RETAIL ACRONYMS

ASP: Average Selling Price
AUR: Average Unit Retail
BOM: Beginning of Month
COGS: Cost of Goods Sold
EOM: End of Month
FOB: Free on Board. Designates a direct shipment from factory to retailer, without additional handling with the supplier.
GMROI: Gross Margin Return on Investment (or Inventory)
GM/GP: Gross Margin, Gross Profit
LW: Last Week
LY: Last Year
MD: Markdown
MTD: Month to Date
MU/IMU: Markup and Initial Markup
OH: On Hand Inventory
OO: On Order Inventory
OOS: Out of Stock, usually followed by a date for which merchandise is expected to be depleted by.
OTD: Out the Door (Actual Selling Price)
ROS: Rate of Sale
ST%: Sell Through Percent
STD: Season to Date
YTD: Year to Date
TY: This Year
WOS/WOH: Weeks of Supply, Weeks on Hand
WTD: Week to Date

DEFINITIONS/EXAMPLES OF KEY RETAIL MATH KPI's

Average Unit Retail (AUR), Average Selling Price (ASP) or Out the Door (OTD)
Sales $ for Period/Sales Units for Period
Sales $ = $10,000 Sales Units = 657
AUR= $15.22

Chargebacks
Retailer penalties charged to the supplier for damages, not following shipping, packaging or other guidelines.

Cost of Goods Sold (COGS)
The Total COGS is the total amount the retailer pays for the merchandise plus or minus any additional fees to make the goods sellable.

Gross Profit Dollars and Percent (GP$, GP%)
GP$ = Sales $ – Cost of Goods Sold $ (Cost $ = Sales Units x Cost)
GP% = GP$/Sales $
Margins vary widely between product categories and retailers. For instance, price clubs usually accept margins between 11 – 20%, while department stores expect well over 40%.

GMROI (gross margin return on investment)
Measures capital/inventory investment
GMROI = Gross Margin $ / Average Inventory at Cost

Lead Time
The number of calendar days between the time the order is placed and received. For imports, EX-Factory is the date merchandise has finished production and is leaving the factory to sail/fly to US. Add shipping days from factory to retailer DC or Stores.

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 x .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!

Mark Up/Initial Mark Up
The difference between the COGS and the original (ticketed) retail price. The initial markup percent is the initial markup divided by the original retail price and then multiplied by 100.
IM = ((Ticketed Retail Price - Cost) / Ticketed Retail Price) * 100

Open to Buy
Open-to-buy determines the amount money available to purchase goods for a specific time in the future.
OTB = Planned Sales + Planned Markdowns + Planned EOM OH - Planned BOM OH

ORDER FILL RATE
Percent of orders receipted vs. ordered.

Rate of Sale (ROS) *Can be expressed for different time frames, but generally it is the same as average weekly sales. May or may not include the store count component.*
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

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.

Stock to Sales Ratio
BOM Stock divided by Sales for the same month.
Stock to Sales = BOM Stock / Sales for the Month

Turnover (or Turn)
Net Sales divided by Average Inventory. This can be expressed in both dollars and units.

Weeks of Supply (WOS)/ Weeks On Hand
Inventory/Average Weekly Sales
OH= 9000   Last 5 Weeks of Sales = 4500   AV= 4500/5=900
WOS= 9000/900 = 10 weeks
Example: Varies by retailer based on their ownership philosophy. Walmart and Target want 4-6 weeks, department stores 12-14.

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For more comprehensive retail and wholesale inventory planning best practices check out the ERS Retail Primer.