How to calculate the amount of discount for vouchers

Permanent discounts for companies can provide several benefits:

1. **Attract customers:** Discounts attract the attention of potential customers and can be an incentive to make a purchase. This can be especially useful in a competitive environment where companies compete for customer attention and loyalty.
2. **Increasing Sales:** Discounts can encourage more sales. Buyers may be tempted to buy more products or services when they see a good deal.
3. **Get rid of excess inventory:** Companies can use discounts to quickly sell goods or services that are left in large quantities in stock or in assortment. This avoids unnecessary storage costs and obsolescence costs.
4. **Promoting new products or services:** Discounts can help introduce new products or services to the market, attracting first customers and generating interest in innovation.
5. **Increasing customer loyalty:** Regular discounts for regular customers can help build loyalty. Customers who receive consistent value propositions tend to stay loyal to the brand.
6. **Marketing Strategy:** Discounts can be part of a company's overall marketing strategy. They help draw attention to the brand and create a positive image of the company.

   Competitive advantage: If a company provides better discounts than competitors, it can attract customers and increase market share.

   The discount must be tangible for the buyer. A 5% discount when buying an apartment is an impressive amount, but the same discount on a bottle of sparkling water is unlikely to attract buyers - it is not too significant.

   To know what kind of discount you can offer, you first need to calculate the margin of the product.

   Marginality is the percentage of profit in total revenue. The higher the margin, the more you earn.

   Margin can be calculated:

   Margin = (sales price − cost price) / sale price × 100%

   Example:

   You have a business for tailoring leather slippers. The cost of making one pair of slippers is $50. The sale price of slippers is $100.

   Margin = (100 − 50) / 100 × 100% = 50%

Keep in mind that the size of the discount should not be higher than the margin of the product, otherwise you will sell at a loss and not make a profit.
If you start selling slippers at a 70% discount, you won't earn
or even recover their cost.

How to calculate the effectiveness of the discount?

Discounts should stimulate sales. To make money on stocks, you need to calculate in advance the amount of goods that need to be sold at a discount. Here's how to do it:

Calculate the break even point

This is the volume of sales that will retain the previous income, but will not yet bring additional. Sales above this point will generate additional income from the product discount. It can be used to calculate the effectiveness of the action.

To calculate the required sales volume, you need to know the discount losses. They are calculated according to the formula:

Discount Loss = Discount / Margin

Using the percentage of losses, the required increase in sales is calculated:

Required Sales Growth=Discount Loss/(100%−Discount Loss)

Example:

You have decided to make a 15% discount on every pair of slippers.

Discount loss = 15% / 50% × 100 = 30%

Required Sales Growth = 30% / (100% − 30%) × 100 = 42%

To reach the initial profit, you need to increase sales by 42%.

If you normally sell 100 pairs, then you need to sell 142 pairs. Any slippers that are sold above this number will bring additional profit.

Conduct an ABC analysis of goods

ABC analysis (ABC-analysis) is a method that allows you to classify company resources (raw materials, goods, budget, customers) according to their importance to the business. It is based on the famous Pareto principle or the 80/20 rule. The principle says that 20% of efforts or investments give 80% of results.

According to the Pareto principle, all resources or factors of the company can be divided into groups: A - 20% of the resources that bring 80% of profit/sales/turnover. This is the most valuable segment, it is worth focusing your efforts on it. B - 30% of the resources that give 15% of the profit. C - the remaining 50% of the resources,
the profit from which is only 5%.

ABC analysis will help you understand which products or services are best discounted.

Compare margin and demand for all items in your price list.

Compare the margins of your products or services:

- Low marginality - from 10 to 20%.
- The average margin is from 20 to 100%.
- High margin - more than 100%.

Compare the demand for your products or services. Divide positions into three categories:

- Buy often.
- Medium buy.
- Rarely buy.

Compare margin and demand. It is better to make discounts on medium- and high-margin products that are rarely bought. This way you will sell more items at 100% or higher markup, but the discount won't eat up a significant portion of your total revenue because there is still little demand for these items.

Example:

You sell leather goods and want to calculate which items are best for discounting.

The easiest way is to write out the goods in a general table and arrange them according to the ratio of marginality and how often the goods are bought.

Goods	Often	Medium	Rarely
High margin	Belts	Covers for documents	Clutches
Medium Margin	Bracelets	Belt bags	Wallets
Low margin	Backpacks	Bags	Shoes

In this case, it is better to make discounts for clutches and wallets. You already earn a lot from these products, and a 10-20% price reduction will not affect the total revenue, because the demand for them will still be less than for other products.