

Chapter 5 Competencies

After successfully completing this chapter, the reader will be able to:

- Calculate retail sales percentage of total revenue.
- Calculate the retail sales contribution by merchandise classification.
- Calculate retail sales by ticket.
- Explain why spas track retail sales by therapist.
- Identify the importance inventory has on measuring financial performance.
- Create and monitor a retail budget.

Important Definitions

For easy reference, below are brief definitions of terms used throughout this chapter. For more detailed definitions and information, reference the *Uniform System of Financial Reporting for Spas*.

Total Retail Revenue: Total retail revenue is the sum total of retail revenue from each classification.

Revenue Adjustments: These adjustments might include employee discounts, merchandise returns, and allowances.

Net Retail Revenue: Net retail revenue is calculated by subtracting Total Retail Revenue Adjustments from Total Retail Revenue.

Cost of Goods Sold: The direct cost, including freight, of merchandise purchased for resale should be charged to this account. This number is typically expressed as a dollar amount.

Cost of Sales: Cost of Goods Sold divided by Total Retail Revenue. This is the cost of goods sold expressed as a percentage.

Gross Margin: Gross margin is calculated by subtracting Cost of Goods Sold from Net Revenue. It can be expressed as dollars or as a percentage of sales.