

## *Financial training For non financial staff*



*The financial training specialists*

### **Selling for profit (profit)**

I was running a workshop last week, and asked the sales people: “So is 10% discount 10% less profit?”

The answer was a resounding yes.

Think about it. If we buy things for 80, and sell them for 100, we make a profit of 20. A 10% discount means we’re buying them for 80, but only selling them for 90. Now the profit is only 10.

So a 10% discount is 50% less profit in this case. That means we’ve got to sell twice as many to make the same profit. Not more profit, but the same profit.

If we were selling 1,000 units at 100 each, and we sell 1,500 units at 90 each, sales revenue will go through the roof. It’ll increase from 100,000 to 135,000. But profit will drop from 20,000 to 15,000.

So we’re working harder, being busier, but making less money. Even though the sales will make us think we’re doing better.

I worked with one company a few years ago where their sales people said “That’s all very well, but it’s company policy here not to tell us what the product costs to manufacture.” Yet these sales people had the authority to negotiate whatever price was needed to win the sale. Their annual sales showed they sold everything for less than the cost of making it. And that was before paying the company overheads.

How do your sales people stack up against the 10% question? And what do you need to do about that?