



Why GMROI is so Important to Your Business

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WHAT YOU'LL LEARN

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

What is GMROI?



GMROI – Gross Margin Return On Investment

GMROI is a measurement of your investment performance

*Sometimes pronounced as: Gym-roy or Gim-roy

Calculating GMROI

The formula for determining the GMROI is:

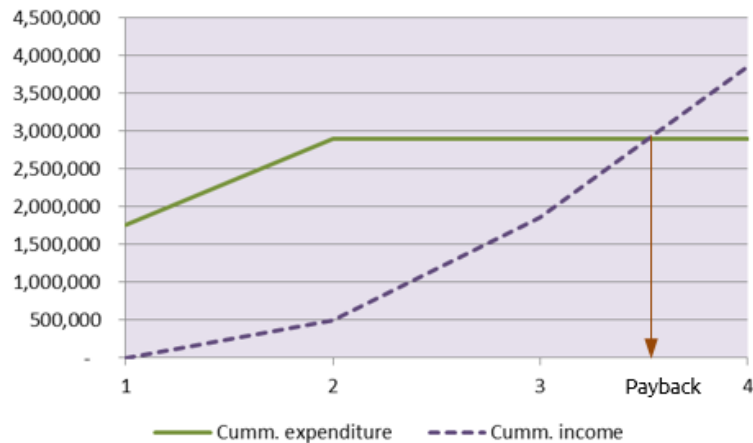
$$\frac{\text{Gross Margin Dollars}}{\text{Inventory Investment}} \times 100$$

Example:

If an item has a gross profit of \$225,000 (gross margin dollars) and an average inventory value of \$85,000 (inventory investment), then the total GMROI is: 264%



GMROI in simple terms



- 264% GMROI is decent, but a larger percentage is better.
- 264% GMROI means that for every \$1.00 you invest in a product; you receive a return of \$2.64.
- A good rule of thumb for evaluating the return on an item is:
 1. The first 100% pays you back for the goods.
 2. The second 100% pays for operations (give or take).
 3. The rest is the profit.
- 300% GMROI or more is optimal.

How to increase your GMROI

Where do you want to be?



or



Measure your success:

“You cannot improve what you do not measure.”

-- Lord Kelvin

Own it:

You're an investment broker and inventory is your game.

Ways to increase GMROI:

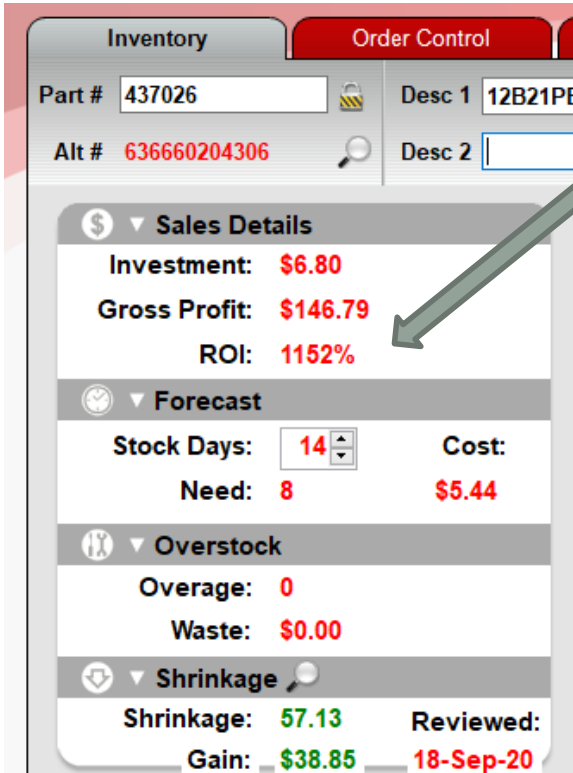
1. Decrease inventory investment. 🤗
2. Increase customer count and average sales. 🤗
3. Increase margin (Dangerous – as this may defeat #2 above.) 😞

Why is GMROI 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.

