



MARKUP MAYHEM



Why you're overpaying for popular products and how to land yourself a deal



THE PEARL SOURCE



INTRO

Consumers are always looking to shop smarter. With new technology, apps, price comparison tools, and a barrage of discount offers for new customers, email signups, bulk orders, and more, it's become easier than ever to find products at a desirable price point.

Perhaps this is never more apparent than during the holiday shopping season, which typically kicks off around mid-October and extends all the way through late December each year. In fact, the holiday shopping season topped \$730B in holiday retail sales in 2019, a 4.1% increase from 2018. According to a recent Deloitte study, discounts and promotions are always top of mind for shoppers:



81%

expect to be swayed
by promotions and
discounts



85%

of shoppers prioritize
free shipping



72%

of shoppers will buy from a
retailer from which they've
never purchased if it means
a better price

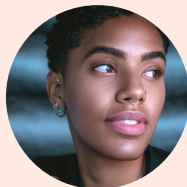
But even with all of the discounts and shopping tools available to consumers, most are paying considerable markups - *100% to 500%* - depending on what is being purchased.

No matter the discount, consumers are often overpaying for these popular products...and it's all because of markup.



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MEET OUR EXPERTS



JESSENIA LANDRUM, Founder, *Jevela Jewelry*

Jessenia Landrum is a jewelry designer with over 6 years working in the creative industry. Beginning with handbag and footwear design, Jessenia graduated from the Fashion Institute of Technology and began working as an accessories designer, eventually transitioning into jewelry after moving through the fashion industry. In 2018, she founded her company, [Jevela Jewelry](#), with designs inspired by world travels. Jevela is a fashion jewelry company inspired by people, places, and purpose. Jessenia continues to focus on growing her brand and reaching wider markets.



ANDREW SCARBROUGH, Co-founder & COO, *PriceWaiter*

Andrew Scarbrough is co-founder of PriceWaiter, Delegator, ProDiligence, and Causeway, with more than 10 years of experience in the e-commerce space. Scarbrough co-founded the high-growth e-commerce/SaaS company [PriceWaiter](#), a popular online tool that automatically negotiates lower prices for some of the most popular products on behalf of consumers. He's a retail pricing expert, utilizing data from tens of thousands of products at hundreds of retailers to examine markups, discounts, and deals.



CALLA GOLD, Founder & Owner, *Calla Gold Jewelry*

Calla Gold, owner of Calla Gold Jewelry, has been a member of Manufacturing Jewelers & Suppliers of America (MJSA) for many years. Her Santa Barbara-based business has been producing custom jewelry since 1983. She is a “by appointment” jeweler, specializing in custom jewelry design, wedding rings, jewelry restoration, and revitalizing of unworn and under-worn jewelry. She is the author of “Design Your Dream Wedding Rings, From Engagement to Eternity” and she launched her blog, “Jewelry without Walls, Gems of Jewelry Wisdom” 10 years ago.



MEET OUR EXPERTS



JEFFREY TEN, President, *Global Brand Development*

Jeffrey Ten has over 30 years of experience in marketing and sales operations, including new business development in prestige and mass markets. He's particularly well versed in cosmetics, OTC pharmaceutical, and nutritional products. Ten regularly works with top-tier retailers and distributors in more than 70 Countries, managing brands such as Estée Lauder, Calvin Klein, Procter and Gamble, Hugo Boss, Giorgio Beverly Hills, NYX, and many others.



LEON RBIBO, President, *The Pearl Source*

Leon Rbibo is the President of The Pearl Source, one of the largest online pearl jewelry retailers, wholesalers, and distributors in the United States. Rbibo was one of the first jewelers to move operations entirely online in the late 90s and is considered a seasoned expert on the distribution and pricing of jewelry internationally, frequently lending his expertise to [JCK](#), [National Jeweler](#), [Forbes](#), [Harper's Bazaar](#), [Real Simple](#), [Retail TouchPoints](#), [Internet Retailer](#), [The Cut](#), [Cosmopolitan](#), and more. The Pearl Source is a member of Jewelers of America, which requires its members – jewelry retailers and suppliers across the jewelry supply chain – to commit annually to professional practices for their day-to-day business operations to help consumers shop with confidence.





