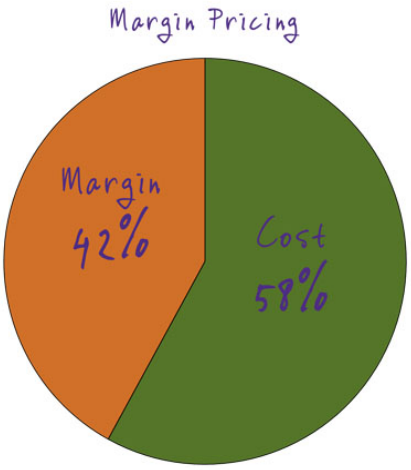
Margins Quicksheet

Margins are useful because they describe the percentage of the selling price of a product that a reseller *didn't* spend to obtain a product. The margin has to cover all of the reseller's expenses related to selling produce. Natural food stores in my area use a 42% margin as their basis for calculating retail prices; if they buy a product for $0.58, they will sell that product for $1.00, and have $0.42 left to cover the direct (labor, bags, display items) and indirect (electricity, rent, cash registers) expenses related to selling the produce.

Margins are usually related to the risk and expense of selling the produce. Wholesale distributors have less expenses per unit, so they calculate prices using a lower margin; in my area, that's about 23%.



If you know the price of a product at one place in the marketing chain, you can use some math to estimate the price of that same product at different points in the marketing chain.

Cost for the Product	Selling Price of the Product
cost = price x (1 - margin %)	price = cost / (1 - margin %)
cost = price x (1 - margin %) = 2.49 x (1 - 0.42) = 2.49 x 0.58 = 1.44	price = cost / (1 - margin %) = 27.00 / (1 - 0.23) = 27.00 / 0.77 = $35.06
cost = 2.49 x (100 - margin) % = 2.49 x (100 - 42) % = 2.49 x 58 % = 2.49 x 0.58 = 1.44	