

## THE DISCOUNTING IMPACT MODEL

To calculate the "frightening" impact of discounting on the additional volume of sales required to maintain the same profit, follow the steps **1 2 3**

<b>2</b> And you cut the price by	<b>1</b> If your present gross profit is:						
	5% 10%	15%	20%	25%	30%	40%	
%	%	%	%	%	%	%	%
	<b>3</b> You will need an increase in unit sales of:						
1%	25.0	11.1	7.1	5.3	4.2	3.4	2.6
2%	66.7	25.0	15.4	11.1	8.7	7.1	5.3
3%	150.0	42.9	25.0	17.6	13.6	11.1	8.1
4%		66.7	36.4	25.0	19.0	15.4	11.1
5%		100.0	50.0	33.3	25.0	20.0	14.3
6%		150.0	66.7	42.9	31.6	25.0	17.6
7%		233.3	87.5	53.2	38.9	30.4	21.2
8%			114.3	66.7	47.1	36.4	25.0
9%			150.0	81.8	56.3	42.9	29.0
10%			200.0	100.0	66.7	50.0	33.3
11%			275.0	122.2	78.6	57.9	37.9
12%			400.0	150.0	92.3	66.7	42.9
13%				185.7	108.3	76.5	48.1
14%				233.3	127.3	87.5	53.8
15%				300.0	150.0	100.0	60.0
16%				400.0	177.8	114.3	66.7
17%				566.7	212.5	130.8	73.9
18%					257.1	150.0	81.8
19%					316.7	172.7	90.5
20%					400.0	200.0	100.0
21%					525.0	233.3	110.5
22%					733.3	275.0	122.2
23%						328.6	135.3
24%						400.0	150.0
25%						500.0	166.7

Practice working out the impact with a couple of products – if one doesn't scare you to death!

Product 1 \_\_\_\_\_

Product 2 \_\_\_\_\_

Gross Profit = \_\_\_\_\_

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Discount = \_\_\_\_\_%

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Additional Unit Sales Required = \_\_\_\_\_

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The customer hasn't asked for a discount but you offer one! How come? And who is tasked with making those extra sales?