | 31.01.2013 | 28.02.2013 | 31.03.2013 | 30.04.2013 | 31.05.2013 |
|----------------|-----------------|------------------|------------------|------------------|------------------|------------------|
| Revenue | | | | | | |
| Group | 2 960,00 | 10 090,00 | 10 485,00 | 14 970,00 | 19 047,00 | 22 008,00 |
| Private | 910,00 | 2 730,00 | 1 950,00 | 4 290,00 | 1 300,00 | 2 340,00 |
| Salt | - | 1 260,00 | - | 140,00 | 140,00 | 840,00 |
| Total | 3 870,00 | 14 080,00 | 12 435,00 | 19 400,00 | 20 487,00 | 25 188,00 |

| | 31.12.2012 | 31.01.2013 | 28.02.2013 | 31.03.2013 | 30.04.2013 | 31.05.2013 |
|-----------------------|-------------------|--------------------|-------------------|--------------------|-------------------|--------------------|
| Variable costs | | | | | | |
| Salt Cave | - | - 225,00 | - | 37,50 | - 37,50 | - 225,00 |
| Teachers | - 7 140,00 | - 9 840,00 | - 7 680,00 | - 10 620,00 | - 8 760,00 | - 10 740,00 |
| Total | - 7 140,00 | - 10 065,00 | - 7 680,00 | - 10 657,50 | - 8 797,50 | - 10 965,00 |

| | 31.12.2012 | 31.01.2013 | 28.02.2013 | 31.03.2013 | 30.04.2013 | 31.05.2013 |
|---------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Fixed costs | | | | | | |
| Rent (1900 x 5.89 Median) | - 11 191,00 | - 11 191,00 | - 11 191,00 | - 11 191,00 | - 11 191,00 | - 11 191,00 |
| Shared facilities | - 3 500,00 | - 3 500,00 | - 3 500,00 | - 3 500,00 | - 3 500,00 | - 3 500,00 |
| Software | - 70,00 | - 70,00 | - 70,00 | - 70,00 | - 70,00 | - 70,00 |
| Shuttle services | - | - | - | - | - 700,00 | - 700,00 |
| Total | - 14 761,00 | - 14 761,00 | - 14 761,00 | - 14 761,00 | - 15 461,00 | - 15 461,00 |

Contribution statement

| | 31.12.2012 | 31.01.2013 | 28.02.2013 | 31.03.2013 | 30.04.2013 | 31.05.2013 |
|-----------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Revenue | 3 870,00 | 14 080,00 | 12 435,00 | 19 400,00 | 20 487,00 | 25 188,00 |
| - Variable costs | - 7 140,00 | - 10 065,00 | - 7 680,00 | - 10 657,50 | - 8 797,50 | - 10 965,00 |
| = Contribution | - 3 270,00 | 4 015,00 | 4 755,00 | 8 742,50 | 11 689,50 | 14 223,00 |
| - Fixed cost | - 14 761,00 | - 14 761,00 | - 14 761,00 | - 14 761,00 | - 15 461,00 | - 15 461,00 |
| = Profit | - 18 031,00 | - 10 746,00 | - 10 006,00 | - 6 018,50 | - 3 771,50 | - 1 238,00 |

| | 31.12.2012 | 31.01.2013 | 28.02.2013 | 31.03.2013 | 30.04.2013 | 31.05.2013 |
|----------------|-----------------|------------------|------------------|------------------|------------------|------------------|
| Revenue | | | | | | |
| Group | 2 960,00 | 10 090,00 | 10 485,00 | 14 970,00 | 19 047,00 | 22 008,00 |
| Private | 910,00 | 2 730,00 | 1 950,00 | 4 290,00 | 1 300,00 | 2 340,00 |
| Salt | - | 1 260,00 | - | 140,00 | 140,00 | 840,00 |
| Total | 3 870,00 | 14 080,00 | 12 435,00 | 19 400,00 | 20 487,00 | 25 188,00 |

| | 31.12.2012 | 31.01.2013 | 28.02.2013 | 31.03.2013 | 30.04.2013 | 31.05.2013 |
|-----------------------|-------------------|--------------------|-------------------|--------------------|-------------------|--------------------|
| Variable costs | | | | | | |
| Salt Cave | - | 225,00 | - | 37,50 | 37,50 | 225,00 |
| Teachers | - 7 140,00 | - 9 840,00 | - 7 680,00 | - 10 620,00 | - 8 760,00 | - 10 740,00 |
| Total | - 7 140,00 | - 10 065,00 | - 7 680,00 | - 10 657,50 | - 8 797,50 | - 10 965,00 |

| | 31.12.2012 | 31.01.2013 | 28.02.2013 | 31.03.2013 | 30.04.2013 | 31.05.2013 |
|---------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Fixed costs | | | | | | |
| Rent (1900 x 5.89 Median) | - 11 191,00 | - 11 191,00 | - 11 191,00 | - 11 191,00 | - 11 191,00 | - 11 191,00 |
| Shared facilities | - 3 500,00 | - 3 500,00 | - 3 500,00 | - 3 500,00 | - 3 500,00 | - 3 500,00 |
| Software | - 70,00 | - 70,00 | - 70,00 | - 70,00 | - 70,00 | - 70,00 |
| Shuttle services | - | - | - | - | - 700,00 | - 700,00 |
| Total | - 14 761,00 | - 14 761,00 | - 14 761,00 | - 14 761,00 | - 15 461,00 | - 15 461,00 |

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SLS'S BREAK-EVEN POINT

- 195 classes
- all variable and fixed costs will be covered with a revenue of 27'230.42\$



THE PROFITABILITY OF CONDUCTING EACH TYPE OF YOGA CLASS

Profitability

| 31.05.2013 | Group class | Privat class | Salt class |
|-----------------------|-------------------|-----------------|---------------|
| Revenue | 22 008,00 | 2 340,00 | 840,00 |
| - Variable costs | | | |
| Salaries | - 9 300,00 | - 1 080,00 | - 360,00 |
| Salt Cave | | | - 225,00 |
| = Contribution | 12 708,00 | 1 260,00 | 255,00 |
| - Costs | | | |
| Rent | - 10 026,62 | - 1 164,38 | - |
| Shared facilities | - 3 030,73 | - 351,96 | - 117,32 |
| Software | - 70,00 | | |
| Shuttle services | - 606,15 | - 70,39 | - 23,46 |
| = Profit | - 1 025,49 | - 326,73 | 114,22 |
| Gross margin | -4,66% | -13,96% | 13,60% |

- group and private classes make losses
- group classes - highest contribution
- private classes - positive contribution
- salt classes - positive gross margin

THE IMPLICATIONS OF THE ANALYSES ABOVE FOR SLS

- they should not close any classes as long as they make a contribution
- they have to run their business into viability

