

13. a. A notebook that originally sold for \$1.69 at Dollar General was marked down to \$0.99. What is the amount of the markdown on these notebooks?

b. What is the markdown percent?

c. If the sale price is then marked up by 40%, what is the new selling price?

14. You are shopping for a headset and webcam at the Micro-Electronics Warehouse so that you can video-chat with your friends.

a. Verify the “regular price” (original price) of each headset in the ad and calculate which headset offers the greater markdown percent, the BuddyChat 200 or BuddyChat 300.

b. What is the markdown percent on the BuddyCam HD webcam?

c. You have decided to purchase the headset with the greatest markdown percent and the BuddyCam HD webcam in order to take advantage of an “Extra \$15 Rebate” offer when you purchase both. What is the markdown percent on your total purchase including the rebate?

MICRO-ELECTRONICS WAREHOUSE
Headset and Webcam SALE
 See and say hello to your family and friends



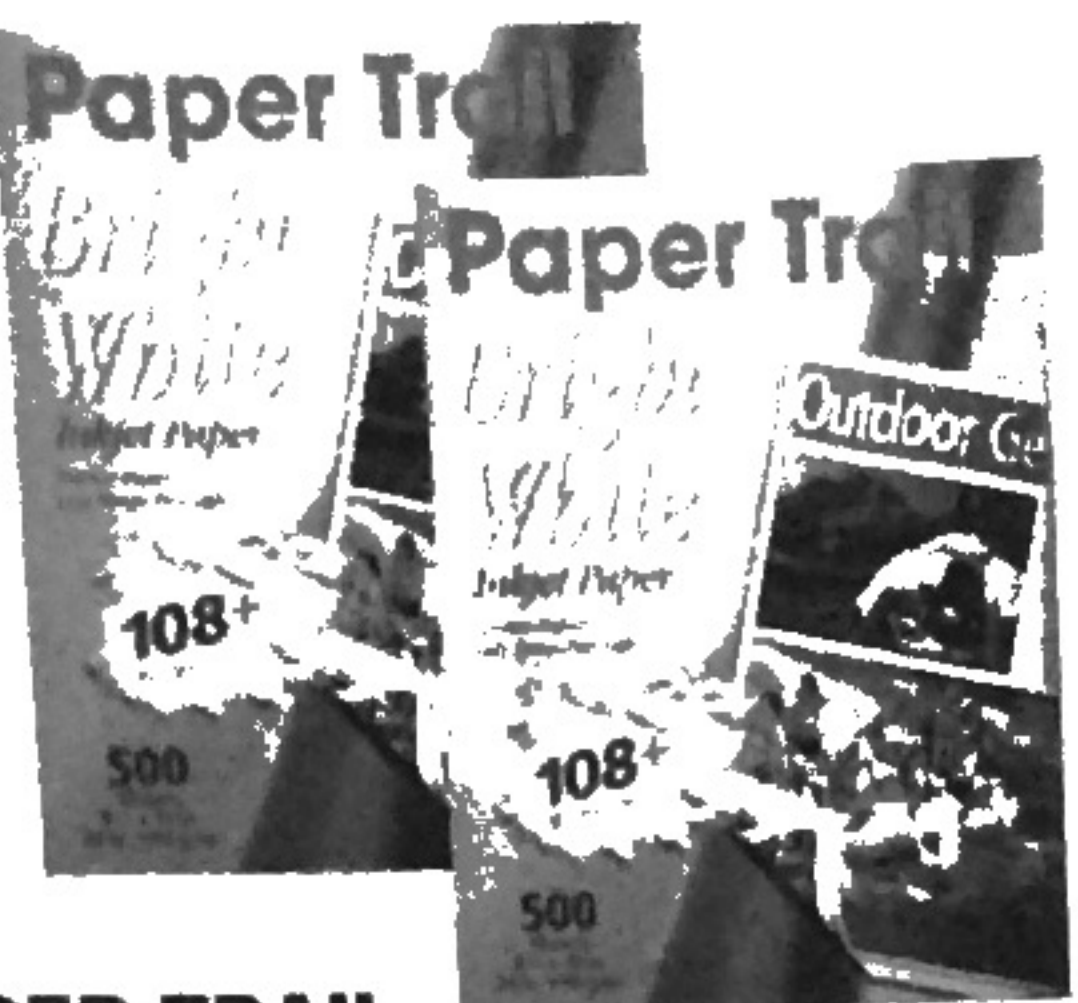
Product	Reg. Price	After Savings	Save
BuddyChat 200 Headset	\$29.99	\$19.99	\$10
BuddyChat 300 Headset	\$41.99	\$29.99	\$12
BuddyCam HD Webcam	\$79.99	\$59.99	\$20

15. Readers Delight, a bookstore, sells atlases for \$75. If they are put on clearance sale at 60% off, what is the sale price?

