

BALANCE to BUY™

Basic Retail Math

Retail Price

The retail price is the price you anticipate selling the item for.

$$\text{Cost of Goods} \times \text{Markup} = \text{Retail Price}$$

$$\$1,815 \times 2.2 = \$3,993 \text{ (recommend rounding to a meaningful price point i.e. } \$3,999 \text{ or } \$3,995)$$

Markup

Markup \$ uses the anticipated retail price subtracted from the cost of goods. It can be expressed as a percentage or as a dollar value.

$$\text{Retail Price} - \text{Cost of Goods} = \text{Markup \$}$$

$$\$3,999 - \$1,815 = \$2,184$$

$$\text{Retail} - \text{Cost} / \text{Retail} = \text{Markup \%}$$

$$(\$3,999 - \$1,815) / \$3,999 = 55\%$$

Gross Profit

Gross Profit Margin is the difference between the actual retail selling price and the cost of the item sold. It can be expressed as a percentage or as a dollar value.

$$\text{Retail Sale} - \text{COGS} = \text{Gross Profit \$}$$

$$\$3,499 - \$1,815 = \$1,684$$

$$(\text{Retail Sale} - \text{COGS}) / \text{Retail Sale} = \text{Gross Profit \%}$$

$$(\$3,499 - \$1,815) / \$3,499 = 48\%$$

Cost of Goods Sold (COGS)

COGS is what the item cost to put into inventory. It is calculated by subtracting the retail price from the markup \$.

$$\text{Retail Price} - \text{Markup} = \text{Cost of Goods}$$

$$\$3,999 - \$2,184 = \$1,815$$

Turnover

The number of times the average inventory sells in a given period – usually one year. Turnover can be calculated using cost or units.

$$\text{COGS} / \text{Current Cost On-Hand} = \text{Turnover}$$

$$\$780,182 / \$604,223 = 1.29$$

$$\text{Total Unit Sales} / \text{Total Units On-Hand} = \text{Turnover}$$

$$1002 / 636 = 1.58$$

Gross Margin Return on Inventory (GMROI)

GMROI is calculated by dividing the GP \$ by the current Cost On-Hand. GMROI is represented as a \$ amount and tells us how much GP \$ we have made per \$ currently invested in inventory.

$$\text{Gross Profit \$} / \text{Current Cost On-Hand} = \text{GMROI}$$

$$\$741,509 / \$604,223 = \$1.23$$

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