



80%

of UK companies fail within their first year

1 IN 5

fail because they mess up their pricing

120,000

Which is
companies each year

HOW TO CALCULATE YOUR PROFIT & YOUR MARGIN

Gross Profit

Gross Profit = Revenue - Costs of Goods* - Promos/Media Spend

e.g. £1.60 - £0.70 - £0.05 = £0.85
*COGs

Your COGs need to include...

The cost of making your product
Packaging
Storage, picking and packing
Delivering the product

% Margin

% Margin = (Gross Profit/Revenue) x 100

e.g. £0.85/£1.60 x 100 = 53%

Your margin needs to cover...

Overheads (rent, salaries)
Sales and marketing
Net **PROFIT!**

Most businesses aim for a 40-50% margin
So if 100% is your sale price to retailer/wholesaler then
45% is Your Margin
55% is COGs

How about the retailer's margin?

Retailer % Margin = ((RRP - What price they pay you)/RRP) x 100

e.g. (£3.10 - £1.60)/£3.10 x 100 = 48%

But never talk to the retailer about the margin

Why Not? Retailers get to set the selling price, meaning they're always in control of their margin. Instead of talking about margin...

Talk about cost price
Talk about promotions
Talk about cash investment