

## **MKT100 Metrics Formula Sheet**

### **Metrics 1: Understanding and Managing Costs**

Variable Costs: Depends on the company's production volume. Usually includes the word 'per.' Includes things such as direct materials, direct labour, transportation, and commission.

Fixed Costs:

- Capital Costs: costs that happen regardless of the quantity produced or sold and are deducted in more than one period [includes depreciation and PP&E]
- Operating Costs: costs that happen regardless of the quantity produced or sold and are deducted in one period [includes rent, utilities, insurance]

Total Margin = Total Revenue – Total Variable Costs (or Cost of Goods Sold)

Markup (\$) or Margin (\$) = Selling Price – Cost

### **Metrics 2: Percentage Change**

$$\text{Percent (\%) Change} = \frac{(\text{New Value} - \text{Old Value})}{\text{Old Value}} \times 100$$

Net Profit = Total Margin (\$) – Fixed Costs

Herfindahl Index = Sum [(% Market Share of each Product/Company)<sup>2</sup>]

- If greater than 0.18 = high concentration, not competitive
- If less than 0.18 = low concentration, competitive

Three [Four] Firm Concentration Ratio = % Market Share Competitor 1 + % Market Share Competitor 2 + % Market Share Competitor 3 [+ % Market Share Competitor 4]

- If greater than 67% = high concentration, not competitive
- If less than 67% = low concentration, competitive

### **Metrics 3: Market Share and Market Analytics**

$$\text{Market Share (\%)} = \frac{\text{Brand's sales (\$ or \#)}}{\text{Total Market Sales (\$ or \#)}} \times 100$$

$$\text{Relative Market Share (\%)} = \frac{\text{Brand's Sales (\$ or \#)}}{\text{Largest Competitor's Sales (\$ or \#)}} \times 100$$

### **Metrics 4: Contribution Margin**

$$\text{Contribution Margin (\%)} = \frac{\text{Contribution Margin (\$)}}{\text{Revenue (\$)}} \times 100$$

$$\text{Contribution Margin (\%)} = \frac{\text{Contribution per Unit (\$)}}{\text{Selling Price per Unit (\$)}}$$

Contribution Margin per Unit (\$) = Price per Unit – Variable Cost per Unit

### **Metrics 5: Markup and Margin**

$$\text{Markup (\%)} = \frac{\text{Markup (\$)}}{\text{Cost (\$)}} \quad \text{OR} \quad \text{Markup (\%)} = \frac{(\text{Selling Price} - \text{Cost})}{\text{Cost}} \times 100$$

$$\text{Margin (\%)} = \frac{\text{Margin (\$)}}{\text{Selling Price (\$)}} \times 100 \quad \text{OR} \quad \text{Margin (\%)} = \frac{(\text{Selling Price} - \text{Cost})}{\text{Selling Price}} \times 100$$

### **Metrics 6: Pricing Wholesale to Retail**

Manufacturer > Wholesaler > Retailer > Customer



Selling Price = Cost + Contribution Margin (\$)

OR = Cost x (1 + Markup %)

OR = Cost / (1 – Margin %)

Supplier Selling Price (\$) = Customer's Selling Price (\$) – Customer's Margin (\$)

OR = Customer's Selling Price (\$) x [1 – Customer's Margin (%)]

### **Metrics 7: Break-Even**

Break-Even Revenue (\$) = Break-even Volume (#) x Price per Unit (\$)

OR = Fixed Cost (\$) / Contribution per Unit (\$)

$$\text{Break – even Volume (\#)} = \frac{\text{Fixed Cost (\$)}}{\text{Contribution per Unit (\$)}}$$

Profit = Sales – Variable Costs – Fixed Costs, set P=0 to find Break-Even Price

### **Metrics 8: Return on Marketing Investment (ROMI)**

$$\text{ROMI (\%)} = \frac{\text{Incremental Revenue (\$)} \times \text{CM (\%)} - \text{Mktg Spending (\$)}}{\text{Marketing Spending (\$)}} \times 100$$

$$\text{Incremental Revenue} = \frac{(1 + \text{ROMI}) \times \text{Incremental Marketing Investment}}{\text{Contribution Margin (\%)}}$$