16. Carousel Toys has Romper Buckaroos, wooden rocking horses for toddlers, on a 30% markdown sale for \$72.09. What was the original price before they were marked down? Round to the nearest cent.

17. Lawn and Garden Galleria is having a 20% off sale on riding lawn mowers. The XL Deluxe model is on sale for \$4,815. What was the original price of the mower?

Buy 2, Get 1 FREE



PAPER TRAIL
BRIGHT WHITE INKJET PAPER
 • Acid free
 • 24 lb, 108+ bright
 8-1/2" x 11", RM 256-571

\$8.99

Coupon Savings offer good with the purchase of 2 reams of Paper Trail Bright White Paper (256-571). Present this coupon at time of purchase. Limit one coupon per customer/item. Quantities limited. Sorry, no rainchecks or substitutions. Valid for in-stock items only. Coupon redeemable in store only.

Office Market (256-571) Coupon Code 7979

18. From the Office Market coupon shown here,

- Calculate the markdown percent.
- If the offer was changed to "Buy 3, Get 2 Free," what would be the new markdown percent?
- Which offer is more profitable for the store? Explain.

19. In February, Golf World, a retail shop, purchased golf clubs for \$453.50 per set. The original markup was 35% based on selling price. In April, the shop took a 20% markdown by having a special sale. After two weeks, the sale was over and the clubs were marked up 10%. In June, the shop offered a storewide sale of 15% off all merchandise, and in September, a final 10% markdown was taken on the clubs. What was the final selling price of the golf clubs?

20. Prestige Produce purchases 460 pounds of sweet potatoes at \$0.76 per pound. If a 10% spoilage rate is anticipated, at what price per pound should the sweet potatoes be sold to achieve a 35% markup based on selling price?

21. A microwave oven cost The Appliance Warehouse \$141.30 and was initially marked up by 55% based on selling price. In the next few months, the item was marked down 20%, marked up 15%, marked down 10%, and marked down a final 10%. What was the final selling price of the microwave oven?

EXCEL 2

22. The Flour Power Bakery makes 200 cherry cheesecakes at a cost of \$2.45 each. If a spoilage rate of 5% is anticipated, at what price should the cakes be sold to achieve a 40% markup based on cost?

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23. You have decided to purchase a set of four Good-Ride tires for your vehicle at the Tire Emporium.

a. If the original price of these tires is \$160.00 each, what are the amount of the Markdown with rebate per tire and the markdown percent if you get the rebate and pay cash?

