



## How to Set Prices for the Best Profit

Find out the right ways to set prices in your business to optimize profit and make the right impact on your bottom line

# Increasing & Decreasing

Price Matrix Guide



## If Your Present Margin Is.....

20%    25%    30%    35%    40%    45%    50%    55%    60%

## And you discount your price by:

Your sales must INCREASE by the amount shown below to keep the same margin...

|     |      |      |      |      |      |      |      |      |      |
|-----|------|------|------|------|------|------|------|------|------|
| 2%  | 11%  | 9%   | 7%   | 6%   | 5%   | 5%   | 4%   | 4%   | 3%   |
| 4%  | 25%  | 19%  | 15%  | 13%  | 11%  | 10%  | 9%   | 8%   | 7%   |
| 6%  | 43%  | 32%  | 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% |

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



## If Your Present Margin Is.....

20%    25%    30%    35%    40%    45%    50%    55%    60%

## And you increase your price by:

Your sales would have to DECLINE by the amount shown before your Profit is reduced...

|     |     |     |     |     |     |     |     |     |     |
|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| 2%  | 9%  | 7%  | 6%  | 5%  | 5%  | 4%  | 4%  | 4%  | 3%  |
| 4%  | 17% | 14% | 12% | 10% | 9%  | 8%  | 7%  | 7%  | 6%  |
| 6%  | 23% | 19% | 17% | 15% | 13% | 12% | 11% | 10% | 9%  |
| 8%  | 29% | 24% | 21% | 19% | 17% | 15% | 14% | 13% | 12% |
| 10% | 33% | 29% | 25% | 22% | 20% | 18% | 17% | 15% | 14% |
| 12% | 38% | 32% | 29% | 26% | 23% | 21% | 19% | 18% | 17% |
| 14% | 41% | 36% | 32% | 29% | 26% | 24% | 22% | 20% | 19% |
| 16% | 44% | 39% | 35% | 31% | 29% | 26% | 24% | 23% | 21% |
| 18% | 47% | 42% | 38% | 34% | 31% | 29% | 26% | 25% | 23% |
| 20% | 50% | 44% | 40% | 36% | 33% | 31% | 29% | 27% | 25% |
| 25% | 56% | 50% | 45% | 42% | 38% | 36% | 33% | 31% | 29% |
| 30% | 60% | 55% | 50% | 46% | 43% | 40% | 38% | 35% | 33% |

When you adopt a premium pricing strategy this table shows the amount by which your sales would have to decline following a price increase before your gross profit is reduced below its current level. For example, at the same 40% margin, a 10% increase in your price could sustain a 20% reduction in sales volume.