

Review cost-to-serve, not just revenue

Use a closed calendar month, one client or agreement scope, and records that describe the same work. A revenue ranking tells you who paid the most. It does not tell you what it cost to serve them.

The arithmetic

Output	Definition
Service revenue	Agreement service revenue + additional service revenue. Excludes separately invoiced pass-through resale.
Total revenue	Service revenue + pass-through revenue, net of credits and excluding sales tax.
Assigned direct cost	Role hours × loaded cost rate, plus bundled tools/licences, pass-through vendor cost and direct subcontractors. Each cost appears once.
Assigned gross margin	Total revenue – assigned direct cost. Margin % divides by positive total revenue. This is not net profit.
Service effective hourly rate	Service revenue / all recorded service hours. Agreement EHR divides agreement service revenue by agreement hours.
Cost shares / hours ratios	Labour and tools divide by total revenue; hours per endpoint/user divide all recorded hours by a documented count.

A fictional comparison

Example Dental Group has \$7,000 service revenue and \$850 resale revenue in the sample month. Its 52 recorded hours cost \$2,324 across the four role rates. Bundled tools cost \$1,008; resale cost is \$710; subcontractor cost is \$0.

Assigned margin is \$3,808, or 48.5% of \$7,850 total revenue. Service EHR is \$134.62 per recorded hour. These are invented values, not benchmarks or customer results. A missing vendor cost would withhold the margin rather than become \$0.

Blank means unknown. Numeric zero means you checked and found none. Estimated or mixed inputs stay labelled. “Measured” is a user assertion about records, not an audit or measured profit.

Check the records before changing the agreement

Get the classification right

Split each role's time into agreement and additional-service work. Include documentation, travel, proactive work and account-management time. Do not double-count an hour or call automated runtime human labour.

Use loaded **cost** rates, not customer charge rates. Document the pay, employer costs and hour basis. Owner-delivered service needs a defensible cost too. General office overhead, finance costs, sales/marketing and tax are outside this direct-cost review.

Bundled tool costs and separately invoiced resale costs need different buckets. Reconcile seat counts and shared allocations to vendor invoices. Large resale sales can dilute total-revenue cost shares; inspect service EHR and pass-through margin separately.

Absorbed work is already in labour

After-hours and project work absorbed by the agreement are subsets of agreement hours. They can overlap. Unbilled out-of-scope hours are a subset of additional-service hours. The workbook does not sum these diagnostics, cost them again or claim they are all recoverable revenue.

Included agreement time can be nonbillable without being leakage. For expected chargeable extras, check authorisation, signed scope, credits and billing cutoff before drawing a conclusion.

A review flag needs an owner

1. Check time completeness, the reporting period and scope. A quiet client can look profitable when time is missing.
2. Trace the cost: recurring faults, project timing, seat allocation, credits or absorbed work.
3. Compare normal months. A migration or resale sale can distort one month's ratios.
4. Record the next action, accountable owner and review date. Reconcile records or discuss scope before proposing a commercial change.

No universal target or "fire this client" verdict is embedded. Missing required data says Insufficient data; invalid inputs stay visible; zero denominators say Not applicable. A clean flag column is not a guarantee of a good contract.