Domino's: Customer Visibility Can Reduce Service Costs

THE SCALING EDGE • ISSUE 8 • Domino's — corporate strategy spotlight

Educational example | Financial figures are hypothetical unless otherwise noted.

The strategy: what the business owner should understand

Order tracking reduces uncertainty. Small businesses can use milestone messages to reduce customer status inquiries, but must distinguish recovered staff time from actual expense savings.

A signage company receives repeated calls asking about design approval, permits, fabrication and installation.

How to apply the strategy

Define verified stages and message triggers. Pilot status updates for one service line and measure calls, delays and customer satisfaction.

Before acting, write down the baseline, the owner of the process, the cost of the change, and the evidence that would make you continue or stop.

Build the financial model before making the decision

Call-handling hours = calls × average minutes ÷ 60. Recovered capacity value = saved hours × labor rate. EBITDA change = realized expense reduction − messaging and implementation expense.

30 status calls/week × 5 minutes = 150 minutes/week. After updates, 12 calls × 5 = 60 minutes. Saving 90 minutes/week equals about 6.5 hours/month (52/12 weeks). At $24/hour, capacity value is $156/month. Messaging costs $45/month. With unchanged payroll, EBITDA decreases $45; if $120 of paid overtime is avoided, EBITDA increases $75.

Illustrative monthly income statement	Before	After
Sales revenue	$65,000	$65,000
Direct costs / cost of services	($38,000)	($38,000)
Gross profit	$27,000	$27,000
Operating expenses excluding D&A	($18,000)	($18,045)

EBITDA	$9,000	$8,955
Depreciation and amortization	($1,200)	($1,200)
Operating profit (EBIT)	$7,800	$7,755
Interest expense	($400)	($400)
Income taxes (illustrative)	($1,000)	($1,000)
Net income	$6,400	$6,355

EBITDA before = $9,000. EBITDA after = $8,955. Change = ($45). EBITDA is not net income or operating cash flow; it excludes interest, income taxes, depreciation and amortization.

Read the financial ratios together

Ratio	Formula	Before	After
Gross margin	Gross profit ÷ revenue	41.54%	41.54%
EBITDA margin	EBITDA ÷ revenue	13.85%	13.78%
Operating margin	EBIT ÷ revenue	12.00%	11.93%
Net profit margin	Net income ÷ revenue	9.85%	9.78%
Operating expense ratio	Operating expenses excl. D&A ÷ revenue	27.69%	27.76%

A percentage-point change is the difference between two percentages. For example, moving from 10% to 12% is a two-percentage-point improvement. Do not call it a 2% revenue increase.

Where to find the evidence in your statements

Profit and loss (P&L)

Find revenue, cost of sales, operating expenses, depreciation, interest and taxes. Confirm that added costs and savings are coded to the same categories before comparing periods.

Balance sheet

Review cash, accounts receivable (A/R), inventory, accounts payable (A/P) and any new borrowing. Higher revenue can produce higher A/R before it produces cash.

Cash flow and bank activity

Separate actual payments from noncash entries. Depreciation reduces accounting profit but is not a current-period cash payment. Payroll, inventory and software payments may happen before customers pay.

Operational reports

Use the metric closest to the strategy: defects, access exceptions, follow-up rates, invoices processed, handoff errors, product conversions, status calls, pilot orders or completed jobs.

How one decision affects the rest of the business

Inaccurate status updates can increase disputes and refunds; never display milestones that have not occurred.

Sales and marketing: check whether more demand requires more leads, follow-up time or customer support. Operations: verify capacity, quality and turnaround. Accounting: track revenue recognition, direct costs, overhead and receivables. Cash: forecast the timing of supplier payments, payroll and customer collections.

How the owner should decide

Check whether customers are better informed and whether staff can use freed time for quoting, collections or service. Measure errors in automated updates.

Use a 30-day pilot when feasible. Define the expected change, measurement owner, cost ceiling, quality safeguards and stop condition before starting.

Your 30-day financial review worksheet

Question	Enter your business numbers
Monthly sales	_____
Direct costs	_____
Operating expenses excluding D&A	_____
Depreciation and amortization	_____
Interest expense	_____
Income taxes	_____
Current EBITDA	_____
Current EBITDA margin	_____
Operating metric and baseline	_____
Expected improvement	_____
Incremental direct costs	_____
Additional fixed expenses	_____
Expected EBITDA change	_____
Expected cash impact	_____
Owner and review date	_____

The lesson to take away

A corporate strategy becomes useful to a small business only when the owner can explain the problem, calculate the expected benefit, identify which other functions will be affected, and verify the result in both operational and financial records.

About this article: An Across the Table educational adaptation. Numerical business examples are illustrative unless expressly identified otherwise.

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