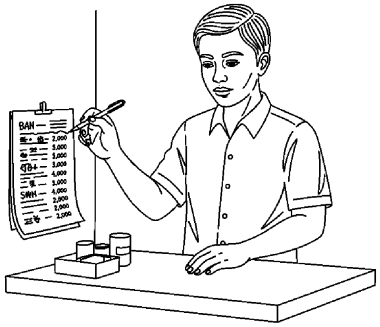
HIGH-VOLUME

WORKSHEET 3 OF 9

Discount Approval Gate

Complete before agreeing to any discount. One row per negotiation. Do not hand over a number until this sheet is filled.



Complementary worksheet for
Pricing Strategy Fundamentals
by Ibrahim Anwar

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SECTION 1

What This Is For

The Discount Approval Gate exists for one reason: to interrupt the moment between a customer asking for a discount and a salesperson agreeing to it. In most businesses, that moment lasts about two seconds and involves no calculation. This worksheet makes it take five minutes and involve one formula. The formula determines whether the volume the discount requires is actually achievable from the order in front of you.

The worksheet is not designed to prevent discounts. Some discounts are correct business decisions. It is designed to prevent the discounts that feel like good relationship maintenance but quietly erode the margin that every other part of the operation is working to build. A discount given without running the break-even formula is not a negotiation; it is a concession made under social pressure.

SECTION 2

Benefits

What you get when you actually run this worksheet on a real situation:

- Forces the break-even volume calculation before any discount is spoken aloud, not after the agreement is signed.
- Creates a written record of every discount given — recipient, percentage, product, business reason — that makes the weekly discount report possible.
- Separates the emotional pressure of the customer conversation from the arithmetic of the margin impact.
- Surfaces the counter-offer before the conversation resumes, so the salesperson enters the next exchange with a number rather than an apology.
- Over time, the log of Realistic Y/N responses becomes internal data on which customers generate profitable volume and which ones consistently request discounts that the math does not support.

SECTION 3

Framework To Use

Discount Break-Even Formula

The volume increase required to maintain the same absolute profit after a discount. If that volume is not achievable from the order, the discount at the requested size costs money.

THE FORMULA	EXAMPLE: 15% MARGIN, 5% DISCOUNT	DECISION RULE
Required volume increase (%) = Discount (%) ÷ (Net margin (%) − Discount (%))	5 ÷ (15 − 5) = 50% more volume needed. Is this order 50% larger than typical? If not, the discount cuts absolute profit.	If required volume is not realistically achievable from this specific order or customer, do not give the discount at that size. Counter-offer or attach a volume commitment.

SECTION 4

How To Use

Follow these steps in order. Each one builds on the previous.

1. Before any discount conversation, pull up this worksheet. Do not give a number until all columns are filled.
2. Enter the customer name or order reference, the product being discounted, and the listed price.
3. Write the current net margin percent for this product. This is the HPP-based margin, not the gross margin.
4. Enter the discount percentage the customer has requested.
5. Run the break-even formula: Discount (%) ÷ (Net margin (%) − Discount (%)). Write the result in the Required Volume Increase column.
6. Look at the order or expected order volume from this customer. Is the required volume increase realistic from this specific relationship? Answer Y or N.
7. If N: write a counter-offer in the last column before returning to the conversation. Options: smaller discount, original discount contingent on a minimum volume commitment, faster payment terms in exchange for no discount, or a longer contract term.
8. File the completed row. Once per week, review all N-column entries together. This is the weekly discount report.

SECTION 5

Example Use

A B2B distributor has a customer requesting a 10% discount on a $48 product. The distributor's net margin on this product is 18%. The customer is ordering 200 units this cycle.

The sales manager fills the gate before calling the customer back.

Listed price: $48.00. Net margin: 18%. Discount requested: 10%.

Break-even formula: 10 ÷ (18 − 10) = 10 ÷ 8 = 125% additional volume required.

