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How to Calculate a Price Markup



by eHow Business Editor

Introduction

Turning a profit is paramount when running a business. In order to make a profit, you need to calculate a markup on the price you are going to charge for goods or services. Determine what price markup to charge for your product or service by following these steps.

Instructions

Difficulty: Moderate

Things You'll Need

[Calculator](#)
[Product/service cost information](#)
[Industry markup information](#)

Steps

- Step One**
Determine your product/service cost. How much did it cost you? As an example, let's assume the product cost is \$1.40.
- Step Two**
Determine the percentage markup you wish to apply. Research your industry to apply a markup that will be competitive. In this example, we will use 30 percent.
- Step Three**
Convert the percentage markup to a decimal. In this case, a 30 percent markup would translate to 0.30 (30 divided by 100).
- Step Four**
Subtract the decimal in STEP 3 from 1. In this example, 1 minus 0.30 equals 0.70.
- Step Five**
Compute the total selling price by taking the cost from STEP 1 and dividing it by the result from STEP 4. In this example, \$1.40 is divided by 0.70. The result is \$2.00, which should be the total selling price.
- Step Six**
Calculate the price markup by subtracting the product cost from the selling price. In this example, the \$2.00 selling price minus the \$1.40 product cost gives you a price markup of \$0.60.

Overall Tips & Warnings

Include all necessary expenses in the total cost of your product to ensure your markup will be profit.

Make sure you don't overprice your product. The selling price needs to be competitive in the marketplace.

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