





The "Key" To Managing Music Product Inventory

presented by
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You can effectively manage your entire inventory by using 3 simple calculations: 

- Gross Profit
- Inventory Turns
- Gross Margin Return on Investment (GMROI)



Gross Profit

Sales	\$ 1,000,000	100%
Cost goods sold (650,000)	65%
Gross Profit	\$ 350,000	35%



Inventory Turns

Cost of goods sold	(\$ 600,000)

Avg Inventory cost on hand	(\$ 300,000)

= Inventory turned "2 Times"
 ...or, it took you 6 months to turn over your entire inventory (in \$\$\$)

GMROI



Gross Profit	(\$ 400,000)
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Avg Inventory cost on hand	(\$ 300,000)

= **GMROI of \$1.33**

...or, you earned \$1.33 for every \$1.00 you invested in inventory

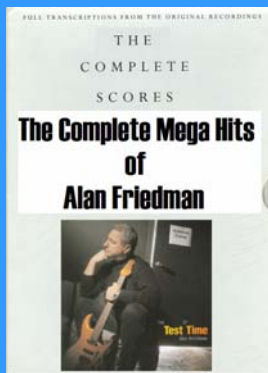
GMROI Goal:



Most retailing experts
(across industries) suggest
a GMROI target of

\$1.50 or better

Let's test our new inventory
management calculations ...



Let's test our new inventory
management calculations ...



- In January of last year, you bought four (4) copies of "The Complete Score of Alan Friedman"; the book has a list price of approximately \$80
- Your cost was \$50, including freight
- You sold all 4 copies by the end of the year, as follows...

INVENTORY REPORT				
MON	QUANTITY		INV DOLLARS	
	Sold	On-hand	Sold	On-hand
		4		\$ 200
JAN	0	4	\$ -	\$ 200
FEB	0	4	\$ -	\$ 200
MAR	0	4	\$ -	\$ 200
APR	-1	3	\$ (50)	\$ 150
MAY	0	3	\$ -	\$ 150
JUN	0	3	\$ -	\$ 150
JUL	-1	2	\$ (50)	\$ 100
AUG	0	2	\$ -	\$ 100
SEP	0	2	\$ -	\$ 100
OCT	0	2	\$ -	\$ 100
NOV	-1	1	\$ (50)	\$ 50
DEC	-1	0	\$ (50)	\$ -
			AVG INV	\$ 125

Gross Profit		
Sales	\$ 320	100.0%
Cost goods sold	(200)	62.5%
Gross Profit	\$ 120	37.5%

Inventory Turns	
Cost of goods sold	(\$ 200)

Avg Inventory cost on hand	(\$ 125)
= Inventory turns of 1.6 Turns	
...or it took you an average of 228 days (or 7.5 months) to turn over the entire "Alan Friedman Score" inventory	

GMROI	
Gross Profit	(\$ 120)

Avg Inventory cost on hand	(\$ 125)
= GMROI of \$0.96	
...or, your earned \$0.96 for every \$1.00 you invested in the "Alan Friedman Score" inventory	

INVENTORY REPORT				
MON	QUANTITY		INV DOLLARS	
	Sold	On-hand	Sold	On-hand
		4		\$ 200
JAN	-1	3	\$ (50)	\$ 150
FEB	0	3	\$ -	\$ 150
MAR	0	3	\$ -	\$ 150
APR	-1	2	\$ (50)	\$ 100
MAY	0	2	\$ -	\$ 100
JUN	0	2	\$ -	\$ 100
JUL	-1	1	\$ (50)	\$ 50
AUG	0	1	\$ -	\$ 50
SEP	0	1	\$ -	\$ 50
OCT	-1	0	\$ (50)	\$ -
NOV	0	0	\$ -	\$ -
DEC	0	0	\$ -	\$ -
AVG INV				\$ 75

Gross Profit		
Sales	\$ 320	100.0%
Cost goods sold	(200)	62.5%
Gross Profit	\$ 120	37.5%

Inventory Turns	
Cost of goods sold	(\$ 200)

Avg Inventory cost on hand	(\$ 75)
= Inventory turns of 2.7 Turns	
...or it took you an average of 137 days (or 4.5 months) to turn over the entire "Alan Friedman Score" inventory	

GMROI	
Gross Profit	(\$ 120)

Avg Inventory cost on hand	(\$ 75)
= GMROI of \$1.60	
...or, your earned \$1.60 for every \$1.00 you invested in the "Alan Friedman Score" inventory	

Alan's Inv Mgt Goals:

- Gross profit = "it depends" on your inventory turns
- Inv turns = "it depends" on your gross profit percent

Most retailing experts (across industries) suggest GMROI targets of...

\$1.50 or better



The Secret Weapon:
a "1-Page Solution"
to Managing Your Inventory

BIG AL'S HOUSE OF ROCK & SCHLOCK
SALES and INVENTORY ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008

	A	B	(A - B) C	(C / A) D	E	(B / E) F	(A/TotalA) G	(E/TotalE) H	(C / E) I
	Sales	Cost of Goods Sold	Gross Profit (\$)	Gross Profit (%)	Average Inventory	Inv Turns	Sales as % of Tot Sales	Inventory as % of Tot Inv.	(GMROI) Gr Margin ret on inv.
Guitars - electric	\$ 300,000	\$ 235,000	\$ 65,000	22%	\$ 330,000	0.71	12%	21%	\$ 0.20
Guitars - acoustic	125,000	85,000	40,000	32%	40,000	2.13	5%	3%	\$ 1.00
Basses	100,000	67,000	33,000	33%	40,000	1.68	4%	3%	\$ 0.83
Amps	150,000	110,000	40,000	27%	105,000	1.05	6%	7%	\$ 0.38
Drums and percussion	150,000	115,000	35,000	23%	110,000	1.05	6%	7%	\$ 0.32
Keyboards	300,000	213,000	87,000	29%	190,000	1.12	12%	12%	\$ 0.46
Pianos and organs	425,000	240,000	185,000	44%	440,000	0.55	17%	28%	\$ 0.42
Band and orchestra instruments	100,000	75,000	25,000	25%	55,000	1.36	4%	4%	\$ 0.45
Recording equipment	275,000	200,000	75,000	27%	105,000	1.90	11%	7%	\$ 0.71
Microphones	50,000	35,000	15,000	30%	10,000	3.50	2%	1%	\$ 1.50
Sound reinforcement	175,000	95,000	80,000	46%	15,000	6.33	7%	1%	\$ 5.33
Effects	75,000	55,000	20,000	27%	25,000	2.20	3%	2%	\$ 0.80
Print Music	110,000	65,000	45,000	41%	55,000	1.18	4%	4%	\$ 0.82
Accessories	130,000	70,000	60,000	46%	30,000	2.33	5%	2%	\$ 2.00
TOTALS	\$ 2,465,000	\$ 1,660,000	\$ 805,000	32.66%	\$ 1,550,000	1.07			\$ 0.52