Financial training
For non financial staff

ATTAINMENT TRAINING

The financial training specialists

Add on sales (Profit)

In my last blog I talked about how small discounts can make big inroads into our profitability.The discount may increase our sales, but higher sales could then result in lower profits.

But sometimes discounts are very attractive, even if they gobble upall of our profit on that line.
I've got a Brother laser printer in my office, which cost me about £200.But a couple of times a year I buy new Brother cartridges for it: at about £400.
I would guess that Brother makes much more profit on consumables, than it does on printers.In fact it may pay them to sell the printers at cost, with no profit at all, as it locks the customer into buying Brother consumables for the life of the printer.
Of course, not all customers will buy Brother consumables, many will buy compatible cartridges instead.Maybe it would pay Brother to manufacture compatible cartridges as well as "the real thing", but as they are so much cheaper, there will be a lot less profit in them.
I choose to pay more for the real McCoy because my experience tells me I have fewer quality problems than when saving some money and buying the cheaper alternative.
So we need to be very clear about where we make our profit.But if - like Brother - some products drive sales of other profitable product lines, it can pay to give selective discounts.
But the key is in understanding where we make our profit!