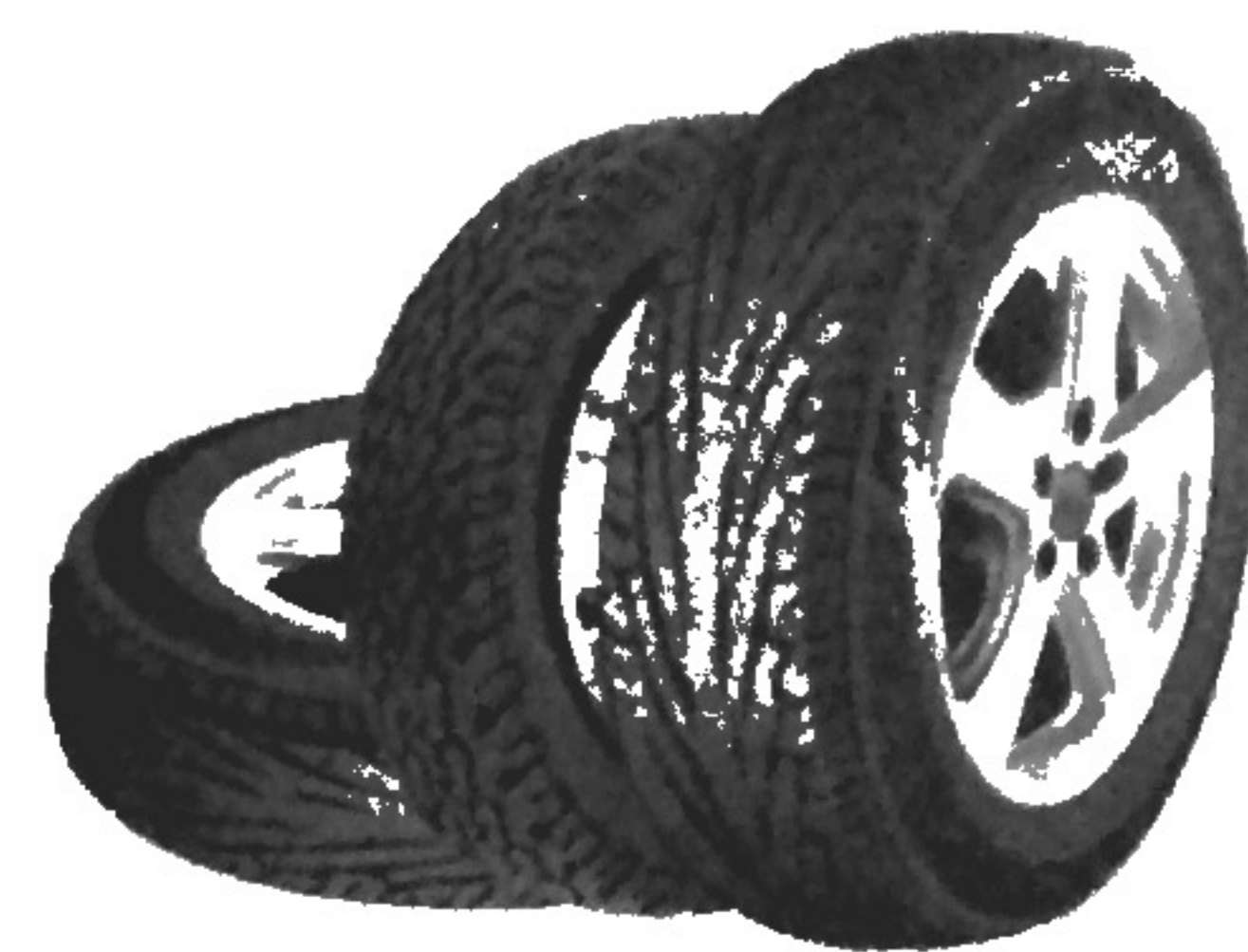
b. What are the amount of the markdown per tire and the markdown percent if you decide to put the purchase on your Good-Ride credit card and get the double rebate?

c. When you purchased the set of four tires, you were offered an "Extra 5%" discount on the entire purchase if you also included wheel balancing at \$5.75 per tire and a front-end alignment for \$65.00. The sales tax in your state is 7.5%. What was the total amount of your purchase if you used your Good-Ride credit card?

d. What are the advantages and disadvantages of using the credit card?

TIRE EMPORIUM

Good-Ride Raven GT – Tire Sale



Sale Price: \$115 + \$20 Rebate
Double rebate when you use your
Good-Ride Credit Card

BUSINESS DECISION: THE PERMANENT MARKDOWN

24. You are the manager of World Wide Athlete, a chain of six sporting goods shops in your area. The shops sell 12 racing bikes per week at a retail price of \$679.99. Recently, you put the bikes on sale at \$599.99. At the sale price, 15 bikes were sold during the one-week sale.

a. What was your markdown percent on the bikes?

b. What is the percent increase in number of bikes sold during the sale?

c. How much more revenue would be earned in six months by permanently selling the bikes at the lower price rather than having a one-week sale each month? (6 sale weeks in 26 weeks)

d. (Optional) As manager of World Wide, would you recommend this permanent price reduction? Explain.



World Wide Athlete

Racing Bike

Sale
\$599⁹⁹



CHAPTER FORMULAS

Markup

$$\text{Selling price} = \text{Cost} + \text{Markup}$$

$$\text{Cost} = \text{Selling price} - \text{Markup}$$

$$\text{Markup} = \text{Selling price} - \text{Cost}$$

$$\text{Percent markup}_{\text{COST}} = \frac{\text{Markup}}{\text{Cost}}$$

$$\text{Percent markup}_{\text{SP}} = \frac{\text{Markup}}{\text{Selling price}}$$

$$\text{Selling price} = \text{Cost}(100\% + \% \text{Markup}_{\text{COST}})$$

$$\text{Cost} = \frac{\text{Selling price}}{100\% + \% \text{Markup}_{\text{COST}}}$$

$$\text{Selling price} = \frac{\text{Cost}}{100\% - \% \text{Markup}_{\text{SP}}}$$

$$\text{Cost} = \text{Selling price}(100\% - \% \text{Markup}_{\text{SP}})$$

$$\% \text{Markup}_{\text{SP}} = \frac{\% \text{Markup}_{\text{COST}}}{100\% + \% \text{Markup}_{\text{COST}}}$$

$$\% \text{Markup}_{\text{COST}} = \frac{\% \text{Markup}_{\text{SP}}}{100\% - \% \text{Markup}_{\text{SP}}}$$

