

PRICING & VOLUME

# Understanding the Price vs. Volume Tradeoff: How Changes in Pricing Impact Profit Margins

Pricing decisions are critical to sustaining profitability and growth.

Every business, whether selling products or services, faces a familiar dilemma: lower the price to attract more customers or maintain higher prices to protect profit margins.

PRICE % REDUCTION	CURRENT GROSS PROFIT MARGIN								
	5%	10%	15%	20%	25%	30%	35%	40%	50%
	Volume % Increase Needed to Maintain Current Profit Margin								
<b>2.0%</b>	67%	25%	15%	11%	9%	7%	6%	5%	4%
<b>3.0%</b>	150%	43%	25%	27%	14%	11%	9%	8%	6%
<b>4.0%</b>	400%	67%	36%	25%	19%	15%	13%	11%	9%
<b>5.0%</b>	--	100%	50%	33%	25%	20%	17%	14%	11%
<b>7.5%</b>	--	300%	100%	60%	43%	33%	27%	23%	18%
<b>10.0%</b>	--	--	200%	100%	67%	50%	40%	33%	25%
<b>15.0%</b>	--	--	--	300%	150%	100%	75%	60%	43%