MARKUP TABLE

The markup you need can only be determined by you knowing your market and overhead. To assist you in computing markup correctly, we include the following table.

To use this table, find your margin or gross profit percent in the left hand column. Multiply the cost of the item by the corresponding number in the right hand or markup column. The result is the correct selling price.

Margin percent of selling price:	Markup multiplier:
25%	1.333
30%	1.429
35%	1.539
40%	1.667
45%	1.825
50%	2.000

For example, if it costs $6.00 to make your product, and you want that to have a margin of 30%, you need to sell it for ($6.00 x 1.429) = $8.57.

If your desired margin is not available, use the following formula:

$$Mult = \frac{1}{1-Mar}$$ where Mult is the multipler, and Mar is the margin percent desired.

For example, if you want an 80% margin, use a multiplier of

$$\frac{1}{1-0.80} = \frac{1}{0.20} = 1 \div 0.20 = 5.00$$

If you want a 15% margin, use a multiplier of

$$\frac{1}{1-0.15} = \frac{1}{0.85} = 1 \div 0.85 = 1.1764$$

Going back to the beginning, to get that 15% margin on an item costing $12.00, price it at ($12.00 x 1.1764) = $14.12.

It Costs How Much?

Operating Cost Per Day (OCpD):

$$OCpD = \frac{U + R + I + P + E + M}{NDpY}$$

where:

U = Utilities Cost Per Year,
R = Rent Per Year,
I = Insurance Per Year,
P = Phone Per Year,
E = Equipment and Leases Per Year,
M = Miscellaneous Fixed Expenses Per Year,
NDpY = Number of Days Per Year (i.e., 220, 240, etc.)

Operating Cost Per Minute (OCpM):

$$OCpM = \frac{OCpD}{NHpD \times 60}$$

where:

NHpD = Number of Hours Per Day you are open (i.e., 8 hours)

Salary Per Day (SpD):

$$SpD = \frac{HpW \times S \times 52}{NDpY}$$

where:

HpW = Hours Per Week you are open (i.e., 40 hours),
S = Salary per hour (i.e., $10.00 per hour),
NDpY = Number of Days Per Year (i.e., 220, 240, etc.)

Labor Cost Per Minute (LA):

$$LA = \frac{SpD}{NHpD \times 60}$$

where:

SpD = Salary Per Day
NHpD = Number of Hours Per Day you are open (i.e., 8 hours)

Selling Price (SP):

$$SP = \frac{(NMC \times OCpM) + M + (LA \times NMC) \times P}{100\%}$$

where:

NMC = Number of Minutes to Complete Item (i.e., 30 minutes),
OCpM = Operating Cost Per Minute,
M = Fixed Costs (Actual Materials, Billing, Shipping, Label, etc.),
LA = Labor Cost Per Minute,
P = Profit You Want to Make (i.e., 1.539 for 35% markup, etc.)

<u>Example Situation :</u>
U = $564.00 Utilities Cost Per Year (or 12 x $47.00 per month),
R = $6600.00 = Rent Per Year (or 12 x $550.00 per month),
I = $250.00 = Insurance Per Year,
P = $1500 = Phone Per Year (or 12 x $125.00 per month),
E = $4800 = Equipment and Leases Per Year (12 x $400.00 per month),
M = $3967.00 = Miscellaneous Fixed Expenses Per Year,
NDpY = 240 days = Number of Days Per Year,
NHpD= 8 hours = Number of Hours Per Day you are open
HpW = 40 hours = Hours Per Week you are open,
S = $15.00 = Salary per hour,

$$OCpD = \frac{U + R + I + P + E + M}{NDpY}$$

$$OCpD = \frac{564 + 6600 + 250 + 1500 + 4800 + 3967}{240}$$

$$OCpD = \frac{17681}{240} = \$73.67$$

Operating Cost Per Day is $73.67.

$$OCpM = \frac{OCpD}{NHpD \times 60}$$

$$OCpM = \frac{73.67}{8 \times 60} = \frac{73.67}{480} = \$0.1535$$

Operating Cost Per Minute = $0.1535, or 15.35¢ per minute.

$$SpD = \frac{HpW \times S \times 52}{NDpY}$$

$$SpD = \frac{40 \times 15 \times 52}{240} = \$130.00$$

Salary Per Day = $130.00

$$LA = \frac{SpD}{NHpD \times 60}$$

$$LA = \frac{130.00}{8 \times 60} = \frac{130.00}{480} = \$0.2708$$

Labor Cost Per Minute = $0.2708, or 27.08¢ per minute.

Now let's price a job in this example situation :

Your past experience tells you that from start to finish, it takes 20 minutes to engrave a plaque for your customer. The plaque costs $12.00 from your distributor, and you want to make a 35% profit on the job.

NMC = 20 = Number of Minutes to Complete Item,
M = $12.00 = Fixed Costs (Actual Materials, Billing, Shipping, Label, etc.),
P = 1.539 (for 35% markup) = Profit You Want to Make

$$SP = \frac{(NMC \times OCpM) + M + (LA \times NMC) \times P}{100\%}$$

$$SP = \frac{(20 \times 0.1535) + 12 + (0.2708 \times 20) \times 1.539}{100\%}$$

$$SP = \frac{(3.07) + 12 + (5.416) \times 1.539}{100\%} = 3.07 + 12 + 8.335 = \$23.41$$

In this case, the job should be priced at $23.41.

FIXED AND VARIABLE EXPENSES

Below is a list of possible fixed and variable expenses.

ACCOUNTING / LEGAL
ADVERTISING
AUTO EXPENSES
BAD DEBTS
BANK CHARGES
DUES & SUBSCRIPTIONS
EDUCATION
EQUIPMENT / LEASES
INSURANCE
INTEREST EXPENSE
MAINTENANCE
MISCELLANEOUS
OFFICE SUPPLIES
FICA EXPENSE
STATE U.C. EXPENSE
TAXES – PERSONAL PROPERTY
RENT
SALARIES – HOURLY
SALARIES – OFFICERS
SALES TAX
TELEPHONE
TRAVEL & PROMOTION
MEALS & ENTERTAINMENT
UTILITIES
INCOME TAXES

FIXED vs. VARIABLE COSTS

There is no single "right" answer as to what is a FIXED cost and what is a VARIABLE cost. One good rule of thumb is that, if the cost to you changes with the number of goods sold, it's a VARIABLE cost. If not, it's a FIXED cost.

For the sake of time, we lumped some variable costs into miscellaneous. When you put actual figures together, make a budget for variables by averaging last year's costs.

What we're going to cover will be mainly FIXED costs. This is meant only to give you a starting point which, with a little work, can be fine tuned for your business. Any future changes can be quickly adjust to help you make intelligent business decisions on everything from new equipment to new locations.