Markdown

$$\text{Markdown} = \text{Original selling price} - \text{Sale price}$$

$$\text{Markdown}\% = \frac{\text{Markdown}}{\text{Original price}}$$

$$\text{Sale price} = \text{Original price}(100\% - \text{Markdown}\%)$$

$$\text{Original price} = \frac{\text{Sale price}}{100\% - \text{Markdown}\%}$$

Perishables

$$\text{Selling price}_{\text{Perishables}} = \frac{\text{Expected selling price}}{\text{Total quantity} - \text{Spoilage}}$$

CHAPTER SUMMARY

Section I: Markup Based on Cost

Topic	Important Concepts	Illustrative Examples
Using the Basic Retailing Equation Performance Objective 8-1, Page 233	The basic retailing equation is used to solve for selling price (SP), cost (C), and amount of markup (M). Selling price = Cost + Markup $SP = C + M$ Cost = Selling price - Markup $C = SP - M$ Markup = Selling price - Cost $M = SP - C$	- What is the selling price of a blender that costs \$86.00 and has a \$55.99 markup? $SP = 86.00 + 55.99$ Selling price = <u>\$141.99</u> - What is the cost of a radio that sells for \$125.50 and has a \$37.29 markup? $C = 125.50 - 37.29$ Cost = <u>\$88.21</u> - What is the markup on a set of dishes costing \$53.54 and selling for \$89.95? $M = 89.95 - 53.54$ Markup = <u>\$36.41</u>

Topic	Important Concepts	Illustrative Examples
Calculating Percent Markup Based on Cost Performance Objective 8-2, Page 235	$\% \text{Markup}_{\text{cost}} = \frac{\text{Markup}}{\text{Cost}}$ $\%M_{\text{cost}} = \frac{M}{C}$	A calculator costs \$25. If the markup is \$10, what is the percent markup based on cost? $\%M_{\text{cost}} = \frac{10}{25} = .4$ $\%M_{\text{cost}} = \underline{40\%}$
Calculating Selling Price Performance Objective 8-3, Page 236	$\text{Selling price} = \text{Cost}(100\% + \% \text{Markup}_{\text{cost}})$ $SP = C(100\% + \%M_{\text{cost}})$	A desk costs \$260 to manufacture. What should be the selling price if a 60% markup based on cost is desired? $SP = 260(100\% + 60\%)$ $SP = 260(1.6) = 416$ Selling price = <u>\$416</u>
Calculating Cost Performance Objective 8-4, Page 237	$\text{Cost} = \frac{\text{Selling price}}{100\% + \% \text{Markup}_{\text{cost}}}$ $C = \frac{SP}{100\% + \%M_{\text{cost}}}$	What is the cost of a leather sofa with a selling price of \$250 and a 45% markup based on cost? $C = \frac{250}{100\% + 45\%} = \frac{250}{1.45}$ Cost = <u>\$172.41</u>

Section II: Markup Based on Selling Price

Topic	Important Concepts	Illustrative Examples
Calculating Percent Markup Based on Selling Price Performance Objective 8-5, Page 240	$\% \text{Markup}_{\text{sp}} = \frac{\text{Markup}}{\text{Selling price}}$ $\%M_{\text{sp}} = \frac{M}{SP}$	What is the percent markup on the selling price of a Hewlett Packard printer with a selling price of \$400 and a markup of \$188? $\%M_{\text{sp}} = \frac{188}{400} = .47$ $\%M_{\text{sp}} = \underline{47\%}$
Calculating Selling Price Performance Objective 8-6, Page 241	$\text{Selling price} = \frac{\text{Cost}}{100\% - \% \text{Markup}_{\text{sp}}}$ $SP = \frac{C}{100\% - \%M_{\text{sp}}}$	What is the selling price of a marker pen with a cost of \$1.19 and a 43% markup based on selling price? $SP = \frac{1.19}{100\% - 43\%} = \frac{1.19}{.57}$ SP = <u>\$2.09</u>
Calculating Cost Performance Objective 8-7, Page 242	$\text{Cost} = \text{Selling price}(100\% - \% \text{Markup}_{\text{sp}})$ $C = SP(100\% - \%M_{\text{sp}})$	What is the most a hardware store can pay for a drill if it will have a selling price of \$65.50 and a 45% markup based on selling price? $C = 65.50(100\% - 45\%)$ $C = 65.50(.55)$ Cost = <u>\$36.03</u>
Converting Percent Markup Based on Cost to Percent Markup Based on Selling Price Performance Objective 8-8, Page 243	$\% \text{Markup}_{\text{sp}} = \frac{\% \text{Markup}_{\text{cost}}}{100\% + \% \text{Markup}_{\text{cost}}}$ $\%M_{\text{sp}} = \frac{\%M_{\text{cost}}}{100\% + \%M_{\text{cost}}}$	If a hair dryer is marked up 70% based on cost, what is the corresponding percent markup based on selling price? $\%M_{\text{sp}} = \frac{70\%}{100\% + 70\%} = \frac{.7}{1.7}$ $\%M_{\text{sp}} = .4118 = \underline{41.2\%}$