MARKUP, EXPLAINED



A *markup* is the figure retailers charge on top of the wholesale price (the price that the retailer pays for the item) in order to cover expenses and turn a profit. Sometimes markup amounts are decided by the retailer itself based on their incurred costs and how much money they want to make. Other times the markup is a price that the retailer is forced to charge because it's set by the product manufacturer or brand.



A Hidden Culprit — The Minimum Advertised Price (MAP)

Some brands “require retailers to sign a policy that restricts them from advertising certain products below a specific price,” according to Andrew Scarbrough, co-founder of Pricewater, an automated online tool that negotiates discounts for big-ticket items on behalf of consumers. “This is why you see so many brand-name products for the exact same price at every retailer.”

This is referred to as the Minimum Advertised Price (MAP), and it’s the lowest price for which a retailer can advertise a specific product. MAP is common, especially for luxury items and high-end brand labels, including watches, handbags, sunglasses, designer clothing, and jewelry. But MAP only restricts advertised prices; it doesn’t mean a retailer can’t sell the product for less. Many times, retailers are happy to discount the product more than advertised — you just have to know how and when to ask.

PriceWaiter data shows there’s a lot of money to be saved...if consumers understand the ins and outs of MAP:



HIGH-END RAW GEMSTONES

Average List Price: \$8,688

Average Price After Negotiation: \$6,614

Average Discount from the Advertised Price:

➔ 24%



LOW TO MID-RANGE WATCHES

Average List Price: \$419

Average Price After Negotiation: \$182

Average Discount from the Advertised Price:

➔ 56%



HIGH-END WATCHES

Average List Price: \$7209

Average Price After Negotiation: \$6338

Average Discount From the Advertised Price:

➔ 12%



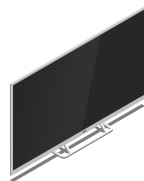
SUNGLASSES

Average List Price: \$144

Average Price After Negotiation: \$95

Average Discount from the Advertised Price:

➔ 34%



SMART TVS

Average List Price: \$2,314

Average Price After Negotiation: \$1,238

Average Discount from the Advertised Price:

➔ 46.5%



COSMETICS

Average List Price \$55

Average Price After Negotiation: \$48

Average Discount from the Advertised Price:

➔ 15%

Why Are Some Markups So High?

Retailers - whether online or brick and mortar - aren't only marking up products because they have to. They also have to cover their operating costs and turn a profit on top of that. The most common costs that retailers incur are:

- Overhead, such as rent, electricity, server fees (e-commerce).
- Sales and support staff, including customer service.
- Marketing (those tweets aren't writing themselves).
- Shipping (to ship to you and to ship products from and to the warehouse and the store).
- Production costs.
- Inventory costs/wholesale prices.
- Returns and payment processing.

You're also paying for some less-tangible costs, like brand value, design, artistry, and more. Retailers are also wary about what they can expect to sell, so they may mark up products even more.

"No one is selling their entire stock of products," says Leon Rbibo, President of The Pearl Source, one of the largest online jewelry retailers in the U.S. "So they need to price their product knowing they won't sell them at a high volume. Markups are exceptionally high for lower-volume products."



THE BOTTOM LINE

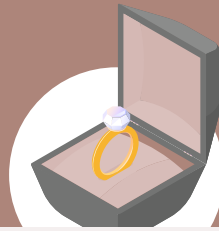
So what kind of markups can consumers expect for some of the most popular holiday gifts this season? We spoke to several retail experts to help guide you - and save some money in the process. Because who doesn't want to keep a little extra cash in their pocket?



