StoreTurnAI

Your weekly retail review

Inventory turnover, gross margin and the decisions behind them. Free educational guide. All examples are hypothetical, not customer results.

1. Start with consistent numbers

Use the same period for sales, costs and inventory. Net sales means sales after returns, discounts and allowances. Cost of goods sold is the cost of merchandise actually sold, not everything purchased. Include landed costs where available.

2. Is your inventory moving?

Inventory turnover = cost of goods sold / average inventory at cost. Average equally spaced inventory snapshots; do not substitute a convenient ending balance. Label the period: monthly turns are not annual turns.

Worked annual example: $480,000 cost of goods sold / $160,000 average inventory at cost = **3.0 annual turns**. Average days of inventory = 365 / 3 = approximately **122 days**.

Never divide retail sales dollars by inventory at cost. Compare the same category over time and across stores; there is no universal good turnover. High turns with falling sales may hide stockouts. Slow turns may indicate aging stock or buying ahead of demand.

What to do next

Rank slow-stock items by inventory cost dollars. Review on-hand stock with no recent sales. Check weeks of supply, vendor lead times and outstanding orders before reordering. Consider markdowns, vendor exchanges or delaying the next buy.

Full guide: storeturnai.com/resources/inventory-turnover

Read margin with sales

3. Are sales producing gross profit?

Gross profit dollars = net sales - cost of goods sold.
Gross margin percent = (gross profit dollars / net sales) x 100. When net sales are zero, margin percent is not meaningful; show no percentage rather than divide by zero.

Worked monthly example: $120,000 sales less $6,000 returns and discounts = $114,000 net sales. Subtract $66,000 cost of goods sold: **$48,000 gross profit**. $48,000 / $114,000 x 100 = **42.1% gross margin**.

Margin is not markup. An item costing $10 and selling for $15 has 50% markup on cost, but 33.3% margin on selling price. Gross profit comes before rent, payroll and other operating expenses; it is not net profit.

Read dollars and percentage together. A better percentage on lower sales can still produce fewer gross profit dollars. Investigate category mix, markdowns, landed costs and shrink before making broad price changes.

4. Your weekly decision checklist

• Choose a consistent reporting period and confirm costs are complete.

• Compare sales, gross profit dollars and margin percent by category and store.

• Review inventory at cost, slow-stock items and stockouts together.

• Check lead times, weeks of supply and open orders before buying.

• Choose two or three actions; assign an owner and review date.

• Next week, review the result before adding more actions.

Full margin guide: storeturnai.com/resources/gross-margin

Explore with sample numbers: storeturnai.com/explore
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