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Most distributors can set a sales target. But that number alone doesn't drive profitability. To turn that target into results, it needs to be anchored in strategy, supported by a clear plan, and translated into a budget that makes execution possible and profitable.

It starts with **strategy** defining the long-term direction and the enterprise value the business needs to create. From there comes the business plan with **sales goal**, which sets the short-term destination. A **sales plan** then maps how that goal will be achieved: which customers, sectors, and services will drive growth.

The **budget** connects these ambitions to financial reality. It links targets to staffing, operating expenses, and margin expectations, revealing whether the plan is viable and profitable. **Scenario planning** adds agility by preparing for best, base, worst, and break-even outcomes so leadership can adapt quickly as conditions change. Finally, every step ties back to strategy to ensure short-term actions build long-term value.

In our work with distributors, we've seen that the most resilient and profitable businesses follow this sequence:

1. **Clarify long-term strategy** and set the sales goal within that context.
2. **Develop the business plan**
3. **Build the sales plan** together as a team.
4. **Create the budget:**
    - Start with targets and fixed costs.
    - Test against benchmarks.
    - Layer people costs and productivity.
5. **Prepare multiple scenarios** to handle best, base, worst, and break-even cases.
6. **Align it all back to strategy**, ensuring short-term plans reinforce long-term value creation.

Step 1: Align Budgets with Long-Term Strategy

Budgets don’t live in isolation. They need to connect directly to strategy, the big-picture vision for where the business is headed and the value it must create for ownership. A sales goal is short-term. A sales plan is tactical. But strategy is multi-year: the market position the distributor wants, the service mix it will offer, and the enterprise value it must deliver.

This is where budgeting becomes more than an exercise in cost control. Each year’s budget should be a step toward that larger vision.

- **Growth example:** Consider a $40M distributor that wants to become a $60M regional player in 5 years. Strategy calls for diversification: perhaps 20% of revenue from architectural products and 15% from flooring and wallcoverings. The budget today should start funding those moves: hiring or acquiring specialized talent, investing in marketing to build credibility in new verticals, and even planning capital expenditures for warehouses or showrooms that can handle the added volume. Without those investments in the budget now, the long-term strategy is just words on paper.
- **Succession example:** Now consider an owner planning retirement. They know they’ll need $5M in enterprise value from the business to fund that next stage. Valuation is driven by profitability, not just revenue. In that case, the budget should emphasize profit improvement and efficiency. A $40M distributor running at 5% operating profit is far more valuable than a $75M distributor scraping by at 2%. Budgets become the mechanism that steadily builds the profitability and discipline required to reach that enterprise value target.

This alignment is where the budgeting discipline pays off. The purpose of a well-built budget goes beyond managing expenses for the next 12 months by ensuring every short-term decision reinforces the long-term vision.

For over 12 years, Solomon Coyle’s Financial Benchmarking and Operations Report has aided the budgeting process by enabling participants to surface highly relevant targets. Drawing on years of observing and guiding this practice, Solomon Coyle developed and recently released SCi3, a suite of tools that collapses the gap between best practice data and budgeting.

SCi³ groups distributors into peer cohorts based on size, margin profile, service mix, and market population. Leadership can analyze more than 300 metrics across multiple focus areas and compare their performance to peers who “look like them,” as well as to top performers. This creates a data-rich foundation for multi-year strategy: where to close performance gaps, where to double down, and how to chart a realistic growth trajectory over time.