— Product —



JEWELRY



DIAMONDS

Diamonds are a girl's best friend, as the saying goes. For wallets, not so much. As is the case with many gemstones, these luxury items carry their high prices because of the labor and cost involved in mining the stone, cutting, polishing, and shipping them. However, Calla Gold, owner of Calla Gold Jewelry, notes that diamonds often carry smaller markups compared to other gemstones because pricing is readily available, which isn't the case for other gemstones.

Expected markup 100%-200%, with some exceeding 250%



TOP TIPS



You're likely to face higher ranges in stores, with brand-name companies, and for low-volume purchases. Unless you're planning to buy diamonds in bulk this holiday season, try shopping online. Don't be frightened by the thought of buying an expensive product online.

Many e-commerce jewelry sites offer money-back guarantees, secure shipping, and even evaluation/appraisal periods to verify you're getting what you pay for.



Online retailers have lower overall costs, so their markups tend to fall in the lower range. You may also want to find a wholesaler or a retailer who will sell you the item at a wholesale price, that way you'll skip the markup altogether (it might be hard to find as a retailer would lose money on that price).

According to Rbibo, engagement rings aren't likely to carry high markups because retailers expect those to sell more frequently, especially around the holidays. So, if you're looking to pop the question, the holiday shopping rush might be a good time to pick up a dazzler.



PEARLS

Says Rbibo: “Pearl retailers usually mark up their pearl jewelry four to five times what they cost because they don’t sell as much volume and there are so many different kinds of pearls.”



Even a big discount doesn’t mean anything if there’s a high markup.

Expected markup 400-500%



TOP TIPS



Rbibo recommends people opt for freshwater pearls if they want to purchase pearls without splurging.

According to The Pearl Source’s most recent shopping guide, length of necklaces, the luster of a pearl, and even its shape will affect price. In other words, educate yourself before buying.



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Precious metals like gold are harder to figure out when it comes to markups because gold's price is constantly fluctuating, making it hard to pinpoint how much of a markup a retailer is adding to the cost. According to Calla Gold, a good rule of thumb is to expect gold to be marked up at a minimum of 100%, meaning

a retailer will charge you at least twice as much as they paid...

and maybe more depending on craftsmanship.

What a retailer pays:



What you pay:



Expected markup  100% at minimum



TOP TIPS



Buy simple and think long term. For example, earrings are likely to have a higher markup than chains because they are more labor intensive to create. If you also want to ensure your jewelry retains its value, opt for 24K gold instead of 14K. You'll pay a premium on the price, but the item itself will have more gold in it, making it more valuable. However, 24K gold jewelry is softer, and is more prone to breaking and requiring repairs, compared to 14K gold.

If you are considering your gold purchase as an investment, watch the markets so you know gold's "spot price", which tells you how the market is valuing gold at that time. It's not a perfect science but having some knowledge and awareness will prepare you come resale time.





Silver is similar to gold because its price also fluctuates daily according to market values. But silver's price is much lower than gold, and its pricing is generally more stable. The mark up for silver can vary wildly, especially when comparing traditional retailers with luxury retailers. According to Teeda, a sterling silver wholesaler,

"High-end jewelry retailers mark up our products as much as 5 to 10 times the wholesale price" while most retailers hover somewhere between a 200% and 500% markup.

Expected markup 200-500% for most retailers, up to 1000% for high-end jewelers.



TOP TIPS



Buy larger-ticket items. While the total cost might be higher, you won't be paying as much markup as you would on smaller pieces. Calla Gold also notes that silver is often marked up more than gold or platinum but recommends an item like a chain. It often carries a lower price point because the labor costs are lower (especially if it's machine made) so you can still enjoy the jewelry without any sticker shock.





