Discounts and profit

A short guide to commercial decisions

EUR 100 price. EUR 70 unit cost.

A 10% discount reduces gross profit per unit from EUR 30 to EUR 20. That is 33.3% less gross profit.

	Before discount	After discount
Selling price	EUR 100.00	EUR 90.00
Unit cost	EUR 70.00	EUR 70.00
Gross profit / unit	**EUR 30.00**	**EUR 20.00**
Margin	30.0%	22.2%

+50%

Preserving total gross profit requires 50% more units.

100 units × EUR 30 = EUR 3,000. With the discount: 150 units × EUR 20 = EUR 3,000.

All amounts exclude VAT. Unit cost is held constant. Additional selling and fixed costs are excluded. Higher sales volume is not guaranteed.

Formulas and assumptions

Required volume increase = original gross profit per unit ÷ discounted gross profit per unit − 1.

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Before approving a discount

01 **What additional volume will it generate?**

Assess sales that would not happen without the discount, including the effect on volume normally sold at full price.

02 **Will unit costs and capacity stay the same?**

Check freight, commissions, returns and production or warehouse workload.

03 **What condition does the customer meet?**

Tie the discount to a clear quantity, order value, payment arrangement or other agreed condition.

04 **How long does the offer apply?**

Specify the period, eligible products and the person responsible for approval.

05 **When will you review the outcome?**

Compare actual volume and gross profit against the original scenario.

Decision worksheet

What situation are we addressing?

Which customers and products does the discount cover?

What minimum additional volume is required?

What additional costs could arise?

Who approves it and when will we review the outcome?

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