



# 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%