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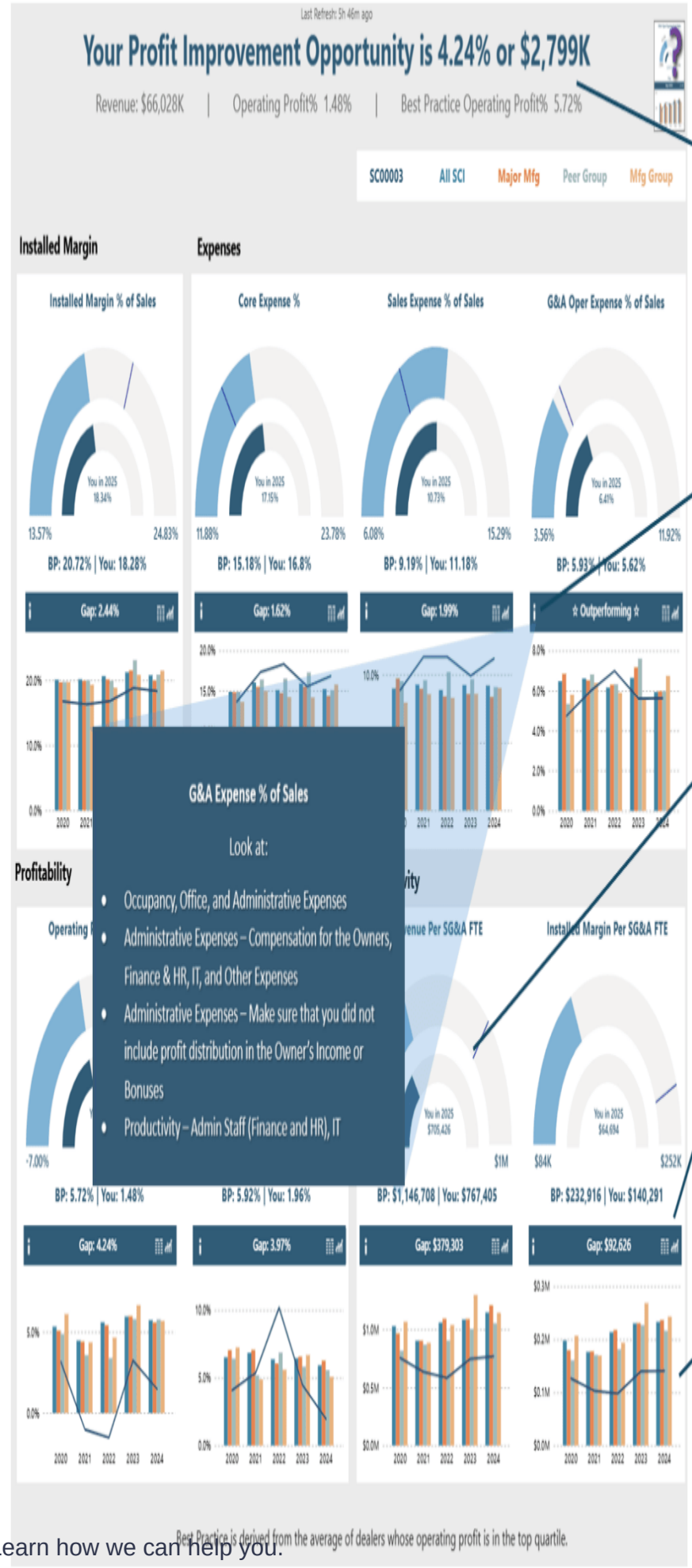

What will achieving best practice mean for your bottom line?

See tips on which metrics help close gaps

See current and prior year metrics at-a-glance

Drill in by jumping to the Cohort Summary and Metric Explorer

Understand how key metrics are changing over time

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Figure 1. SCi³ Cohort Summary: Compare against multiple groups of your peers, identify strategicstrengths and gaps, and ground long-term planning in real data.

Step 2: Set the Goal and Build the Plan Together

Once the long-term vision is clear, the next step is to set concrete sales goals and map out how to reach them. This is where long-term strategic direction turns into a shorter-term actionable plan for the year ahead.

A sales goal is the starting point, not the plan.

For example, if a distributor has a goal of $40M next year, the first question is: *Where will that $40M come from?* That's the job of a sales plan.

A sales plan breaks down the target into specifics:

- Which accounts are expected to grow?
- What new business or verticals will you pursue?
- Which product categories or services will you emphasize?
- What roles will marketing and sales tactics play?

Example: A $40M goal might break down into $28M from repeat accounts, $7M from pipeline opportunities, and $5M from a new vertical like architectural products. Now the number is no longer abstract. It's a mix of accounts and tactics that the team can execute.

We emphasize the *team*. Principals, sales managers, other key employees, and finance all need to be at the table. The plan only works if leadership agrees where the growth will come from and what it takes to support it. That shared ownership makes the budget discussion far more productive.

Once the sales plan is sketched out, SCi³ lets you test those assumptions against real-world data: if you're expecting $5M in new vertical sales, what do peer distributors spend on staffing or SG&A to support that kind of line of business? That reality check is invaluable.

