



GMROI and Why it Matters to Your Bottom Line

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WHAT YOU'LL LEARN

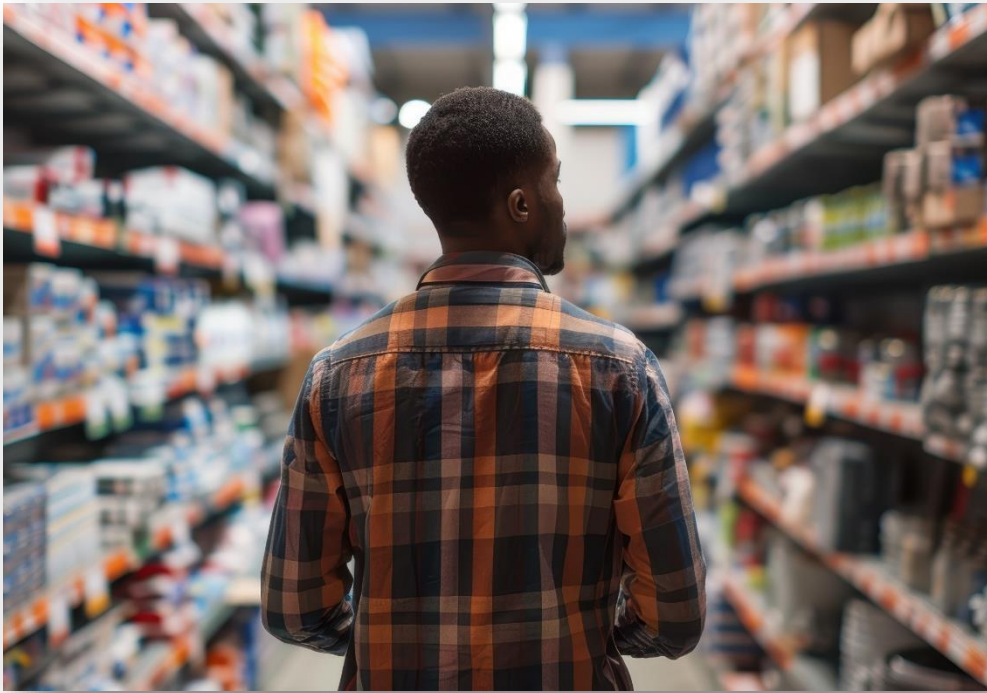
- What is GMROI?
- Why GMROI is important
- Calculating GMROI
- GMROI in simple terms
- How to increase your GMROI
- Paladin tools for managing GMROI
- Other formulas for measuring success
- Learn more

What is GMROI?



- GMROI is Gross Margin Return On Investment
- GMROI is a measurement of your inventory investment performance.
- 60% to 80% of a typical retailer's total assets are in inventory.
- That means retailers should know how their inventory investment is performing.
- GMROI is the tool to do that.

Why GMROI is important



- Most store owners focus on product margin without considering their inventory investment.
- GMROI is one of the most important statistics for successful retailers.
- GMROI shows the financial return for every inventory investment dollar spent.
- GMROI is all about inventory (investment) productivity.

Calculating GMROI

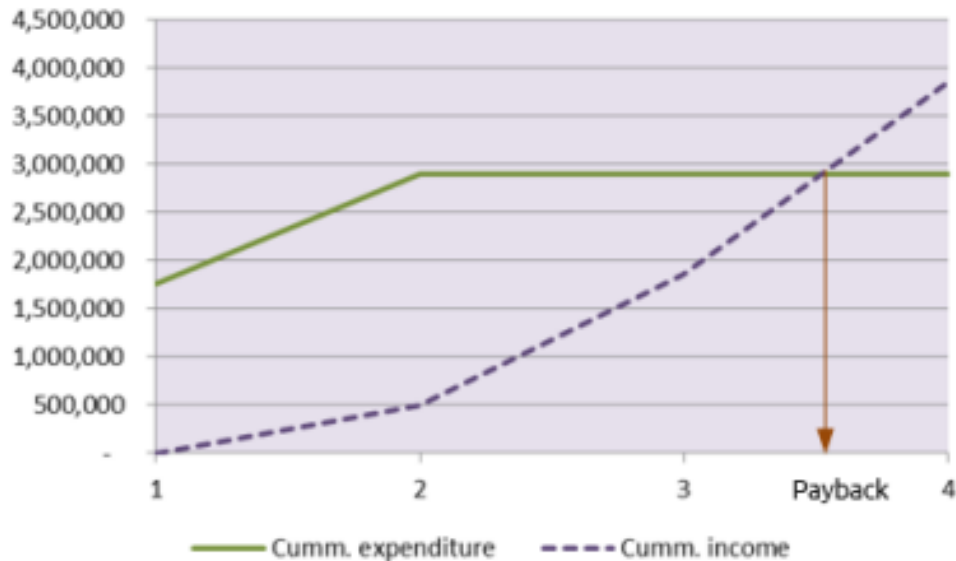


- The formula for determining GMROI is:

$$\frac{\text{Gross Margin Dollars}}{\text{Inventory Investment}} \times 100$$

- Example:
- If an item has a gross profit of \$225 (gross margin dollars) and an average inventory value of \$85 (inventory investment), the total GMROI is 264%.

