

## CHECKLIST 9 (2 Pages)

1. Two retailers have identical average inventory of \$13,600 at retail price. However, retailer A has a stock turn of three times, while retailer B has a stock turn of five times. Can you work out which one makes more money?
2. The above retailers have the same cost and sell prices. Now can you work out which one makes more money?
3. The above retailers both use the same method of calculating stock turn, they both allocate half a bay to the inventory, and they both pay their staff exactly the same amount... can you calculate their different profits?
4. What is GMROL?
6. You are concerned that this Category leading product may not be on track to reach the Scorecard metrics which have been agreed with the retailer. You are struggling to work out what unit volume we need to hit in June to reach the quarter KPIs.

Hint: Follow the steps listed in column 1 (see next page for more hints)

STEP	ITEM	UNITS	Apr	May	Jun	Quarter	Scorecard
	RETAIL PRICE	\$/Unit	12.00	12.00	12.00	12.00	
Step 2	VOLUME	Units	7.00	6.00			
	SALES	\$	84.00	72.00			
	COST	\$/Unit	8.00	8.00	8.00	8.00	
	COGS	\$	56.00	48.00			
	AV SOH	Units	16.00	16.00	16.00	16.00	
	AV SOH	\$ at Cost	128.00	128.00	128.00	128.00	
Step 1	GP	\$	28.00	24.00			
	GP	%	33%	33%	33%	33%	33%
	SPACE	m2	1.00	1.00	1.00	1.00	
Step 4	STOCK TURN	\$ Cost method	5.25	4.50		6.00	6.00
Step 1	GMROI	GP\$/ \$ inv cost	2.63	2.25		3.00	3.00
Step 3	GMROS	GP\$/m2	336.00	288.00		384.00	384.00

## CHECKLIST 9 (CONTD)

Hint One: Use GMROI KPI to work back to GP\$ which must be delivered this quarter

Hint Two: Subtract GP\$ already made this quarter, then divide by GP\$ per unit

Hint Three: Alternative method: Use GMROS KPI to work back in similar manner

Then proceed as in Hint Two

Hint 4: Finally, the easiest alternative: Use stock turn, SOH and calculate entirely in units

7. Which of these three ratios (GMROI, GMROS, GMROL) would a service driven retailer expect to be below average?
8. Is stock turn usually calculated in units or in dollars? Why? Do they give the same result?
9. Which of these three ratios (GMROI, GMROS, GMROL) would a “bargain basement” retailer expect to be below average?