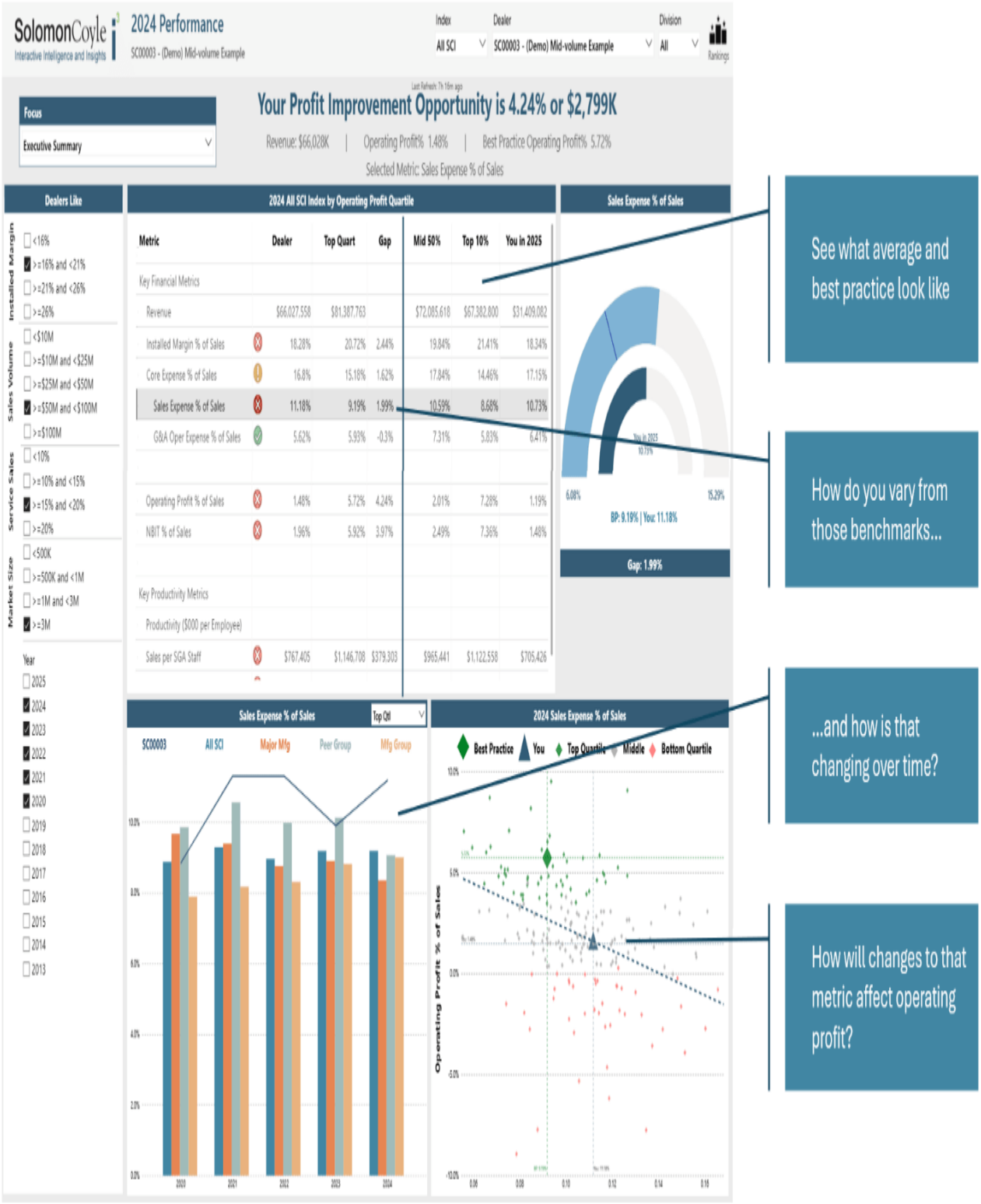


Figure 2. SCi³ Metrix Explorer: Understand performance vs. best practice, track trends over time, and connect sales plan assumptions to operational reality.