Section II (continued)

Illustrative Examples

Topic

Important Concepts

Converting Percent Markup Based on Selling Price to Percent Markup Based on Cost

Performance Objective 8-8, Page 243

$$\% \text{Markup}_{\text{COST}} = \frac{\% \text{Markup}_{\text{SP}}}{100\% - \% \text{Markup}_{\text{SP}}}$$

$$\% M_{\text{COST}} = \frac{\% M_{\text{SP}}}{100\% - \% M_{\text{SP}}}$$

If a toaster is marked up 35% based on selling price, what is the corresponding percent markup based on cost?

$$\% M_{\text{COST}} = \frac{35\%}{100\% - 35\%} = \frac{.35}{.65}$$

$$\% M_{\text{COST}} = .5384 = \underline{53.8\%}$$

Section III: Markdowns, Multiple Operations, and Perishable Goods

Topic

Important Concepts

Illustrative Examples

Calculating Markdown and Markdown Percent

Performance Objective 8-9, Page 247

$$\text{Markdown} = \text{Original price} - \text{Sale price}$$

$$MD = \text{Orig} - \text{Sale}$$

$$\text{Markdown}\% = \frac{\text{Markdown}}{\text{Original price}}$$

$$MD\% = \frac{MD}{\text{Orig}}$$

Calculate the amount of markdown and the markdown percent of a television set that originally sold for \$425.00 and was then put on sale for \$299.95.

$$\text{Markdown} = 425.00 - 299.95$$

$$\text{Markdown} = \underline{\$125.05}$$

$$MD\% = \frac{125.05}{425.00} = .2942$$

$$\text{Markdown}\% = \underline{29.4\%}$$

Determining the Sale Price after a Markdown

Performance Objective 8-10, Page 248

$$\text{Sale price} = \text{Original price}(100\% - \text{Markdown}\%)$$

$$\text{Sale} = \text{Orig}(100\% - MD\%)$$

What is the sale price of a computer that originally sold for \$2,500 and was then marked down by 35%?

$$\text{Sale} = 2,500(100\% - 35\%)$$

$$\text{Sale} = 2,500(.65) = 1,625$$

$$\text{Sale price} = \underline{\$1,625}$$

Determining the Original Selling Price before a Markdown

Performance Objective 8-10, Page 249

$$\text{Original price} = \frac{\text{Sale price}}{100\% - \text{Markdown}\%}$$

$$\text{Orig} = \frac{\text{Sale}}{100\% - MD\%}$$

What is the original selling price of an exercise bicycle, which is currently on sale at Sears for \$235.88, after a 30% markdown?

$$\text{Original price} = \frac{235.88}{100\% - 30\%} = \frac{235.88}{.7}$$

$$\text{Original price} = \underline{\$336.97}$$

Computing the Final Selling Price after a Series of Markups and Markdowns

Performance Objective 8-11, Page 249

To solve for the final selling price after a series of markups and markdowns, calculate each step based on the previous selling price.

Compute the intermediate prices and the final selling price of an umbrella costing \$27.50 with the following seasonal activity:

- Initial markup, 40% on cost
- 20% markdown
- 15% markdown
- 10% markup
- Final clearance, 25% markdown

a. Initial 40% markup:

$$SP = C(100\% + \% M_{\text{COST}})$$

$$SP = 27.50(100\% + 40\%)$$

$$SP = 27.50(1.4) = 38.50$$

Original price = \$38.50

b. 20% markdown:

$$\text{Sale} = \text{Orig}(100\% - MD\%)$$

$$\text{Sale} = 38.50(100\% - 20\%)$$

$$\text{Sale} = 38.50(.8)$$

Sale price = \$30.80

c. 15% markdown:

$$\text{Sale} = \text{Orig}(100\% - MD\%)$$

$$\text{Sale} = 30.80(100\% - 15\%)$$

$$\text{Sale} = 30.80(.85)$$

$$\text{Sale price} = \underline{\underline{\$26.18}}$$

d. 10% markup:

$$SP = \text{sale price}(100\% + M\%)$$

$$SP = 26.18(100\% + 10\%)$$

$$SP = 26.18(1.10)$$

$$\text{Selling price} = \underline{\underline{\$28.80}}$$

e. Final 25% markdown:

