

**FVP**

## YOUR FULL VALUE PRICING TOOL

### ADDITIONAL HELP NOTES:

- 1. This calculator lets you choose the mark-ups** you will apply for each category of goods you sell. It provides you with automated background calculations to allow you to exercise your market judgement as effectively as humanly possible. The situation needs complex calculations because of the variety of your lines and the varying importance of each of them to your profit. You use your judgement on what the market will bear for each category.
- 2. Your mark-up is the percentage of the cost** which is added to make up your price - that is, what percentage you will **'mark-up'** the cost. 'Mark-up' is always on 'Cost'. If the mark-up is 50%, multiply the cost by 1.50 times to get the selling price. If the mark-up is 120%, multiply the cost by 2.20 to get the selling price, and so on.
- 3. This process starts** by taking your existing Sales and Cost of Goods Sold information, and calculating what existing mark-ups are being achieved. You then judge whether to increase some, and lower others, or perhaps increase all of them. In the end, your objective is to reach the target overall mark-up across your whole range.
- 4. The only practical way to go is to estimate what mark-ups you can achieve in your market place,** because the mathematics is so complex, Forget what others have said - it's how your market behaves that counts. There are too many variables to calculate the best balance - only your judgement counts! Here you can see the results of each of your mark-up estimates. This process eliminates the guesswork on the profit impact of your estimates.
- 5. Take 'Sales' from your accounting records** (usually software records) for a suitable period of time to give you easily located information that is correct and up to date.
- 6. Break up your data or combine your data as required** to give you about six or eight categories of goods. Put your sales into categories of goods that have similar buyers, are similar themselves in their use and application, come from similar sources, and have similar mark-ups.
- 7. Take the Cost of Goods Sold** from your accounting records (usually software records) over the same period of time as you did for your sales data, using exactly the same categories. Sales might include items that ran down stock over the period. Purchases might include items that built up stock over the period. Use the actual 'Cost of Goods Sold'.
- 8. Your present mark-up is calculated** for you as a value actually being achieved. You will probably need a higher mark-up to achieve profit objectives, but may need a lower mark-up to achieve market penetration. Use your judgement.
- 9. Don't confuse 'margin' with mark-up.** 'Margin' is always on 'Price' - 'Mark-up' is on 'Cost'!
- 10. This calculator page cannot be used** for any pricing which includes the sale of chargeable labour.