ROUTE MAP NO. 016 · ESSENTIALS · PRICING

What is the difference between markup and margin?

8 stops | Method and worked example

Overseen by Clive Angel, over 30 years in finance

Zero2CFO

ROUTE MAP No. 016
ESSENTIALS · PRICING

What is the difference between markup and margin?

Markup is profit divided by cost. Margin is profit divided by price. A 40% markup is not a 40% margin.

8 stops | Method and worked example | Overseen by Clive Angel



01 Profit is price minus cost

Subtract cost from price. That leftover is the profit both percentages use.

Sources 1, 2

02 Markup is profit over cost

Divide profit by cost. Cost 60 and profit 40 is a 66.7% markup, exactly two thirds.

Source 1

03 Margin is profit over price

Divide profit by price. The same 40 profit on a 100 price is a 40% margin.

Source 2

04 A worked example

Cost 60, price 100, profit 40. That is a 66.7% markup and a 40% margin.

Sources 1, 2

05 Convert one to the other

Margin equals markup divided by one plus markup. So a two-thirds markup is a 40% margin.

Source 3

06 Want a 40% margin?

Did you add 40% to cost when you wanted a 40% margin?

- Yes — That is a 28.6% margin. Divide cost by 0.6.
- No — To hit 40%, divide cost by 0.6, a 66.7% markup.

Source 4

07 Price from the margin

To hit a target margin, divide cost by (1 minus the margin). For example, 60 / (1 minus 0.40) = 100.

Source 4

08 Number you can act on

You can set the price from the margin you need, not by adding that same percent to cost.

KEY: Start here | Decide | Online service | Done

SOURCES checked 13 Nov 2026

1. Method: Markup equals profit divided by cost
2. Method: Margin equals profit divided by price
3. Method: Margin equals markup divided by one plus markup
4. Method: Price equals cost divided by one minus the target margin

General information, not personal advice. Check the source before you act.

Markup is profit divided by cost. Margin is profit divided by price. Adding 40% to your cost is not a 40% margin. This page is general information, not personal advice.

The route, stop by stop

01 Profit is price minus cost

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07 Price from the margin

To hit a target margin, divide cost by (1 minus the margin). For example, 60 / (1 minus 0.40) = 100.

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08 Number you can act on

You can set the price from the margin you need, not by adding that same percent to cost.

The two formulae

Profit is price minus cost. Markup equals profit divided by cost. Margin equals profit divided by price. They use the same profit, but they divide by different numbers, so they are not the same percentage. On a profitable sale, markup is always the higher of the two.

Worked example

In pounds: cost £60, price £100, profit £40. In dollars: cost $60, price $100, profit $40. These are the same figures, not a conversion from one currency to the other.

- Markup is 40 ÷ 60 = 66.7%, exactly two thirds.
- Margin is 40 ÷ 100 = 40%.

How to convert

Margin equals markup divided by one plus markup. Markup equals margin divided by one minus margin. Check: a two-thirds markup converts as (2/3) ÷ (1 + 2/3) = 40% margin. A 40% margin converts as 0.4 ÷ 0.6 = two thirds, a 66.7% markup.

The common pricing mistake

If you want a 40% margin and you add 40% to a £60 or $60 cost, the price is £84 or $84. Profit is £24 or $24. 24 ÷ 84 is about 28.6%, not 40%. To hit a 40% margin, divide cost by (1 minus the margin). 60 / (1 minus 0.40) = 100, which is a 66.7% markup.

Common questions

Are markup and margin the same?

No. Markup divides profit by cost. Margin divides profit by price. A 40% markup is not a 40% margin.

I added 40% to my cost. Is that a 40% margin?

No. That is a 40% markup. On a cost of £60 or $60 the price is £84 or $84 and the margin is about 28.6%.

How do I get the price for a margin I want?

Divide cost by (1 minus the margin). For a 40% margin, 60 / (1 minus 0.40) = 100.

Is this personal advice?

No. It is general information, a worked method checked on 13 November 2026. Use your own figures.

Where this map sits

Essentials

Know your numbers

The handful of figures that tell you how the business is really doing.

- **Break-even point**
- **Markup vs margin: pricing for profit**
- **Profit margin and what good looks like**
- **13-week cash flow forecast**
- **Cash runway: how many months you have**

Where the rules and methods come from

1. **How it's worked out:** Markup equals profit divided by cost
   Worked example: Cost 60, price 100, in pounds or dollars. Profit is 40. Markup is 40 ÷ 60 = 66.7%, exactly two thirds.
2. **How it's worked out:** Margin equals profit divided by price
   Worked example: Cost 60, price 100, in pounds or dollars. Profit is 40. Margin is 40 ÷ 100 = 40%.
3. **How it's worked out:** Margin equals markup divided by one plus markup
   Worked example: A two-thirds markup (66.7%) converts as (2/3) ÷ (1 + 2/3) = 40% margin.
4. **How it's worked out:** Price equals cost divided by one minus the target margin
   Worked example: A 40% markup on cost 60 gives a price of 84 and about a 28.6% margin, not 40%. A 40% margin is 60 / (1 minus 0.40) = 100.

This map is general information, not personal advice. Rules and rates change, so check the sources before you act. If your situation is tricky, talk to your accountant.

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Zero2CFO is led by Clive Angel, who has over 30 years in finance. Each map puts that experience together with AI research, is checked against the official source and is overseen by Clive. How we check the maps.

Route Maps are general information for business owners, not personal advice. Rules change, so check the source before you act.

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