

Key Performance Indicators (KPI) Dashboard Metrics for a Healthy Store



Friedman, Kannenberg & Company, P.C.

Daniel Jobe, EA

www.fkco.com



KPI for Music Retailers

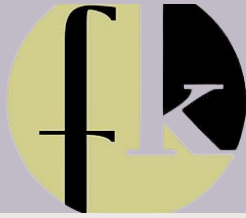
Balance Sheet



| KPI | FORMULA/DESCRIPTION | HIGH | MID | LOW |
|--|--|---------|--------|---------|
| Current Ratio | CURRENT ASSETS / CURRENT LIABILITIES Measures the company's liquidity and ability to pay short-term obligations | 1.50+ | 1.25 | < 1.00 |
| Inventory Turns | COST OF GOODS SOLD/AVERAGE INV @ COST Measures how quickly your inventory cost is being recovered during an accounting period | 2.50+ | 2.00 | < 1.75 |
| Gross Margin Return on Investment (GMROI) | GROSS PROFIT DOLLARS/AVERAGE INV @ COST Measures the ability to turn inventory into gross profit | \$1.50+ | \$1.15 | < \$.85 |
| Rental Pool Income Analysis | ANNUAL RENTAL INCOME/RENTAL POOL COST Measures how quickly the rental pool cost can be recovered | 100%+ | 75% | < 60% |
| Debt (related) to Inventory (all) | TOTAL DEBT (A/P, F/P, LOC & LTD) / INVENTORY & RENTAL POOL @ COST Measures the leverage of the total inventory (sellable and rental pool) investment | < 30% | 50% | > 80% |
| Debt Service Coverage | ANNUAL EBITDA/ TOTAL DEBT SERVICE Indicates the extent to which debt financing is used and measures how easily debt obligations can be repaid | 2.50+ | 1.75 | < 1.00 |

KPI for Music Retailers

Income Statement



Profit Margin by Category

| | HIGH | MID | LOW |
|---------------------------------|------|-----|-------|
| Band & Orchestra (non-rental) | 35%+ | 30% | < 25% |
| Band & Orchestra Accessories | 40%+ | 35% | < 30% |
| Print Music | 40%+ | 35% | < 30% |
| Fretted | 35%+ | 30% | < 25% |
| Amps | 35%+ | 30% | < 25% |
| Keyboards (digital/portable) | 35%+ | 30% | < 25% |
| Percussion | 30%+ | 25% | < 20% |
| Recording | 30%+ | 25% | < 20% |
| Sound Reinforcement (pro audio) | 30%+ | 25% | < 20% |
| Combo Accessories | 42%+ | 37% | < 30% |
| Pianos (acoustic) | 42%+ | 37% | < 30% |

Profit Margin by Inventory Category

GROSS PROFIT (per cat)/
TOTAL SALES (per cat)

Measures how much profit you retain per dollar of sales in each category

Oper Exp as % of Sales

| | LOW | MID | HIGH |
|--|------|------|-------|
| Operating Expenses as a Percentage of Total Sales | | | |
| EXPENSE (per cat)/TOTAL REVENUE | | | |
| Measures how much you spend of each sale to cover the overhead expenses of the company | | | |
| Salaries - sales (all) | 16%+ | 13% | < 9% |
| Salaries - admin | 8%+ | 5% | < 2% |
| Rent | 9%+ | 6% | < 4% |
| Advertising/Marketing | 3%+ | 1.5% | < .5% |
| Bank & Merchant Card Fees | 3%+ | 2% | N/A |
| Insurance | 3%+ | 2% | N/A |
| Interest expense | 2%+ | .75% | N/A |



KPI Ratio Analysis

**MUSIC STORE - HIGH
BALANCE SHEET
DECEMBER 31, 20xx**

| ASSETS | | |
|---|----------------------------------|------------------|
| CURRENT ASSETS | | |
| Cash | | \$50,000 |
| Accounts receivable | | 35,000 |
| Rental contracts receivable | | 25,000 |
| Inventory | | <u>450,000</u> |
| | TOTAL CURRENT ASSETS | 560,000 |
| FIXED ASSETS | | |
| Leasehold improvements | \$150,000 | |
| Store equipment, furniture and displays | 75,000 | |
| Vehicles | <u>75,000</u> | |
| | 300,000 | |
| Less accumulated depreciation | <u>150,000</u> | 150,000 |
| RENTAL INSTRUMENTS | | |
| Band and orchestra rental instruments | 700,000 | |
| Less accumulated depreciation | <u>600,000</u> | <u>100,000</u> |
| | | <u>\$810,000</u> |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| CURRENT LIABILITIES | | |
| Accounts payable | | \$150,000 |
| Floor plan payable | | 0 |
| Accrued taxes and expenses | | 50,000 |
| Credit line payable | | 50,000 |
| Current portion of long-term debt | | <u>50,000</u> |
| | TOTAL CURRENT LIABILITIES | 300,000 |
| LONG-TERM DEBT | | |
| | | 100,000 |
| STOCKHOLDERS' EQUITY | | |
| Common stock | \$50,000 | |
| Retained earnings | <u>360,000</u> | <u>410,000</u> |
| | | <u>\$810,000</u> |

