

Financial training For non financial staff



The financial training specialists

What are you training your sales people to sell? (profit)

Different businesses have different sales strategies.

In the 1990s Tesco was aiming to maximise sales revenue and be the biggest supermarket.

A company selling printers will probably want to sell as many units as possible, to maximise the profitable follow-on sales of consumables.

But what about aiming to sell less to make the business more successful? Clearly the man's bonkers this week!

Let's say we buy units for £60, and sell them for £100. At this price we sell 1,000 per month, with sales revenue of £100,000.

For every £10 we change the price, sales change by 150 units in the opposite direction.

If we drop the price to £80, we sell 1,300 units and sales revenue rises 4% to £104,000. That's good!

If we drop the price to £60, we'll sell 1,600 and maximise unit sales. Sales revenue will be £96,000, but we won't make any money (we're selling them at cost). We obviously wouldn't want to sell for less than £60 – that would be daft!

What happens to our profit, though? At £100 we're making £40 a unit, £40,000 in total. At £80 we're selling more units, and sales revenue is higher, but we're only making £20 a unit, £26,000 in total.

What if we increase the price to £110? We'll only sell 850 units, sales revenue falls 6½% to £93,500, but we make £50 a unit: £42,500 in total.

So do you train your sales people to sell the highest number; sell for the highest revenue; or sell for the highest profit?