



# Fidelman & Co.



## QUESTION

### Shoe Store Profits & Profit Margins, Rows 7-8

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## INSIGHTS

- Zappos is a major private shoe business with a calculated profit of \$23,282,425 and an industry-wide profit margin of 4.85%.
- Philadelphia Runner, a small shoe retailer has a profit of \$220,190 and an applicable industry-wide profit margin of 4.85%.

## FINDINGS

Zappos, a subsidiary of Amazon, is a large private shoe company with a derived profit of \$23,282,425 and an industry-wide profit margin of [4.85% \(7\)](#). Meanwhile, a smaller shoe company is Philadelphia Runner with a calculated profit of \$220,190 has an applicable industry-wide profit margin of [4.85% \(7\)](#). All of this information as well as the corresponding calculation notes and sources were all inputted in the [linked spreadsheet \(1\)](#), rows 7 and 8, under columns D to G.

### Shoe Store Profits & Profit Margins

In order to address the request, we first looked for any publicly available data on the annual profits and the profit margins of Zappos, a large company and a subsidiary of Amazon. We have searched for their information on Zappo's website, in industry news outlets such as CSI Market, PRNews Wire, Globe News Wire, Cision, and others; in media outlets such as CNN, The New York Times, and other related sources; business and financial sites such as Forbes, Bloomberg, Business Insider, and others; company directories such as Craft.co, Owler, Manta, Crunchbase, [Hoovers \(5\)](#), and other similar sources. Based on this search, we were not able to directly find the required private data in these sources.

Since Zappos is a subsidiary of Amazon, we have also tried to check Amazon's annual report to determine if Zappos' profit data were included there. However, there were no available profit, revenue or other financial data breakdown for Zappos in Amazon's annual report.

The reason why the profit data requested is not publicly available could be due to the private nature of the company.

We then checked again the sources above to see if we can identify any data that we can use to triangulate. Based on this search strategy, we have found Zappo's revenue from Hoovers and an industry-wide applicable profit margin from a [CSI Market table \(7\)](#).

We then used the available data in the following calculations for Zappos' profit data :

The industry profit margin for 2017 was [4.85% \(7\)](#).

The estimated latest annual revenue is [\\$480.05 million \(3\)](#).

The formula used for the net profit is as follows:

Net Profit = Revenue X Profit Margin

480,050,000 million \* [4.85% \(7\)](#) = \$23,282,425

We then proceeded with finding a smaller company in the same shoe industry that manufactures and retails various types of shoes. We have searched for this information in

the company directories mentioned above like Owler and Hoovers. From Hoovers, we were able to identify and filter similar industries. We then singled out those companies with revenues of [\\$750,000 to \\$38.5 million \(9\)](#) in order to fit the small company criteria. From there, we found Philadelphia Runners, a small shoe company with an estimated revenue of [\\$4.54 million \(5\)](#).

We applied the same strategy above for Zappos in searching for the requested profit data of Philadelphia Runners. Again, we were not able to find publicly available data on the company's profit and profit margin. The data for Philadelphia Runners is also not publicly available due to the private nature of the company.

We then used the available data in the following calculations:

The industry profit margin for 2017 was [4.85% \(7\)](#).

The estimated latest annual revenue is [\\$4.54 million \(5\)](#).

The calculation for the net profit is as follows:

Net Profit = Revenue X Profit Margin

4,540,000 million \* [4.85% \(7\)](#) = \$220,190

These profit data, the calculation notes, and the sources were all encoded in the [linked spreadsheet \(1\)](#), rows 7 and 8, under columns D to G.

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## CONCLUSION

The calculated profit data information above as well as the corresponding calculation notes and sources were all entered into the [linked spreadsheet \(1\)](#), rows 7 and 8, under columns D to G. We have indicated the following information: (1) for Zappos, a subsidiary of Amazon and a large private shoe company, they gained a profit of \$23,282,425 and has an industry-wide profit margin of [4.85% \(7\)](#). Meanwhile, Philadelphia Runner is the smaller shoe company found with a profit of \$220,190 and an applicable industry-wide profit margin of [4.85% \(7\)](#).

## SOURCES

## 1) Shoe Company Profits &amp; Margins

<https://docs.google.com/spreadsheets/d/1t4ey9T7dlqe9Z3dd-3Wyn0Yw9dxi52mjhg-RS2mios/edit#gid=0>

## 2) Could Amazon step in a new direction and drop Zappos?

<https://www.digitalcommerce360.com/2017/04/17/amazon-step-new-direction-drop-zappos/>

- *"Amazon doesn't disclose financial figures for Zappos, but assuming the shoe retailer kept growing at the same pace after it was bought, it would have brought in \$3 billion in revenue last year, a fraction of Amazon's \$136 billion."*

## 3) Zappos.com, Inc. Company Profile | D&amp;B Hoovers

[http://www.hoovers.com/company-information/cs/company-profile.zapposcom\\_inc.53df08bdfbd6d68d.html](http://www.hoovers.com/company-information/cs/company-profile.zapposcom_inc.53df08bdfbd6d68d.html)

## 4) Our Mission

<https://philadelphiarunner.com/our-mission/>

- *"Connecting, inspiring, and strengthening the Philadelphia running and fitness community since 2004. This city and the streets running through it define us, and our culture is built on the idea that working out can and should be fun, and it is always more fun when you are part of a vibrant community of like-minded people. We aren't the fastest runners in the world – we come from a variety of backgrounds, but we are all passionate about running, fitness, and living a healthy lifestyle. Oh, and not least of all, the glorious post-workout pint with friends."*

## 5) Bbst, LLC Company Profile | D&amp;B Hoovers

[http://www.hoovers.com/company-information/cs/company-profile.bbst\\_llc.a2a612b0e2b3c05c.html](http://www.hoovers.com/company-information/cs/company-profile.bbst_llc.a2a612b0e2b3c05c.html)

## 6) Philadelphia Runner | LinkedIn

<https://www.linkedin.com/company/philadelphia-runner/>

- *"We have locations in Center City, University City, Glen Mills, and soon-to-be Manayunk (opening late 2014!). Our stores are staffed by experienced runners who are eager to help fit you for the best shoes, apparel, and accessories to enable you to have the best workout possible, and hopefully some fun along the way! "*
- *"With the guidance of our staff, there is no need to pick out a shoe and hope it will work – we take the guesswork out of the game and help you find the best fit for your needs. Whether you are walking 2 miles a day, running 100 miles a week, or taking boot camp classes on the river, we have the apparel, shoes, and trained staff to make sure your fitness experience is enjoyable."*

## 7) Apparel, Footwear &amp; Accessories Industry Profitability by quarter, Gross, Operating and Net Margin from 4 Q 2017

[https://csimarket.com/Industry/industry\\_Profitability\\_Ratios.php?ind=401&hist=2](https://csimarket.com/Industry/industry_Profitability_Ratios.php?ind=401&hist=2)

## 8) 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)"*

## 9) What Is A Small Business?

<https://fitsmallbusiness.com/what-is-a-small-business/>