From rubies and emeralds to sapphires and jade, gemstone pricing is quite tricky because of all the different factors involved: stone type, cut, shine, quality, origin, color, and more. Jessenia Landrum, founder of Jevela Jewelry, notes that a jeweler might have to mark up their prices depending on the jewelry's complexity. "It costs jewelers more if they're setting gemstones in a piece because it takes more time, more labor, and likely requires extra tools." The same is true depending on the kinds of jewelry sold, whether gemstones, gold, gold-plated material, and more.

Expected markup

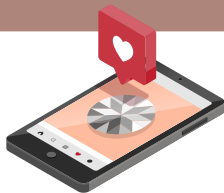
100-1000% (higher-price items often have lower mark-ups)



TOP TIPS



When it comes to gemstones and other jewelry, Landrum recommends opting for independent jewelers and smaller ones if possible. In those cases, "you'll find more passion, fashion, and enthusiasm in the design because the owner is often the designer," says Landrum. "The supply chain is shorter and you don't necessarily see very high prices."



Check out Etsy and even Instagram for these smaller, more independent jewelers.



Gold also recommends opting for more common stones such as amethyst, garnet, blue topaz, and peridot. "Because of their easy availability," she says, "they will not be priced at a premium."





— Product —

Sunglasses



While you can take solace in the fact that items like pearls, gold, and diamonds will retain some of their value after you purchase them, the same can't be said for other luxury items. And unfortunately, these items are some of the most egregious offenders in terms of markup.

For the absolute worst deals, look no further than sunglasses.

Expected markup >1000%



TOP TIPS



Sunglasses are relatively cheap to produce, yet

markups can be upwards of 1,000%.

The reason? One single company, Luxottica, is responsible for the manufacturing and production of the vast majority of shades out on the market. In other words, they own the market and can charge just about whatever they'd like. And if you remember Pricewater's data earlier, sunglasses, watches, and electronics, had the highest average discount post-negotiation.

If you're in the market for sunglasses, you're better off going to a direct-to-consumer retailer, such as Warby Parker. You can also seek out independent sunglass brands, such as Maui Jim and Rudy Project.



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Handbags



When it comes to handbags, you're paying for a bit of craftsmanship and material...but mostly for brand name. Designer handbags are one of the more expensive luxury items on people's shopping lists. But you might be surprised to learn that



HANDBAGS

handbags are typically marked up as much as 2,000%, 20 times more than they typically cost.

Expected markup >1000%

What retailers pays:



What you pay:



TOP TIPS



If you still want to opt for a designer handbag, Ten recommends sticking to the source directly and avoiding retailers that don't have a partnership with the brand itself, as that puts you at risk of purchasing a counterfeit or fake product. Trusted retailers, Ten recommends, are Nordstrom Rack, TJMaxx, and Marshalls, as "they often buy directly from the brand."





Cosmetics, makeups, and fragrances all vary wildly in price, product quality, ingredients, brands, and promises. But many of these products have a pretty high markup. Lipstick, for example, is one of the more expensive products to make (around \$2.50) but can command prices above \$10, a mark-up of 500%.

These markups may be even higher for direct to consumer brands, or brands that can't be found in traditional retailers or are available online only. But Ten explains things aren't so rosy for many of these online-only brands.

“A new brand will lose money the first 3-5 years they're in business. Perfume and makeup companies have very high costs and are usually losing money.”

— Jeffrey Ten



Expected markup  300% minimum



TOP TIPS



When it comes to cosmetics, makeup, and even high-priced hair products, Ten recommends big-box retailers if you can't buy directly from the brand itself. These big stores have direct relationships with manufacturers so you don't run the risk of buying counterfeit or fake products (which can be the case with unauthorized retailers) and they generally work at a lower margin, meaning you're not paying such a premium. Know a makeup artist? See if they're willing to buy products for you as part of their next order. As a professional in the business, they may have access to prices and discounts as part of their relationships with high-end brands that they can pass on to you.





