

Marketing arithmetic



What effect does increasing the retail and wholesale margins have on the manufacturer's selling price? Explain why this is the case. Increasing both the retail margin/unit and the wholesale margin/unit decreases the manufacturer's selling price because it decreases the price needed to pay the cost of the product and increases the profit. Define unit contribution in your own words.

Is a high or low unit contribution preferable for profitability? Unit contribution is the amount of money we have left to put toward profit after we sell a unit of a product to the wholesalers and after paying the variable costs. A high unit contribution is preferable for profitability because that means the higher the unit contribution, the higher the amount of money we have left after paying fixed and variable costs. How do increases in the retail and wholesale margins (again, with a fixed retail price) affect the unit contribution?

Why? It decreases the unit contribution because less is needed to maintain the profit impact. If you increase any of the fixed cost factors, what happens to the number of units the company needs to sell to break even? To the market share necessary to achieve breakable? It increases the number of units needed to breakable. It also increases the breakable market share.

What change (increase or decrease) to the following factors increases the Profit Impact? Retail Margin/Unit- A decrease equals a Profit Impact increase.

Brand Market Share - An increase equals a Profit Impact increase. ;

Advertising Budget - A decrease equals a Profit Impact Increase. Potential Conflict with strategy for increasing the Profit Impact. The conflict can arise because you have different groups with their own agenda or purpose. For

example, the finance team has the agenda to make more in profits, so their goal may be to increase the retail margin/unit.

The advertising team may want to put out the best advertisement for the product and may need more money to do so, but this decreases the profit impact. There is a balance that is needed between the three factors to increase the profit impact. Both the advertising team and the finance team may feel they need to increase their cost in order to have better performance, but it is critical to look at the bigger picture in order to achieve the best result, which is increased brand market share while having both a reasonable retail margin/unit and a reasonable advertising budget.