

Retail Calculation

Cheat Sheet

Retail owners are busy people. BUT those who are successful (and equally important) stay successful, are the ones who take the time to measure, evaluate, and make needed changes. Sometimes in retail we need to trust our instincts and other times we need to trust the numbers. Measuring your retail performance is ultimately about making money and taking a hard look at the performance. Our Cheat Sheet takes the guess work out of what, how and why to measure a variety of areas. We suggest you pick-and-choose what makes sense for you.

Sales

SALES PER FT²

This helps you make decisions on rent, planning inventory and roughly calculates your return on investment. This calculation does not include spaces where products are not on display.

$$\text{Total Net Sales} \div \text{ft}^2 \text{ of Selling Space} = \text{Sales per ft}^2 \text{ on Selling Space}$$

SALES PER FT OF SHELF SPACE

This will help you evaluate how much shelf space you should allocate for a product or product category.

$$\text{Total Net Sales} \div \text{Feet of Shelving} = \text{Sales per Foot}$$

SALES BY PRODUCT AND/OR CATEGORY:

This will help you understand how one product, category or department performed compared to others.

$$\text{Product/Category Total Net Sales} \div \text{Store's Total Net Sales} = \text{Product/ Category \% of Total Store Sales}$$



Inventory

INVENTORY TURNOVER

This will help you determine if you are over or under-stocked on an item.

$$\text{Sales (retail value)} \div \text{Average Inventory Value (retail value)}$$

INVENTORY AVERAGE

This helps you to estimate the value of inventory for a specific period of time.

$$\text{SEASONAL: Current inventory} + \text{previous 6 month inventory} \div 7$$

$$\text{YEARLY: Current inventory} + \text{previous 12 month inventory} \div 13$$

Example: Calculating a seasonal inventory average, start with the current inventory of \$5000 to the previous six months of inventory, recorded as \$3000, \$2500, \$4000, \$3500, \$2000 and \$6000, and dividing it by the number of data points, as follows:

$$(\$5000 + \$3000 + \$2500 + \$4000 + \$3500 + \$2000 + \$6000) / 7 \\ = \text{an average seasonal inventory of } \$3714.28$$

DAYS OF INVENTORY

This helps you determines (based on sales history) how many days of inventory you have on hand.

$$365 \div (\text{Annual cost of goods sold} \div \text{Inventory})$$

Example: If you have an annual cost of goods sold of \$100,000 and a current inventory of \$24,000: $365 \div (\$100,000 \div \$24,000) = 87$ Days of inventory

Staff Productivity

ITEMS PER TRANSACTION

This provides insights into what is the average transaction in dollars. This can be used to measure the productivity of staff.

$$\text{Gross Sales} \div \text{Number of Transactions} = \text{Sales per Transaction}$$

Final thoughts...consistently tracking these numbers overtime becomes easier to understand where you are generating sales, which employees are driving sales and how you can make adjustment to improve sales.