

Margins & Markups

Many business that buy and sell products use Markups to decide on their prices. This is not the same thing as Margin.

Margin

The margin is the percentage of the final selling price that is remaining after deducting the direct costs. The example on the next slide shows a margin of 39% after deducting direct food use to make the sandwich and 31% if you also first deduct the direct labour cost.

Markup

A markup is the percentage of the cost price you add to get the selling price. In the example on the next slide the food cost of \$3.05 x the 1.64 (64% Markup) is used to establish a selling price of \$5.

Pricing Tools From
the Shock & Awe
Presentation



Margins & Markups

Selling Price for one foot-long veggie-turkey sandwich					\$5.00
Cost of Goods Sold	Price	Unit	Used	Cost	
VeggieTurkey (1/4 lb.)	\$3.20	per lb.	1/4 lb.	\$0.80	
Cheese (5 Slices)	\$2.88	24 pack	5 slices	\$0.60	
Tomato (1/4 lb.)	\$1.60	per lb.	1/4 lb.	\$0.40	
Pickles (2)	\$0.12	each	2	\$0.24	
Lettuce (2 oz)	\$1.28	per lb.	2 oz	\$0.16	
Bread (1 long roll)	\$3.96	dozen	1	\$0.33	
Miracle Whip (1 oz)	\$3.84	32 oz jar	1 oz	\$0.12	
Mustard (1/2 oz)	\$2.40	20 oz jar	1/2 oz	\$0.06	
Salt (2 shakes)	\$1.00	per lb.	1/100 lb	\$0.01	
Napkins (2)	\$3.00	100 pack	2	\$0.06	
Paper Wrapping (2 foot)	\$0.10	per foot	2 feet	\$0.20	
Plastic Bag (1)	\$7.00	100 roll	1 bag	\$0.07	\$3.05
Contribution Margin					\$1.95
Direct Labour (3 min)	\$8.00	per hr.	1/20 hr		\$0.40
Costs Including Direct Labour					\$1.55

Markup 64%

Margin 39%

Margin 31%

Want more?

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