Flooring Distributor Benchmarking Definitions

Operational Questions

Sales by Product Category
The percentage of total sales accounted for by each type of product. Total sales equal 100%.
Carpet – wall-to-wall & rugs
Carpet Pad
Wood Flooring – including solid wood, factory-finished wood & engineered products
Laminate Flooring
Ceramic, Stone, and Porcelain Tile
Sheet Vinyl
Luxury Vinyl Tile (LVT) – including Wood Plastic Compsite (WPC) and Rigid Composite Board (RCB)
Vinyl Composition Tile (VCT) – used primarily in commercial and institutional applications.
Other Flooring Products – including bamboo, cork, rubber, etc.
Flooring Accessories, Supplies & Sundries
Other Sales
TOTAL SALES = 100.0%

% of Product Imported — The percentage (%) of your merchandise bought from overseas, usually container direct from the factory or a broker with long lead times (exclude U.S. or Canada).

Direct Shipments — The percentage (%) of your sales that are direct shipments from the supplier to the customers directly. This delivery method reduces transportation and storage costs, but requires additional planning and administration.

Sales by customer segment
The percentage of total sales accounted for by each type of customer. Total sales equal 100%.
Retail / Residential sales to consumers, homeowners
Independent Floorcovering Retailers
Buying Groups or Franchise Affiliated Retailers
Builders
Installers/Contractors
Commercial Accounts
Other customers
TOTAL SALES = 100.0%

Number of Active Customers — Total number of customers, regardless of size, that have ordered six (6) or more times during the year.

Cash, check or C.O.D. sales — The percentage (%) of your sales in which the buyer's payment obligation is settled on delivery, for example by payment in cash, check, or credit card.

E-commerce — Transactions conducted electronically over the internet.

Number of Stock Keeping Units (SKU's) Carried — a stock keeping unit (SKU) is a distinct type of item for sale and all attributes associated with the item type that distinguish it from other item types. For a product, these attributes could include, but are not limited to, manufacturer, description, material, size, color, packaging, and warranty terms. When a business takes on inventory, it counts the quantity it has of each SKU.

Each SKU carried is associated with its stock on hand which represents the number of units available for sale from the warehouse.

More SKUs may be “offered” as drop-shipped items — providing the ability to sell the product without owning it. However, this question is asking for SKUs “carried” in inventory.
Total number of orders shipped per month — An order number is the number for billing the ordered goods. There can be many invoice numbers assigned to one order number.

Average number of lines per invoice — A "line item" refers to any product added to an order, along with any quantities, rates, and prices that pertain to them.

Number of shipments received per month — # of times a shipment is received or delivered at the dock. There can be many shipments related with one purchase order.

Number of FTE employees — Count full-time equivalent (FTE) employees including owners as appropriate. For example, include an employee who works 20 hours a week for the entire year as 0.5 employees; one who only worked three months as 0.25.

Include owners, managers, outside sales staff including sales manager, inside sales, store managers, counter sales employees, warehouse personnel, delivery drivers, supervisors, dispatchers and mechanics, administrative, accounting, purchasing, etc.

Delivery Expenses — Delivery personnel compensation including drivers, dispatchers and mechanics, delivery vehicle fuel costs, vehicle insurance, vehicle depreciation, costs of leased vehicles, vehicle repairs & maintenance, licenses, taxes, and payments to public carriers for delivery of products to customers.

Delivery Revenue — Delivery Revenue includes all revenues charged to the customer for delivery, do not include freight-in

Average Accounts Receivable — The average balance of accounts receivable is calculated by adding ending balance in accounts receivable each month and dividing that total by twelve (12).

Average inventory — The average of inventory is the average amount of inventory available in stock for a specific period. To calculate the average inventory, take the inventory balance at the end of each month and add the monthly balances together to calculate a total. Divide the total by twelve (12) to get the average inventory amount.

Average Accounts Payable — The average balance of accounts payable is calculated by adding ending balance in accounts payable each month and dividing that total by twelve (12).
**LIFO Inventory Valuation System**
Last in, first out (LIFO) is an inventory management and valuation method that assumes inventory acquired last are the ones sold first; LIFO assumes an entity sells its newest inventory first.

Under LIFO the latest or more recent costs of products purchased are the first costs expensed as the cost of goods sold. This means that the costs of the oldest products will be reported as inventory. While LIFO is matching the latest or most recent costs with sales on the income statement, the company can be shipping the oldest physical units of product.