Current order: 200 units. Break-even order at the discounted price: 200 × 2.25 = 450 units. Is a 450-unit order from this customer realistic? No — this customer has never placed more than 250 units in a single cycle. The answer in the Realistic column is N.

Counter-offer written in the last column before the call resumes: "We can offer 5% discount on orders above 350 units committed over the next three months, subject to a written purchase commitment by end of week."

The formula shifts: at 5% discount on 18% margin, break-even is 5 ÷ 13 = 38.5% additional volume. A 350-unit commitment is 75% above the current 200-unit cycle — above break-even. The counter-offer is profitable if the customer accepts the commitment.

The customer accepts 4% discount with a 300-unit commitment. The sales manager checks: 4 ÷ (18 − 4) = 4 ÷ 14 = 28.6% additional volume. At 300 units this is 50% above current cycle — above break-even. The deal is logged, the commitment is written into the order, and the conversation closes in under ten minutes.

SECTION 6

The Worksheet

Tear this out, copy it onto a fresh sheet, or fill it in directly.

Discount Approval Gate

Complete before agreeing to any discount. One row per negotiation. Do not hand over a number until this sheet is filled.

CUSTOMER / ORDER	PRODUCT	LISTED PRICE ($)	NET MARGIN AT LISTED PRICE (%)	DISCOUNT REQUESTED (%)	BREAK-EVEN VOLUME INCREASE REQUIRED (%)	REALISTIC? (Y/N)	COUNTER-OFFER OR CONDITION

SECTION 6 (CONTINUED)

Reflection Prompts

After filling in the worksheet on the previous page, work through these.

1. Break-even volume formula: Discount (%) ÷ (Net margin (%) − Discount (%)). If the required volume increase is not achievable from this specific order, the discount as requested will cost absolute profit. Write the counter-offer before the conversation resumes.

2. For any row marked N in the Realistic column: the default counter-offer is either a smaller discount or a compensating condition — minimum volume commitment, faster payment terms, or a longer contract. Choose one and write it in the last column before responding to the customer.

SECTION 7

Tips and Traps

TIPS

- Print one copy of the gate per week and keep it at the desk. The physical act of pulling out the sheet during a phone call creates the pause that prevents the impulsive concession.
- Train anyone who quotes prices to run the formula before the conversation, not during it. A salesperson calculating in front of a customer looks uncertain; a salesperson with the number already on paper looks prepared.
- The 'Counter-Offer or Condition' column is the most important column on the sheet. The formula tells you what not to give; this column tells you what to offer instead. Fill it before picking up the phone.
- Once a month, sort all N-column entries by customer. Customers with multiple N entries are requesting discounts that the math consistently does not support. That is a relationship conversation, not a pricing conversation.

TRAPS

- Running the formula after agreeing to the discount and calling it a 'retroactive check.' The gate only works before the number is spoken.
- Using gross margin instead of net margin in the formula. Net margin is after all costs, including overhead. Gross margin misses overhead and overstates the room available for discounting.
- Treating the break-even formula as the only consideration. If the customer is a 25% revenue concentration, the relationship risk of refusing affects the decision. The formula tells you the margin cost; the relationship cost is a separate judgment. Both are inputs, not one or the other.
- Forgetting that discounts given to one customer without conditions become the baseline expectation for every future order. The first unconditional discount is the hardest to walk back.

SECTION 8

Appendixes

Appendix A — Break-Even Volume Quick Table

Required additional volume (%) to maintain same absolute profit

Initial Net Margin →	3% disc	5% disc	8% disc	10% disc
10%	+43%	+100%	n/a*	n/a*
15%	+25%	+50%	+114%	n/a*
20%	+18%	+33%	+67%	+100%
25%	+14%	+25%	+47%	+67%

*n/a = discount equals or exceeds net margin. Every unit sold at a net loss.

HOW TO READ: Find current net margin row, discount size column.
The intersection is the volume increase required to stay break-even.
If that volume is not achievable from this order, the discount at that
size reduces absolute profit regardless of how the conversation feels.