GMROI basics



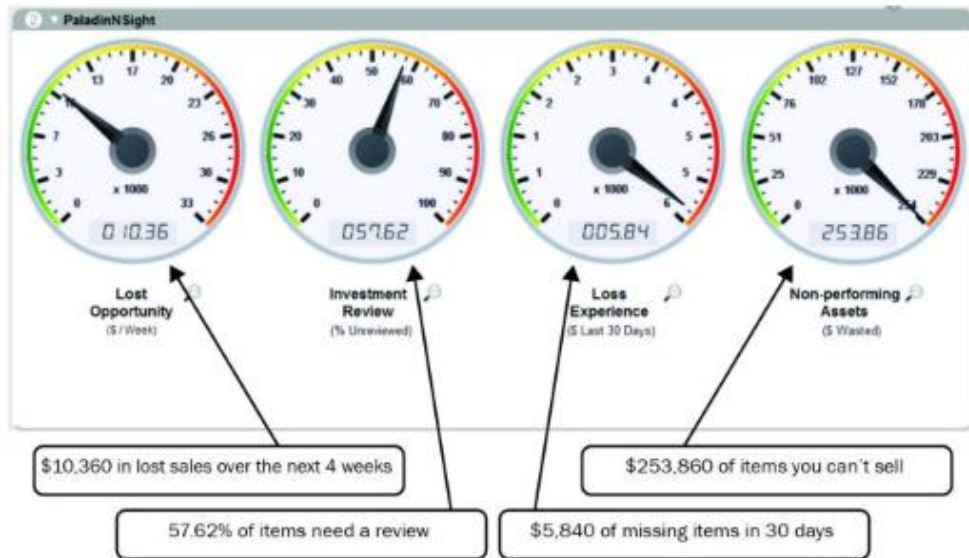
- 264% GMROI is OK, but a larger percentage is better.
- 264% means that for every \$1 you invest is a product, you receive \$2.64.
- A rule of thumb for evaluating the return on an item is:
 1. The first 100% pays you back for the item.
 2. The second 100% pays for operations.
 3. The remainder is profit.
- 300% GMROI or more is optimal.

How to increase your GMROI



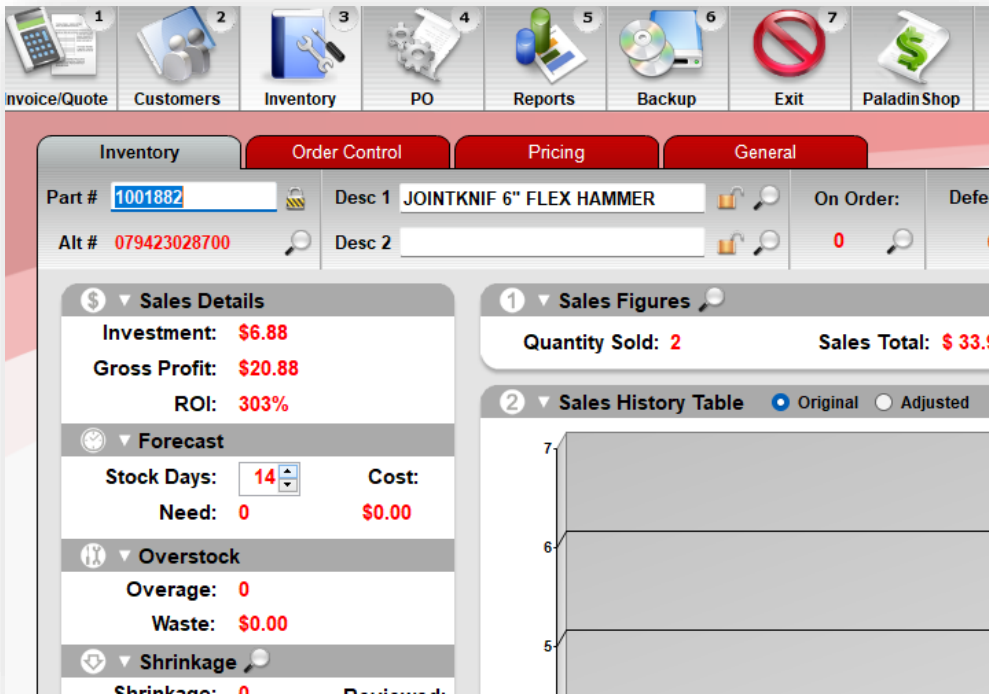
- “You can’t manage what you don’t measure.” – Peter Drucker
- Ways to increase GMROI:
 1. Decrease inventory investment.
 2. Increase customer count and average sales.
 3. Increase margin – always dangerous because it could decrease customer count and average sales.

