



GMROI FORMULAS & Velocity Profits Index

$$\text{Traditional GMROI} = \frac{\text{ANNUAL GP \$}}{\text{AVG. INV. \$}}$$

$$\text{Proactive GMROI} = \frac{(\text{Inv. Turns}) \times (\text{GP Margin \%})}{\text{Cost Of Goods Sold \%}}$$

Inventory Turns = Sales Units per year / Avg. Units Quantity on Hand (QOH)

$$3 = 12/4$$

Avg. Units QOH Tends To = Order Point

GP Margin % = ((Sales \$ - Cost \$) X 100 / Sales \$)

$$40\% = ((10\$ - 6\$) \times 100/10\$)$$

Velocity Profits Index

	14%GP	25%GP	30%GP	35%GP	50%GP
.67 TURN	.11	.22	.29	.36	.67
2.0 TURN	.33	.67	.86	1.08	2.00
3.0 TURN	.49	1.00	1.29	1.62	3.00
6.0 TURN	.98	2.00	2.57	3.23	6.00
26.0 TURN	4.23	8.67	11.14	15.17	26.00