

How do the calculations on the retail tab work

Markup Calculations

A markup calculation is a calculation that does its math from “the bottom up”. This means that it refers to the dollar value increase as a percentage of cost. The 2 codes that use the markup calculation style are W and L. The cost used is different for each one. W uses base cost, and L uses actual costs otherwise known as the landed cost.

Calculation

$$\text{COST} + (\text{COST} \times (\text{Percentage}))$$

Example 1

- Where COST = 100
- Where Markup Percentage = 100

$$\begin{aligned}\text{COST} + (\text{COST} \times (\text{Markup Percentage})) &= \\ 100 + (100 \times 100\%) &= \\ 100 + (100 \times 1) &= \\ 100 + (100) &= \\ 200\end{aligned}$$

Example 2

- Where COST = 100
- Where Markup Percentage = 150

$$\begin{aligned}\text{COST} + (\text{COST} \times (\text{Markup Percentage})) &= \\ 100 + (100 \times 150\%) &= \\ 100 + (100 \times 1.5) &= \\ 100 + (150) &= \\ 250\end{aligned}$$

Explanation

The 100% markup scenario is a great example because most retailers know that a 100% markup is double the price. You can think of the calculation of markup as a way to compare the cost to the increase in terms of a percentage.

A common mistake in the calculation can happen if you are used to thinking about things in terms of percentage of cost. if I have a cost of \$100 and a price of \$300 it is intuitive to say that the price is cost x 300%. The problem with that is that the markup is only 200%. Test it using the formula above. Please look at our price code X for this type of calculation.

Margin Calculations

A margin calculation is a calculation that does its math from “the top down”. This means that it refers to the dollar value increase as a percentage of retail. The 2 codes that use the margin calculation style are H and M. The cost used is different for each one. H uses base cost, and M uses actual costs otherwise known as the landed cost.

Calculation

$$\text{Gross margin} = (\text{Revenue} - \text{Cost of goods sold}) / \text{Revenue}$$

Example 1

- Where COST = 100
- Where Margin Percentage = 50

$$\text{Gross margin} = (\text{Revenue} - \text{Cost of goods sold}) / \text{Revenue}$$
$$200 - 100 / 200 = .50$$

Example 2

- Where COST = 100
- Where Margin Percentage = 60

$$\text{Gross margin} = (\text{Revenue} - \text{Cost of goods sold}) / \text{Revenue}$$
$$250 - 100 / 250 = .60$$

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