**Annual Addition to LIFO** — The total amount ADDED to your LIFO reserve for the current year.

With consistently increasing costs, the balance in the LIFO reserve account will have a credit balance—resulting in fewer costs reported in inventory. Under LIFO the latest (higher) costs are expensed to the cost of goods sold, while the older (lower) costs remain in inventory.

The credit balance in the LIFO reserve reports the difference in the inventory costs under LIFO versus FIFO since the time that LIFO was adopted. The change in the LIFO reserve balance during the current year (or the annual addition to LIFO) represents the current year's inflation in costs.

If you do not value your inventory on a LIFO basis, please enter "0", zero.

**Ending LIFO Reserve** — The LIFO reserve is an accounting term that measures the difference between the first in, first out (FIFO) and last in, first out (LIFO) cost of inventory for bookkeeping purposes. The LIFO reserve is an account used to bridge the difference between FIFO and LIFO costs, when a company uses the FIFO method to track its inventory but reports under the LIFO method in the preparation of its financial statements. If you do not value your inventory on a LIFO basis, please enter "0", zero.
Balance Sheet

Assets

**Cash & Marketable Securities** — Cash, certificates of deposit, money-market funds, overnight loans, marketable securities and other short-term investments.

**Accounts Receivable (trade)** — Amount due from customer sales that have yet to be paid, less reserve for bad debts. Notes receivable as a result of loans and advances to officers, employees or affiliated companies should be reported in Other Noncurrent Assets.

**Inventory** — Include raw materials, work in process and finished goods. The total cost value of the merchandise you have on hand as shown on the balance sheet.

**Other Current Assets** — Include pre-paid items, cash value of life insurance and all other current assets not reported previously. Any amounts due as a result of loans to officers, employees or affiliated companies should be reported in All Other Noncurrent Assets.

**Total Current Assets** = Cash & Securities + Accounts Receivable + Inventory + Other Current Assets. Current Assets can be converted to cash in the space of a year. Current assets are important to businesses because they can be used to fund day-to-day operations and pay ongoing expenses.

**Fixed Assets (net of depreciation)** — Long-term, capitalized assets such as land, building, leasehold improvements, equipment, vehicles, etc. All figures should be stated at their depreciated value.

**Other Noncurrent Assets** — Include long-term investments, patents, licenses, deposits, loans to affiliated companies, amounts due from officers and employees, goodwill, and all other noncurrent assets not reported above.

**Total Assets** = Total Current Assets + Net Fixed Assets + All Other Noncurrent Assets. Total Assets present the total investment your company has made in the business.

Liabilities And Net Worth

**Accounts Payable (trade)** — Amounts due to suppliers and subcontractors within one year. Trade notes payable beyond one year should be reported in Long Term Liabilities.

**Notes Payable** — Current maturities of long term debt; that portion of principal payments (on mortgages, term loans and other long-term borrowing) due within one year. Also include amounts due under a revolving credit line, as well as short-term notes and any other forms of interest-bearing short-term debt.

**Other Current Liabilities** — Accrued expenses and all other current liabilities not reported previously.

**Total Current Liabilities** = Accounts Payable + Notes Payable + Other Current Liabilities. The total amount owed by your company to creditors that must be paid within one year.

**Long Term Liabilities** — All liabilities not due within one year. The total amount owed to banks and other sources of financing that is not due until more than a year. Also include accumulated deferred taxes and investment tax credits. The current portion (due within one year) of long term debt should be reported in Notes Payable.

**Loans From Stockholders**

Amounts invested in the company as a result of loans and advances from officers/stockholders.

**Net Worth** — Owners’ equity in the company. Include all shareholders’ equity accounts (common stock, preferred stock, paid-in capital and retained earnings, less cost of treasury stock, if any). If reporting as a division or subsidiary, show net equity investment of the parent company in this division (the total of the control or capital account for the division or subsidiary) at the end of the year.

**Total Liabilities & Net Worth** = Total Current Liabilities + Long Term Liabilities + Loans from Stockholders + Net Worth. This sum must be equal to Total Assets.

**Total Assets** = Liabilities + Net Worth.
Income Statement

Previous Fiscal Year Net Sales
Sales revenue for the prior fiscal year, after deductions for returns, cash discounts & allowances.

Net Sales
Sales revenue for the year, after deductions for returns, cash discounts & allowances. The sales figure should include normal product and service sales but exclude "other income" such as finance charges earned.

Cost Of Goods Sold
The cost of all products sold during the year, including freight-in, purchase discounts received, and volume and trade rebates earned.

Gross Profit = Net Sales minus Total Cost Of Goods Sold.