HIGH-END ELECTRONICS

Smart TVs (and most electronics) come in a variety of literal shapes and sizes and the markups often come from complicated supply chains, manufacturing happening across several countries, and parts that are hard to come by. And there's also all the research and development that went into making that product, which is harder to put a number on. For example, the latest iPhone 11 Pro Max is estimated to cost nearly \$500 to make but can cost two to three times as much. However, if you want the latest iPhone, you don't have many options.

Expected markup 100-500%



TOP TIPS



Do your research before buying a big-ticket electronic.

A website like [rtings.com](https://www.rtings.com) is perfect for TV shoppers because they have reviews, tests you can read about, and it sorts TVs by type, size, price, and more. Scarborough has a few recommendations to help you avoid a huge markup. Look for last year's model - as long as there's a warranty, you're in good hands. You can also opt for a refurbished model—many electronic retailers guarantee that these items work just like new. You may also want to negotiate at the store if possible and/or use a service like [Pricewaiter](https://www.pricewaiter.com) to see the lowest price you can get before you pull the trigger. Negotiating may also pull in additional incentives—a better data plan with that new iPhone, for example.



CONCLUSION



Markups aside, many shoppers still want the products mentioned above. And by and large, many are willing to pay for them. Still, there are a few overall rules that our experts recommend shoppers follow to get the most bang for their buck.

NEVER BUY RETAIL.

“We live in an environment where you can check prices in a second,” Rbibo says. “In some instances, manufacturers that used to work with retailers for greater distribution will go off on their own and sell directly to consumers, resulting in a high quality product at a better price point. Seek those opportunities out. So if you’ve got your eye on a specific brand of handbag or sunglasses, check the brand’s own website first and foremost.”



DON'T BE AFRAID TO NEGOTIATE.

Says Scarbrough: “If you do find yourself shopping at a retailer, remember they are often abiding by the MAP, meaning there’s a little more flexibility in pricing than the retailer is allowed to publicly advertise. If you’re shopping online, use a negotiation tool like PriceWaiter. If you’re in person, be direct - asking for a discount may quite literally pay off.”



BE WARY OF UNAUTHORIZED RETAILERS.

While it may seem attractive to go to a discount or big box retailer in hopes of finding a diamond in the rough, tread carefully. Ten warns that unauthorized retailers present a gray area for those looking to get brand name products for a lower price. They may be damaged, refurbished, used, or, in the worst case scenario, fake — and because they’re unauthorized retailers, it’s nearly impossible to tell...or get your money back.





CONCLUSION



LOOK TO THE OUTLETS.

Outlet malls may feel like they're too good to be true, but, as Ten points out, "outlet mall stores are owned by the brands themselves. If you see a Giorgio Armani outlet store, it's owned by them, so you know the items are authentic." The one catch? You may be buying last season's styles or product that's of slightly lesser quality than what you'll find at the full-price store.



KNOW YOUR MINDSET.

When it comes to jewelry, Landrum recommends knowing whether you want to purchase a high-price fine jewelry item that might appreciate in value with time, or if it's something you "just want to throw on your ears for the night." That will help you select items that aren't only better for your money but are actually serving you in the way you want.



BEWARE OF ZOMBIE JEWELRY.

Gold warns against deals that look too good to be true. "Some manufacturers will make what is called a 'knockoff' of an existing design," she says. This knockoff looks similar but is lighter and made of lesser quality materials and gemstones, meaning it may not stand up to general wear and tear. She recommends sticking with independent jewelry designers, "especially one that offers custom design services. They are more likely to offer excellent customer care and unlikely to stock zombie jewelry that would ruin their reputation."



DON'T GET DISTRACTED BY MARKUPS ALONE.

At the end of the day, it's about the bottom line and your wallet. While you might want to find products that have less of a markup, it shouldn't be the only consideration. When it comes to cosmetics, for example, small-sized items are often cheaper compared to their larger counterparts (make-up, moisturizers, serums etc), but if you know you'll be buying the item more often, you're likely better off buying a larger container.

