“Prophet” Margins

2016 CAHHS LEADERSHIP CONFERENCE

RETAIL TRACK
FOR HOSPITAL GIFT SHOPS

LILLY STAMETS
MANAGER GIFT SHOPS
UCSF MEDICAL CENTER
Profits must come through public confidence, and public confidence is given to any merchant in proportion to the service which he gives to the public.”

- James Cash Penney, Founder
Consumers are statistics.
Customers are people.
“Retail is a customer business. You’re trying to take care of the customer—solve something for the customer. And there’s no way to learn that in the classroom or in the corner office...”

– Erik Nordstrom, President, Nordstrom Direct
Why are you doing this? How are you making a difference? What is your reason for being, besides making money? There is no engine or vehicle like business to make a difference.”

Walter Robb, Co-CEO, Whole Foods
Tory Burch

“My company is an extension of me, so when I designed my stores I wanted people to feel that they were in my home.”

Tory Burch, Founder & Creative Director, Tory Burch
If you don't understand the details of your business you are going to fail.

Jeff Bezos, Founder
Retail is Detail

KNOW YOUR NUMBERS
? Do You?

know your numbers
Know your numbers

Want to know more about your health? Get to know your numbers for blood sugar, blood pressure, cholesterol and body weight. If these are too high, you are more likely to have heart disease and other health problems. Getting your numbers checked regularly and knowing what they mean is a great first step toward better health.

**Blood Sugar**
- Less than 100
- Health marker: Blood sugar
- What should my number be?
- Before eating: Less than 100
- Two hours after eating: Less than 140
- What is it? The amount of sugar in your blood.

**Blood Pressure**
- Less than 120/80
- Health marker: Blood pressure
- What should my number be?
- Less than 120/80
- What is it? The force of blood against the arteries when the heart beats (top number) and rests (bottom number).

**Blood Cholesterol**
- Less than 200
- Health marker: Blood cholesterol
- What should my number be?
- Total cholesterol score less than 200
- What is it? A waxy substance produced by the liver. Too much can make it harder for blood to circulate.

**Body Weight**
- BMI 18.6-24.9
- Health marker: Body weight
- What should my number be?
- A body mass index of 18.6-24.9
- What is it? Your ideal body weight depends on your gender, age, height and frame. BMI provides a good guideline.
WELLNESS

Know your numbers:

- Total Cholesterol: less than 200 mg/dL
- LDL (bad) Cholesterol: less than 100 mg/dL
- HDL (good) Cholesterol: men more than 40 mg/dL, women more than 50 mg/dL

- Triglycerides: less than 150 mg/dL
- Blood Pressure: less than 120/80 mmHg
- Fasting Glucose: less than 100 mg/dL

- Daily Physical Activity: 30 minutes to maintain
- 60 minutes to lose

- BMI (Body Mass Index): less than 25 Kg/m²
- Waist Circumference: women less than 35”, men less than 40”
# Biometric Measurements

<table>
<thead>
<tr>
<th>Measurement</th>
<th>Recommended</th>
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</thead>
<tbody>
<tr>
<td>Blood Pressure</td>
<td>Less than 120/80</td>
</tr>
<tr>
<td>HDL Cholesterol</td>
<td>More than 50</td>
</tr>
<tr>
<td>LDL Cholesterol</td>
<td>Less than 100</td>
</tr>
<tr>
<td>Triglycerides</td>
<td>Less than 150</td>
</tr>
<tr>
<td>Fasting Blood Sugar</td>
<td>Less than 100</td>
</tr>
<tr>
<td>Body Mass Index</td>
<td>Less than 25</td>
</tr>
<tr>
<td>Waist Measurement</td>
<td>Less than 35 inches</td>
</tr>
</tbody>
</table>
Health Devices

Discover a whole new world of fitness.
Know Your Numbers
What you don’t know is costing you

ARROWHEAD webinars
Know Your Numbers
Microsoft

Know your numbers' is a fundamental precept of business.

— Bill Gates —

AZ QUOTES
“IF YOU DON’T KNOW YOUR NUMBERS, YOU DON’T KNOW YOUR BUSINESS.”
-MARCUS LEMONIS

#SHARETHEPROFIT

THE PROFIT RETURNS
TUESDAY MAY 12

CNBC
Total Retail Experience

Input → Process → Output

- Price
- Place
- Promotion
- People
- Product
- Plan
- Profits
Number = A Customer Vote

Please rate our service

- Good
- Average
- Poor
Know Your Retail Ratios

- Sales
- Departments
- Number of Transactions
- Average Sale per Transactions
- Value of Inventory
- Open To Buy: OTB
- Markup
- Markdowns
- Returns
- Shrinkage
- Swell
<table>
<thead>
<tr>
<th>Plan</th>
<th>Best Practice</th>
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</thead>
<tbody>
<tr>
<td>Sales</td>
<td>Even to + 5 %</td>
</tr>
<tr>
<td>Merchandise Assortments</td>
<td>5 to 20</td>
</tr>
<tr>
<td>Department or Category</td>
<td>5 to 20</td>
</tr>
<tr>
<td>Value of Inventory</td>
<td>3x – 4x Sales</td>
</tr>
<tr>
<td>Markdowns</td>
<td>1% to 5% of Sales</td>
</tr>
<tr>
<td>Returns</td>
<td>1% to 2%</td>
</tr>
<tr>
<td>Shrinkage</td>
<td>1% to 3%</td>
</tr>
<tr>
<td>Swell</td>
<td>1% to 5%</td>
</tr>
<tr>
<td>Turn</td>
<td>3x – 12x</td>
</tr>
</tbody>
</table>
TURN

