



# OPENING || GATES

PURPOSE. PASSION. PARTICIPATION.

## KNOW YOUR NUMBERS

INCREASING YOUR PRICE  
A GROWTH STRATEGY OR IS IT?

# PRICE INCREASE > SALES IMPACT

% Price Increase	Current Gross Profit %								
	10	15	20	25	30	35	40	50	
	Percentage that sales can fall before total gross profit reduces								
2.0	17	12	9	7	6	5	5	4	
3.0	23	17	13	11	9	8	7	6	
4.0	29	21	17	14	12	10	9	7	
5.0	33	25	20	17	14	12	11	9	
10.0	50	40	33	29	25	22	20	17	
15.0	60	50	43	37	33	30	27	23	

# THE PRICE INCREASE MATRIX

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A strategy to increase prices, as a means of generating more sales in dollar terms, comes with serious pitfalls if you don't do your due diligence up front.

Before adopting a strategy to increase prices you must do your numbers to fully understand how far the number of units sold could decrease before it impacted your gross profit position in dollar terms.

Do your market research. Understand your customers likely reaction to a price increase. There is a danger that your price increase will be negated by a greater than anticipated drop off in units sold.

This matrix shows you how low you can go in terms of units sold before you begin to experience an erosion in your gross profit in dollar terms.

# CONSIDER THIS SCENARIO

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If your current Gross Profit percentage is 35% and you intend to increase your price by 10%, your sales could fall by 22% without eroding gross profit in dollar terms.

See the notated matrix on the next page.

If too many price sensitive buyers may consider a 10% price increase a reason to shop elsewhere, the negative impact on profitability may be significant.

Ask yourself this question. Am I confident that a 10% price increase will not lead to more than a 22% fall in sales? Is my value proposition and my marketing messaging strong enough?

Anything more than a 22% decrease in units sold will result in an erosion of gross profit.

# EXAMPLE 35% GP : 10% PRICE INCREASE

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