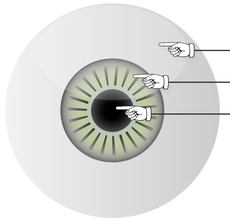
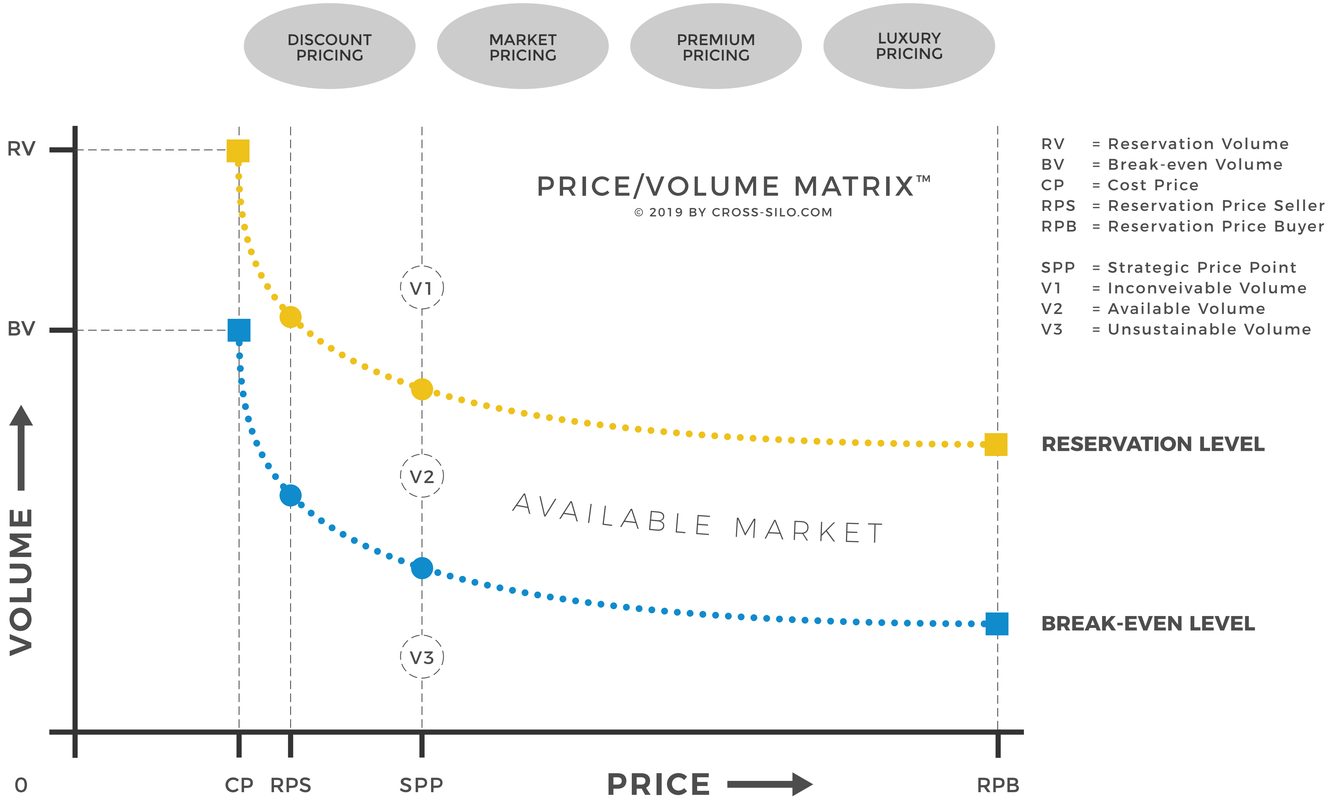
PRICE-VOLUME MATRIX™



- **BUSINESS DYNAMICS** (PRODUCING GOODS)
- **CUSTOMER DYNAMICS** (PROVIDING SERVICES)
- **MARKET DYNAMICS** (UNDERSTANDING NEEDS)

"An average human looks without seeing, listens without hearing, and talks without thinking." ~Leonardo da Vinci

To calculate the minimum (break-even) and maximum (reservation) sales volume, at a strategic price point, we can use a Cost-Volume-Price (CVP) Analysis. To understand the size of the available market we'll need to study the demographic and other market trends to identify a company's ideal customer base or the end-user of our product or service. The total available market is the total of all unit sales of all competing products at all conceivable price points.



RV = Reservation Volume
BV = Break-even Volume
CP = Cost Price
RPS = Reservation Price Seller
RPB = Reservation Price Buyer

SPP = Strategic Price Point
V1 = Inconveivable Volume
V2 = Available Volume
V3 = Unsustainable Volume

PRICE/VOLUME MATRIX™

Cost-Volume-Price Analysis:

$$\textbf{Break-even Volume} = \frac{\text{Fixed Costs}}{(\text{Price} - \text{Variable Costs})}$$

The **Cost-Volume-Price** (CVP) Analysis calculates the break-even volume at any price point - limited by the cost price and the reservation price.

The **reservation price** is a limit on the price of a good or a service. On the demand side, it is the highest price that a buyer is willing to pay; on the supply side, it is the lowest price at which a seller is willing to sell.

The **break-even level** is a graph of sustainable volumes at any given price point - limited by the cost price and the reservation price.

The **reservation volume** is the size of the available market when the price would be near to the cost price (lowest price, highest volume).

The **reservation level** is the size of the available market at any given price point - limited by the cost price and the reservation price.

To account for variations in fixed and variable costs between competitors, you may want to add a +/- 5% variation margin to both levels.