

Small Business Discount calculator



Use this calculator to see the impact of discounting on your profit. It may make you think twice about discounting when you see how much you're giving up.

Cost price	<input type="text"/>	Proposed discount	<input type="text"/> %
Mark-up	<input type="text"/> %		
Result before discount		Result after discount	
Selling price		Selling price	
Profit		Profit	
Profit margin		Profit margin	

Example

A product costing you \$100 with a 50% mark-up (\$50) gives a \$150 selling price. If you want to discount this selling price by 20% (which would be 20% of \$150 = \$30), the new discounted price will be \$120 (\$150 - the \$30 price reduction).

Your PROFIT is now only £20 (the new price of \$120 - the same \$100 cost).

So a 20% discount has moved your profit from \$50 to \$20 (a whopping 60% drop!).

Discounting by x% will always have a much larger impact on your net profit.

Why discount

Build loyalty and repeat sales

Offering a discount for repeat purchases can:

- build goodwill
- create dependable revenues
- reward loyal customers.

The cost may be significantly less than the cost of gaining a new customer.

Release chained-up cash

Holding a stock clearance sale of unwanted or slow moving stock can help you improve your stock turn rate and release cash for your business.

Speed up cash inflows

Early payment discounts can help get cash in earlier. However, balance this against the cash you forgo by offering the discount.

Reduce spare capacity

Could you discount to increase your revenue by reducing spare capacity? For example, a B&B business could offer last-minute discounts to fill beds that would otherwise remain empty.

Move volume

People expect to pay less if they buy more. Discounts such as 'buy two, get the third free' can be effective in moving product. So, despite lower average margins, you could end up making more profit.

The pitfalls of discounting

Sacrificing margin

You'll have to sell more to make up for a discount. For example, if your profit margin is 30% and you discount by 10%, you'll need to sell over 70% more to make the same profit.

Damaging credibility

Discounting below the industry average could suggest a problem with quality or experience. Alternatives like offering extras or better warranties might be more effective.

Race to the bottom

Being the cheapest is a hard game to win for a small business. Larger companies could throttle your sales through offers such as 'we'll beat the lowest price out there by 10%'.

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The information provided by these calculators is intended for illustrative purposes only and is not intended to purport actual user-defined parameters. The default figures shown are hypothetical and may not be applicable to your individual situation. Be sure to consult a financial professional prior to relying on the results.