

HOW TO CALCULATE MARK UP VS MARGIN

Using your example of a product costing \$2.51 to purchase from the supplier and you are selling for \$2.80 in your business. And that the prices are tax inclusive.

To work out Mark Up follow the steps below:

Subtract \$2.51 from \$2.80 which equals 0.29 cents then divide 0.29 by 2.51 and hit the percentage (%) key. This will give you a mark up answer of 11.55%

To work out Margin follow the steps below:

Subtract \$2.51 from \$2.80 which equals 0.29 cents then divide by 2.80 and hit the percentage (%) key. This will give you a margin answer of 10.35%

At the moment the example above is costing you to have the product on the shelf.

Notes:

- When calculating these you need to consider any freight and/or packaging costs and include these in the cost to you for the product.
- Rule of thumb when putting prices on your goods is to ask the following question:
- Is the product available from the local dairy or supermarket? If no, then your markup can be as high as 35%. If the answer is yes, then your markup can be up to 25%