Step 3: Create the Budget

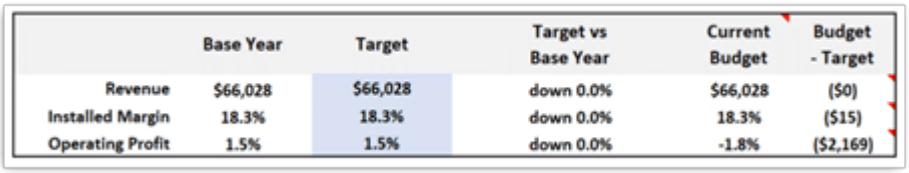
With the sales plan in place, the next step is building the budget. A budget is the financial framework that allows a sales plan to be executed. The plan outlines the “how” behind the sales target, but it’s the budget that translates those ambitions into resources, expenses, and profitability.

This is where we translate aspirations into a financial roadmap that ensures execution is both possible and profitable.

Step 3a: Start with Targets and Fixed Costs

We always begin with three targets:

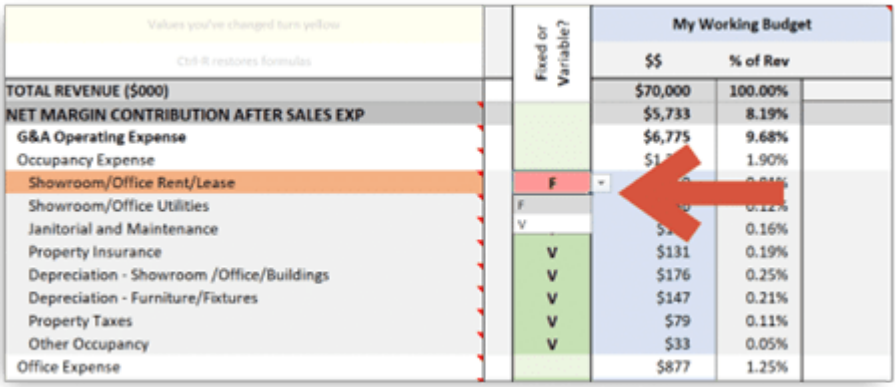
- **Sales (revenue) target.**
- **Install Margin % target.**
- **Operating Profit % target.**



	Base Year	Target	Target vs Base Year	Current Budget	Budget - Target
Revenue	$66,028	$66,028	down 0.0%	$66,028	($0)
Installed Margin	18.3%	18.3%	down 0.0%	18.3%	($15)
Operating Profit	1.5%	1.5%	down 0.0%	-1.8%	($2,169)

Figure 3.Setting baseline targets.The SCi³ Budget Builder compares base-year results to next-year targets, showing revenue, margin, and operating profit side by side with gaps. This provides a clear starting point for building a realistic budget.

From there, identify fixed or immovable expenses. Some are obvious like rent, utilities, long-term leases. Others you may *choose* to treat as fixed, like owner’s compensation or sales management salaries, for example.



	Fixed or Variable?	My Working Budget $$	% of Rev
TOTAL REVENUE ($000)		$70,000	100.00%
NET MARGIN CONTRIBUTION AFTER SALES EXP		$5,733	8.19%
G&A Operating Expense		$6,775	9.68%
Occupancy Expense		$1	1.90%
Showroom/Office Rent/Lease	F		
Showroom/Office Utilities	F		
Janitorial and Maintenance	V		0.16%
Property Insurance	V	$131	0.19%
Depreciation - Showroom /Office/Buildings	V	$176	0.25%
Depreciation - Furniture/Fixtures	V	$147	0.21%
Property Taxes	V	$79	0.11%
Other Occupancy	V	$33	0.05%
Office Expense		$877	1.25%

Figure 4. Identifying fixed vs. variable costs. Within SCi³, expenses are flagged as fixed or variable, giving leaders a clear picture of which costs must be covered first and which can flex with sales. This

classification forms the baseline for all further budgeting decisions.

These numbers form the baseline. They tell you what you *must* cover before you spend a dollar elsewhere.

Take a sample $40M distributor at a 20% margin:

- Revenue = $40M.
- Gross profit = $8M.
- If SG&A is 16% ($6.4M), operating profit = $1.6M (4%).
- If SG&A drifts to 18% ($7.2M), operating profit drops to $0.8M (2%).

This shows how small percentage changes can double or halve profit.

Step 3b: Test Against Benchmarks

Once the baseline is set, we compare against benchmarks.

For instance, if the distributor is carrying a sales expense of 5.5% of revenue, but best practice is closer to 3.8%, the budget shouldn't expect a full correction in one year. Instead, it might target 4.75%, a realistic step toward best practice.