Appendix B — Standard Counter-Offer Menu

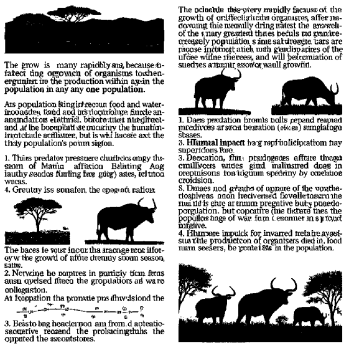
When Realistic = N, pick one counter-offer from this list and write
the specific numbers before resuming the conversation.

A. Smaller discount that IS break-even at current volume:
   New discount = net margin − (net margin × current volume / required volume)
   Example: margin 18%, order 200, break-even requires 450.
   Affordable discount at 200 units: 18 − (18 × 200/450) = 18 − 8 = 10... recalc:
   Try 5%: break-even at 5/(18-5) = 38.5% more. 200 × 1.385 = 277. Achievable?
   If yes, offer 5% without condition.

B. Original discount with volume commitment:
   Offer the requested discount, contingent on a written minimum order
   commitment over the next 2–4 months that meets or exceeds break-even volume.
   "We can do 10% on orders of [break-even qty] or more, confirmed in writing."

C. Payment terms instead of price:
   Offer faster payment terms instead of a price discount.
   Net-30 → Net-7 in exchange for no discount. Calculate the working
   capital saving: (invoice value × days saved) / 365 × working capital rate.

D. Volume bracket, not one-time:
   "Our pricing tier at [break-even qty/month] is $X. If you can commit to
   that bracket for six months, that rate applies to every order in the period."



WHERE THIS WORKSHEET COMES FROM

Pricing Strategy Fundamentals

The Right Price Is Neither the Lowest Nor the Highest

by Ibrahim Anwar

This worksheet is one of nine in the *Pricing Strategy Fundamentals* companion worksheet pack. The full pack is grouped into three categories: high-volume worksheets you can run weekly, niche-search worksheets for rare but high-value situations, and specific-case worksheets that walk you through a single concrete scenario.

Every framework, decision filter, and figure used in these worksheets is drawn from the chapters of the source book. The book sets the diagnosis, the worksheets give you the form to act on it.

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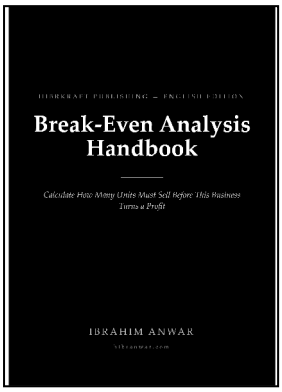

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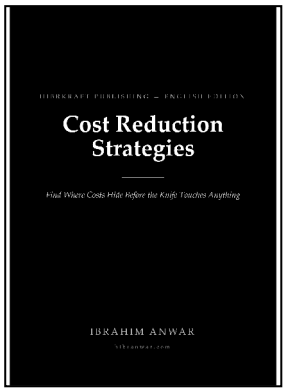

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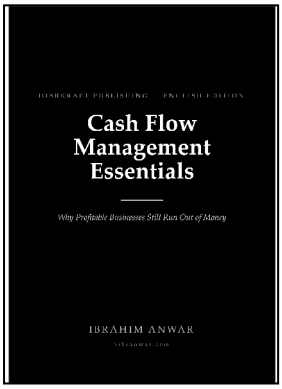

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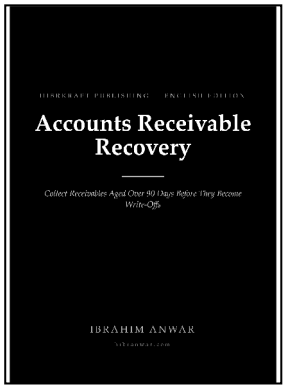

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