

# STANDARD FINANCIAL MEASURES

## CASH FLOW ENHANCEMENT TOOLS

Measure	Monitor	Action
<b>Receivables</b>		
Accounts Receivable aging by invoice > 30 days	Analyze individual customer payment history	Freeze future shipments until current. Make collection call to sales rep. Assign an employee to make daily phone calls to accounts over 30 days outstanding.
Accept electronic payment of invoices		EFT Direct Receivables / pre-authorized withdrawals
<b>Inventories</b>		
Slower moving inventory items	Compare products to sales allocation	Create bundled pricing, mix slower item with Popular item
Sales by customer	Sales for the past three years	Reward top customers
Large format wine available for sale	Monthly wine sales of large format bottles	Promote sales with lower shipping costs
<b>Property and Equipment Purchases</b>		
Amount of bank line of credit being utilized for long-term asset acquisitions	Bank of line of credit borrowing for accounts receivable and inventory only	Lease barrels and other equipment
Equipment purchases being planned	Need for new equipment vs. repairing existing	Consider deferring until next year
Vineyard development being planned	Can grapes or bulk wine be purchased	Consider deferring until next year



Putting People First

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## CASH FLOW ENHANCEMENT TOOLS

Measure	Monitor	Action
<b>Accounts Payable</b>		
Electronically pay vendors on the due date	EFT Direct Payables	Set up electronic payment with bank
Determine if select vendors can be paid later	Accounts payable aging	Analyze vendor payment history each Month
Purchase discounts taken	Vendor invoice due dates	Negotiate purchase discounts
<b>Labor Costs</b>		
Number of vines per hour - pruning	Set goals by vineyard and communicate to crew	Reward for meeting labor and quality std
Number of vines per hour - tying and training	Set goals by vineyard and communicate to crew	Reward for meeting labor and quality std
Number of vines per hour - suckering	Set goals by vineyard and communicate to crew	Reward for meeting labor and quality std
Gallons processed per hour - racking	Establish target and communicate to cellar crew	Reward for meeting labor and quality std
Gallons processed per hour - filtering	Establish target and communicate to cellar crew	Reward for meeting labor and quality std
Gallons processed per hour - bottling	Establish target and communicate to cellar crew	Reward for meeting labor and quality std
Weekly overtime hours by department	Emphasize the importance of scheduling	Communicate report to all managers
Employee turnover	Gain understanding why it occurs	Evaluate hiring and training practices

# NON-FINANCIAL MEASURES

## Drive Impressions

Number of contacts with retail accounts  
Number of contacts with wine club members  
Number of website hits  
Number of contacts with sales reps

## Expand Direct & Retail Sales

Number of retail shops visited  
Number of websites linked to yours  
Number of wine club referral sales  
Average number of months in wine club

**Sales funnel at the top will be shrinking so you need to improve what happens with every customer touch.**



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	Style	Characteristics	Tips
D	<b>Extrovert Task oriented</b>	High ego, purchases the latest products	Get to the point and be accurate
I	<b>Extrovert People oriented</b>	Friendly and likes to try new innovative products	Be friendly and ask their opinion
S	<b>Introvert People oriented</b>	Slow to make changes, needs to trust you	Provide lots of statistics and proof
C	<b>Introvert Task oriented</b>	Does not make changes readily, the last to purchase	Proven results, testimonials, don't rush



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# DISCOUNTING EXAMPLE

## EFFECT OF PRICE CUTS

		If your present margin is:						
		40%	45%	50%	55%	60%	65%	70%
And you reduce your price by:	To produce the same profit your sales volume must increase by:							
	-2%	5%	5%	4%	4%	3%	3%	3%
-4%	11%	10%	9%	8%	7%	7%	6%	
-6%	18%	15%	14%	12%	11%	10%	9%	
-8%	25%	22%	19%	17%	15%	14%	13%	
<b>-10%</b>	33%	29%	<b>25%</b>	22%	20%	18%	17%	
-15%	60%	50%	43%	38%	33%	30%	27%	
-20%	100%	80%	67%	57%	50%	44%	40%	
-25%	167%	125%	100%	83%	71%	63%	56%	
-30%	300%	200%	150%	120%	100%	86%	75%	
-35%	700%	350%	233%	175%	140%	117%	100%	



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# IMPACT of FUTURE INVENTORY LEVELS

## GROSS PROFIT CASH FLOW MODEL BOTTLED WINE COST ANALYSIS ON A 9 LITER CASE BASIS ASSUMPTIONS and RESULTS

Vineyards	Chardonnay	Merlot	Cabernet	Total
Producing acres	10	15	20	45
Tons per acre				
2005	4.8	4.1	3.9	
2006	3.8	3.2	3.1	
2007	2.4	3.0	2.9	
2008	2.8	1.9	2.3	
Avg Gallons per ton	150	150	150	
Cases Produced				
2005	2,880	3,690	4,680	11,250
2006	2,280	2,880	3,720	8,880
2007	1,440	2,700	3,480	7,620
2008	1,680	1,710	2,760	6,150
Average Case Sales Price				
2005	206	250	300	260
2006	216	258	300	265
2007	216	258	300	269
2008	216	258	300	265
Gross Profit Cash Flows by Vintage				
2005	290,880	501,840	804,960	1,597,680
2006	224,124	375,840	587,760	1,187,724
2007	104,112	338,850	528,960	971,922
2008	123,144	158,175	367,080	648,399



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# SUMMARY

1. Be vigilant with traditional measurements
2. Focus your impressions on retail and direct
3. Make sure your team understands guest's behavioral styles
4. Discounting...**be careful**
5. Develop strategy if bulk wine is short

If you have additional questions contact me:

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Follow my blog for one accountant's perspective:

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