

Guide: Should you be discounting your price?

The following table indicates the increase in sales required to compensate for a price discounting policy. For example, if your gross margin is 30% and you reduce price by 10% you need sales volume to increase by 50% to maintain your profit. Rarely has such a strategy worked in the past and it's unlikely that it will work in the future. Look at your gross margin and focus on the discount you've been considering. Run the numbers and look at what's workable for your business.

If your present gross profit rate is:

	5%	10%	15%	20%	25%	30%	35%	40%	45%	50%	55%	60%
Discount by:	To produce the same profit your sales must increase by:											
2%	67%	25%	15%	11%	9%	7%	6%	5%	5%	4%	4%	3%
4%	400%	67%	36%	25%	19%	15%	13%	11%	10%	9%	8%	7%
6%		150%	67%	43%	32%	25%	21%	18%	15%	14%	12%	11%
8%		400%	114%	67%	47%	36%	30%	25%	22%	19%	17%	15%
10%			200%	100%	67%	50%	40%	33%	29%	25%	22%	20%
12%			400%	150%	92%	67%	52%	43%	36%	32%	28%	25%
14%				233%	127%	88%	67%	54%	45%	39%	34%	30%
16%				400%	178%	114%	84%	67%	55%	47%	41%	36%
18%				900%	257%	150%	106%	82%	67%	56%	49%	43%
20%					400%	200%	133%	100%	80%	67%	57%	50%
25%						500%	250%	167%	125%	100%	83%	71%
30%							600%	300%	200%	150%	120%	100%

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