

Numbers and Operations: Retail Store Manager

Fred Meyer

Job Description: Retail store operations including pricing control, inventory control, employee supervision, customer service and loss prevention. Budgeting and scheduling are also common duties.

Problem:

1. In a retail store, the profit on a product is calculated as a percent of the retail price to the customer. This is called **margin**.

If the store pays \$8.00 for a music CD and wants to make a 20% margin, what would the retail sales price need to be?

2. Margin differs from **markup**. Markup is the percentage of profit based on the cost of the item while margin is based on the sales price of the item.

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Generally speaking, businesses use the margin method to calculate the sales prices of their merchandise.

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Solution:

1. Retail price with a 20% margin:

Divide the cost of the CD by 100% less the margin (20%)

$$\$8.00 / (100\% - 20\%) = \$8.00 / .80 = \mathbf{\$10.00 \text{ retail sales price}}$$

2. Retail price with a 20% markup:

Multiply the cost of the CD by 100% plus the markup (20%)

$$\$8.00 \times (100\% + 20\%) = \$8.00 \times 1.2 = \mathbf{\$9.60 \text{ retail sales price}}$$