

## Pricing Vocabulary Words (Questions & Answers)

1. **Last order cost** – The cost of an inventory item from the vendor. For a “normal” item, this is the cost of a single unit of that item. For “bulk” items, this is the cost of a grouping of items that must be purchased in a set quantity.
2. **Unit cost** – The dollar cost for a single item.
3. **Retail price** (our price) – The dollar amount you set as the normal retail price.
4. **\$ Mark-up** – The difference between the cost and the retail price of an item expressed in dollars and cents.
5. **Margin %** – The difference between the cost and retail price of an item (\$ mark-up) as a percentage of the retail price. A \$10.00 cost item at 50% margin sells for \$20.00 retail.
6. **Mark-up %** – The difference between the cost and retail price of an item (\$ mark-up) as a percentage of the cost. A \$10.00 cost item at 50% mark-up sells for \$15.00 retail.
7. **Average mark-up** – The sum \$ mark-up of all items sold divided by the number of items sold. This figure will reflect an average gross profit for all items sold.
8. **Keystone margin** – When the cost of an item is doubled to set the retail price, providing a margin of 50% on retail. (In Markup this is 100%)
9. **Discount price** – Lowering your retail price below the normal retail price that has been set.
10. **Fixed price** – When the normal retail price will not be lowered or raised for a sales promotion or for selling to an individual customer.
11. **Average cost** - The sum cost of items in stock divided by the number of items in stock. This is generally computed when your cost level may fluctuate (+/-) with new purchases.
12. **Price level(s)** – The selling price of an item. Various price levels may be established and assigned to individual customers.
13. **Default % margin by category** – When adding new items, providing a suggested minimum % margin for items within an individual category. (i.e. - setting a suggested 33.3% margin on Short Sleeve T shirts – if a new item costs \$10.00, a suggested retail of \$15.00 will appear. Stores can use this as a “guideline” in setting their retail price, but they are not set in stone and may be altered to your pricing standards.