IMU (INITIAL MARKUP)

The initial markup is the difference between the cost of an item and its original selling price. Represented as a % for the purpose of analysis.

MARKUP %

$$\frac{\text{Original Retail} - \text{Cost}}{\text{Original Retail}}$$

MMU (MAINTAINED MARKUP)

Gross profit on merchandise sold, or what's left of IMU after mardowns

IMU – MDs @ Cost OR $\frac{\text{Sales} - \text{COGS}}{\text{Sales}}$ OR IMU – (MD% x (1-IMU))

COST TO RETAIL

$$\frac{\text{Cost}}{\text{1-IMU}}$$

RETAIL PRICE

$$\frac{\text{Cost \$\$}}{(100 - \text{Markup\%})} \times 100$$

RETAIL TO COST

Retail x (1-IMU)

AVERAGE INVENTORY

$$\frac{\text{12 months beginning inventory}}{12}$$

TURNOVER

$$\frac{\text{Annual Sales @ Retail}}{\text{Average inventory}}$$

IMU (%)

$$\frac{\text{Desired \% profit} + \text{Expenses \%} + \text{Markdowns \%} + \text{Shrinkage \%}}{(100 + \text{MD\%})} \times 100$$

Cost	Markup	Markup%	Retail
$50	Keystone	50.0%	$100
$50	2.10	52.4%	$105
$50	2.20	54.5%	$110
$50	2.30	56.5%	$115
$50	2.40	58.3%	$120
$50	2.50	60.0%	$125

GMROI (GROSS MARGIN RETURN ON INVESTMENT)

Gross Margin Return on Investment is a measurement of inventory turnover and gross margin dollars. The GMROI tells how many dollars of gross margin are returned for every dollar invested.

$$\frac{\text{Gross Margin Dollars (12 Months)}}{\text{Average inventory at Cost (12 months)}}$$

MARKDOWNS

Any reduction from the Original Retail

MARKDOWN DOLLARS

Original Retail – New Price

MARKDOWNS AT COST %

IMU% – Gross Profit %

MARKDOWNS AT RETAIL

$$\frac{\text{MDs at Cost}}{(100\% - \text{IMU\%})}$$

MARKDOWN %

$$\frac{\text{MD\$}}{\text{Net Sales}} \text{ OR } \frac{\text{IMU\%} - \text{MMU\%}}{(100\% - \text{IMU\%})}$$

COGS (COST OF GOODS SOLD)

The cost of goods sold, or COGS, tell you how much money was spent directly on merchandise that sold during a given period.

Beginning Inventory @ Cost + Purchases @ Cost – Ending Inventory @ Cost

GROSS MARGIN $

Revenue – COGS

CONTRIBUTION MARGIN

Gross Margin – Variable Costs

NET PROFIT

Contribution Margin – Fixed Costs

DISCOUNT%

How retailers calculate discounts, e.g. 20% off

$$\frac{\text{Discount Price}}{\text{Original Retail}}$$

STOCK-TO-SALES RATIO

$$\frac{\text{Beginning-of-month Stock \$}}{\text{Sales \$}}$$

CASH MARGIN

Revenue – Purchases

BREAK-EVEN

This shows how much money a retailer must make in order to break even and become profitable. This calculation is incorporated directly into the Financial Analysis Workbook.

$$\frac{\text{Fixed Costs \$\$}}{\text{Contribution Margin \%}}$$