

# Retail Math Basics

## SELL THROUGH (ST%)

Period Sales/(Period Sales + Inventory at End of Period)

Sales = 1000 EOH= 9000

ST%=  $1000/(1000+9000) = .10$  or 10%

*Benchmarks for sell through vary greatly by category and retailer. For example, a 20% weekly sell through on a junior's denim jean may be considered average, where as 5% weekly sell through may be considered very high for a luxury comforter set.*

## WEEKS OF SUPPLY (WOS)

Inventory/Average Weekly Sales

OH= 9000 Last 5 Weeks of Sales = 4500 AV=  $4500/5=900$

WOS=  $9000/900 = 10$  weeks

*Example: 8 WOS is high for Wal-Mart, Anything below 24 at Bed Bath and Beyond is considered lightly covered.*

## Average Unit Retail (AUR) or Out the Door (OTD)

Sales \$ for Period/Sales Units for Period

Sales \$ = \$10,000 Sales Units = 657

AUR= \$15.22

## Gross Profit Dollars and Percent (GP\$, GP%)

GP\$ = Sales \$ – Cost of Goods Sold \$ (Cost \$ = Sales Units x Cost)

GP% = GP\$/Sales \$

*Margins also vary widely between product categories and retailers. For instance, price clubs usually accept margins between 11 – 20%, while department stores expect well over 40%.*

## Markdown Dollars and Percent (MD\$, MD%)

MD\$ = Ticketed Price Sales – Actual Sales \$

MD%= MD\$/Actual Sales \$

## Does a 25% off Promotion = 25% Markdown?

Ticketed Price: \$14.99 Promotion: 25% off

What was the Markdown %?

Out the Door (AUR) =  $\$14.99 \times .75 = \$11.24$

Markdown \$=  $\$14.99 - \$11.24 = \$3.75$

Markdown % =  $\$3.75/\$11.24 = 33.3\%$

*No. As you can see, when you sell something at 25% off, you're really taking a 33.3% markdown!*

## Average Weekly Units/Store and Average Weekly \$/Store

Av Weekly Units/Store = Av Unit Sales/# Stores

Last 6 weeks sales = 4500 # Stores = 500

Av Weekly Units=  $4500/6 = 750$

Av Weekly Units/Store =  $750/500 = 1.5$

Av Weekly \$/Store

Av Weekly \$/Store = Av \$ Sales/# Stores

Last 6 weeks sales \$ = \$45,000 # Stores = 500

Av Weekly \$ =  $\$45,000/6$

Av Weekly \$/Store =  $\$7,500/500 = \$15$