

# Pricing Decisions

## Reducing Prices

The following table indicates the increased sales required to compensate for a price discounting policy. If your gross margin is 30% and you reduce price by 10%, you need sales volume to increase by 50% to maintain your initial profit. Rarely has such a strategy worked in the past, and it's unlikely that it will work in the future

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

## Increasing Prices

On the other hand, the next table shows the amount by which your sales would have to decline following a price increase before your gross profit is reduced below its previous level. At a 30% margin and a 10% increase in price, you could sustain a 25% reduction in sales volume before your profit is reduced to the previous level...you would have to lose 1 out of every 4 customers!

		If your present margin is								
		20%	25	30	35	40	45	50	55	60%
			%	%	%	%	%	%	%	%
And you increase price by	To produce the same exact profit, your sales volume must be									
	reduced by									
2%	9%	7%	6%	5%	5%	4%	4%	4%	4%	3%
4%	17%	14%	12%	10%	9%	8%	7%	7%	7%	6%
6%	23%	19%	17%	15%	13%	12%	11%	10%	10%	9%
8%	29%	24%	21%	19%	17%	15%	14%	13%	13%	12%
10%	33%	29%	25%	22%	20%	18%	17%	15%	15%	14%
12%	38%	32%	29%	26%	23%	21%	19%	18%	18%	17%
14%	41%	36%	32%	29%	26%	24%	22%	20%	20%	19%
16%	44%	39%	35%	31%	29%	26%	24%	23%	23%	21%
18%	47%	42%	38%	34%	31%	29%	26%	25%	25%	23%
20%	50%	44%	40%	36%	33%	31%	29%	27%	27%	25%
25%	56%	50%	45%	42%	38%	36%	33%	31%	31%	29%
30%	60%	55%	50%	46%	43%	40%	38%	35%	35%	33%