

Discover 7 Retail KPIs That Really Matter

Retail businesses often thrive or fail based on their ability to identify, define, track, and act upon key performance indicators (KPIs). Sophisticated analytics and business intelligence solutions make it possible for retailers to quickly calculate and report KPIs and metrics.

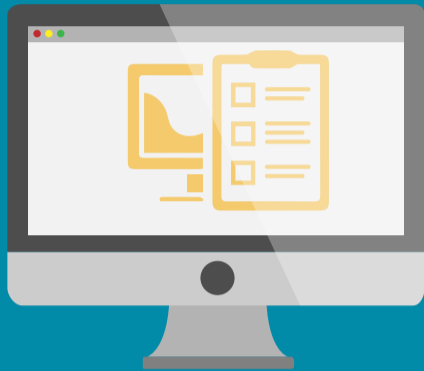
While every retail business is different, there are some foundational KPIs that make sense for all retailers to track.



1. Inventory Turns

Inventory turns describes the number of times that a retailer sells and replaces its inventory during a given time period. It's important to understand how often you should reorder products to make sure you aren't over or understocked.

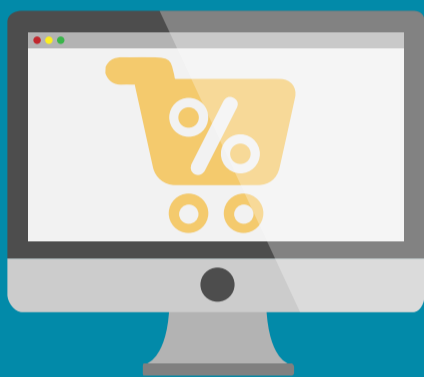
$$\text{Inventory Turns} = \text{Cost of Goods Sold} / \text{Average Inventory}$$



2. Days of Supply

Days of Supply is a measure of inventory that examines how long you will have inventory on-hand if the item continues to sell at the current rate and shelves remain stocked.

$$\text{Days of Supply} = \text{Average Total Inventories} / \text{Cost of Goods Sold}$$



3. Sell-Through Percentage

Sell-through percentage is the percentage of what's in stock that gets sold in a specific timeframe versus how much inventory is available. It can be used to evaluate product performance, and is especially useful for seasonal items or to determine how much stock to carry during different times of the year.

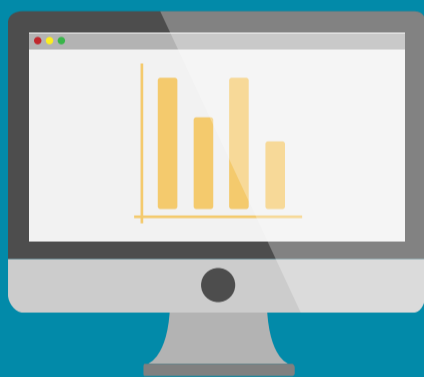
$$\text{Sell-Through Percentage} = \text{Units Sold} / \text{Beginning Inventory On-Hand}$$



4. Gross Margin Return on Investment (GMROI)

GMROI is a key metric for protecting your cash flow. It tells you the amount of money you got back—i.e., ROI—for every dollar you spent on inventory. GMROI can give you a solid indication of how your store is performing overall.

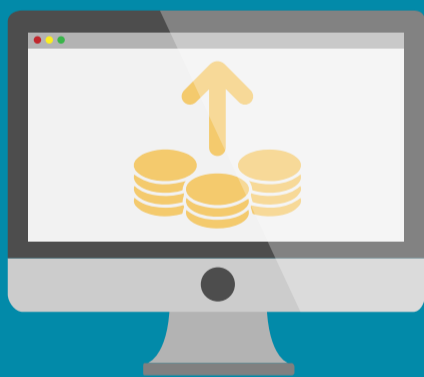
$$\text{GMROI} = \text{Gross Profit Dollars} / \text{Average Inventory Cost}$$



5. Number of Transactions Per Day

The number of transactions per day is a metric that tells you how many sales were made on a given day. This basic metric is a good indicator of the ebbs and flows of traffic in your store and can help you make staffing decisions.

$$\text{Number of Transactions Per Day (obtained through POS data)}$$



6. Average Transaction Value (ATV)

ATV shows the average customer spend in your store, as well as the types and quantity of products they buy. Attracting and keeping business costs money. When you increase your ATV with each customer, you will end up with a higher ROI on your sales and marketing costs.

$$\text{Average Transaction Value} = \text{Total Revenue} / \text{Number of Transactions}$$



7. Profit Margin

Profit margin is the main measure of profitability and shows how much revenue is earned once the costs for the goods sold is deducted. It is the fastest way to determine the financial health of your business.

$$\text{Profit Margin} = \text{Gross Profit} / \text{Total Revenue}$$

A balanced approach for KPI improvement starts with the proper use and evaluation of metrics. To discover new ways to analyze your business, contact Epicor today at eagle@epicor.com.

