

# The Pricing Trap



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Below are two tables.

You can use these tables to show how much your sales volume must change to compensate for a change in price - and still keep the same pound notes profit.

## Price increase

% price increase	Current Gross Margin %								
	5%	10%	15%	20%	25%	30%	35%	40%	50%
	percentage unit/volume decrease to generate same gross margin £								
2%	29%	17%	12%	9%	7%	6%	5%	5%	4%
3%	38%	23%	17%	13%	11%	9%	8%	7%	6%
4%	44%	29%	21%	17%	14%	12%	10%	9%	7%
5%	50%	33%	25%	20%	17%	14%	13%	11%	9%
7.5%	60%	43%	33%	27%	23%	20%	18%	16%	13%
10%	67%	50%	40%	33%	29%	25%	22%	20%	17%
15%	75%	60%	50%	43%	38%	33%	30%	27%	23%

The table above shows you how much your sales volume could decrease by and still make the same gross margin in £ if you increased your prices (your gross margin % will change but you will still make the same pound note profit).

So for instance, if you have a 30% gross margin and you increase your prices by 5%, then you could lose 14% of your sales volume and still make the same pound note gross margin (although your gross margin % would increase to 33%).

## Price decrease

% price decrease	Current Gross Margin %									
	5%	10%	15%	20%	25%	30%	35%	40%	50%	
	percentage unit/volume increase to generate same gross margin £									
2%	67%	25%	15%	11%	9%	7%	6%	5%	4%	
3%	150%	43%	25%	18%	14%	11%	9%	8%	6%	
4%	400%	67%	36%	25%	19%	15%	13%	11%	9%	
5%		100%	50%	33%	25%	20%	17%	14%	11%	
7.5%		300%	100%	60%	43%	33%	27%	23%	18%	
10%			200%	100%	67%	50%	40%	33%	25%	
15%				300%	150%	100%	75%	60%	43%	

The table above shows you how much your sales volume needs to increase by for you to still make the same gross margin in £ if you decreased your prices (your gross margin % will change but you will still make the same pound note profit).

So for instance, if you have a 30% gross margin and you decrease your prices by 5%, then you would need to gain 20% sales volume in order to still make the same pound note gross margin (although your gross margin % would increase to 33%).

Please note that the tables above do not take the place of analysing the specific numbers in your business.

If you need any help making these changes in your business, please feel free to get in touch.