

# Margin Vs. Markup



(How much you get to keep after expenses)



(How much you need to add to the cost to make a profit)



Take a simple example of an hamburger:

Hamburger price: \$12

Cost to make the hamburger: \$ 4

## PROFIT MARGIN

The difference between the product price and the product cost.

Product price - product cost = gross profit

$$\$12 - \$4 = \$8 \text{ gross profit}$$

Gross profit/ price = margin %



$$\$8/\$12 = .66 \text{ or } 66\%$$

**VS**

## PRODUCT MARKUP

How much you add to the cost of the product to determine the price - expressed as a percentage.

Markup = Profit/cost

$$\$8 / \$4 = 2$$

or

$$200\%$$