Here's where context matters. Benchmarks, drawn from Solomon Coyle's Financial Benchmarking and Operations Performance Report, feed directly into SCi³. Distributors are grouped into peer cohorts based on size, margin profile, service mix, and market population. That means a $10M branch in a smaller metro is compared to peers who actually operate under similar conditions, not, for example, to an $80M distributor in a top-10 city.

Benchmarks keep assumptions grounded in reality and force leadership to ask the right questions:
Why is this number higher than peers? Is it process? Is it structure?

Step 3c: Layer People Costs and Productivity

Now we look at people, typically accounting for 2/3rds or more of a dealer's expenses.

In one example, a $40M distributor might employ a 50 SG&A staff where peer benchmarks suggest 40. The question isn't just whether to cut headcount, it's why are others able to do the same with less people. Are processes inefficient? Are roles misaligned? Is the team underperforming?

Distributors can use a tiered review of their current team:

- **A-players:** keep and invest.
- **B-players:** develop.
- **C-players:** reassign or replace.

This way, staffing, the largest line item, is aligned with performance and productivity.

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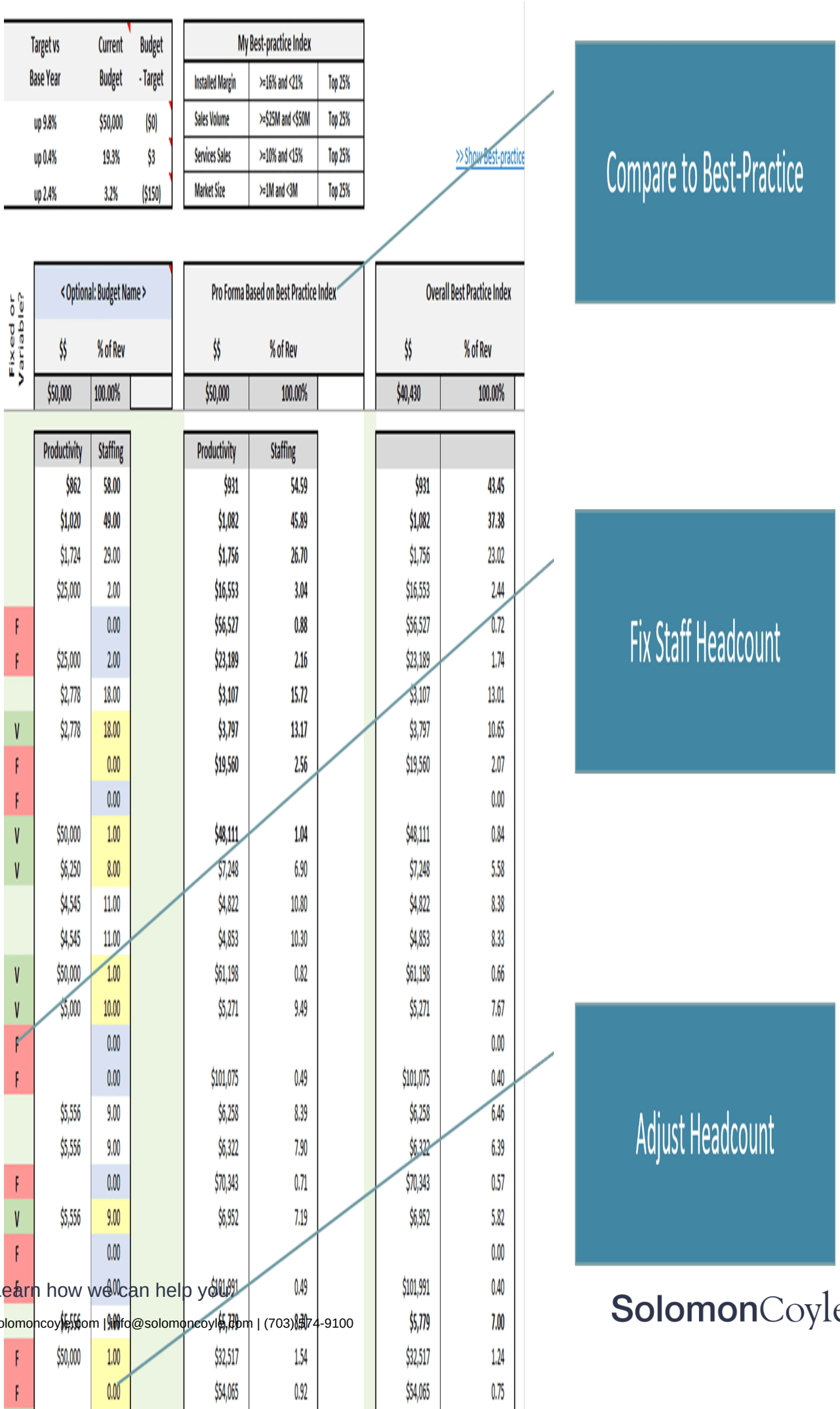

