**Margin vs. Markup**

I have witnessed firsthand that many dealers believe margin and markup are the same thing. This couldn’t be any further from the truth.

Take the new TILT Olympus pricing on the elongated seat for example. Let’s assume a dealer wants to make a 40% margin. The calculation would be as follows.

**Margin calculation:**

Olympus price of $595.95 / .6(60%) = **$993.25** the selling price required to achieve a 40% margin.

[The .6 or 60% is the difference between the desired gross profit margin and 100%. Therefore 100% minus 40% desired GP = 60%]

**Markup calculation (sometimes referred to as cost plus)**:

Olympus price of $595.95 + .4(40%) = **$834.33**

Using the same net cost there is a difference between the two equations of $158.92. The dealer in the Markup example just shorted himself $158.92 on each TILT sale when he thought he was making a 40% margin. He actually only made a 28% margin. If the dealer sells 4 TILTS per month or 48 Tilts for the year he would have cost himself $7,628.16.

In the Markup example a dealer can achieve a 40% margin but the product would need to be marked up 67%. When negotiating or discussing a pricing strategy with a dealer, make sure you are speaking the same language between margin and markup. (This is why when you walk into a department store and you see 75% off you think, how can they sell it so low? It’s because it’s marked up 200% to achieve the desired margin).

One last example…how to determine the margin when retail and dealer cost are known.

MSRP on the TILT elongated seat is $995.95. We know Olympus is $595.95. The calculation is ($995.95 MSRP - $595.95 Olympus) / $995.95 MSRP = 40% margin