Price Increases, Discounts, and Impact on Gross Profit Dollars

Very few organizations focus on their pricing strategy and, in fact, most of them are quick to discount prices and rarely consider the power of raising prices. Organizations should be just as intentional about their pricing strategy as they are on expense management.

PRICE INCREASE:

This table shows, based on your Gross Margin, the percentage of volume you could afford to lose at various levels of price increases and still generate the same real dollars of Gross Profit.

So as an example, if your Gross Margin is 30%, you could raise your prices by 3% and if you lost no more than 9% of your volume as a result, you would come out ahead and be more profitable.

Gross Margin

Price Increase	10%	15%	20%	25%	30%	35%	40%	45%	50%	55%	60%
2%	16.67%	11.75%	9.09%	7.41%	6.25%	5.41%	4.76%	4.26%	3.85%	3.51%	3.23%
3%	23.08%	16.67%	13.04%	10.71%	9.09%	7.89%	6.98%	6.25%	5.66%	5.71%	4.76%
4%	28.57%	21.05%	16.67%	13.79%	11.76%	10.26%	9.09%	8.16%	7.41%	6.78%	6.25%
5%	33.33%	25.00%	20.00%	16.67%	14.29%	12.50%	11.11%	10.00%	9.09%	8.33%	7.89%
10%	50.00%	40.00%	33.33%	28.57%	25.00%	22.22%	20.00%	18.18%	16.67%	15.38%	14.29%
15%	60.00%	50.00%	42.86%	37.50%	33.33%	30.00%	27.27%	25.00%	23.08%	21.43%	20.00%
20%	66.67%	57.14%	50.00%	44.44%	40.00%	36.36%	33.33%	30.77%	28.57%	26.67%	25.00%
25%	71.43%	62.50%	55.56%	50.00%	45.45%	41.67%	38.46%	35.71%	33.33%	31.25%	29.41%
30%	75.00%	66.67%	60.00%	54.55%	50.00%	46.15%	42.86%	40.00%	37.50%	35.29%	33.33%

PRICE DISCOUNT:

This table shows the percentage increase in volume required to maintain the same real dollars of Gross Profit after a price discount.

For example, at a 30% Gross Margin, if you discount your price by 5%, you would have to increase your volume by 20% as a result of the discount in order to generate the same real dollars of Gross Profit, or else you are eroding your profitability as a result of the discount.

Gross Margin

Price Discount	10%	15%	20%	25%	30%	35%	40%	45%	50%	55%	60%
-2%	25.00%	15.38%	11.11%	8.70%	7.14%	6.06%	5.26%	4.65%	4.17%	3.77%	3.45%
-3%	42.86%	25.00%	17.65%	13.64%	11.11%	9.38%	8.11%	7.14%	6.38%	5.77%	5.26%
-4%	66.67%	36.36%	25.00%	19.05%	15.38%	12.90%	11.11%	9.76%	8.70%	7.84%	7.14%
-5%	100.00%	50.00%	33.33%	25.00%	20.00%	16.67%	14.29%	12.50%	11.11%	10.00%	9.09%
-10%	Not Possible	200.00%	100.00%	66.67%	50.00%	40.00%	33.33%	28.57%	25.00%	22.22%	20.00%
-15%	Not Possible	Not Possible	300.00%	150.00%	100.00%	75.00%	60.00%	50.00%	42.86%	37.50%	33.33%
-20%	Not Possible	Not Possible	Not Possible	400.00%	200.00%	133.33%	100.00%	80.00%	66.67%	57.14%	50.00%
-25%	Not Possible	Not Possible	Not Possible	Not Possible	500.00%	250.00%	166.67%	125.00%	100.00%	83.33%	71.43%
-30%	Not Possible	Not Possible	Not Possible	Not Possible	Not Possible	600.00%	300.00%	200.00%	150.00%	120.00%	100.00%

GO DEEPER: If you haven't already, click here to read Growing Profits And Cash Flow - The Fifth Of The Five Obsessions Of Elite Organizations™

© 2023 Next Level Growth

ALL ABOUT
Next Level Growth

› QUESTION

What is Your **Next Level?**



Do you have a vision to multiply revenue, secure investment, exit your business, scale your social impact, or build a legacy? I'll help you articulate your vision and get there faster than you ever thought possible.

Together, we'll analyze your situation, plan your strategy, then kick off the journey with two or three days of Base Camp to work with your leadership team to implement a custom business operating system based on the Next Level Growth Approach. We'll follow this up with quarterly and annual strategic meetings to continue leveling up, until we reach your summit.

› INSIGHT

Every Organization Already Has an **Operating System.**

Yours is perfectly designed to get the results you're getting.

Most organizations operate on a system that has developed organically and often haphazardly over time. It's full of inefficiencies that result from unclear roles, responsibilities, and processes. It often lacks the galvanizing force that comes from a compelling vision, mission, and meaningful values. And almost always, it lacks the power of a winning strategy set up to create a truly elite organization.

What got you here, won't get you to the summit!

To reach your Next Level, and eventually the summit of your business mountain, you will need an operating system built on proven principles, custom-configured for your organization.

› CONCLUSION

It's Time for an Upgrade.

FIRST STEP

Take the Elite Organizations Assessment and in just 7 minutes, you'll get a customized report based on your answers that is filled with resources to help you get immediate value.

NextLevelGrowth.com/Assessment

"Inspiration is perishable...act on it quickly."

Naval Ravikant