

The Fabric Store: Financial Performance & KPI Management Guide

Inter: Navigating the 26-Month Path to Profitability



Inter

Internal Strategy Document | 2024-2026 Roadmap

The Race Against Cash Burn

Profitability depends on three levers: Gross Margin, OpEx control, and Inventory Velocity. Missing these extends the timeline beyond our cash runway.

Cost Ceiling



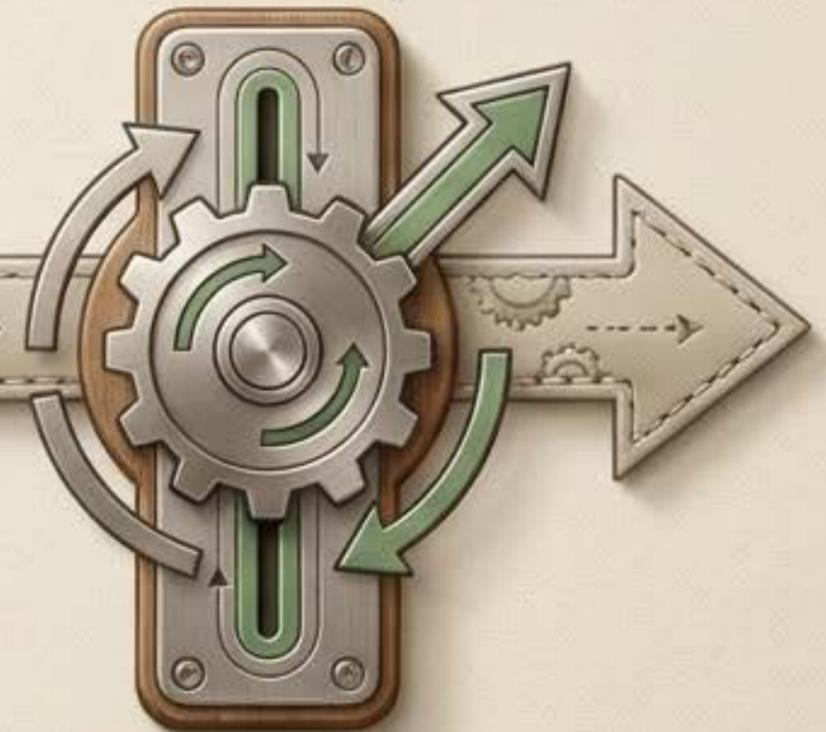
Variable Costs
< 55% of Revenue

Overhead Cap



Fixed Costs
Max \$4,700/mo

Velocity



Inventory Turns
3.5x Annually

The 26-Month Sprint

Warning: Every month sales lag the forecast, the breakeven date shifts later.

Financial Guardrails: Scaling Without Choking Growth



FIXED COSTS

Limit: \$4,700 / month

Includes: Rent, Labor (non-commission).

Risk: If onboarding staff takes 14+ days, churn risk rises.



VARIABLE COSTS

Target: < 55% of Total Revenue

Includes: COGS, Direct Selling Expenses.

Action: If labor pushes variables over 55%, raise prices or cut hours immediately.

The Magic Number: To cover fixed costs (\$4,700) at a 45% contribution margin, we need \$10,444 in monthly revenue.

KPI 7: The Survival Clock (Cash Runway)

Definition: Measures liquidity by dividing current cash balance by average monthly net burn.

Formula:

Current Cash Balance /
Average Monthly Net
Burn

Benchmark: Early-stage retail needs 12+ months.



Action: Review weekly. If runway dips, aggressively reduce overhead or improve inventory turnover.

KPI 1: Assessing the Sales Engine

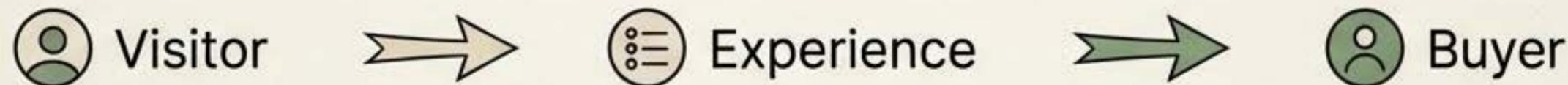
Visitor-to-Buyer Conversion Rate

Formula:

Total Transactions /
Total Daily Visitors

Target: 150%

Note: Exceeds standard retail (2-5%). Implies multiple transactions or workshop sign-ups per visitor.



Troubleshooting Protocol

IF rate drops below 145% for 3 days...

THEN Halt non-essential floor restocking.

TACTIC: Place high-margin impulse items (specialty thread) near registers.

