KNOW YOUR NUMBERS

<u>Know Your Numbers</u>

Rule #1: Your business is a living thing if you ignore it... It will die.

Your balance sheet, profit and loss, inventory reports are all key components to the success of your business. Failing to get up close and personal with these reports is like being in a relationship with someone whom you never talk with, look at, or spend time with! The end result is the same...eventually a rocky relationship and a rocky business!

Here are 5 Reports for you to examine every month:

1. Sales Summary - this report gives you an overview of your sales for a given time period. Your sales report should also show your cost of goods sold, gross profit, margins, and tax, so you can have a better idea of what that $200 sale really means to you! Knowing how much it costs you to make a sale is all part of becoming more profitable.

*It is key to compare this month to last month!
*Comparing YTD (year to date) to Last year YTD!
*Top vs Lowest selling inventory classification?

2. Net Profit Margin - Net profit margin is like gross margin, however, it factors in *all business costs* including marketing and labor.

(Total Sales Revenue – Total Business Expenses) / Total Sales Revenue

Net profit margin is similar to gross margin, however, you also factor in the *total business expenses including* the cost of goods sold, as well as marketing, payroll, rent, utilities, transportation, etc.

Net Profit Margin tells you if you've earned a profit in a given month, or if you're in the red.
Example #1
($200,000 - $180,000)/$200,000 = 10% Profit

Example #2
($200,000-$211,000)/$200,000 = -5% (NEGATIVE)

KNOW YOUR NUMBERS

3. Inventory on hand and inventory on order (Point of Sale Report)

You can't sell what you don't have in stock! Knowing what you have in stock at all times is one of the KEY most important factors of running a business. Look for:

- Quantity on hand and current stock value - CAPITAL you have in your inventory
- Key to proper open to buy planning
- Helps with markdown strategy
- Product performance - what is working and what isn't working
- What do you have coming in the next 30-60 days?

4. Sell-Through Rate

Sell Through % = Units Sold/Units Received

This is a comparison of the amount of inventory a retailer receives from a manufacturer or supplier to what is actually sold. Sell through is a healthy way to assess if your investment is a good ROI!

Examples:
5% usually means you are overbought or perhaps your items are priced too high!
80% usually means you have too little inventory (under bought) or you are priced too low!

5. Maintained Markup Report

- This report reveals the impact that markdowns had on your initial markup!
- Are your goals supported by your markup plan?

Taking markdowns is part of your business, however, you need to be mindful and make sure your markup is absorbing the cost of your markdowns? Say what… Your store cannot operate unless it is maintaining a profitable markup, therefore, running an MMU report on vendors and inventory classifications helps you generate the most revenue for your business
.
This report can be run on your POS - however to figure it manually:

Markup = Retail - Cost
Markup % = $Markup/$Retail
Maintained Markup $ = Net Sales - Gross Cost of Merchandise Sold
Maintained Markup % = Maintained Markup $/Net Sales$

KNOW YOUR NUMBERS

BONUS:
Now - let's talk about the type of reporting language according to an accountant!

These are the 3 main reports your accountant will ask you to provide at tax time, your lending officer will need them in order to lend money and most importantly you will need them to see what kind of health your business is in!

1. **Balance Sheet** - this is essentially a snapshot of your business at a specific point in time. It's a simple equation, but both sides must balance.

   Liabilities + Owner's Equity = Assets.
   These will change daily with your business activities

2. **Income Statement or Profit and Loss Statement** (same thing) - these show all the income and expense accounts over a set period of time, giving you the ability to forecast growth.

3. **Cash Flow Statement**- highlights how much money is coming into your business, or going out! Money coming in includes sales and accounts receivable. Cash outflows include expenses you pay, equipment you buy, inventory you purchase, and other payments made. Often you will know before you even run your cash flow statement if funds are tight, however, this report helps to reveal problems within your business that are often overlooked.