

SPECIAL ACTION REPORT



Discounting And Business - A Deadly Combination

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We know how hard it is to run a successful business. We have competition from local companies, international companies, platforms such as social media and the internet has given our customers more reach to find a better deal. This is why it is more important to hold on to as much profit as possible. So why if we know this do we still discount?

As a business, discounting by 25% to win the business only means you have to sell more business to hit the same revenue goal. The amount of extra sales required to achieve the same revenue is dependent on the gross profit derived from a sale. As an example: If you discount by 25% and your gross profit is 40% then you would need to sell an additional 166% to cover the loss of income lost by discounting.

I am not saying you should never discount. Discounting should only be considered for the right reasons. For example, we have provided you with a special discount to access the Simply Selling Online Sales Development Training Program. Why? We want to encourage you to become a client, we know that once you have experienced great results from the system you will want to continue your association with us. You will become a repeat client. This is based on the lifetime value of a client.

Consider this, a good selling process combined with sales skills will increase sales, you can also increase your Gross Profit per sale.

Discounting will result in more time and manpower to achieve the goal set out. The same is true for individual salespeople, all to achieve that important revenue required and we can be sure to find very tired, stressed out salespeople reaching out to our HR department. It is all one big domino effect. Take a look at the table on the next page to see how this effects you.

Instructions:

If your present gross profit margin is 20% and you cut your selling price by 5% (in the extreme left hand column), see where the two columns intersect. So, you will need to sell 33.3% MORE units to earn the same amount of gross profit as you did at the previous price.

If you cut your price by:	If your present GROSS profit is:						
	5%	10%	15%	20%	25%	30%	40%
	You 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%	88.5%	53.8%	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%	177.7%	90.5%
20%	-	-	-	-	400.0%	200.0%	100.0%
25%	-	-	-	-	-	500.0%	166.7%

What to do instead

It is scary to see the figures and how they can negatively impact on your business. There are methods that we can implement to use discounting in the correct situations as a positive and to stop the discount and close the sale. Contact us for more information.