

Determining Your Cost of Doing Business

| ACTUAL WORK DAYS | |
|-------------------------|------------|
| YEAR TOTAL | 365 |
| Sundays | -52 |
| 2 of 4 Saturday | -26 |
| Vacation | -15 |
| Training | -3 |
| Sick Days | -2 |
| Christmas | -2 |
| Thanksgiving | -2 |
| July 4th | -1 |
| Labor Day | -1 |
| New Years | -2 |
| Other | -14 |
| TOTAL | 245 |

NUMBER OF VAN-MACHINES

1

ANNUAL MACHINE HOURS:

1,000

(Per Van-Machine)

ANNUAL MILES VAN IS DRIVEN:

14,000

(Per Van-Machine)

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• **BASE DATA:**

| | | |
|------|-----|---|
| (AA) | 1 | NUMBER OF VAN-MACHINES |
| (A) | 245 | CLEANING DAYS PER YEAR PER VAN |
| (B) | 5.0 | ACTUAL PRODUCTION HOURS PER DAY PER VAN (Machine Hours/Cleaning Days) |
| (C) | 5 | LIFE OF CLEANING EQUIPMENT-YRS |
| (D) | 5 | LIFE OF TRANSPORTATION EQUIPMENT-YRS |
| (E) | 10 | "MPG" OF TRANSPORTATION EQUIPMENT |
| (F) | 100 | AVERAGE MILES DRIVEN PER DAY PER VAN (Annual Miles/Cleaning days) |

• **COST DATA:**

| | | |
|-----|----------|--|
| (G) | \$22,000 | COST TO REPLACE CLEANING EQUIPMENT (Machine, Hoses, Wand, etc.) |
| (H) | \$28,000 | COST TO REPLACE TRANSPORTATION EQUIPMENT |
| (I) | \$5,000 | COST OF CHEMICALS PER YEAR |
| (J) | \$3.98 | COST OF GASOLINE (\$/Gal) |
| (K) | \$500 | COST OF MAINTENANCE OF CLEANING EQUIPMENT PER YEAR |
| (L) | \$5,000 | COST TO RUN CLEANING EQUIPMENT (Gasoline, Kerosene, Propane, Electricity, et |
| (M) | \$1,800 | COST OF MAINTENANCE TO TRANSPORTATION EQUIPMENT PER YEAR |

• **OPERATING (VARIABLE) COSTS:**

\$/PRODUCTION HOUR

| | |
|---|-----------------------|
| 1. CLEANING EQUIPMENT $(G \times AA) / (A \times B \times C) =$ | <u>\$3.59</u> |
| 2. TRANSPORTATION EQUIPMENT $(H \times AA) / (A \times B \times D) =$ | <u>\$4.57</u> |
| 3. CHEMICALS $(I \times AA) / (A \times B) =$ | <u>\$4.08</u> |
| 4. FUEL FOR TRANSPORTATION $[(F/E) \times (J) \times AA] / (B) =$ | <u>\$7.96</u> |
| 5. MAINTENANCE OF CLEANING EQUIPMENT $(K \times AA) / (A \times B) =$ | <u>\$0.41</u> |
| 6. MAINTENANCE OF TRANSPORTATION EQUIPMENT $(M \times AA) / (A \times B) =$ | <u>\$1.47</u> |
| 7. RUNNING EQUIPMENT $(L \times AA) / (A \times B) =$ | <u>\$4.08</u> |
| SUB-TOTAL | <u>\$26.16</u> |

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• **COST DATA:**

| | | |
|-----|-----------|--|
| (N) | \$10,000 | ANNUAL COST OF ADVERTISING |
| (O) | \$5,000 | ANNUAL COST OF INSURANCE |
| (P) | \$100,000 | ANNUAL COST OF SALARIES |
| (Q) | \$200 | ANNUAL COST OF UTILITIES |
| (R) | \$2,400 | ANNUAL COST OF TELEPHONE |
| (S) | \$0 | ANNUAL COST OF RENT/MORTGAGE |
| (T) | \$500 | ANNUAL COST OF OTHER - UNIFORMS |
| (U) | \$500 | ANNUAL COST OF OTHER - OFFICE SUPPLIES |
| (V) | \$2,000 | ANNUAL COST OF OTHER - "TRAINING" |
| (W) | \$600 | ANNUAL COST OF OTHER - CPA/LEGAL |
| (X) | \$0 | ANNUAL COST OF OTHER - MISC |
| (Y) | \$0 | Gifts to Scott Warrington |
| (Z) | \$0 | Franchise Fee/Other |

