**Drexel University • Westphal College of Media Arts and Design • Design and Merchandising**

DSMR 232, 4.0 credit • Retail Merchandising Planning (Winter 2023)

Assignment H: Calculating GMROI (Gross Margin Return on Inventory)

Another inventory calculation that retail buyers examine is **GMROI** (gross margin return on inventory), which measures the profitability of a retailer’s sales. It is a quick and easy way to

measure how much cash a business is producing and how well it is using its investment in inventory. GMROI gives retailers a way to relate sales and the cash those sales are generating. In other words, GMROI integrates two performance measurements, gross margin and turnover, to create a single measure of performance.

**Retailers calculate GMROI using the following formula:**

**GMROI = (Gross margin percentage x Turnover) / (1 – Markup percentage)**

## SAMPLE PROBLEM

A business has a gross margin of 40 percent combined with a turnover rate of 2.5. It has a markup percentage of 50 percent. Calculate GMROI.

GMROI = (Gross margin percentage x Turnover) / (1 – Markup percentage) GMROI = (0.40 x 2.5) / (1 – 0.50)

GMROI = 1 / 0.50

GMROI = 2

## CREATING AND USING YOUR OWN SPREADSHEET

1. Download and Open SPREADSHEET H. Input formulas on the spreadsheet that will allow you to calculate GMROI.
2. Now calculate GMROI for the problems below. Record all your answers on the tables that are provided at the end of the assignment.
3. When you have completed the assignment, save the file as SPREADSHEET H\_COPY, and close the file.

## PROBLEMS

1. Casual Fashions had a gross margin of 46 percent and a turnover rate of 2.6. The store has a markup percentage of 51 percent. Calculate GMROI for Casual Fashions.
2. Jay’s maintained a gross margin of 55 percent last season while achieving a turnover rate of

1.9. The store has a markup percentage of 53 percent. Calculate GMROI for Jay’s.

1. At the end of the fall season, Department 58 had a gross margin of 41 percent combined with a turnover rate of 2.2. It has a markup percentage of 49 percent. At the end of the spring season, Department 58 had a gross margin of 41 percent combined with a turnover rate of 2.3. It has a markup percentage of 48 percent. Which season produced the highest GMROI?
2. At the end of last season, men’s shirts had a gross margin of 43.2 percent combined with a turnover rate of 2.3. It has a markup percentage of 48.6 percent. At the end of the same season, men’s ties had a gross margin of 49 percent combined with a turnover rate of 1.9. It has a markup percentage of 47.6 percent. Which product category produced the highest GMROI?
3. Based on the following information, which store had the best GMROI?

|  |  |  |  |
| --- | --- | --- | --- |
| Store # | Markup % | Turnover Rate | Gross Margin % |
| 1 | 52.1 | 2.1 | 53.6 |
| 2 | 49.6 | 2.4 | 54.2 |
| 3 | 48.4 | 2.5 | 51.0 |

# Assignment H: Calculating GMROI

|  |  |  |
| --- | --- | --- |
| Problem |  | GMROI |
| 1 | Casual Fashions | **2.44** |
| 2 | Jay’s | **2.22** |
| 3 | Department 58, Fall | **1.77** |
|  | Department 58, Spring | **1.81** |
| 4 | Men’s shirts | **1.93** |
|  | Men’s ties | **1.78** |
| 5 | Store #1 | **2.36** |
|  | Store #2 | **2.60** |
|  | Store #3 | **2.47** |