

MELBOURNE AUSTRALIA

RETAIL FINANCIAL METRICS AND KPIs

Q&A CHECKLISTS



**Sales and Management Toolbox**

**Sales & Account Mgt Professionals**

**ANSWER BOOKLET**

BASIC SERIES – CHECKLISTS 1 TO 6

Answers

Workings

Explanations

Read Me Guidance

On-screen Presentation

Register on the web site for our **slide deck** on retail financials coming soon.

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Catch our You Tube Channel for demo tutorials and podcasts...

Contact us directly for a consultation or just a chat!... +61 (0)418 387 269

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RETAIL FINANCIAL METRICS AND KPIs (Q&A Checklists)

**“READ ME” FILE – For Managers and Team Leaders planning to train others.**

If you print hard copies of the checklists in this word file, you can use them as hand-outs for a “class” of students or for your team at a sales meeting. They will print with space between the questions for participants to do their calculations. They might **appear** to have no answers, but do not be deceived!

In the soft copy of this file (which you are presumably reading on-screen right now), the answers are present immediately following each question, but they have been formatted in **white text** on the white background. They are therefore invisible when the file is displayed on screen and invisible when the checklist is printed out in hard copy.

A neat presentation method you could use is to display the “hidden” version on screen and simply **highlight** the “invisible” text and **re-colour it** when you are ready to show the answer; **try it in the white spaces in this document!** Obviously, this means you need access to your laptop as you conduct the session, and you need to be able to mouse/navigate menus comfortably.

There are 200 questions in 20 checklists, organized into three Q&A Booklets (Basic, Intermediate and Advanced). If you are planning to cover all of these, our experience is that it will require at least three days of training in total, and we recommend you break it into “bite-size” chunks, perhaps at sales meetings or other group events.

Within the very near future, there will be a powerful slide deck available on the “Toolbox” web site, covering retail financial skills for you to download. It will be equipped with instructional notes for conducting a vibrant and engaging training session with your team.

So keep following us (especially on Linked In), and read our blog.

Good Luck! And if you think your people need help at the level of these first three checklists – give us a call on 61 (0)418 387 269! Or email [clive@harrisonconsulting.com.au](mailto:clive@harrisonconsulting.com.au)

CLIVE B HARRISON

Managing Director

CHECKLIST 1

1-7. In the retail wheel diagram below, please enter labels for each of the items represented by the four quadrants, starting from the top right quadrant of the wheel, and rotating clockwise in the direction shown by the arrow:



1. Cash

2. Inventory

3. Receivables (or sales)

4. Receipts (or income)

Next please add the correct labels for the

remaining three boxes, starting at the bottom

of the wheel and rotating as shown by the arrow:



5. Gross profit

6. Expenses

7. Net profit

8. What is the difference between profit and profitability?

Profit is measured in dollars, profitability is a ratio.

9. You are presenting a new product to an independent retailer who wants to test your understanding of retail numbers; he decides to assess your ability with calculations & understanding of the numbers, by asking: “With a Cost of $6.79, I think I need to retail this for $9.95. What % margin will that give me?”

31.8% Calculation: Margin % = Profit / Sell = $9.95 – $6.79 / $9.95

10. GMROI is a measure of profitability. True or false?

True

CHECKLIST 2

1. A retailer buys 400 units of a product for $1140, and sells the total stock for $1400.

What is the retailer’s gross profit overall?

$260 Calculation: $1400 - $1140

2. What is the retailer’s dollar margin per unit?

$0.65 Calculation: (1400 - 1140) ÷ 400

3. What is the retailer’s dollar mark up per unit?

$0.65 Calculation: (1400 - 1140) ÷ 400

4. What is the retailer’s % margin?

18.6% Calculation: (1400 - 1140) ÷ 1400

5. What is the retailer’s % mark up?

22.8% Calculation: (1400 – 1140) ÷ 1140

Please give five reasons why financial skills are important for the representative:

6. Retailers will increasingly expect this level of skill

7. Gives you ammunition to handle price resistance

8. Identifying profitability improvements for both parties

9. Promoting the financial benefits of category management

10. Build your own confidence

CHECKLIST 3

1. In dollars, mark-up is always more than margin, true or false?

False – in dollars, they are the same.

2. Calculate the percentage mark-up for a retailer who buys 500 units of Brand X for $2240, and sells the total stock for $2600.

16% Calculation: GP $ = Margin $ = Mark Up $ = $2600 - $2240 = $360

Mark Up % = 360 ÷ 2240 = 16%

3. To convert a margin % to a unit margin %, divide by the number of units sold. True or false?

False – don’t need to divide if it is a % - the same % applies no matter how many units.

4. You are presenting a new product to an independent retailer who wants to test your understanding of retail numbers; he decides to assess your ability with calculations & understanding of the numbers, by asking: “With a Cost of $6.79, what retail price do I need to make a 36% margin?”

$10.61 Calculation: $6.79 / (1 - 0.36)

5. In percentage terms margin is always more than mark-up, true or false?

False - It’s the other way round.

6. Why is stock turn so important to retailers?

Because inventory is their major asset, and they need an efficient return on that.

7. How can a retailer increase gross margin % on a single product?

Increase price, reduce COGs or both.

8. How can a retailer increase gross margin % across a category or range?

Increase price, reduce COGs or both, AND/OR sell a more profitable “mix”

9. Name three areas in which hardware retailers can negotiate financial aspects with suppliers, other than price?

Trading terms

“LTIs” (long-term incentives)

Catalogue support

10. GMROI can be calculated as stock turn x margin. True or false?

False – it is actually stock turn x mark up

Inventory efficiency

Joint selling

Supply chain collaboration

Ordering frequency

Delivery f