Marketing Virtual Learning

HS/Marketing - Pricing

Tuesday, April 28, 2020

Lesson Objectives:

1.   Determine discounts and allowances that can be used to adjust base prices.
2.   Practice mark-up pricing technique.

Lesson Instructions:

1.   Take notes over the factors that affect pricing strategies.
2.   There are questions on slides 6 & 7. Create a google doc with your answers and share with your instructor.

Markup is the difference between the price of an item and its cost. It is generally expressed as a percentage. The markup in dollars is added to the cost to determine the price:

Cost + markup = Price

Price - cost = markup

Example: Your school store buys a watch for $7.50 and sells it for $16.00. How much is the markup?

16 (price) - 7.50 (cost) = 8.50 (markup)

Markup Questions - either use the PDF or answer on your own paper or in a google doc.

1. Tim's Jewelry buys a gold ring for $50.00. They then mark it up $150. What is the retail price of the ring?

2. Cheryl buys a new blouse for $20.00. If its markup was $7, what did the retailer pay for the blouse?

3. The cost of copier paper is $28.00 a ream. School supply store sells it for $37.95. What is the markup?

Markup Percentage Formula

The formula for calculating markup percentage can be expressed as:

$$\text{Markup Percentage} = \frac{\text{Sales Price} - \text{Unit Cost}}{\text{Unit Cost}} \times 100$$

For example, if a product costs $10 and the selling price is $15, the markup percentage would be:

$$\frac{(\$15 - \$10)}{\$10 = 0.50} \times 100 = 50\%.$$

Example:

John is the owner of a company that specializes in the manufacturing of office computers and printers. He recently received a large order from a company for 30 computers and 5 printers. In addition, the company tasked John with installing software into each of the computers.

The cost per computer is $500 and the cost per printer is $100. The cost of installing the software to run on all the computers is $2,000. If John wants to earn a 20% profit for the order, what would be the price he needs to charge?

Step 1: Calculate the total cost of the order (computers + printers + installation of software). $500 x 30 + $100 x 5 + $2,000 = $17,500 (total cost).

Step 2: Determine the selling price by using the desired percentage of 20%. 20% = (Selling Price – $17,500) / $17,500 therefore Selling price must be: $21,000 (selling price).

Therefore, for John to achieve the desired markup percentage of 20%, John would need to charge the company $21,000.

% Markup Questions - either use the PDF or answer on your own paper or in a google doc.

For the following problems calculate percentage markup for each company.

Item	Sales Price	Cost	Percentage Markup
A	$1.00	$.80	
B	$6.00	$4.50	
C	$24.00	$16.00	
D	$231.99	$144.99	
E	$464.50	$278.70	