

Profit and Pricing Guide

This guide explains the same formulas used by the browser tool and example workbook.

Required selling price

With non fee cost C, percentage fee r, flat fee f and target contribution margin m, required selling price is $(C + f)$ divided by $(1 - r - m)$. Reject inputs where $r + m$ is 100 percent or more.

Input	Example
Non fee cost	\$40.00
Percentage fee	3.0%
Flat fee	\$0.30
Target margin	35.0%
Required selling price	\$65.00

Discount planning

When a planned discount d applies to the list price, divide by $(1 - d)$ as well. Keep the assumptions beside the result so the price can be reviewed later.

Scenario	Discount	Required list price	Price after discount
No discount	0.0%	\$55.97	\$55.97
Balanced	10.0%	\$72.22	\$65.00
Higher margin	10.0%	\$86.11	\$77.50

Limits

Gross margin is not net business profit. Real fees may apply to shipping, tax or a whole order. The workbook does not provide tax filings, inventory accounting, bank feeds or financial advice.