How PaladinPOS Helps Manage GMROI



- PaladinN Sight™ dashboard and tools were designed to help you grow your business by helping you better manage your inventory assets.
 - Discover and remove non-performing items.
 - Identify product outs and overstocks.
 - Review and manage inventory.
- All the above provides for tighter inventory control and improved GMROI.

Managing GMROI

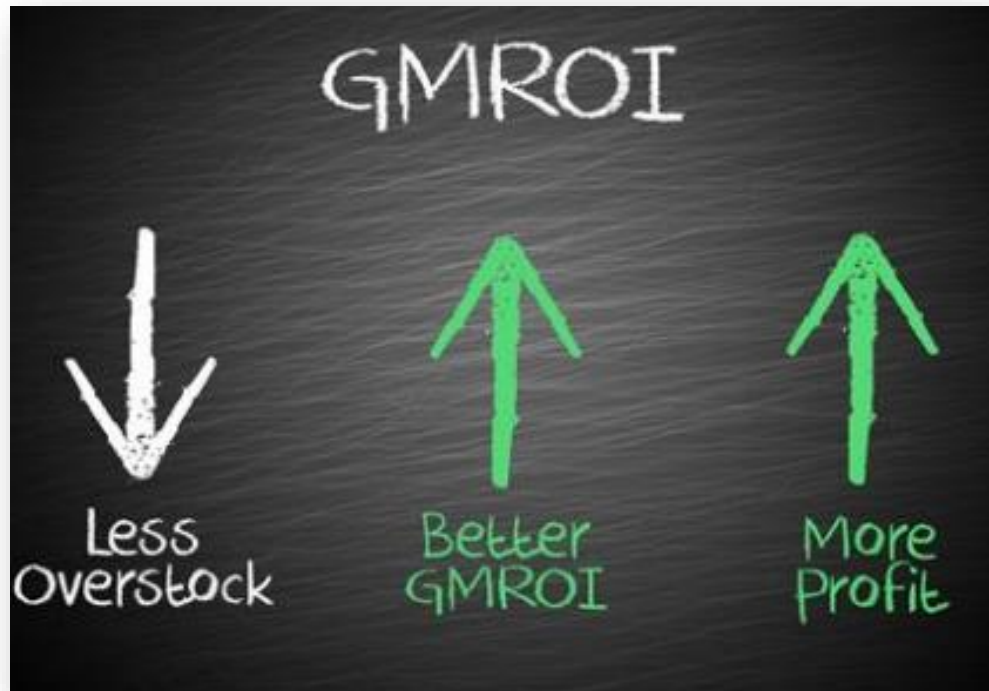


The screenshot shows the Inventory module interface with the following details:

- Part #:** 1001882
- Alt #:** 079423028700
- Desc 1:** JOINTKNIF 6" FLEX HAMMER
- On Order:** 0
- Sales Details:**
 - Investment: \$6.88
 - Gross Profit: \$20.88
 - ROI: 303%
- Forecast:**
 - Stock Days: 14
 - Cost: \$0.00
 - Need: 0
- Overstock:**
 - Overage: 0
 - Waste: \$0.00
- Shrinkage:** 0
- Sales Figures:**
 - Quantity Sold: 2
 - Sales Total: \$33.9
- Sales History Table:** Original (selected), Adjusted

- Inventory item **Sales Details** box in the **Inventory** module.
- **Inventory Valuation Summary** report lets you see the total value of inventory filtered by part number, departments, suppliers, classes, subclasses, or locations. The report includes the following information by department:
 - Number of Items
 - Stock Value
 - Retail Value
 - YTD Sales
 - YTD Profit
 - Margin on Sales
 - Dept. Gross margin return on investment (GMROI)

Other ways of measuring success



Inventory Investment

$\text{Inventory Cost} \div \text{Square Footage}$

Cost per sf: Typical \$55 – Well Run Store \$33

Product Outs

$\text{Current outs} \div \text{Number of inventory items} \times 100$

Outs: Typical 6% or > – Well Run Store <1%

Product Turns

$\text{COGS} \div \text{Ending Inventory for the period}$

Annual Turns: Typical 2.2 – Well Run Store 4.75

Non-Performing Assets

$\text{Number of overstocks} \div \text{Total number of items} \times 100$

Overstock: Typical 75% – Well Run Store 20%

A dark red rectangular button with a white question mark icon inside a circle at the top and the text "Q&A" in white below it. The button has a slight shadow and a diagonal line in the bottom right corner.

Learn More

To learn more, see the following resources in our [Help Portal](#)

- [White Paper: Inventory as an Investment](#)
- [PaladinN Sight](#)
- [Inventory Valuation Summary by Department Report](#)
- [PaladinGo™ Count Module](#)
- [PaladinGo™ Performance Module](#)

A recording of this webinar will be available at portal.paladinpos.com/webinars.

Next Webinar:

PaladinNsight:

Clean Up Your Inventory
with the Lost Opportunity Tool

May 19

9am PT

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