

Tech Tip Tuesday—September 17, 2024

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 about 33% more than your cost). So your markup is 33%.

In TripBook, at the bottom of the Vendor column, we show the Trip Margin (in both dollars and percentage) and the Markup. So you can see exactly what you made on the job, no matter how you like to see it.

Vendor Total	Gratuity Notes
90.00	<input type="text"/>
Trip Margin	Trip Markup
30.00 (25 %)	33 %