

Tech Tip Tuesday—November 18, 2014

by David Hirsch

Vendor Markup vs Vendor Margin

When you farm out a trip, your goal, of course, is to charge more for the trip than you pay your vendor, the difference being what you “made” on the trip (less the office costs to farm it out, etc.)

There are a few different ways to think about the difference—when expressed in percentages, you can think of the difference as the Trip Margin, or the Trip Markup. But they are not the same. (If you came to the transportation industry from another industry, you may be more comfortable with one or the other, since there are different practices in different industries—retail in particular is fond of Markup.)

Trip Margin is the amount you made divided by the amount you charged.

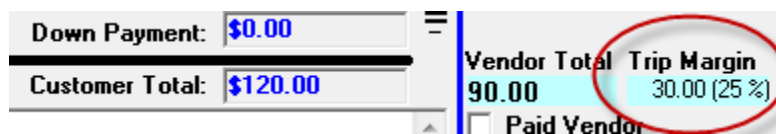
Trip Markup is the % you had to multiply your cost (vendor charge) by to get to your price.

Let’s illustrate by example: suppose you have a trip that you farmed out. You charged your customer a total of \$120, and paid the vendor \$90...leaving you a \$30 difference.

The Trip Margin is $\$30/\120 , or 25%. So 25% of the total price is your profit.

The Trip Markup is $\$30/\90 , or 33.33% (that is, if you take the \$90 cost and multiply by 1.33, you get the \$120 price—your customer is paying 33.33% more than your cost). So your markup is 33.33%.

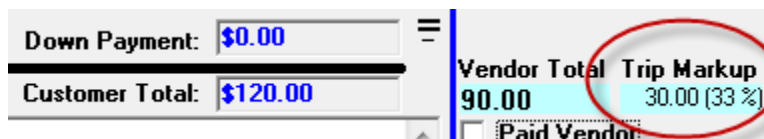
In TripBook, on the bottom right of the vendor column, you can chose whether you want to see the Margin or the Markup.



A screenshot of the TripBook interface. On the left, there are two input fields: "Down Payment:" with a value of "\$0.00" and "Customer Total:" with a value of "\$120.00". On the right, there is a summary table with two columns: "Vendor Total" and "Trip Margin". The "Vendor Total" row shows "90.00". The "Trip Margin" row shows "30.00 (25%)". A red circle highlights the "30.00 (25%)" value. Below the table, there is a checkbox labeled "Paid Vendor".

Down Payment:	\$0.00
Customer Total:	\$120.00
Vendor Total	90.00
Trip Margin	30.00 (25%)

If the system is showing you the Trip Margin, as in the above screen shot, but you’d rather see the Trip Markup, simply double-click on the actual field (the teal field above that says “30.00 (25%)”, for example) and the field will toggle.



A screenshot of the TripBook interface, similar to the one above, but with the "Trip Margin" field now showing "30.00 (33%)". A red circle highlights the "30.00 (33%)" value.

Down Payment:	\$0.00
Customer Total:	\$120.00
Vendor Total	90.00
Trip Markup	30.00 (33%)