Operating Expenses

Salaries, Wages, Commissions & Bonuses

Owners / Officers’ Salaries & Bonuses — Salaries, bonuses and other compensation paid to a proprietor, partners, the company President, Executive Vice President, Chief Financial Officer, Director of Human Resources and any other executive personnel. NOTE: If the compensation of a proprietor or partners is taken out of net profit, please allocate a reasonable amount for the managerial services rendered and report that amount on this line. Adjust total expenses and net profit accordingly. If reporting as a Subchapter S corporation, please exclude the amount of owners'/officers’ compensation actually attributable to taxes on corporate earnings. Adjust total expenses, pre-tax profit, income tax, and after-tax profit accordingly.

Sales Salaries, Commissions & Bonuses — All compensation – salaries, commissions, bonuses and/or other incentives – paid to salesmen who directly contact customers, plus all or a proportionate amount of the compensation of any district or regional managers whose prime responsibility is direct selling. Do not include payroll taxes or fringe benefits.

Warehouse & Delivery Wages — Salaries, wages, bonuses and/or other incentives paid to warehouse and delivery employees including drivers and dispatchers. Do not include payroll taxes or fringe benefits.

All Other Salaries, Wages, Bonuses & Commissions — Salaries, wages, bonuses and/or other incentives paid to any employees not included above. Do not include payroll taxes or fringe benefits.

Total Salaries, Wages, Commissions & Bonuses — The total of all salaries, wages, commissions & bonuses paid to all personnel. Do not include payroll taxes, employee fringes, etc. NOTE: If reporting as a Subchapter S corporation, please exclude the amount of owners'/officers’ compensation actually attributable to taxes on corporate earnings.

Payroll Taxes — FICA, unemployment, workers' compensation; all employees
Total payroll taxes paid. It includes the company share of FICA taxes, unemployment taxes, workers' compensation premiums and any other government mandated or legally required employee related payments.

Group Insurance — Group medical and hospitalization insurance payments made for employees. It includes medical, hospitalization, group term life, disability, dental insurance, etc.

Employee Benefits — Pension fund, profit sharing, SEP-IRA, KEOGH contributions, life insurance for key employees, etc. Benefits not mandated by the government.
**Occupancy Expenses**

Utilities — heat, light, power, water

Telephone and Network — telephone, data lines, cell phones

Repairs & Maintenance — building & grounds

Rent or Real Estate Ownership — building rent or ownership expenses, mortgage interest, building depreciation, real estate insurance, real estate taxes.

**All Other Operating Expenses**

Advertising & Promotion — All advertising and sales promotional expense, such as media advertising, catalogs, price lists, brochures & any other sales promotional activities

Sample Expenses — Account for the costs of purchasing samples, merchandise displays, and catalogues less revenue received from selling samples. In other words, samples expenses should be netted against a corresponding samples revenue item.

Vehicle Expenses — include gas, oil, repairs & maintenance, insurance, depreciation, leasing, etc.

Insurance — business liability & casualty; not real estate or group.

Depreciation & Amortization — exclude rental equipment, building & vehicle

Data Processing — hardware, software, lease, maintenance, etc.

Bad Debt Losses — All write-offs of bad debt and allowance for bad debts made during the year.

All Other Operating Expenses — The total of all additional operating expenses not included in the previous categories.

Total Operating Expenses = Total Payroll Expenses + Total Occupancy Expenses + Total Other Operating Expenses.

Operating Profit = Gross Profit minus Total Operating Expenses

Operating profit is the profit earned from a firm’s normal core business operations.

Other Income — All income generated from interest on investments and from trade financing, royalty income, gain on disposal of capital assets, and income from activities other than normal business operations. Note: The forgiveness of PPP loans as income should be recorded as “Other” income and not included in income from operations based on the unprecedented nature of COVID-19.

Interest Expense — Interest expense is a non-operating expense. It represents interest payable on any borrowings – bonds, loans, convertible debt or lines of credit.

Other Non-Operating Expenses — Costs, such as loss on disposal of capital assets, which are not directly related to normal operations.

Profit Before Taxes = Operating Profit + Other Income – Interest – Other Non-Operating Expenses.

Income Taxes (Local, State, & Federal)

Income taxes are calculated by multiplying the appropriate tax rate of the business by the profit before taxes. Subchapter S corporations should estimate the taxes due for their operation, based on the federal corporation income tax formula for an individual company.

Net Profit After Taxes = Profit Before Taxes minus Income Taxes

This item represents total net income before dividend payments.