

Name _____

Price Unit

Markup

Learning Target: *I can calculate markup.*

Markup

- Difference between product's cost and price
- Expressed as %
- Example:

Book costs \$10

Markup 40%

40% of \$10 = \$4

Price \$10 (cost) + \$4 (markup) = \$14



Manufacturers Suggested Retail Price (MSRP)

- Manufacturers must set prices to cover their costs
- Manufacturers must consider retail prices and work backwards



CALCULATING THE WHOLESALE PRICE

Manufacturer's suggested retail price (MSRP)	\$100
Retailer's markup (40% of retail price)	— \$40
Wholesaler's price to retailer (subtract markup from MSRP)	= \$60
Wholesaler's markup (20% of wholesale price)	— \$12
Manufacturer's price to wholesaler * (subtract wholesaler's markup from wholesaler's price)	= \$48
* This amount must cover costs, expenses, and profit	

Practice

- Games R Us has create a new 3-D video game, called Visual Combat. The suggested retail price is \$100. If the trade discounts are 25% for retailers and 10% for wholesalers, the wholesalers would pay how much for each game?

MSRP \$ _____

Retailer's Markup \$ _____

Wholesaler's Price to Retailer \$ _____

Wholesaler's Markup \$ _____

Manufacturer's Price to Wholesaler \$ _____



- Tropical Smoothies is introducing a new smoothie Mango Mush. The suggested retail price for a 5 gallon mix is \$60. If the trade discounts are 30% for retailers and 20% for wholesalers, the wholesalers would pay how much for each 5 gallon mix?

MSRP \$ _____

Retailer's Markup \$ _____

Wholesaler's Price to Retailer \$ _____

Wholesaler's Markup \$ _____

Manufacturer's Price to Wholesaler \$ _____



CALCULATING THE RETAIL PRICE

Cost of producing the item	\$40
Manufacturer's expenses and intended profit (<i>20% of cost</i>)	<u>− \$8</u>
Manufacturer's price to wholesaler (<i>Cost plus expenses and intended profit margin</i>)	= \$48
Wholesaler's markup (<i>25% of price wholesaler paid for item</i>)	<u>+ \$12</u>
Wholesaler's price to retailer (<i>Price to wholesaler + markup</i>)	= \$60
Retailer's markup (<i>66.67% based on price paid to wholesaler</i>)	<u>+ \$40</u>
Retailer's base price to consumer	= \$100