

What Every Owner Should Know: Activity Costs per order

Staff entering orders:

Take all salary, benefits, payroll tax contribution of Customer Service staff, use % of duty time for cust serv
Then divide by annual # of orders to get cost per order.

Warehouse Picking Orders:

Similarly, take total warehouse labor cost per year, use % of duty time for pulling orders.
Then divide by annual # of orders to get cost per order.

Truck Costs:

Evaluate each of these costs as annual costs, then normalize to cost per order (divide by # delivered orders)

- Annual cost of the truck itself (use 10 year useful life)
- Fuel
- Repairs
- Insurance on the truck
- DOT Registration (for 24 foot or larger)
- All driver labor costs (figure for all drivers, full and part time for annual costs)
- Licensing Costs for the truck
- Licensing Costs for the drivers
- Total Workman's Comp Insurance Costs for all drivers
- ...and anything else you can think of that is truck related!!!

Sales Force non-compensation direct selling costs:

Evaluate each of these costs as annual costs, then divide by # delivered orders/year to get order cost

- Car Allowance
- Fuel
- Cell Phones/Tablets/laptops
- ...and anything else you can think of that you pay the sales force for outside of commission

What Every Owner Should Know:

Your Company-Wide Average Gross Profit per Order

Average Activity Cost of a Delivered Order

TRUE Gross Profit (& Margin) After Direct Order Costs

Minimum GP on an order for your company to break even.

Target GP on an order for problem accounts.

G/L 1200 Inventory Account – understand mechanics.

Warehouse Inventory Valuation – understand mechanics.

Understanding the importance of marking orders as shipped

Quick way to check for theft