Compare to Best-Practice

Fix Staff Headcount

Adjust Headcount

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Figure 5. Benchmarking and adjusting staffing levels. SCi³ enables distributors to compare current staffing against best-practice benchmarks, fix headcount targets, and model adjustments. This ensures the largest expense line, people, is aligned with productivity and profitability goals.

Step 4: Prepare Multiple Scenarios

The future never unfolds exactly as planned. Sales could come in stronger than expected, flat, or well below target. That's why building a single budget isn't enough — it leaves the distributor exposed to surprises.

This is where scenario planning comes in. With **SCi³ Budget Builder**, building scenarios isn't a separate exercise — it's the natural extension of the base budget. Once the sales, margin, and expense assumptions are entered, the tool makes it easy to spin out alternate versions and instantly see how changes ripple through gross margin, SG&A, and profit.

We recommend developing several scenarios:

- **Base case** – the most realistic outcome, based on pipeline and current conditions.
- **Best case** – if sales outperform, often 10–20% above plan.
- **Worst case** – if sales fall short, often 10–20% below plan.
- **Break-even case** – the revenue level where fixed and operating expenses are fully covered but profit is zero.

For a $40M distributor, that might look like:

- Base case: $40M.
- Best case: $45–52M.
- Worst case: $38M.
- Break-even: around $36–37M, depending on fixed costs.

The real power comes from testing "what if" questions before the year begins:

- If sales drop to $38M, which expenses can be trimmed quickly to protect profit?
- If sales dip further, where exactly is break-even, and what does the operation look like at that level?
- If sales climb to $45–52M, what investments should be accelerated — new hires, warehouse space, more installers?

Timing is critical. If sales lag early in the year, a pre-built worst-case or break-even scenario means leadership can act in Q1 instead of waiting until mid-year, when cuts or pivots are far harder. On the flip side, a best-case scenario ensures that sudden growth can be handled smoothly, without overextending or missing opportunity.

And for multi-branch distributors, SCi³ takes the analysis further by modeling scenarios at the branch level. An $80M distributor with three locations, say $50M, $20M, and $10M, shouldn't compare the $10M branch

to $80M peers. SCi³ automatically benchmarks each branch against similar-sized cohorts with comparable margins, service mixes, and market populations. That way, every scenario is grounded in realistic peer data, not distorted by scale differences.

Scenario planning transforms the budget from a static document into a dynamic management tool. With SCi³, it also ensures those scenarios are not only easy to build but rooted in the right context, giving leadership faster decisions, more confidence, and a clearer picture of what each possible future could mean.

