# Why do we need to know Profit Margins (%)?

Many business owners or managers will complain at the end of a financial period that their store's bottom line profits never materialized, and they barely broke even or even lost money. The same can hold true for a school store. There are a multitude of reasons why profits may not appear, but one of the major contributors to smaller than expected gains (other than shrinkage and excessive expenses) may be due to improper profit margins for your merchandise or services being sold. **Using the Category Margin % features in POSitive POS Software you can establish a % Profit Margin default that will ensure the profitability of your School-Store merchandise.**
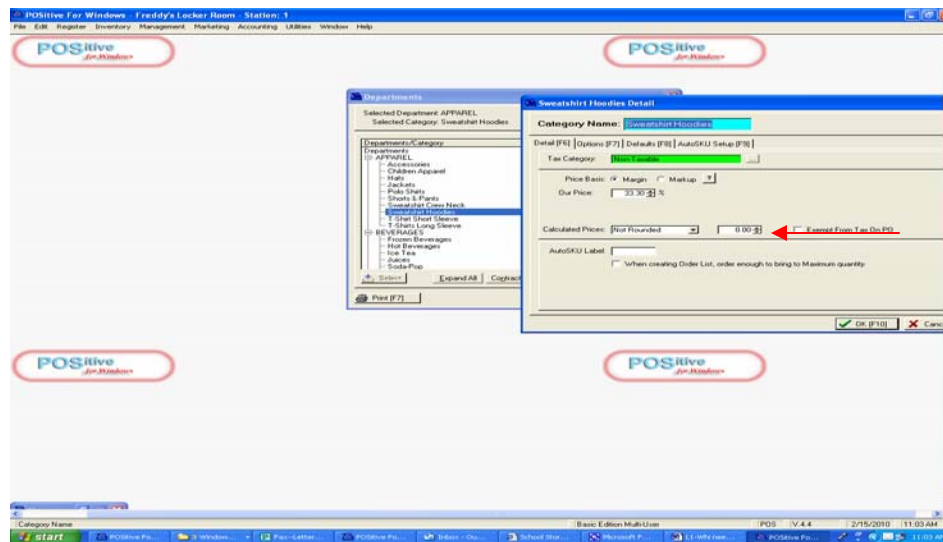
Example Above: Default 33.3% Profit Margin for Sweatshirt Category

When Adding a new item or adjusting cost figures from Vendors that raised your costs...
Use your default % Margin to calculate a retail price. This will help insure your profits
In example below, Cost is $10, given a 33.3% Profit Margin, Our Price = $15.00
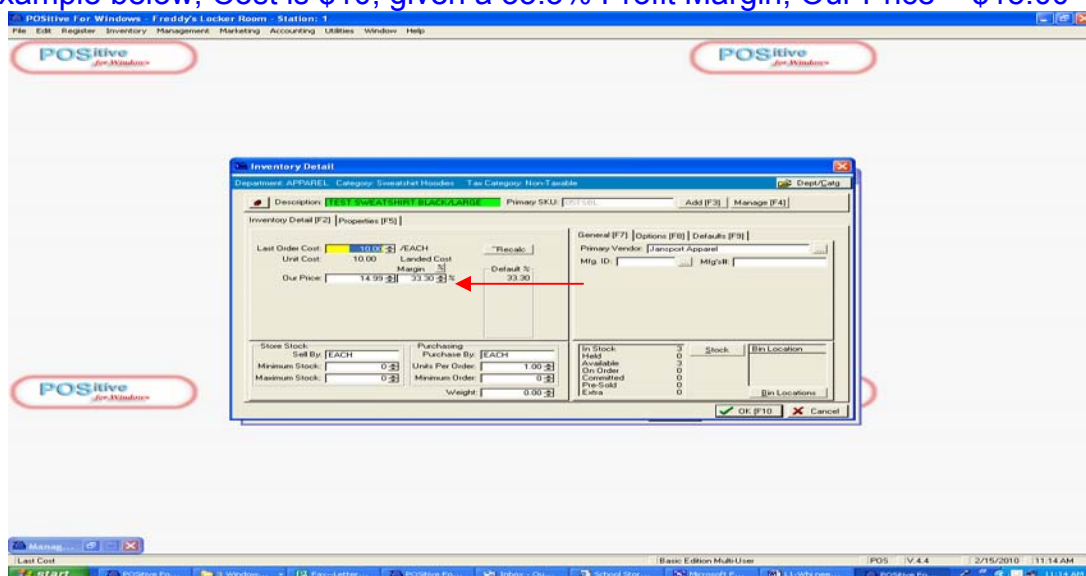
The first step in this process is to be fully aware what the term profit margin is all about. Profit Margin it is a percentage that is calculated by taking a retail price and subtracting the cost of the item and then taking this resulting $ mark-up difference and dividing it by the retail price. Marketing textbooks many times refer to this concept as % mark-up on retail. Hopefully you will have a great deal of control over your pricing and margins which will allow you to establish reasonable pricing goals. If you work in a district that controls your pricing levels, your board may require you to set a standard margin for all your merchandise, in some cases as low as 10%. **Remember, it will be difficult to fund DECA activities and new equipment purchases with slim profit % margins.**

Candy and food categories may not lend themselves to using default profit % margins, as these items may have preset retail prices that are influenced by what the market will bare (competition from vending machines or corner store…). For other categories, clothing and gifts, default profit % margins make sense (30-50%).

Remember, if a Sweatshirt costs $10.00 and you sell it for $15.00, you are making a 33.3% Profit Margin. (or 50% Mark-up on Cost)

When a new merchandise is added to your inventory list, and after a cost amount is entered, an calculated, Our Price (retail price) will display on the screen. Your option is to keep the calculated retail $, or adjust it to your situation. Using methods such as odd or even pricing, rounding to the nearest dollar, or highest .99, or whatever is the historic retail pricing-norm in your school store.

Once you have established your retail prices, you can run a report to summarize your potential profit %. After producing sales, sales history reports can be generated to summarize your actual % profit margin for a specific item, category, or entire store. Note that items that return a 100% profit margin have no cost. Items that return a negative % margin have the wrong cost – one that is higher than the Our Price (retail)

Reports that show small % margins may be a reminder for the following:
- Time to increase Retail $
- Time to shop for better costs with another Vendor
- Time to change item with a similar, more cost effective one.

As a marketing teacher, the pricing function is discussed in many areas of your curriculum. Why not incorporate these concepts into your daily store activities? If you have good control over your cost and retail figures, the margin % can be viewed and analyzed in much of your store decision making process. Marketing areas such as pricing, promotion, product planning and purchasing, and ultimately in your financial statements all will use margin data. Look for upcoming classroom activities that will focus on the use of margins in the POS software in future newsletters.

Please contact us, so we can introduce you to many Profit Margin % Reports.

Don Immen, Don@schoolpos.com
Craig Cesarone, Craig@schoolpos.com