

Impact on Sales If Price is Reduced

The following table indicates the increase in sales that are required to compensate for a price discounting policy. For example, if your margin is 40% and you reduce price by 10%, you need sales volume to increase by 33% to maintain your profit. Rarely has such a strategy worked in the past, and it is unlikely that it will work in the future.

If your present margin is:

| | 20% | 25% | 30% | 35% | 40% | 45% | 50% | 55% | 60% |
|-------------------------------|--|------|------|------|------|------|------|------|------|
| And you reduce your price by: | To produce the same profit your sales volume must increase by: | | | | | | | | |
| 2% | 11% | 9% | 7% | 6% | 5% | 5% | 4% | 4% | 3% |
| 4% | 25% | 19% | 15% | 13% | 11% | 10% | 9% | 8% | 7% |
| 6% | 43% | 43% | 25% | 21% | 18% | 15% | 14% | 12% | 11% |
| 8% | 67% | 47% | 36% | 30% | 25% | 22% | 19% | 17% | 15% |
| 10% | 100% | 67% | 50% | 40% | 33% | 29% | 25% | 22% | 20% |
| 12% | 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% |