



Markup vs Margin

When you're developing your pricing strategy, projected financial statements or even calculating financial ratios on your past year's performance, you're going to hear the terms markup and margin. Two important terms, with very different meanings. These are two terms you do not want to mix up!

Markup refers to the profit made from a good/service, related to its cost.

As a percentage, markup is calculated as:
$$\frac{\text{Selling Price} - \text{Cost}}{\text{Cost}}$$

Here's an example:

Product Cost = \$ 700 Selling Price = \$1000

Markup = $\frac{\$1000 - \$700}{\$700} = 42.9\%$

Margin refers to the profit made from a good/service, related to its selling price.

As a percentage, margin is calculated as:
$$\frac{\text{Selling Price} - \text{Cost}}{\text{Selling Price}}$$

Let's apply this calculation to the last example:

Margin = $\frac{\$1000 - \$700}{\$1000} = 30\%$

So we can see that **Markup** and **Margin** are very different, and can't be used interchangeably in calculations!

Here's a quick-reference markup vs margin chart:

Markup %	Margin %	Markup %	Margin %
10	9.0	60	37.5
20	16.6	65	39
25	20	70	41.1
30	23	75	42
35	25	80	44.4
40	28.5	85	45
45	31	90	47
50	33.3	95	48.7
55	35	100	50