

Gross Margin Worksheet



Markup % and gross margin % are two completely different methods used to set retail prices and are commonly confused. As a retailer, you should be familiar with each method and understand how to reach your target profit margin using either one.

Suggestions for Pricing Inventory

In order to properly price inventory, you must first know your gross margin % target and the cost of the item (including freight). The following table uses an item that costs \$1.00 to illustrate how to target a desired gross margin % when pricing. Notice that it takes a significantly higher markup % to achieve your desired profit margin.

Target GM %	Item Cost	/	Divide Cost By:	=	Retail Price	Associated Markup %
20%	\$1.00		.8		\$1.25	125%
25%	\$1.00		.75		\$1.33	133%
30%	\$1.00		.7		\$1.43	143%
35%	\$1.00		.65		\$1.54	154%
40%	\$1.00		.6		\$1.67	167%
50%	\$1.00		.5		\$2.00	200%
55%	\$1.00		.45		\$2.23	223%
60%	\$1.00		.4		\$2.50	250%