

Coupon Profitability Analysis

Number of coupons:
Face value of coupons:

Fixed Costs

(Costs required to create and manage the promotion)

Design & consultation fees (if any)	<input type="text" value="\$200.00"/>
Setup costs for producing coupons	<input type="text" value="\$75.00"/>
Other fixed costs (<i>describe</i>)	<input type="text" value="\$0.00"/>
Total fixed costs	\$275.00

Incremental Costs

(Costs varying with the number of coupons)

Production costs per thousand coupons	<input type="text" value="\$0.00"/>	\$0.00
Distribution costs per thousand coupons	<input type="text" value="\$15.00"/>	\$45,000.00
Legitimate redemption rate (Percent of coupons properly redeemed)	<input type="text" value="6.00%"/>	\$90,000.00
Misredemption rate (Percent of coupons redeemed wrongly/for the wrong products)	<input type="text" value="1.00%"/>	\$15,000.00
Processing costs per coupon redeemed	<input type="text" value="\$0.10"/>	\$300,000.00
Other variable costs per coupon (<i>describe</i>)	<input type="text" value="\$0.00"/>	\$0.00
Total variable costs		\$360,000.00

Incremental Profit Contribution

((Number of incremental sales x profit margin on product)

Number of sales from redemptions: 180,000

Percentage of these sales that would have occurred anyway	50.00%
Number of incremental sales from redemptions:	90,000

Profit contribution per sale	\$3.76
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Total incremental profit	\$676,800.00
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