

# How to Calculate ROI and Profit Margin Percentages



Part of knowing your numbers in your Amazon business is to know the **return on investment (ROI)** or **profit margin** you are making on your inventory items. You can look at the ROI or profit margin for individual items or for your entire inventory. I'll show you below how to do a simple calculation that can be applied to either individual items or a group of items.

**Note:** Each person has their own preference for whether they like to talk about the ROI of an item or the profit margin of an item. Both numbers are useful to telling you how profitable your inventory investment is.

**Let's use a hypothetical item in the Amazon catalog to calculate our example.**

We bought the item for \$10, so our **COGS (cost of goods sold)** is \$10.

We want to sell the item for \$30, so our selling price or **total revenue** is \$30.

Amazon takes fees out of that \$30 total revenue, so we get **\$22.48 in seller proceeds**.

To find the dollar amount of our net profit, we subtract \$10 COGS from \$22.48 in seller proceeds, so our **net profit amount** is \$12.48.

Using the above numbers we can calculate ROI percentage or profit margin percentage.

## How to Calculate ROI Percentage

**net profit divided by COGS,  
then multiply the results by 100 to get a percentage**

$$12.48 / 10 = 1.248$$
$$1.248 \times 100 = 124.8\% \text{ ROI}$$

## How to Calculate Profit Margin Percentage

**net profit / total revenue,  
then multiply the results by 100 to get a percentage**

$$12.48 / 30 = 0.416$$
$$0.416 \times 100 = 41.6\% \text{ profit margin}$$