• **Operating (FIXED) COSTS:**

\$/PRODUCTION HOUR

| | | |
|--|-----------------------|----------|
| 7. ADVERTISING (N)/(AxB)= | <u>\$8.16</u> | |
| 8. INSURANCE (O)/(AxB)= | <u>\$4.08</u> | |
| 9. SALARIES (P)/(AxB)= | <u>\$81.63</u> | |
| 10. UTILITIES (Q)/(AxB)= | <u>\$0.16</u> | |
| 11. TELEPHONE (R)/(AxB)= | <u>\$1.96</u> | |
| 12. RENT/MORTGAGE (S)/(AxB)= | <u>\$0.00</u> | |
| 13. OTHER (Uniforms) (T)/(AxB)= | <u>\$0.41</u> | |
| 14. OTHER (Office Supplies) (U)/(AxB)= | <u>\$0.41</u> | |
| 15. OTHER Training) (V)/(AxB)= | <u>\$1.63</u> | |
| 16. OTHER (CPA) (W)/(AxB)= | <u>\$0.49</u> | |
| 17. OTHER (Misc) (X)/(AxB)= | <u>\$0.00</u> | |
| 18. OTHER (Postage) (Y)/(AxB)= | <u>\$0.00</u> | |
| 19. OTHER (Franchise Fee) (Z)/(AxB)= | <u>\$0.00</u> | (\$7.00) |

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SUB-TOTAL

\$98.94

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SUMMARY

• OPERATING ("VARIABLE") EXPENSES:

\$26.16

• OTHER ("FIXED") EXPENSES:

\$98.94

TOTAL

\$125.10

Determining Your Cost of Doing Business

Relationship of Cost, Productivity To "PRICE"

$$\text{Price} = \text{Cost} / \text{Productivity}$$

$$\text{Price} = (\$/\text{Hr}) / (\text{Sq. Ft.} / \text{Hr})$$

| | | | | |
|----------|---|------|---|----------------|
| \$125.10 | / | 500 | Typical residential (500 Per Van- Mach) | \$0.250 |
| \$125.10 | / | 1000 | Typical Commercial (1000 Per Van- Mach) | \$0.125 |

Determining Your Cost of Doing Business

COST, PRODUCTIVITY, PRICE, and "PROFIT"

CALCULATION:

- A.** "YOUR" TOTAL COST PER HOUR
- B.** "YOUR" PROFIT PER HOUR
- C.** "QUALITY " CLEANED CARPET PER SQ. FT.
- D.** "YOUR" PRICE (CENTS PER SQ. FT.)

EXAMPLE:

$$(A + B) / C = D$$

| | <u>A</u> | <u>B</u> | <u>C</u> | <u>D</u> | <u>PROFIT MARGIN</u> (Income/Sales) = B/(C x D) | |
|-------------|----------|----------|----------|----------|---|-------|
| RESIDENTIAL | 1 | \$125.10 | \$0 | 500 | \$0.250 | 0.0% |
| | 2 | \$125.10 | \$5 | 500 | \$0.260 | 3.8% |
| | 3 | \$125.10 | \$10 | 500 | \$0.270 | 7.4% |
| | 4 | \$125.10 | \$15 | 500 | \$0.280 | 10.7% |
| | 5 | \$125.10 | \$20 | 500 | \$0.290 | 13.8% |
| | 6 | \$125.10 | \$25 | 500 | \$0.300 | 16.7% |
| | 7 | \$125.10 | \$50 | 500 | \$0.350 | 28.6% |
| COMMERCIAL | 1 | \$125.10 | \$0 | 1000 | \$0.125 | 0.0% |
| | 2 | \$125.10 | \$5 | 1000 | \$0.130 | 3.8% |
| | 3 | \$125.10 | \$10 | 1000 | \$0.135 | 7.4% |
| | 4 | \$125.10 | \$15 | 1000 | \$0.140 | 10.7% |
| | 5 | \$125.10 | \$20 | 1000 | \$0.145 | 13.8% |
| | 6 | \$125.10 | \$25 | 1000 | \$0.150 | 16.7% |

Determining Your Cost of Doing Business

| | | | | | |
|---|----------|------|------|---------|-------|
| 7 | \$125.10 | \$50 | 1000 | \$0.175 | 28.6% |
|---|----------|------|------|---------|-------|

Determining Your Cost of Doing Business

COST, PRODUCTIVITY, PRICE, and "PROFIT"

CALCULATION:

- A.** "YOUR" TOTAL COST PER HOUR
- B.** "YOUR" PROFIT PER HOUR
- C.** "QUALITY " CLEANED CARPET PER SQ. FT.
- D.** "YOUR" PRICE (CENTS PER SQ. FT.)

