

CHECKLIST 10 (2 Pages)

- 1-6. A retailer provides you with the following set of numbers, saying he wishes to improve the GMROI figure without changing cost and sell prices.

RETAIL PRICE	\$/Unit	10.00
MONTHLY VOLUME	Units	8.00
COST	\$/Unit	8.00
AV SOH	Units	16.00
MONTHLY GP	\$	16.00
MARGIN	%	20%
ANNUAL STOCK TURN	\$ Cost method	6.00
GMROI	GP\$/ \$ inv cost	1.50

What are his three options for increasing the GMROI figure?

- Option One:
- Option Two:
- Option Three:
- If the retailer goes for Option One, how many more units need to be sold to lift GMROI to a new level of 2.25, which is a 50% increase?
- If the retailer goes for Option Two, what will need to be the new stock on hand figure to achieve this?

CHECKLIST 10 (CONTD)

6. What would your advice be to the retailer on either of these options?

7. GMROI can be expressed as a percentage or a numerical ratio, true or false?

8. A retailer has decided to run some loss leader promotions with market leading products, which effectively means a margin of 10% will be applied to a new lower promotional price. His current retail price is \$68.95, with a margin of 29%. He is now asking for a purchasing discount per unit of \$8.60, and proposes to set a promotional (retail) margin of 10%. What will his promotional retail price be?

9. What promotional deal would you need to give them to get a promotional retail of \$43.99, still applying their % margin requirement?

10. A retailer has indicated that a promotion coming up on a competitor's product is going to special at a very aggressive promotional price, as she wishes to increase customer count, and turn around the current negative trend. She wants you to support her to do something similar on a product we currently supply. On this product, her retail price is \$48.95, with a margin of 35%. What's her cost?