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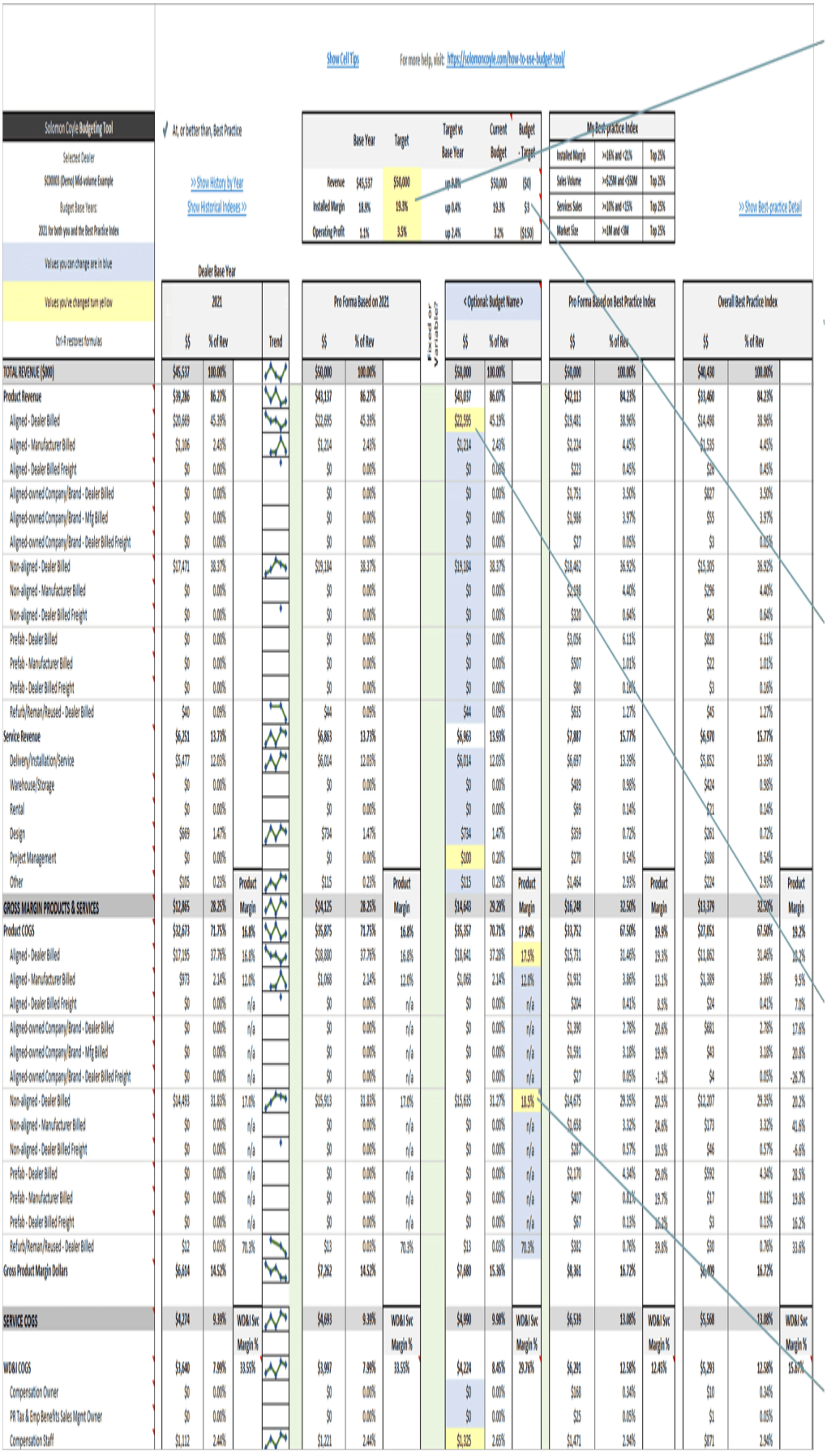

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Figure 6. Building scenarios and managing budget targets. The SCi³ Budget Builder enables distributors to set target goals, adjust product mix and margins, and build multiple scenarios quickly. By comparing base year, target, current budget, and best-practice projections side by side, leadership can see gaps early and make informed strategic adjustments.

From Numbers to Value

Most distributors can set a sales target. The ones who stand apart are those who connect that target to a plan, a budget, and multiple scenarios, all in service of a larger strategy. That's what turns ambition into execution and execution into enterprise value.

The sequence is straightforward:

- **Strategy**: defines the long-term direction and enterprise value required.
- **Business Plan** sets the short-term goals within that strategy.
- **Sales Plan**: maps the "how" behind that target — which customers, sectors, and services will drive growth.
- **Budget**: translates the plan into financial terms, starting with targets, then testing against benchmarks, then layering people costs and productivity.
- **Scenarios**: prepare the organization for multiple possible futures, from best case to break-even.

Distributors who move through this sequence are building businesses that are resilient, profitable, and strategically aligned. And with tools like SCi³, every step of the process is grounded in data, benchmarked against peers, and adaptable as conditions change.

At Solomon Coyle, this is the discipline we help distributors put into practice, through strategic and business planning consulting, the Distributor Development Program, and diagnostic and operational reviews, all supported by benchmarking and peer group insights. Combined with the SCi³ Budget Tool, these services make budgeting and scenario planning a powerful extension of strategy.

To learn more about SCi³, visit https://solomoncoyle.com/analytics/i-3-toolkit/

For broader support with end-of-year budgeting and strategic planning, visit solomoncoyle.com or contact us at support@solomoncoyle.com.