



1

Estimating Sales & Earnings



Ray & Associates

How much can I sell?

2



Two approaches



3

- 1. Sales per Selling Square Foot
- 2. Inventory Turns

Calculating Sales per Selling Square Foot (ssf)



Green of 1,400
Back room 200
Selling of 1,200

4



ABACUS Averages Sales per Selling Square Foot

Start-up: \$100 - \$250/sf

After 3 years:

Lower Profit stores: \$275/sf

Higher Profit stores: \$450+/sf



5



Sales per Selling Square Foot

	ABA Avg	SSE	Annual Sales
LOW	\$150	$\times 1,200 =$	\$180,000
MIDDLE	\$275	$\times 1,200 =$	\$330,000
HIGH	\$475	$\times 1,200 =$	\$570,000

6

Inventory Turns



7

Inventory Turns



Annual Sales / Average Inventory Value (at retail)

8

ABACUS Averages Inventory Turns

Lower Profit Stores: 1.89
Higher Profit Stores: **4.69**



9

Remember: Apples to Apples



Retail to Retail

Retail Sales to Inventory at Retail Value
 \div Avg Inventory at cost

10

Inventory Turns



Average Inventory Value at Retail: $\$125 \times 1,200 \text{ sqf} = \$150,000$

11



Inventory Turns

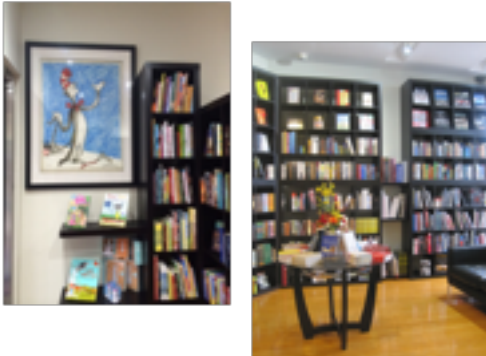
	ABA Avg	Inventory Value	Annual Sales
LOW	1.89 turns	$\times \$150,000$	= \$283,500
MIDDLE	3.5 turns	$\times \$150,000$	= \$525,000
HIGH	4.5 turns	$\times \$150,000$	= \$675,000

12

Let's compare results ...

	<u>Sales/sqf</u>	<u>Inventory Turns</u>
Low	\$180,000	\$283,500
Med.	\$330,000	\$525,000
High	\$570,000	\$675,000

13



14



How much can you earn?

1. Payroll
4.5-10% of Sales
2. Profits

15

Owners Compensation

Annual Sales	\$500k	\$750k
@ 5% of Sales	\$25,000	\$37,500
@ 6% of Sales	\$30,000	\$45,000
@ 7% of Sales	\$35,000	\$52,500
@ 10% of Sales	\$50,000	\$75,000

16

How much is at stake?

- **Simply lost:** build-out, systems software, fees, payroll
- **Turn into cash:** inventory (going out of business sale), fixtures, furniture, equipment



17

Strive for the "Sweet Spot"

Sales of \$750,000 to \$1,000,000+



18

Selling Outside the Store

- Non-Profits
- Schools
- Businesses
- Colleges & Universities
- Convention Bureau



19

City Lit, Chicago



I was very close to break even after my first full calendar year. So far in each month of my second year, revenue has been 25 - 30% higher than that month in year one. And this was the winter with three polar vortices and 80 inches of snow!

It also seems to take a year to truly ramp up and be on people's radar so there are many very slow days that are frustrating. All of a sudden, it seems the store is busy with customers most of the time even on weekdays. This has just happened in the last few months.

- Teresa Kirschbaum, owner

20
