

Guide: Should you be increasing your prices?

If you adopt a premium pricing strategy, the following table shows the amount by which your sales would have to decline following a price increase before your gross profit is reduced below its present level. For example, at a 40% margin, a 10% increase in price could sustain a 20% reduction in sales volume. 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%
Price increase:	To produce the same profit your sales may reduce by:											
2%	29%	17%	12%	9%	7%	6%	5%	5%	4%	4%	4%	3%
4%	44%	29%	21%	17%	14%	12%	10%	9%	8%	7%	7%	6%
6%	55%	38%	29%	23%	19%	17%	15%	13%	12%	11%	10%	9%
8%	62%	44%	35%	29%	24%	21%	19%	17%	15%	14%	13%	12%
10%	67%	50%	40%	33%	29%	25%	22%	20%	18%	17%	15%	14%
12%	71%	55%	44%	38%	32%	29%	26%	23%	21%	19%	18%	17%
14%	74%	58%	48%	41%	36%	32%	29%	26%	24%	22%	20%	19%
16%	76%	62%	52%	44%	39%	35%	31%	29%	26%	24%	23%	21%
18%	78%	64%	55%	47%	42%	38%	34%	31%	29%	26%	25%	23%
20%	80%	67%	57%	50%	44%	40%	36%	33%	31%	29%	27%	25%
25%	83%	71%	62%	56%	50%	45%	42%	38%	36%	33%	31%	29%
30%	86%	75%	67%	60%	55%	50%	46%	43%	40%	38%	35%	33%

Last reviewed on 14 October 2020

Important: Clients should not act solely on the basis of the material contained in this article. Items herein are general comments only and do not constitute nor convey advice per se. Changes in legislation may occur quickly. We therefore recommend that our formal advice be sought before acting in any of the areas. This article is issued as a helpful guide to our clients and for their private information. Therefore it should be regarded as confidential and should not be made available to any person without our prior approval.