



# Fidelman & Co.



## QUESTION

### Shoe Store Profits & Profit Margins, Rows 5-6

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## INSIGHTS

- In 2017, the net profit and net profit margin of large public company Nordstrom were \$437 million and 2.9%, respectively.
- The net profit and net profit margin of small, privately held company Daneli Shoe Company (Footwear etc.) are \$390,000 and 1.5%, respectively.
- Both Nordstrom and Daneli Shoe Company are United States-based shoe retailers with an online presence; Nordstrom generates an annual revenue of \$15.137 billion, while Daneli Shoe Company generates an annual revenue of \$25.54 million.

## FINDINGS

We have entered the latest profit and profit margin of Nordstrom and a smaller retailer in rows 5-6 of the provided [spreadsheet \(1\)](#) as instructed. [Daneli Shoe Company \(11\)](#), more commonly known as Footwear etc., is the smaller shoe retailer with an online presence that we have selected. As can be observed from the spreadsheet, public company Nordstrom recorded a net profit of [\\$437 million \(3\)](#) and a net profit margin of [2.9% \(3\)](#) last year. Privately held Daneli Shoe Company, on the other hand, has a net profit of [\\$390,000 \(10\)](#) and a net profit margin of [1.5% \(10\)](#), according to Hoovers.

Since [profit margin \(9\)](#) was defined in the details of this request as net income divided by revenue or net sales, we took profit and profit margin to mean net profit and net profit margin, respectively, not the [gross, operating, or pre-tax \(9\)](#) values.

**NORDSTROM**

Net profit

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Nordstrom is a [public company \(2\)](#), and thus, its net profit is readily available in its [annual report \(3\)](#). Based on its consolidated statements of earnings, which can be seen on [page 37 \(3\)](#) of its latest annual report, Nordstrom generated a net earnings of [\\$437 million \(3\)](#) in 2017. [Net earnings \(4\)](#) is the same as net profit or net income, according to Investopedia.

Net profit margin

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That same year, Nordstrom generated a net sales of [\\$15,137 million \(3\)](#). This means that as shown by the computation below, the company recorded a net profit margin of 2.9% in 2017.

$(\text{\$437 million (3)} / \text{\$15,137 million (3)}) \times 100\% = 2.9\%$

**DANELI SHOE COMPANY (FOOTWEAR ETC.)**

Why was Daneli Shoe Company selected?

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Daneli Shoe Company can be considered a small business by the Small Business Administration's latest size standard for shoe stores. According to the Small Business Administration, shoe stores whose annual revenue [does not exceed \\$27.5 million \(7\)](#) can be considered small shoe stores. Daneli Shoe Company can be regarded as a small company as it generates an annual revenue of [\\$25.54 million \(10\)](#) only. Similar to Nordstrom, the [California-based shoe retailer \(11\)](#) has both brick-and-mortar stores and an online store. It has a wide [comfort shoe brand selection \(11\)](#).

We selected Daneli Shoe Company from Hoovers' list of [shoe stores \(5\)](#) that are headquartered in the United States. Companies in Hoovers' database can be filtered to those belonging to the industry with NAICS code [448210 \(6\)](#), the code for shoe stores.

Net profit

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Since the company is [privately held \(11\)](#), it is not obligated to share its financials on its website. Hoovers, however, estimates the company's net profit at [\\$0.39 million \(10\)](#) or \$390,000.

Net profit margin

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Given that Hoovers estimates the company's revenue at [\\$25.54 million \(10\)](#) and that revenues commonly pertain to [net sales \(8\)](#), we can estimate the company's net profit margin at 1.5%.

$(\text{\$0.39 million (10)} / \text{\$25.54 million (10)}) \times 100\% = 1.5\%$

## CONCLUSION

In summary, based on the latest financials available, large public company Nordstrom has a net profit of [\\$437 million \(3\)](#) and a net profit margin of [2.9% \(3\)](#), while smaller, privately held Daneli Shoe Company has a net profit of [\\$390,000 \(10\)](#) and a net profit margin of [1.5% \(10\)](#). As requested, we have entered these figures, along with our notes and sources, in [rows 5-6 \(1\)](#) of the attached spreadsheet.

