

# Introduction to Handy Calculations



In this module we will cover the following topics:

- Stock Turn
- Sell-through
- Margin
- Mark-up
- Trading density
- Forward cover
- Cost of sales
- Percentage contribution



*Calculations*

## What can I expect in this Module?

Below is a summary of the Module contents, make sure that you have participated in all these items to complete the Module.

Number of Content Pages:	Number of Videos:	Number of Quizzes:	Number of Assignments:	Approx Time Required to Complete Module:	Requirements for Completing Module:
9	0	1	0	3 Hours	Submit 1 Quiz

See Also:

- **MODULE: Book Buying**  
(<https://lms.tuit.co.za/courses/317/modules/1880>)
- **MODULE: Handy Calculations**  
(<https://lms.tuit.co.za/courses/317/modules/2921>)

Related Topics:

- **Stock Turn** (<https://lms.tuit.co.za/courses/317/pages/stock-turn>)



# Stock Turn



*"How many times you sell though your stock in 12 months."*



*Stock of Books*

## Calculation

Annual Stock Turn = Annual Retail Sales / Average Monthly Stock at Retail

Relevance to buying: assists the buyer to narrow down slow-moving stock to category and vendor <sup>TIP</sup>, and to remedy accordingly.

## Tip

The best way to fix stock turn is to stock books that sell faster. It is a common mistake to just cut stock when turn is low, as opposed to curating better.

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### Related Topics:

- **Introduction to Handy Calculations**  
(<https://lms.tuit.co.za/courses/317/pages/introduction-to-handy-calculations>)
- **Sell-through** (<https://lms.tuit.co.za/courses/317/pages/sell-through>)



# Sell-through



*Comparison of stock sold to stock bought. Also commonly referred to as “Rate of Sales”*

## Calculation:

$\text{Sell-through \%} = (\text{Sales} / (\text{Sales} + \text{Stock on Hand})) * 100$

Relevance to buying: shows the buyer when he or she has over-ordered.

## Tip:

It is always better to start with low quantities and to reorder frequently, as opposed to piling up on initial order. However, there is fine line – a big display often drives sales, especially in airport stores where dwell time <sup>TIP</sup> is short.



*Clients purchasing Books*

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- **Margin** (<https://lms.tuit.co.za/courses/317/pages/margin>)

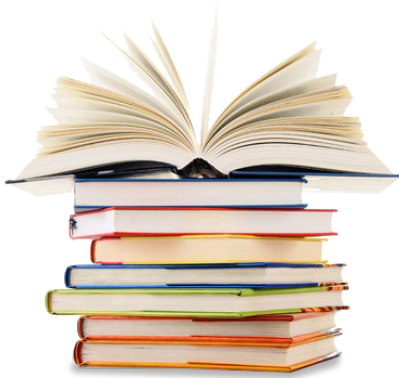


# Margin



*"The profit amount of the total selling price of an item (the portion the retailer keeps after paying the supplier)"*

## Calculation:



Margin % = ((Retail Price – Cost)/Retail Price)\*100

Margin Rands = Retail Price – Cost Price

Relevance to buying: negotiating good trade discounts will drive good margins. A bookshop needs to maintain average margins above 40% in order to afford rent, salaries and operational costs <sup>TIP</sup>. The margin referred to before these costs are deducted, is called **"Gross margin"** ([https://en.wikipedia.org/wiki/Gross\\_margin](https://en.wikipedia.org/wiki/Gross_margin)).

## Tip:

Discounts to customers can quickly erode margin. Be careful not to discount books where you have no real competition.

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# Mark-up



*"The amount or percentage increase to the cost of the item when selling it."*

## Calculation:

Mark-up % = ((Retail Price – Cost Price)/Cost Price)\*100

Mark-up Rands = Retail Price / Cost Price

Relevance to buying: to be honest, not much! The book trade traditionally does not refer to **mark-up** ([https://en.wikipedia.org/wiki/Markup\\_\(business\)](https://en.wikipedia.org/wiki/Markup_(business))), but rather to margin.

## Tip:

Be sure to understand the difference between margin and mark-up.

Sometimes even CFO's  get it wrong.



Markup Percentage

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- **Trading density**  
(<https://lms.tuit.co.za/courses/317/pages/trading-density>)



# Trading Density



*"The amount of money generated over a period of time per square metre of trading space."*




Bookshop Floor Space

## Calculation:

Annual Trading Density = Annual Retail Sales / Square Metres

Relevance to buying: when broken down by store section, it can show you which categories are more expensive to carry, and which ones generate the cash.

## Tip:

Sales per square metre does not mean profit per square metre. It depends on margin .

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# Forward Cover



*"The projected time your stock will last at the estimated sales rate."*

## Calculation:

Forward cover = Closing Stock / Projected Sales for Period until Stock is Zero

Example: if you are selling R1 million worth of stock each month, and you have R3 million worth of stock, your forward cover is 3 months.

Relevance to buying: helps the buyer to manage purchases and [cash flow](https://en.wikipedia.org/wiki/Cash_flow) ([https://en.wikipedia.org/wiki/Cash\\_flow](https://en.wikipedia.org/wiki/Cash_flow)) based on sales, as opposed to just buying without concern for cost.

## Tip:

Forward cover, when applied too rigidly <sup>TIP</sup>, can hamper the success of a bookshop. For example, if a big hitter such as The President's Keepers comes along, common sense should determine order quantities, not forward cover.



## See Also:

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# Cost of Sales



*"The total amount paid for the product sold."*

## Calculation:



$\text{COS} = \text{Opening stock} + \text{Purchases} - \text{Closing Stock}$

Example: if you start the month with R1 million worth of stock, purchase another R2 million during the month, and you're left with R1,5 million at the end of the month, your COS is R1,5 million

Relevance to buying: for the buyer, this does not have a practical day-to-day application. It starts mattering when you do the accounts, and is influenced by how trade discounts and margins are managed by buyers.

## Tip:

As a buyer, you will need understand COS <sup>TIP</sup> for the sake of the finance department – be sure you know what it means, and can report on it accurately.

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- **Percentage contribution**  
(<https://lms.tuit.co.za/courses/317/pages/percentage-contribution>)



# Percentage Contribution



*"The slice of the pie, as it were. I.e. what percentage did A or B contribute towards the total figure."*

## Calculation:

$\% \text{ Contribution} = (\text{Figure A} / \text{Total}) * 100$

Relevance to buying: you will use this report on the contributions to sales of a category, vendor, language, country of publication, single title and even author. It is also used for [market share](https://en.wikipedia.org/wiki/Market_share) [. \(https://en.wikipedia.org/wiki/Market\\_share\)](https://en.wikipedia.org/wiki/Market_share) (e.g. how many of SA's sales of a title came from a particular bookshop).

## Tip:

Make use of this often in your sales analysis – you will be surprised how often our perceptions are completely skewed <sup>TIP</sup> by sentiment or rumour.



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- [Further Reading](https://lms.tuit.co.za/courses/317/pages/further-reading) (https://lms.tuit.co.za/courses/317/pages/further-reading)



# Conclusion and Downloads for Handy Calculations



Well done! You have now concluded this Module.

If you participated in all the items in this module you should now be familiar with the topics discussed in the module:

- Stock Turn
- Sell-through
- Margin
- Mark-up
- Trading density
- Forward cover
- Cost of sales
- Percentage contribution

To download the content and exercises for this module, click on the following link to go to the downloads page.

**[Downloads Page \(https://lms.tuit.co.za/courses/317/pages/downloads\)](https://lms.tuit.co.za/courses/317/pages/downloads)**

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