Paladin Point of Sale tools for managing GMROI



Inventory

Order Control

Part # 437026 Desc 1 12B21PE

Alt # 636660204306 Desc 2

Sales Details

Investment: **\$6.80**

Gross Profit: **\$146.79**

ROI: **1152%**

Forecast

Stock Days: **14** Cost: **\$5.44**

Need: **8**

Overstock

Overage: **0**

Waste: **\$0.00**

Shrinkage

Shrinkage: **57.13** Reviewed: **18-Sep-20**

Gain: **\$38.85**

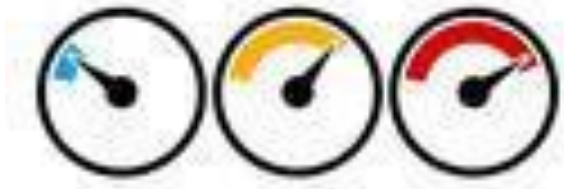
Inventory item **Sales Details** box in the **Inventory** module

PaladinN Sight™ dashboard and tools

- Discover and remove non-performing assets.
- Identify product “outs”.
- Review and manage inventory.

All of the above provide tighter inventory control.

Inventory Valuation Summary report (by dept.)

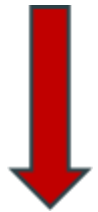


Other formulas for measuring success



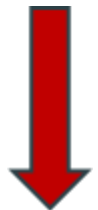
Gross Margin Return on Investment

Gross Profit Dollars ÷ Inventory Investment x 100
GMROI Typical: 150% – Well Run Store: 365%



Inventory Investment

Inventory Cost ÷ Square Footage
Cost per sq./ft. Typical: \$55 – Well Run Store: \$33



Product Outs

of current outs ÷ # of Inventory items x 100
Outs Typical: 6% or > – Well Run Store: <1%



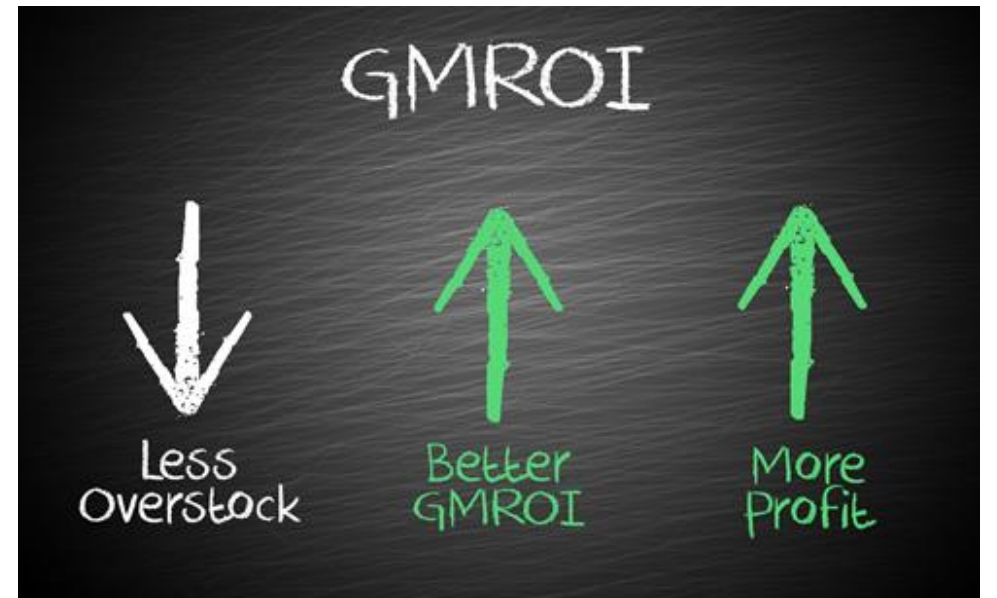
Product Turns

COGS ÷ Ending Inventory for the period
Annual Turns Typical: 2.2 – Well Run Store: 4.75



Non-Performing Assets

of overstock items ÷ Total # of items x 100
Overstock Typical: 75% – Well Run Store: 20%



A dark red rectangular box containing a white question mark icon inside a circle, with the text "Q&A" below it.

Q&A

Learn more

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

- [WHITEPAPER: Inventory as an Investment](#)
- [About PaladinN sight™](#)
- [Boost your business with PaladinN sight™](#)
- [Expose wasted investment dollars with the Non-performing Assets Tool](#)
- [Take charge of your inventory investment with the Investment Review Tool](#)
- [Discover losses and loss trends with the Loss Experience Tool](#)
- [How to create an inventory Valuation Summary report](#)
- [PaladinN sight tools exclude non-inventory items](#)

- [WEBINAR: Monitor the health of your inventory using the new PaladinN sight™ Dashboards](#)

Next Webinar:

Protect Your Network, Improve Business Performance

October 6th @ 9am PT

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