## SOURCES

## 1) SPREADSHEET: Shoe Company Profits &amp; Margins

<https://docs.google.com/spreadsheets/d/1t4ey9T7dlqe9Z3dd-3Wyn0Yw9dxi52mjhig-RS2mios/edit#gid=0>

## 2) Nordstrom - LinkedIn Profile

<https://www.linkedin.com/company/nordstrom/?originalSubdomain=ph>

## 3) Nordstrom - 2017 Annual Report

[http://phx.corporate-ir.net/External.File?](http://phx.corporate-ir.net/External.File?item=UGFyZW50SUQ9NDAzMDY2fENoaWxkSUQ9LTF8VHlwZT0z&t=1&cb=636597473725960346)

[item=UGFyZW50SUQ9NDAzMDY2fENoaWxkSUQ9LTF8VHlwZT0z&t=1&cb=636597473725960346](http://phx.corporate-ir.net/External.File?item=UGFyZW50SUQ9NDAzMDY2fENoaWxkSUQ9LTF8VHlwZT0z&t=1&cb=636597473725960346)

## 4) Net Income - NI

<https://www.investopedia.com/terms/n/netincome.asp>

- *"Net income - NI is equal to net earnings (profit) calculated as sales less cost of goods sold, selling, general and administrative expenses, operating expenses, depreciation, interest, taxes and other expenses."*

## 5) Company Search | Company Information | Hoovers Company Profiles - D&amp;B Hoovers

[http://www.hoovers.com/company-information/cs.html?](http://www.hoovers.com/company-information/cs.html?maxitems=25&sortDir=Descending&sort=SalesUS&nvcnt=76&nvics=1448210L&nvloc=1)

[maxitems=25&sortDir=Descending&sort=SalesUS&nvcnt=76&nvics=1448210L&nvloc=1](http://www.hoovers.com/company-information/cs.html?maxitems=25&sortDir=Descending&sort=SalesUS&nvcnt=76&nvics=1448210L&nvloc=1)

## 6) NAICS Search - 448210 Shoe Stores

<https://www.census.gov/cgi-bin/sssd/naics/naicsrch?code=448210&search=2017%20NAICS%20Search>

- *"This industry comprises establishments primarily engaged in retailing all types of new footwear (except hosiery and specialty sports footwear, such as golf shoes, bowling shoes, and spiked shoes)."*

## 7) Table of Small Business Size Standards

<https://www.sba.gov/sites/default/files/2018-07/NAICS%202017%20Table%20of%20Size%20Standards.pdf>

## 8) Net Sales

<https://www.investopedia.com/terms/n/netsales.asp>

- *"Net sales are the sum of a company's gross sales minus its returns, allowances, and discounts. Revenues reported on the income statement often represent net sales."*

## 9) Profit Margin

<https://www.investopedia.com/terms/p/profitmargin.asp>

- *"While there are a few different kinds of profit margins – including “gross profit margin,” “operating margin,” (or “operating profit margin”) “pretax profit margin,” and “net margin” (or “net profit margin”) – the term “profit margin” is also often used simply to refer to net margin."*
- *"The method of calculating profit margin when the term is used in this way can be represented with the following formula:*

*Profit Margin = Net Income / Net Sales (revenue)"*

## 10) Daneli Shoe Company Company Profile | D&amp;B Hoovers

<http://www.hoovers.com/company-information/cs/company->

profile.daneli\_shoe\_company.e6ee3ac8b147e0b0.html

## 11) About Footwear etc.

<https://www.footwearetc.com/about-us>

- *"We're a family run business, which started as one store, but has grown to 12 locations along with our online store. "*
- *"Our headquarters is located in San Diego, California, and we're now celebrating over 30 years of great customer service."*