**MUSIC STORE - HIGH
STATEMENT OF INCOME AND RETAINED EARNINGS
FOR THE YEAR ENDED DECEMBER 31, 20xx**

| | | |
|---|---------------------------------|-------------------------------|
| Sales of inventory | \$1,750,000 | 100.0% |
| Cost of goods sold | <u>1,100,000</u> | <u>62.9%</u> |
| | 650,000 | 37.1% |
| Rental income | 750,000 | 100.0% |
| Less rental depreciation | <u>150,000</u> | <u>20.0%</u> |
| | 600,000 | 80.0% |
| Repair income | 200,000 | 100.0% |
| Less repair labor costs | <u>175,000</u> | <u>87.5%</u> |
| | 25,000 | 12.5% |
| Lesson income | 200,000 | 100.0% |
| Less teacher costs | <u>125,000</u> | <u>62.5%</u> |
| | 75,000 | 37.5% |
| TOTAL SALES | 2,900,000 | 100.0% |
| TOTAL DIRECT COSTS | <u>1,550,000</u> | <u>53.4%</u> |
| | GROSS PROFIT | 1,350,000 46.6% |
| OPERATING EXPENSES | | |
| Salaries - officer | 150,000 | 5.2% |
| Salaries - sales | 350,000 | 12.1% |
| Salaries - admin | 175,000 | 6.0% |
| Rent | 120,000 | 4.1% |
| Advertising | 35,000 | 1.2% |
| Bank, merchant card and online selling fees | 65,000 | 2.2% |
| Insurance (employee health, umbrella, others) | 75,000 | 2.6% |
| Depreciation - fixed assets | 5,000 | 0.2% |
| Other operating expenses | <u>150,000</u> | <u>5.2%</u> |
| | TOTAL EXPENSES | <u>1,125,000</u> <u>38.8%</u> |
| | INCOME FROM OPERATIONS | 225,000 7.8% |
| INTEREST EXPENSE | <u>15,000</u> | <u>0.5%</u> |
| | NET INCOME | 210,000 7.2% |
| RETAINED EARNINGS | | |
| Beginning | 200,000 | |
| Shareholder distributions | <u>(50,000)</u> | |
| | ENDING RETAINED EARNINGS | <u>\$360,000</u> |



KPI Ratio Analysis

**MUSIC STORE - MID
BALANCE SHEET
DECEMBER 31, 20xx**

| ASSETS | | |
|---|----------------------------------|------------------|
| CURRENT ASSETS | | |
| Cash | | \$35,000 |
| Accounts receivable | | 10,000 |
| Rental contracts receivable | | 25,000 |
| Inventory | | <u>650,000</u> |
| | TOTAL CURRENT ASSETS | 720,000 |
| FIXED ASSETS | | |
| Leasehold improvements | \$150,000 | |
| Store equipment, furniture and displays | 75,000 | |
| Vehicles | <u>75,000</u> | |
| | 300,000 | |
| Less accumulated depreciation | <u>150,000</u> | 150,000 |
| RENTAL INSTRUMENTS | | |
| Band and orchestra rental instruments | 700,000 | |
| Less accumulated depreciation | <u>600,000</u> | <u>100,000</u> |
| | | <u>\$970,000</u> |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| CURRENT LIABILITIES | | |
| Accounts payable | | \$210,000 |
| Floor plan payable | | 85,000 |
| Accrued taxes and expenses | | 50,000 |
| Credit line payable | | 150,000 |
| Current portion of long-term debt | | <u>75,000</u> |
| | TOTAL CURRENT LIABILITIES | 570,000 |
| LONG-TERM DEBT | | |
| | | 150,000 |
| STOCKHOLDERS' EQUITY | | |
| Common stock | \$50,000 | |
| Retained earnings | <u>200,000</u> | <u>250,000</u> |
| | | <u>\$970,000</u> |

