



Calculating selling cost %

Total payroll/Total net revenue

Payroll cost for employee A: \$1,700 for January

Revenue achieved for employee A: \$12,500

$1,700/12,500 = 13.6\%$

Markdown Reasons:

- Receipt of late goods
- Over buying beyond demand
- Inadequate classification structure
- Lack of measurement and poor assortment planning
- Poor Sales forecast driving the merchandise plan
- Poor buys
- Too Broad of an assortment
- Not reacting early to poor sellers
- Poor selling
- Lack of a Markdown strategy
- Bad flow of goods-
- Over front loading
- Under buying at the beginning of the season

Every time you sell an extra item you avoid a future markdown

Reduction of Purchases:

1. Take last year's Profit and Loss Statement.
2. Identify your cost of goods.
3. Divide cost of goods into your sales, to get percentage of cost of goods.
4. Subtract 2 from the line 3 above
5. Multiply the new number times your sales.
6. Subtract original cost of goods from line 5 = SAVINGS!

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