EXAMPLE:

$$(A + B) / C = D$$

| | <u>A</u> | <u>B</u> | <u>C</u> | <u>D</u> | <u>PROFIT MARGIN</u> (Income/Sales) = B/(C x D) | |
|-------------|----------|----------|----------|----------|---|-------|
| RESIDENTIAL | 1 | \$125.10 | \$0 | 400 | \$0.313 | 0.0% |
| | 2 | \$125.10 | \$5 | 400 | \$0.325 | 3.8% |
| | 3 | \$125.10 | \$10 | 400 | \$0.338 | 7.4% |
| | 4 | \$125.10 | \$15 | 400 | \$0.350 | 10.7% |
| | 5 | \$125.10 | \$20 | 400 | \$0.363 | 13.8% |
| | 6 | \$125.10 | \$25 | 400 | \$0.375 | 16.7% |
| | 7 | \$125.10 | \$50 | 400 | \$0.438 | 28.6% |
| COMMERCIAL | 1 | \$125.10 | \$0 | 750 | \$0.167 | 0.0% |
| | 2 | \$125.10 | \$5 | 750 | \$0.173 | 3.8% |
| | 3 | \$125.10 | \$10 | 750 | \$0.180 | 7.4% |
| | 4 | \$125.10 | \$15 | 750 | \$0.187 | 10.7% |

Determining Your Cost of Doing Business

| | | | | | |
|---|----------|------|-----|---------|-------|
| 5 | \$125.10 | \$20 | 750 | \$0.193 | 13.8% |
| 6 | \$125.10 | \$25 | 750 | \$0.200 | 16.7% |
| 7 | \$125.10 | \$50 | 750 | \$0.233 | 28.6% |

Determining Your Cost of Doing Business

- **FINALLY**

| | | |
|----|---------|--|
| 1 | 1 | NUMBER OF VAN-MACHINES |
| 2 | 245 | ANNUAL WORK DAYS |
| 3 | 1000 | ANNUAL MACHINE HOURS |
| 4 | 5.0 | MACHINE HOURS PER DAY |
| 5 | 85% | % RESIDENTIAL BUSINESS |
| 6 | 15% | % COMMERCIAL BUSINESS |
| 7 | \$0.270 | PRICE (\$/SQ. FT.) FOR RESIDENTIAL |
| 8 | \$0.135 | PRICE (\$/SQ. FT.) FOR COMMERCIAL |
| 9 | 500 | PRODUCTIVITY (SQ. FT.) FOR RESIDENTIAL |
| 10 | 1000 | PRODUCTIVITY (SQ. FT.) FOR COMMERCIAL |
| 11 | \$10 | PROFIT (\$/HR) FOR RESIDENTIAL |
| 12 | \$10 | PROFIT (\$/HR) FOR COMMERCIAL |

- **"BOTTOMLINE"**

GROSS SALES

| | | |
|---------------|------------------|--------------------------|
| - RESIDENTIAL | <u>\$140,676</u> | [1 x 2 x 4 x 5 x 7 x 9] |
| - COMMERCIAL | <u>\$24,825</u> | [1 x 2 x 4 x 6 x 8 x 10] |
| TOTAL | \$165,501 | |

GROSS PROFIT

| | | |
|----------------|-----------------|----------------------|
| - RESIDENTIAL | <u>\$10,413</u> | [1 x 2 x 4 x 5 x 11] |
| - COMMERCIAL | <u>\$1,838</u> | [1 x 2 x 4 x 6 x 12] |
| - TOTAL | \$12,250 | |

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- **FINALLY**

| | | |
|----|---------|--|
| 1 | 1 | NUMBER OF VAN-MACHINES |
| 2 | 245 | ANNUAL WORK DAYS |
| 3 | 1000 | ANNUAL MACHINE HOURS |
| 4 | 5.0 | MACHINE HOURS PER DAY |
| 5 | 85% | % RESIDENTIAL BUSINESS |
| 6 | 15% | % COMMERCIAL BUSINESS |
| 7 | \$0.338 | PRICE (\$/SQ. FT.) FOR RESIDENTIAL |
| 8 | \$0.180 | PRICE (\$/SQ. FT.) FOR COMMERCIAL |
| 9 | 500 | PRODUCTIVITY (SQ. FT.) FOR RESIDENTIAL |
| 10 | 1000 | PRODUCTIVITY (SQ. FT.) FOR COMMERCIAL |
| 11 | \$35 | PROFIT (\$/HR) FOR RESIDENTIAL |
| 12 | \$40 | PROFIT (\$/HR) FOR COMMERCIAL |

- **"BOTTOMLINE"**

GROSS SALES

| | | |
|---------------|------------------|-------------------------|
| - RESIDENTIAL | <u>\$175,845</u> | [1 x 2 x 4 x 5 x 7 x 9] |
| - COMMERCIAL | <u>\$33,100</u> | [1 x 2 x 4 x 6 x 8 x 9] |
| TOTAL | \$208,945 | |

GROSS PROFIT

| | | |
|----------------|-----------------|----------------------|
| - RESIDENTIAL | <u>\$36,444</u> | [1 x 2 x 4 x 5 x 11] |
| - COMMERCIAL | <u>\$7,350</u> | [1 x 2 x 4 x 6 x 12] |
| - TOTAL | \$43,794 | |