KPI 2: Transaction Value & Pricing Power

Average Order Value (AOV)

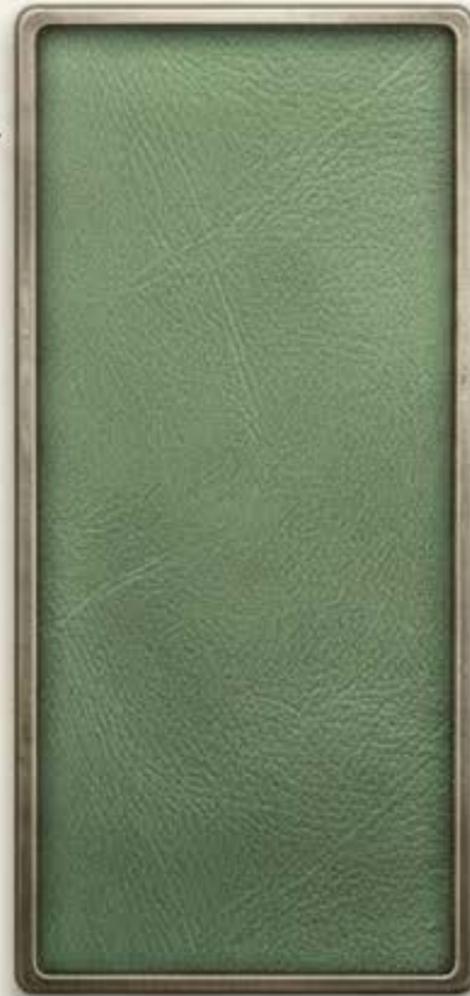
Formula:

Total Revenue /
Total Orders

Strategy: Shift to
Professional Designers
& Custom Makers.



Standard Hobbyist
Store (\$100)



The Fabric Store
2026 Goal (\$2,535)

Strategic Levers:

- Bundle high-margin supplies with fabric bolts.
- Suggested selling of complementary items (interfacing, thread).

Warning: Watch for seasonal spikes inflating the average. High AOV can mask low transaction frequency.

KPI 3: The Loyalty Loop

Community as a Business Model

Metric: Repeat Customer Rate



Formula:

Repeat Buyers /
Total New Buyers

Frequency Goal:

0.8 average orders
per month from
repeaters.

Corrective Action: If repeat orders lag,
pivot marketing to Workshop Sign-ups.

Existing customers must generate 4x the transactions of new customers annually.

KPI 5: Inventory Velocity

Don't Let Capital Collect Dust

1. **The Kill Rule:** Identify any fabric held over 180 days for immediate markdown.
2. **Sales Mix:** Quilting Cotton must consistently exceed 30% of total volume.
3. **Risk:** < 4 turns suggests overstocking expensive designer textiles.



Formula:
COGS / Average
Inventory Value

KPI 4: Protecting the Margin

Pricing Power vs. Cost

Formula:
 $(\text{Revenue} - \text{COGS}) / \text{Revenue}$

Target GM%: 860%

Audience Note: Aggressive target. Requires immediate investigation into COGS classification (likely misclassified service revenue).

The Rules:

1. **Designer Line:** Must maintain minimum 65% gross margin.

2. **Warning**

Critical Threshold: If Weighted Average COGS (WAC) hits 48% -> Raise retail prices immediately.

KPI 6: The Pivot to Services

From Retail Shop to Community Hub

Formula:
Workshop Fees
Revenue /
Goods Revenue



1. Mandate introductory workshops with new fabric purchases.
2. Bundle supplies into workshop fees to capture value.
3. Raise popular class prices by \$50 starting Q1 2025.

The 'Pulse Check' Operational Dashboard

DAILY

- ▶ Visitor-to-Buyer Conversion (**Target: 150%**)
- ▶ Action: Check against 3-day drop rule.

WEEKLY

- ▶ Cash Runway (**Target: 12+ months**)
- ▶ AOV (**Target: \$2,535**)
- ▶ Inventory Health (Sales Mix)

MONTHLY

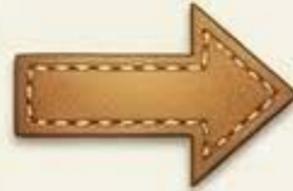
- ▶ Repeat Customer Rate (**Target: 400%**)
- ▶ WAC Calculation (**Limit: 48%**)
- ▶ Gross Margin %

QUARTERLY

- ▶ Inventory Turnover (**Target: 3.5x**)

Troubleshooting: If / Then Protocols

IF WAC > 48%



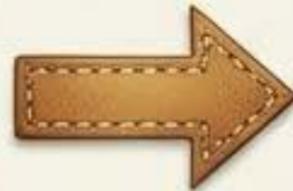
Review pricing against premium material costs.

IF Conversion < 145% (3 days)



Halt non-essential restocking;
Tune product display.

IF Labor > 55% of Revenue



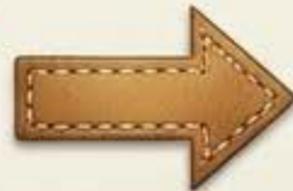
Raise prices or cut staff hours.

IF Runway < 6 Months



Aggressively reduce overhead
(Red Flag).

IF Repeat Orders Lag



Focus marketing on Workshop
sign-ups.

Consistency Creates Stability

The 'Community Hub' model is the engine that drives the 400% repeat rate needed to survive high fixed costs.

Every month sales lag the forecast, the breakeven date shifts later.

Rigorous monthly monitoring of GM% and OpEx is not administrative—it is the only way to beat the 26-month clock.