$$\text{Sale} = \text{Orig}(100\% - MD\%)$$

$$\text{Sale} = 28.80(100\% - 25\%)$$

$$\text{Sale} = 28.80(.75)$$

$$\text{Final selling price} = \underline{\underline{\$21.60}}$$

Calculating the Selling Price of Perishable Goods

Performance Objective 8-12,
Page 251

Selling price_{Perishables}

$$= \frac{\text{Total expected selling price}}{\text{Total quantity} - \text{Anticipated spoilage}}$$

$$SP_{\text{Perish.}} = \frac{\text{Exp. SP}}{\text{Quan.} - \text{Spoil.}}$$

A grocery store purchases 250 pounds of apples from a wholesaler for \$0.67 per pound. If a 10% spoilage rate is anticipated, what selling price per pound will yield a 45% markup based on cost?

$$\text{Total Cost} = 250 \text{ lb} @ .67 = \$167.50$$

$$\text{Exp SP} = C(100\% + M_{\text{COST}})$$

$$\text{Exp SP} = 167.50(100\% + 45\%)$$

$$\text{Exp SP} = 167.50(1.45) = \$242.88$$

$$SP_{\text{perish}} = \frac{242.88}{250 - 25} = \frac{242.88}{225}$$

$$SP_{\text{perish}} = \underline{\underline{\$1.08 \text{ per lb}}}$$

TRY IT: EXERCISE SOLUTIONS FOR CHAPTER 8

$$1. SP = C + M = 6.80 + 9.40 = \underline{\underline{\$16.20}}$$

$$3. C = SP - M = 290 - 75 = \underline{\underline{\$215}}$$

$$2. M = SP - C = 28.50 - 16.75 = \underline{\underline{\$11.75}}$$

$$4. M = SP - C = 63 - 45 = \underline{\underline{\$18}}$$

$$\%M_{\text{COST}} = \frac{M}{C} = \frac{18}{45} = .4 = 40\%$$

$$5. SP = C(100\% + \%M_{\text{COST}}) = 38(100\% + 65\%) = 38(1.65) = \underline{\underline{\$62.70}}$$

$$6. C = \frac{SP}{100\% + \%M_{\text{COST}}} = \frac{39}{100\% + 30\%} = \frac{39}{1.3} = \underline{\underline{\$30}}$$

$$7. M = SP - C = 157.50 - 94.50 = \underline{\underline{\$63}}$$

$$\%M_{\text{SP}} = \frac{M}{SP} = \frac{63.00}{157.50} = .40 = \underline{\underline{40\%}}$$

$$8. SP = \frac{C}{100\% - \%M_{\text{SP}}} = \frac{169}{100\% - 35\%} = \frac{169}{.65} = \underline{\underline{\$260}}$$

$$9. C = SP(100\% - \%M_{\text{SP}}) = 79(100\% - 55\%) = 79(.45) = \underline{\underline{\$35.55}}$$

$$10. \%M_{\text{SP}} = \frac{\%M_{\text{COST}}}{100\% + \%M_{\text{COST}}} = \frac{50\%}{100\% + 50\%} = \frac{.5}{1.5} = .333 = \underline{\underline{33.3\%}}$$

$$11. \%M_{\text{COST}} = \frac{\%M_{\text{SP}}}{100\% - \%M_{\text{SP}}} = \frac{75\%}{100\% - 75\%} = \frac{.75}{.25} = 3 = \underline{\underline{300\%}}$$

$$12. \text{ Markdown} = \text{Original price} - \text{Sale price} = 75 - 56 = \underline{\$19}$$

$$MD\% = \frac{MD}{\text{Original price}} = \frac{19}{75} = .2533 = \underline{25.3\%}$$

$$13. \text{ Sale price} = \text{Original price}(100\% - MD\%) = 27.50(100\% - 60\%) = 27.50(.4) = \underline{\$11}$$

$$14. \text{ Original price} = \frac{\text{Sale price}}{100\% - MD\%} = \frac{79}{100\% - 35\%} = \frac{79}{.65} = \underline{\$121.54}$$

$$15. SD = \frac{C}{100\% - \%M_{SP}} = \frac{48.50}{100\% - 55\%} = \frac{48.50}{.45} = \$107.78$$

$$\text{Markdown \#1: Original price}(100\% - MD\%) = 107.78(.7) = \$75.45$$

$$20\% \text{ markup: } 75.45(100\% + 20\%) = 75.45(1.2) = \$90.54$$

$$\text{Markdown \#2: Original price}(100\% - MD\%) = 90.54(.7) = \$63.38$$

$$\text{Final markdown: Original price}(100\% - MD\%) = 63.38(.75) = \underline{\$47.54}$$

$$16. \text{ Total cost} = 800 \text{ dozen} @ \$6.50 = \$5,200$$

$$\text{Expected selling price} = \frac{C}{100\% - \%M_{SP}} = \frac{5,200}{100\% - 60\%} = \frac{5,200}{.4} = \$13,000$$

$$\text{Selling price}_{\text{Perishables}} = \frac{\text{Expected selling price}}{\text{Total quantity} - \text{Spoilage}} = \frac{13,000}{800 - 80} = \frac{13,000}{720} = \underline{\$18.06 \text{ per doz}}$$

