

Margin Maintenance Theme

Maintenance of the current or forecasted Gross Margin (aka the Gross Profit Contribution) is a popular benchmark and planning constraint in Cost-Based Marketing Management

- If your changes in the marketing plan have the potential to change the gross profit contribution
- Then some accountant will probably invoke the law that **current gross profit contribution must not be reduced!**

THAT IS TO SAY

- Want to change your Selling Price
- Or
- Product Quality (changes in direct materials, labor, etc.)
- Or
- Change the Sales Volume with contract bids or by entering a new market

- LAW OF MARGIN MAINTENANCE
- DO **NOT** REDUCE THE CURRENT GROSS PROFIT CONTRIBUTION

POPULAR SITUATIONS

- A sales person wants to reduce the price of the product so that he can win the sale against competitor's prices
- A manager wants to bid below the cost of production to win a private label contract
- A store manager wants to have an inventory clearance sale to reduce excess inventory

- This class will look at the contract bidding problem and inventory clearance sale problem