FAST NICKEL

SLOW DIME
What is a Profit Margin?
## Margin Math

<table>
<thead>
<tr>
<th>Category</th>
<th>Value</th>
<th>Calculation</th>
<th>Margin</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Sales</td>
<td>32,983</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gross Profit</td>
<td>10,940</td>
<td>Gross Margin = (\frac{10,940}{32,983}) = 33.2%</td>
<td></td>
</tr>
<tr>
<td>Operating Profit</td>
<td>3,130</td>
<td>Operating Margin = (\frac{3,130}{32,983}) = 9.5%</td>
<td></td>
</tr>
<tr>
<td>Net Profit</td>
<td>2,126</td>
<td>Profit Margin = (\frac{2,126}{32,983}) = 6.4%</td>
<td></td>
</tr>
</tbody>
</table>
Walmart Profits and Profit Margins - FY’15

Walmart Revenues and Profits FY’15 (In US $ Millions)

<table>
<thead>
<tr>
<th>Category</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>485,651</td>
</tr>
<tr>
<td>Cost of Sales</td>
<td>-365,086</td>
</tr>
<tr>
<td>Gross Profit</td>
<td>120,565</td>
</tr>
<tr>
<td>Operating, SG&amp;A Expenses</td>
<td>-93,418</td>
</tr>
<tr>
<td>Operating Profit</td>
<td>27,147</td>
</tr>
<tr>
<td>Non-operating income/expenses, Taxes and Other</td>
<td>-10,784</td>
</tr>
<tr>
<td>Net Profit</td>
<td>16,363</td>
</tr>
</tbody>
</table>

Walmart Profit Margins FY’15

<table>
<thead>
<tr>
<th>Category</th>
<th>Margin</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>100.0%</td>
</tr>
<tr>
<td>Cost of Sales %</td>
<td>-75.2%</td>
</tr>
<tr>
<td>Gross Margin</td>
<td>24.8%</td>
</tr>
<tr>
<td>Operating, SG&amp;A Expenses %</td>
<td>-19.2%</td>
</tr>
<tr>
<td>Operating Margin</td>
<td>5.6%</td>
</tr>
<tr>
<td>Non-operating income/expenses, Taxes and Other %</td>
<td>-2.2%</td>
</tr>
<tr>
<td>Net Margin</td>
<td>3.4%</td>
</tr>
</tbody>
</table>
Health sector profit margins

Drug manufacturers: 20.8%
Industry average: 15.4%
Medical instruments and supplies: 12.5%
Medical appliances and equipment: 9.5%
Hospitals: 3.7%
Health plans: 3.2%

Source: Yahoo! Business
# How to Price Merchandise

<table>
<thead>
<tr>
<th>Department</th>
<th>Multiplier</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accessories</td>
<td>2.3 - 3.5</td>
</tr>
<tr>
<td>Baby</td>
<td>2.3 - 2.5</td>
</tr>
<tr>
<td>Balloon</td>
<td>2.3 - 2.5</td>
</tr>
<tr>
<td>Clothing</td>
<td>2.3 - 3.0</td>
</tr>
<tr>
<td>Food</td>
<td>1.4 - 2.0</td>
</tr>
<tr>
<td>Flowers</td>
<td>1.3 - 1.5</td>
</tr>
<tr>
<td>Gifts</td>
<td>2.3 - 3.0</td>
</tr>
<tr>
<td>Jewelry</td>
<td>2.5 - 4.0</td>
</tr>
<tr>
<td>Magazines</td>
<td>1.2 – 1.5</td>
</tr>
<tr>
<td>Plush</td>
<td>2.3 – 3.0</td>
</tr>
<tr>
<td>Stationary</td>
<td>2.3 – 2.5</td>
</tr>
<tr>
<td>Toys and Games</td>
<td>2.3 – 2.5</td>
</tr>
</tbody>
</table>
Pricing in the Front Shop

- What’s the difference between mark up and margin?
  - Markup is % of profit on cost
  - Margin is % of profit on selling price

- Frequently used terms
  - Gross profit percent; GP%
  - Gross profit dollars; GP$
  - Gross margin percent; GM%
  - Gross margin dollars; GM$
Four Ways to Grow a Business

1. Increase the Number of (Ideal) Customers
2. Get the Customers to Buy More Often
3. Increase the Average Sale Value
4. Improve Your Systems & Processes
GENERAL STATS

40% of small businesses are profitable

30% break even

30% are continually losing money

50% of small businesses fail within the first year

95% fail within the first 5 years

37% chance of surviving the first 4 years

9% chance of surviving 10 years
You have to get OUT of your business to clearly see what’s going on IN your business.

YOURBIZRULES.COM
Questions and Answers
THANK YOU

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