CONCEPT REVIEW

1. The retailing equation states that the selling price is equal to the _____ plus the _____. (8-1)
2. In business, expenses are separated into two major categories. The cost of _____ sold and _____ expenses. (8-1)
3. There are two ways of expressing markup as a percent: based on _____ and based on _____. (8-2)
4. Write the formula for calculating the selling price when markup is based on cost. (8-3)
5. To calculate cost, we divide the _____ price by 100% plus the percent markup on cost. (8-4)
6. The percent markup based on selling price is equal to the _____ divided by the selling price. (8-5)
7. When markup is based on selling price, the _____ price is the base and represents _____ percent. (8-6)
8. We use the formula for calculating _____ to find the most a retailer can pay for an item and still get the intended markup. (8-7)
9. To convert percent markup based on cost to percent markup based on selling price, we divide percent markup based on cost by 100% _____ the percent markup based on cost. (8-8)
10. To convert percent markup based on selling price to percent markup based on cost, we divide percent markup based on selling price by 100% _____ the percent markup based on selling price. (8-8)
11. A price reduction from the original selling price of merchandise is called a(n) _____. (8-9)
12. Write the formula for calculating the sale price after a markdown. (8-10)
13. In calculating a series of markups and markdowns, each calculation is based on the previous _____ price. (8-11)
14. Products that have a certain shelf life and then no value at all, such as fruit, vegetables, flowers, and dairy products, are known as _____. (8-12)

Solve the following word problems. Round dollars to the nearest cent and percents to the nearest tenth of a percent.

1. Electric woks cost the manufacturer \$83.22 to produce. If a markup of \$69.38 is added to the cost, what is the selling price per unit?
2. Castle Mountain Furniture sells desks for \$346.00. If the desks cost \$212.66, what is the amount of the markup?
3. After Sunset Food Wholesalers adds a markup of \$15.40 to a case of tomato sauce, it sells for \$33.98. What is the wholesaler's cost per case?
4. Wyatt's Western Wear purchases shirts for \$47.50 each. A \$34.00 markup is added to the shirts.
 - a. What is the selling price?
 - b. What is the percent markup based on cost?
 - c. What is the percent markup based on selling price?
5. As the manager of Dollar Depot, calculate the amount of the markup and the percent markup on selling price per case if these Softies products cost your store \$5.60 per case of 12 boxes.
6. Bloomingdales purchases imported perfume for \$24.30 per ounce. If the store policy is to mark up all merchandise in that department 39% based on selling price, what is the retail selling price of the perfume?
7. The Carpet Gallery is looking for a new line of nylon carpeting to retail at \$39.88 per square yard. If management wants a 60% markup based on selling price, what is the most that can be paid for the carpeting to still get the desired markup?
8.
 - a. At The Luminary, the markup on a halogen light fixture is 50% based on selling price. What is the corresponding percent markup based on cost?
 - b. If the markup on a fluorescent light fixture transformer is 120% based on cost, what is the corresponding percent markup based on selling price?

Dollar Depot

Softies Cube 2 ply,
Regular 2 ply, or
Lotion with Aloe



99¢
Your choice

9. A three-day cruise on the *Island Queen* originally selling for \$988 was marked down by \$210 at the end of the season.
- What is the sale price of the cruise?
 - What is the markdown percent?

10. You are shopping for an executive desk chair at The Furniture Gallery
- Calculate the original price and markdown percent of each chair to determine which has the greater markdown percent.

The Furniture Gallery

OfficePro
Model 20
High Back
Leather ChairSave \$40
instantly
\$79.99Save \$60
instantly
\$89.99OfficePro
Model 30
High Back
Leather Chair

- With the purchase of either chair, The Furniture Gallery is offering a 15% discount on plastic chair mats. You have chosen a mat with an original price of \$29.00. You also purchase a two-year leather protection plan on the chair for \$19.95. If you choose the chair with the greater markdown percent and the sales tax in your area is 6.3%, what is the total amount of your purchase?

