

RETAIL FINANCE METRICS Markup, Margin, Stockturn and GMROI

Markup and Margin

In Dollars: Markup and Margin are the same thing
 Markup in \$ = Markup in \$ = GP \$
 = Sell Price minus Cost Price

It is the amount in dollars added to the cost price to get the sell price

In Percentage: Markup and Margin are **NOT** the same thing

$$\text{Markup \%} = \frac{\text{Sell Price} - \text{Cost Price}}{\text{Cost Price}}$$

$$\text{Margin \%} = \frac{\text{Sell Price} - \text{Cost Price}}{\text{Sell Price}}$$

$$\text{Markup \%} = \frac{\text{Margin \%}}{100 - \text{Margin \%}} \times 100$$

- Dual Purpose Chart:**
1. Markup <> Margin converter
 2. Cost of Sell Price Reductions

GP/Margin %	10.00	15.00	20.00	25.00	30.00	35.00	40.00	45.00	50.00	
Markup %	11.1	17.6	25.0	33.3	42.9	53.8	66.7	81.8	100.0	
% Volume increase needed to deliver same profit at discounted sell price										
Discount %	5.00	100.0	50.0	33.3	25.0	20.0	16.7	14.3	12.5	11.1
	10.00		200.0	100.0	66.7	50.0	40.0	33.3	28.6	25.0
	12.00		400.0	150.0	92.3	66.7	52.2	42.9	36.4	31.6
	15.00			300.0	150.0	100.0	75.0	60.0	50.0	42.9
	20.00				400.0	200.0	133.3	100.0	80.0	66.7
	25.00					500.0	250.0	166.7	125.0	100.0

Eg: If price is reduced by 5%, at a gross margin level of 25%, a volume increase of 25% is needed to make the same gross profit in \$

Stockturn: Annual Sales in Units
 Average Stock on Hand (SOH) in Units

Use units, \$cost, or \$retail, provided same on the top & bottom

GMROI: Annual Gross Profit
 Average Cost of Stock on hand

$$= \frac{\text{Annual Gross Profit}}{\text{Annual Cost of Sales}} \times \frac{\text{Annual Cost of Sales}}{\text{Average SOH @ Cost}}$$

$$= \text{Markup (\%)} \times \text{Stockturn}$$

$$= \frac{\text{Margin (\%)}}{(100 - \text{Margin\%})} \times \text{Stockturn}$$