**MUSIC STORE - MID
STATEMENT OF INCOME AND RETAINED EARNINGS
FOR THE YEAR ENDED DECEMBER 31, 20xx**

| | | |
|---|---------------------------------|-------------------------|
| Sales of inventory | \$1,900,000 | 100.0% |
| Cost of goods sold | <u>1,300,000</u> | <u>68.4%</u> |
| | 600,000 | 31.6% |
| Rental income | 600,000 | 100.0% |
| Less rental depreciation | <u>150,000</u> | <u>25.0%</u> |
| | 450,000 | 75.0% |
| Repair income | 150,000 | 100.0% |
| Less repair labor costs | <u>175,000</u> | <u>116.7%</u> |
| | (25,000) | -16.7% |
| Lesson income | 200,000 | 100.0% |
| Less teacher costs | <u>145,000</u> | <u>72.5%</u> |
| | 55,000 | 27.5% |
| TOTAL SALES | 2,850,000 | 100.0% |
| TOTAL DIRECT COSTS | <u>1,770,000</u> | <u>62.1%</u> |
| | GROSS PROFIT | 1,080,000 |
| | | 37.9% |
| OPERATING EXPENSES | | |
| Salaries - officer | 75,000 | 2.6% |
| Salaries - sales | 400,000 | 14.0% |
| Salaries - admin | 125,000 | 4.4% |
| Rent | 120,000 | 4.2% |
| Advertising | 50,000 | 1.8% |
| Bank, merchant card and online selling fees | 70,000 | 2.5% |
| Insurance (umbrella, other (no health)) | 25,000 | 0.9% |
| Depreciation - fixed assets | 5,000 | 0.2% |
| Other operating expenses | <u>140,000</u> | <u>4.9%</u> |
| | TOTAL EXPENSES | <u>1,010,000</u> |
| | INCOME FROM OPERATIONS | 70,000 |
| | | 2.5% |
| INTEREST EXPENSE | <u>30,000</u> | <u>1.1%</u> |
| | NET INCOME | 40,000 |
| | | 1.4% |
| RETAINED EARNINGS | | |
| Beginning | 170,000 | |
| Shareholder distributions | <u>(10,000)</u> | |
| | ENDING RETAINED EARNINGS | <u>\$200,000</u> |



KPI Ratio Analysis

**MUSIC STORE - LOW
BALANCE SHEET
DECEMBER 31, 20xx**

| ASSETS | | |
|---|-----------------|--------------------|
| CURRENT ASSETS | | |
| Cash | | \$2,000 |
| Accounts receivable | | 10,000 |
| Rental contracts receivable | | 20,000 |
| Inventory | | <u>900,000</u> |
| TOTAL CURRENT ASSETS | | 932,000 |
| FIXED ASSETS | | |
| Leasehold improvements | \$150,000 | |
| Store equipment, furniture and displays | 75,000 | |
| Vehicles | <u>75,000</u> | |
| | 300,000 | |
| Less accumulated depreciation | <u>150,000</u> | 150,000 |
| RENTAL INSTRUMENTS | | |
| Band and orchestra rental instruments | 700,000 | |
| Less accumulated depreciation | <u>600,000</u> | <u>100,000</u> |
| | | <u>\$1,182,000</u> |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| CURRENT LIABILITIES | | |
| Accounts payable | | \$475,000 |
| Floor plan payable | | 175,000 |
| Accrued taxes and expenses | | 50,000 |
| Credit line payable | | 200,000 |
| Current portion of long-term debt | | <u>120,000</u> |
| TOTAL CURRENT LIABILITIES | | 1,020,000 |
| LONG-TERM DEBT | | |
| | | 200,000 |
| STOCKHOLDERS' EQUITY | | |
| Common stock | \$50,000 | |
| Retained earnings | <u>(88,000)</u> | <u>(38,000)</u> |
| | | <u>\$1,182,000</u> |

**MUSIC STORE - LOW
STATEMENT OF INCOME AND RETAINED EARNINGS
FOR THE YEAR ENDED DECEMBER 31, 20xx**

| | | |
|---|------------------|---------------|
| Sales of inventory | \$2,000,000 | 100.0% |
| Cost of goods sold | <u>1,450,000</u> | <u>72.5%</u> |
| | 550,000 | 27.5% |
| Rental income | 400,000 | 100.0% |
| Less rental depreciation | <u>150,000</u> | <u>37.5%</u> |
| | 250,000 | 62.5% |
| Repair income | 125,000 | 100.0% |
| Less repair labor costs | <u>175,000</u> | <u>140.0%</u> |
| | (50,000) | -40.0% |
| Lesson income | 200,000 | 100.0% |
| Less teacher costs | <u>185,000</u> | <u>92.5%</u> |
| | 15,000 | 7.5% |
| TOTAL SALES | 2,725,000 | 100.0% |
| TOTAL DIRECT COSTS | <u>1,960,000</u> | <u>71.9%</u> |
| GROSS PROFIT | 765,000 | 28.1% |
| OPERATING EXPENSES | | |
| Salaries - officer | 25,000 | 0.9% |
| Salaries - sales | 400,000 | 14.7% |
| Salaries - admin | 50,000 | 1.8% |
| Rent | 120,000 | 4.4% |
| Advertising | 75,000 | 2.8% |
| Bank, merchant card and online selling fees | 80,000 | 2.9% |
| Insurance (umbrella, others (no health)) | 5,000 | 0.2% |
| Depreciation - fixed assets | 5,000 | 0.2% |
| Other operating expenses | <u>98,000</u> | <u>3.6%</u> |
| TOTAL EXPENSES | <u>858,000</u> | <u>31.5%</u> |
| LOSS FROM OPERATIONS | (93,000) | -3.4% |
| INTEREST EXPENSE | <u>95,000</u> | <u>3.5%</u> |
| NET LOSS | (188,000) | -6.9% |
| RETAINED EARNINGS | | |
| Beginning | 100,000 | |
| Shareholder distributions | <u>0</u> | |
| ENDING RETAINED EARNINGS | (88,000) | |