11. Macy's originally sold designer jackets for \$277. If they are put on sale at a markdown of 22%, what is the sale price?
12. What was the original selling price of a treadmill currently on sale for \$2,484 after a 20% markdown?
13. Backyard Bonanza advertised a line of inflatable pools for the summer season. The store uses a 55% markup based on selling price.
- If they were originally priced at \$124.99, what was the cost?
 - As the summer progressed, they were marked down 25%, marked up 15%, marked down 20%, and cleared out in October at a final 25%-off sale. What was the final selling price of the pools?



Photo by Robert Brechner

Macy's, Inc., is one of the nation's premier retailers, with fiscal 2009 sales of \$23.5 billion. The company operates more than 800 Macy's department stores and furniture galleries in 45 states, the District of Columbia, Guam, and Puerto Rico, as well as 40 Bloomingdale's stores in 12 states.

Macy's, Inc.'s diverse workforce includes approximately 167,000 employees. The company also operates macys.com and bloomingdales.com.

Source: www.macysinc.com

14. Epicure Market prepares fresh gourmet entrees each day. On Wednesday, 80 baked chicken dinners were made at a cost of \$3.50 each. A 10% spoilage rate is anticipated.
- At what price should the dinners be sold to achieve a 60% markup based on selling price?
 - If Epicure offers a \$1-off coupon in a newspaper advertisement, what markdown percent does the coupon represent?

15. a. What is the original selling price of the guitar on sale at Music Mania if the \$1,999.99 sale price represents 20% off?
- b. How much did the store pay for the guitar if the initial markup was 150% based on cost?
- c. What is the percent markup based on selling price?
- d. If next month the guitar is scheduled to be on sale for \$1,599.99, what is the markdown percent?



BUSINESS DECISION: MAINTAINED MARKUP

16. The markup that a retail store actually realizes on the sale of its goods is called **maintained markup**. It is what is achieved after “retail reductions” (markdowns) have been subtracted from the initial markup. Maintained markup is one of the “keys to profitability” in retailing. It is the difference between the actual selling price and the cost and therefore has a direct effect on net profits.

$$\text{Maintained markup} = \frac{\text{Actual selling price} - \text{Cost}}{\text{Actual selling price}}$$

You are the buyer for Four Aces Menswear, a chain of men’s clothing stores. For the spring season, you purchased a line of men’s casual shirts with a manufacturer’s suggested retail price of \$29.50. Your cost was \$16.00 per shirt.

- a. What is the initial percent markup based on selling price?
- b. The shirts did not sell as expected at the regular price, so you marked them down to \$21.99 and sold them out. What is the maintained markup on the shirts?
- c. When you complained to the manufacturer’s sales representative about having to take excessive markdowns in order to sell the merchandise, she offered a \$2 rebate per shirt. What is your new maintained markup?



COLLABORATIVE LEARNING ACTIVITY

Retailing and the Demographic Generations

Understanding the shopping and media habits of different age groups can help marketers optimize product assortment, pricing, promotion, and advertising decisions by creating targeted strategies and special offers. As an example, consider the following.

According to *USA Today*, in the book *Gen buY: How Tweens, Teens, and Twenty-Somethings Are Revolutionizing Retail*, authors Kit Yarrow and Jane O'Donnell say Generation Y—today's teens, tweens, and twenty-somethings—"were the least likely to cut back spending after the onset of the 2008 recession."

What's more, the authors point out that the 84 million Generation Y'ers, born from 1978 through 2000, are so influential, they've changed shopping for all consumers. They call Gen Y "the tastemakers, influencers, and most enthusiastic buyers of today" who will become "the mature, high-income purchasers of the future."

Because of Gen Y, we now have, among other things:

- More creative, technically advanced websites
- A wide availability of online customer reviews
- A faster stream of product introductions
- Bigger, more comfortable dressing rooms

Source: *USA Today*, "Generation Y forces retailers to keep up with technology, new stuff," by Richard Eisenberg, Sept. 14, 2009, page 6B.

As a team, divide up the four major demographic generations: the Silent Generation: the Baby Boomers, Generation X, and Generation Y (aka the Millennials) to research the following questions and report your findings to the class. Use visual presentations whenever possible and be sure to site your sources.

1. How did each generation get its distinctive name? List any "subgroups" that have been defined, such as Baby Boomers – Young and Baby Boomers – Old.
2. Define each generation in terms of years born, size, income and purchasing power, lifestyle preferences, and particularly consumer buying behavior.
3. How and to what extent does each generation use the Internet?
4. How do manufacturers, retailers, and shopping malls use these demographic distinctions to "target" their marketing efforts to the various generations? Give specific examples.